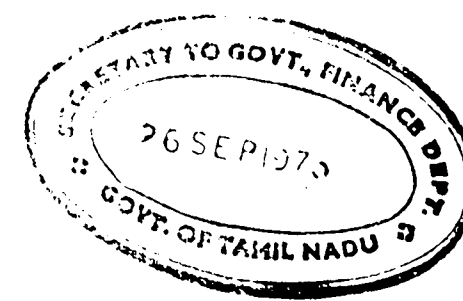


Finance Secretary

11



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Up to the threshold

The Economist

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BRITISH

July 8, 1972



In the threshold

When the TUC turned up at No. 10 on Tuesday seemed that the Government wanted to try to bring an incomes policy based on allowing cost of living adjustments and threshold movements. Mr Vic Feather is despairing, but the scheme is most unlikely to work. The CBI may keep its price restraint for three months, and then find that it ends just as the Government has to impose its long-delayed freeze, page 91. The employers say they would like a threshold agreement, but a 30 per cent wage rise as well, page 92.



Real alternative?

Powell will come to power in a national calamity which inflation may yet bring about. How he could make himself a better prospect for public respect, page 19.

Concorde caper

It seems likely, the Government gives in to pressure to develop a bigger, more efficient Concorde, it will be almost impossible to develop any other aircraft in Britain, page 76.



No go

The army in Ulster is back to where it came in—trying to contain Protestant mobs. But if the politicians of both communities do not act they will be engulfed by their own extremists, page 14. The army versus the UDA, page 23.



The Emu's not extinct

A compromise suggestion on European money which Mr Heath could put to M. Pompidou and Herr Brandt, page 13. The second week of sterling's floating has not been a happy one for advocates of fixed rates, or the departing Herr Schiller, page 79.

Fence strengthened

With M. Messmer as prime minister France isn't likely to be a very co-operative neighbour to its fellow-Europeans, page 31.

Fence mended

Peace isn't about to break out all over Mrs Gandhi's subcontinent, but she and Mr Bhutto have started to sort out their particular corner, page 16.

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Stock Prices and Yields

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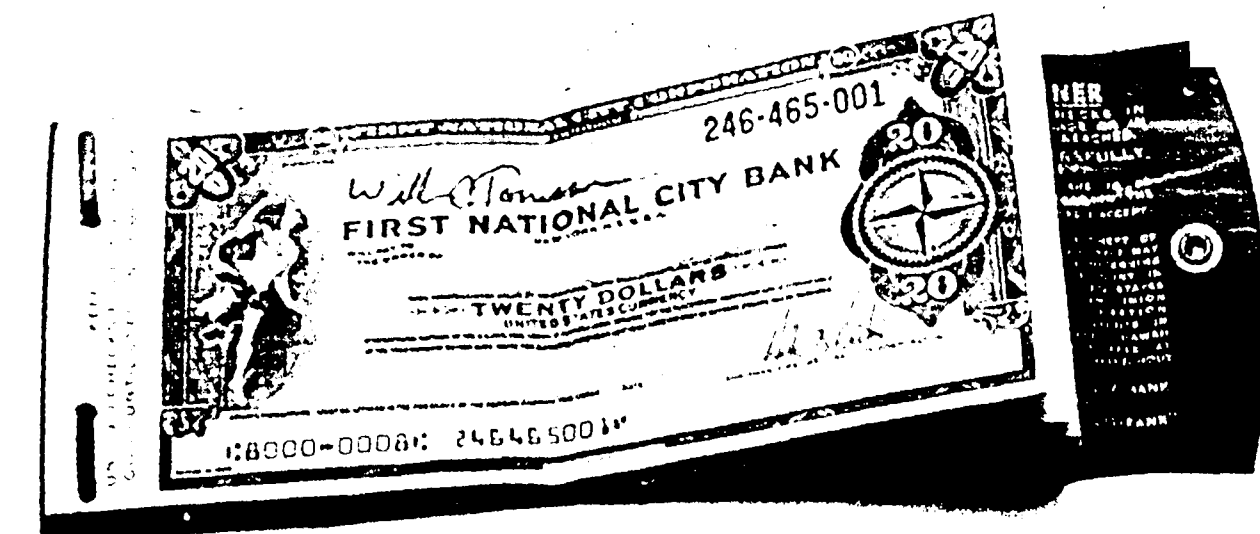
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Letters

Union monopolies

SIR—Among the reasons put forward for introducing industrial relations legislation under the previous or present governments has been the need to confront the unions when they are acting in a monopolistic way. It has not been common to describe the unions as acting in a monopolistic way, but how else can one describe a situation where a union representing all the employees of a certain kind in a certain industry attempts to negotiate on a national basis with one employer, particularly if that employer is a nationally-owned undertaking. When people talk about the need to maintain the freedom of collective bargaining, they cannot be thinking of a situation in which one group of people can demand a particular price for their services and if they do not get it hold the country to ransom. The sanctity of free collective bargaining in such a situation becomes a farce.

With the developments in the miners' strike, and recently on the railways, the situation has got quite out of hand. This has been made worse rather than better by the Government's inept use of the Industrial Relations Act, cooling off and ballot procedure during the railway dispute. The man on the shopfloor now thinks that if he is trying to have a strike to secure an increase, and a strike ballot is called, if he and a majority of his fellow workers vote in support of the union it will be only fair for the Government to see that he gets the full rise that he has been demanding. The truth of the matter is that the position of union bargaining monopolies should be dealt with like any other monopoly, using the same legislation, and not by using the Industrial Relations Act, which is completely unfitted for the purpose.

The basic acts covering monopolies and restrictive trade practices in Britain are the Monopolies and Restrictive Practices (Enquiry and Control) Act, 1948, and the Restrictive Trade Practices Act, 1956.—Yours faithfully, PETER MCGREGOR
Bramhall, Cheshire

How to prevent strikes

SIR—Mr Raymond Kershaw has suggested (Letters, June 17th) that strikes be prevented by letting a computer decide the settlement terms. I would like to suggest another method by which inconvenience to the public caused by a strike can be avoided in those cases where public pressure is not a determining element in the outcome.

• A strike is called when an employee is

so dissatisfied with his employment situation that he is willing to forgo wages in order to deprive an employer of income. Since the dispute concerns the employee and employer there is no reason for the public to be harmed.

In order to limit the effects of the strike to the parties directly involved, I suggest that when an employee "strikes" he continues working but his wages be reduced immediately by a certain amount and this amount be placed in escrow. At the same time a part of the income that the employer would have lost had the employee stopped working is also placed in escrow. These escrow payments continue until a settlement is reached; the accumulated funds are then either returned to the employee and employer, or donated to charity, or whatever. In this way the public is not inconvenienced because the goods and services continue to be provided, but at the same time both the employee and the employer are under pressure to settle because both are not as well off as they were before the "strike" was called.

Many details would have to be worked out, such as determining the proper share of both wages and income that should be placed in escrow and calculating the effect on income when only a part of the work force strikes. Maybe here is where Mr Kershaw's computer can play a role.—Yours faithfully, DONALD G. RICHARDS
Vienna, Virginia

Martyrs or militants?

SIR—In your issue of June 17th you associate the men who are opposing the use of "containers" with the Tolpuddle martyrs. Is not this to give them an undeserved halo?

Surely if an historical comparison is wanted they should be compared to the Luddites.—Yours faithfully, L. J. CADBURY
Birmingham

Air traffic control

SIR—Your piece on air traffic control (June 24th) criticises the Civil Aviation Authority for buying the FAA's 9020D air traffic control system, using IBM's 360 computers, instead of going like Eurocontrol for the later and more powerful IBM 370s.

The article fails to appreciate that the critical feature of a flight data processing system is software development. That for the full Eurocontrol 370 system is still in process of development, and it is not possible to forecast when it will be ready for operational service. Furthermore, it would need considerable modification and development to be applied to United Kingdom airspace.

The software for the system we are getting from the FAA, on the other hand, is already operational, reliable now, is capable of adapting to the requirements of the London Air Traffic Control Centre and provides a substantial

margin over estimated needs. It is vital for the United Kingdom to bring this system into initial operation by 1975.

In the issue of May 20th you recommended a computer (the Goodyear Staran IV) as a solution to our air traffic control problems. This has not been programmed for flight data processing, and in any case is much too small for such an application in United Kingdom airspace.—Yours faithfully,

G. W. SEALLIBRASS
Controller, National
Air Traffic Services,
Civil Aviation Authority

London, WC2

SIR—You comment on the "hideous air traffic control problems in the south of England" (June 24th). These are magnified by the proximity of Luton to Heathrow, involving a special rules zone for the former.

The quickest easement of the problem would be secured by a much more severe curtailment of aircraft movements at Luton than that recently announced, and that not until 1973. You will know that there is ample capacity at the airports in the Midlands and the north to serve even one in those areas locally, so relieving pressure on the air space in the south.—Yours faithfully, A. W. DAVIES
Harpenden, Herts

Trusting the communists

SIR—Your Paris correspondent (June 18th), reporting on the agreement between "M. Mitterrand's Socialists" and "M. Georges Marchais's Communist party, much the larger and better organised of the two," hazards his guess that for the French electorate "the red bogy has lost its force."

All liberals—and this I know includes the editor of *The Economist* and, I should have hoped, his Paris correspondent—must wish that this guess is mistaken. For we have, surely, been given no reason whatsoever to believe that this particular leopard has changed his spots: that "M. Georges Marchais's Communist party, much the larger and better organised of the two" parties to this alliance, will not employ every office it may obtain in order to establish its own irremovable dictatorship.

If the threat is, as it so obviously is, real the expression "the red bogy" is inept. And if your Paris correspondent does indeed wish to suggest that all the past experience of democrats who made alliances with powerful communist parties is now happily no longer relevant, he should not simply suggest this in a contemptuous catch-phrase. He should express his belief outright; and then give us reasons for thinking as he does.

M. Mitterrand had a choice of, and has chosen communists. This makes it even less likely than it is that President Mitterrand would, where, for instance, President Ben

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while the notoriously stalinist French Communist party will surely not keep promises which the supposedly different Czech Communist party of Gottwald and Clementis so decisively and unhesitatingly broke in 1948.—Yours faithfully,
Alsager, Stoke on Trent ANTHONY FLEW

Computers for commies

SIR—Mr Szuprowicz, in his letter to you (June 24th), goes a long way towards correcting the comment in your issue of May 27th. In particular he has pointed out ICL's very considerable progress in the Soviet market. There are, however, a number of points that are seriously misleading and need to be corrected.

1. ICL's computers may be installed in key ministries but no ICL computer has been installed in a "key defence complex ministry" or, for that matter, in the ministry of radio industry. The large 1906As mentioned are installed in a high energy physics research institute which is open to scientists from all over the world.
2. The actual ICL computers installed or on order in the Soviet Union are: two 1906As, three 1903As, one 1905E, five 4-50s, two 4-62s and two 4-70s.
3. ICL, in addition to employing some 14 Russian staff, has British staff based in Moscow now numbering 28, who are working closely with their Soviet customers in the successful installation of normal data processing work.

It may be of interest to note that IBM has maintained an office in Vienna specifically for its east European business since 1967, and employs a staff four times greater than ICL employs in this market. ICL's success in the Soviet Union and other east European markets is due to the quality of its products and sales support.—Yours faithfully,
P. V. ELLIS
Joint Assistant Managing Director, ICL.
London, SW15

New Zealand, Fiji

The New Zealand budget has come as a surprise. Spending is encouraged despite rising public expenditure and unemployment, and falling wool sales. Wider investment is the key to future stimulation of the economy. The Fiji elections unexpectedly returned Mr Mara who has reshuffled his cabinet and speculation has provoked the introduction of a capital gains tax. Implications of recent developments are analysed in our latest New Zealand/Fiji QER.

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Guerrillas in Lebanon

SIR—Your interesting article on Lebanon (July 1st) left out one very important factor in the situation. This is that Lebanon signed an actual agreement in November, 1969, under which Palestinian guerrillas were given the "right" to use Lebanese territory for military operations against Israel. The agreement laid down that the guerrillas should not fire across the Israeli frontier but should "only" launch attacks into the interior of Israel from bases in Lebanon.

As long as the Cairo agreement is in force, and Lebanon is obliged by its Arab "friends" to observe it, Israel has to take periodic counteraction against guerrilla bases. It should be noted that neither Egypt nor Syria will have guerrilla bases in their countries, while Jordan expelled the guerrillas after a bitter and bloody battle. Lebanon is being exploited by Egypt and Syria for operations which those countries do not want carried out from their own soil.—Yours faithfully,
London, W8 TERENCE PRITTE

Insurance

SIR—I should like to congratulate you on the excellent survey "Insurance 1972" (June 24th). But I think it would have been even better had it shown some more penetrating knowledge of the successful structures of continental insurance markets.

For instance, the report by Mainz University scholars, mentioned on page 34, not only concluded "that it is perfectly possible for the government to safeguard policyholders' security by simply controlling insurers' solvency margins properly, without any need to control premium rates too," at which prospect "German insurers were terrified." It also suggested, logical within its own framework of thought, that insurers should establish a fund to pay claims against any insolvent motor insurers. This would have compelled prudent companies first to lose their business to stupid competitors and then to pay for the losses of those competitors. It was such ideas which terrified German insurers.

The survey then continues to describe recent problems of the British motor insurance market, among which the V and G crash was by no means the only one; but there is not a single reference to the fact that such problems have been much less pronounced on continental markets and not a word of doubt is raised in respect of the superiority of the British system.

With respect, in our market during the past 20 years no insured person who had paid his premiums suddenly found himself without cover, no traffic victims were left without the compensation due to them, and losses of insurance companies have remained within reason. Thus, after all, there may be some value in carefully balanced co-operation between insurers and governments.—Yours faithfully,
Stuttgart W. H. BÖRNER

RPD

SIR—I would like to bring to your attention the gross error contained in your article "Monetarists' gain" (June 24th). In it you stated that RPD "did not even exist as a concept, let alone in a statistical series, until early this year." Not only has RPD, as a concept, long predated 1972, it has been used as an approach to money stock analysis for some years now. The most extensive, if not the only, user has been the Federal Reserve Bank of St Louis, well known throughout the Federal Reserve System as the stronghold of monetarist theory and application. Data and charts of reserves available for private demand deposits have appeared for years in the bank's monthly Monetary Trends and its weekly US Financial Data. The reserves available approach was discussed in the bank's publication, Review, of October, 1967, in an article by Leonall C. Andersen, vice-president of the bank, entitled "Three Approaches to Money Stock Determination."

The solitary difference between RPD as currently applied by Fed and RPD as applied by Federal Reserve of St Louis, in their analyses, is that the former takes in all private non-bank deposits and the latter all private non-bank demand deposits. Monetarists would not consider the difference to be significant.—Yours faithfully,
LEONARD A. SIWEK
New York

Rebels on the rack

SIR—As reported in your columns (June 24th), Mr Ronald Bell, QC, now Member for South Bucks, is about to fight for his political survival as the official Conservative candidate for the new Beaconsfield constituency.

At the first ballot Mr Bell polled 47 votes; the runners-up 27 and 26. At the second—the third candidate having been eliminated—Mr Bell and the second candidate polled 50 each. A final choice is to be made at a special general meeting of all members of the Beaconsfield Constituency Association on July 17th.

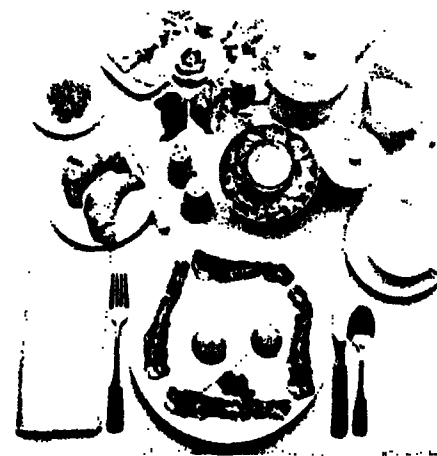
Here we have a first-hand example of the transferable vote system in action: for good or ill must be a matter of opinion.—Yours faithfully,
JOHN NORTH
Beaconsfield, Bucks.

Afrikaans

SIR—I was surprised to read in your review of Mr Oliver Ransford's "The Great Trek" (May 13th), that you refer to Afrikaans as an "ugly" tongue. Ugly to whom: to the reviewer, *The Economist*, or to the English-speaking nations?

Are Dutch, German or, for that matter, all Germanic languages ugly? Or are all foreign languages, according to *The Economist*, ugly to the English ear?—Yours faithfully,
A. J. J. WESSELS
Johannesburg

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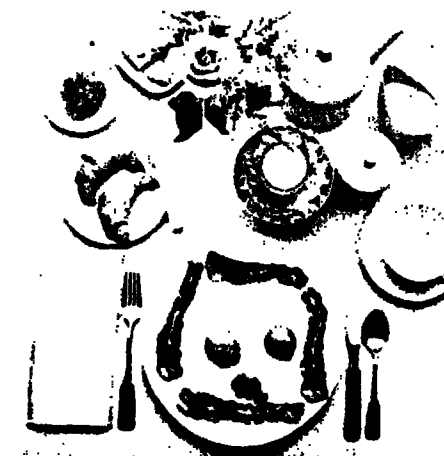
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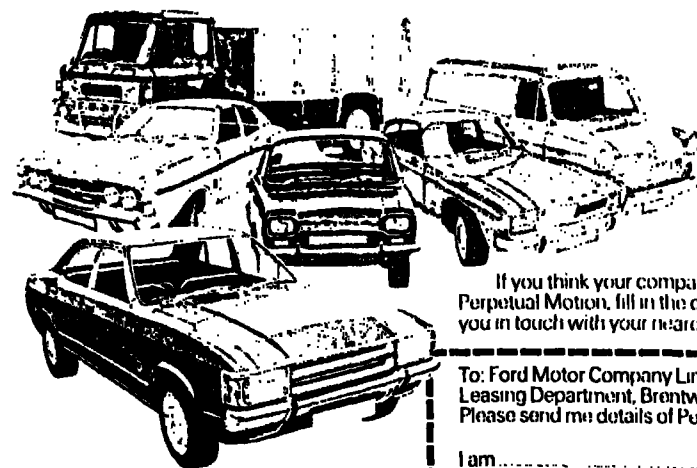
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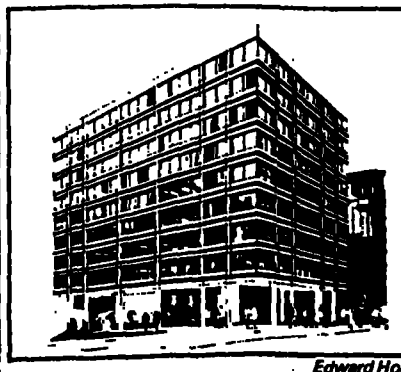
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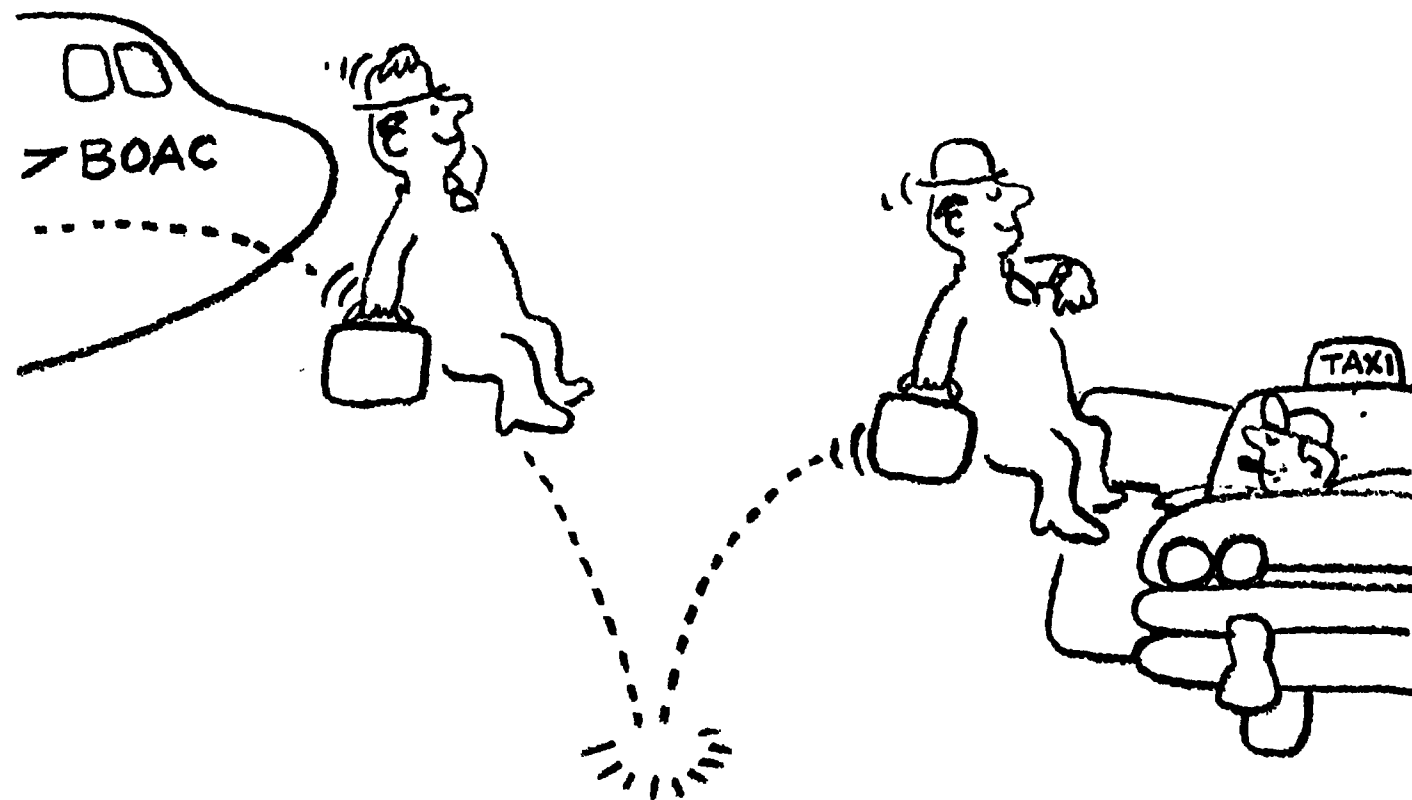
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The
Economist

July 8, 1972



Up to the threshold

The 34 leading members of Britain's trade union movement crowded into No. 10 Downing Street on Tuesday, after having reached an unfriendly agreement that only two of them would be allowed to speak. The immediate result was the sort of party you would expect if 32 trade unionists sat silently drinking your whisky in your drawing room, watching intently that their two spokesmen did no more than utter wooden statements in respect of and having regard to rude motions about the Industrial Relations Act passed by duly-authorised bodies lower down.

Mr Heath nevertheless seemed well-pleased with this experience, because the two brothers who spoke did not instantly reject his proposal that a small committee of cabinet ministers and union leaders should hold urgent discussions with a formal agenda later this month. The Prime Minister hopes that this committee will help to work out the next sort of incomes policy at which he appears to have half-decided to have a stab. It is a policy which might, in the very short term, and provided everything went absolutely right, look slightly better than the present mess; but it would be innately bound to make Britain's economic situation even worse once things in it started to go wrong.

Although the proposed agenda for the committee also talks of conciliation procedures and special help for the lower paid, Mr Heath wants the central features to be cost-of-living links and threshold agreements. The essence of the half-formulated scheme apparently runs somewhat as follows, although we have inked in sample figures because the Government does not seem yet even to have pencilled them (and may well make its opening asking bids tougher if the pound sterling continues to fall). The hope is that henceforth most wage rises might be held down near to rises in the cost of living index (say, 8 per cent wage rises if the cost of living stays just over 6 per cent higher than a year ago). Then the Government would smile favourably on threshold agreements, which would allow the workers another rise if prices increased during their annual contract period by more than, say, 4

per cent. But the hope would be that 5 per cent economic growth (which is Mr Barber's aim for 1972) plus a leaning on profit margins by a continuation of Confederation of British Industry's 5 per cent maximum price rises in the minority of goods under its control might hold down the rise in living costs, even after 10 per cent wage inflation, to less than 4 per cent. Then there would be no threshold pay rises, and the near-to-cost living increases in the winter of 1973-74 could be to something less than 4 per cent. The golden de-escalator would then be under way.

Slow, quick, quicker

There is as yet no certainty that the Trades Union Congress will even pretend to co-operate with this scheme but something like it is being warmly discussed by cabinet ministers just now. It is therefore important that our commentators should discuss it more coolly. The most significant feature of any such system is that it would be extraordinarily fitted with built-in destabilisers which would cause any failures in the system to become breeders of other failures. When any big union gets a grossly inflationary rise above the new near-to-the-cost-of-living-norm (and, of course, some big union will soon be pretty certain to do so), this would force up the cost of living and provide an accepted case for the unions to get new threshold and end-of-the-year rises. The device is one for trying to stop the inflationary spiral by promising that the inflationary spiral will be automatically stopped if (or rather when) it has unfortunately failed to be stopped.

A key element in the plan is reasonably to trust that Britain can aim for 5 per cent economic growth in 1972 while underutilised resources are being re-employed, and not unreasonably to forget that there will be a slowdown in growth once resources are fully employed; the scheme builds in a worsening of inflation for when the bad news of slowdown breaks. One danger is a blind eye may be turned to the fact that an 8 per cent a year negotiated wage rise at a time when output

rising by 6 per cent does not lead only to 2 per cent cost inflation per unit of output, because piecework and overtime and other agreements mean that earnings rise by more than negotiated wages do at a time when output is going up. If somebody got an 8 per cent rise a year ago, since when prices have risen 6 per cent, negotiators under the index scheme will probably assume that his living standards have fallen by 6 per cent since the day after his last wage rise—and forget that by giving him over 6 per cent now they will put his money wages up by over 14 per cent compared with one year and one day ago, which is a fine recipe for keeping an existing inflation spinning if production is rising by only 5 per cent a year. There are many other inconsistencies, all arising from one misconception. You really cannot introduce an incomes policy to curb inflation by saying that you will be realistic enough to allow modifications in it to the extent that there unfortunately is an inflation.

From confrontation to anything

Why has so cool a rationalist as Mr Heath half-clutched at this quite unsustainable straw of cost-of-living adjustments? He told the Commons on Monday that the alternatives lay between inflation, confrontation, agreement and legal compulsion. The political truth is that there is a confession of defeat by the advocates of confrontation, a familiar blurring of aims by the apostles of agreement, and a residual misunderstanding about legal compulsion by the Prime Minister himself.

The advocates of confrontation, who used to be the hawks in the cabinet, are no longer confident of leading resistance to the next wage demand grossly in excess of 10 per cent: they are no longer willing to take the public and party blame when resistance is seen to have collapsed after the next successful strike or go-slow. The ministers who are apostles of agreement instinctively divide trade union leaders into baddies like Mr Jack Jones who are believed to be after political ends (ie, are willing to bring gross national product down in the hope that the Tory Government will then be brought down too), and goodies like the present Sir Sidney Greene and the future Sir Joe Gormley who might like to sign an agreement but have indicated that they cannot stand up to their militants if they do not get wage rises at least equal to rises in the cost of living. The aim of the doves in the cabinet is presumably to secure some less formal version of the "declaration of intent" to hold down wage demands which the TUC signed with Mr George Brown in 1964, but which it then shamelessly broke; or of the "solemn and binding undertaking" to reduce strikes which the TUC signed to get Mr Harold Wilson to withdraw his industrial relations bill in 1969, but which it then shamelessly broke; the doves do not realise that any new agreement with the TUC will similarly not be worth the paper that it is not yet written on.

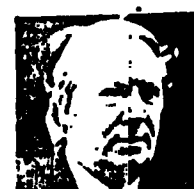
Lastly, the Prime Minister's reluctance to move to legal compulsion is still largely based on the fear that some union leaders and shop stewards would not accept it, and on the argument that you cannot put people in prison for trying (or even managing) to get wage rises. It is only slowly dawning that the solution must be to

make the enforcement through the tax system, as under the proposal to impose surcharges on workers' weekly insurance contributions whenever earnings per employee in any workplace rise by more than 6 per cent above their level a year ago (with provisions for appeals, arbitrated exceptions for special cases, putting the money into escrow for deferred payment instead of into the insurance fund, any other trimmings you like). It would not be easy to organise a strike against that, any more than it would be to organise one against an increase in PAYE income tax. If Mr Jones did try to call one, Mr Heath could threaten to call a general election—and in those circumstances would coast to victory, even although the Labour party would hasten to get off the hook of appearing to support Mr Jones in any way whatever. By contrast, any proposal to fine employers who gave excessive wage increases would be much less effective, although it seems to have more support in Whitehall.

Distortions in the meantime

It is by legal compulsion that Mr Heath will have to tackle wage inflation in the end. That end might be only a week or two off, and a resort to a statutory policy might fortunately be expedited if the TUC refuses even to discuss the alternatives in Mr Heath's proposed urgent committee. However, just as the intention up to a fortnight ago was not to float the pound, so the present intention of the Government is to try to resort to a voluntary policy of cost of living adjustments during a period while the necessity for the inevitable eventual statutory policy is denied.

It is therefore worth giving warning of the distortions that may be introduced if and while this temporary expedient is tried. One incentive may be to try to stop the pound floating down too far (ie, to divert resources away from the most important form of production, which is exports). Another may be to lean on profit margins through CBI freezes (ie, to divert resources away from the second most important form of production, which is fixed investment). Private enterprise will respond to this squeeze on margins by laying off workers (ie, by increasing unemployment), but nationalised and subsidised industries will not be allowed to do this; the Government will therefore increase its enormous aid to any nationalised and subsidised industries like shipbuilding that are in secular decline (ie, Mr Heath will continue to see that employment is particularly strongly maintained in the least economic jobs). There may also be an incentive to distort tax and subsidy policy in order to doctor the cost of living index, and some of this doctoring (eg, in respect of food prices) may cause trouble with our European partners. Maybe these distortions will not be very large. Maybe they will even seem worth suffering while production rises and before the built-in destabilisers to any price-linked wages policy cause the system to be discontinued with a bang. But those destabilisers must wreak their effect in the end. The most that can be hoped for from the price-linked wages policy is that it may very temporarily check our rush over the cliff edge, so that we may briefly dither on the threshold of a dead end.



Saving the Emu from extinction

Europe's curious bird, economic and monetary union, needs to adapt itself still further to the facts of life. Mr Heath should say so now

It may not appear very obvious how Europe can get much good from a week when Europe's newspapers are bemoaning yet another Eurofailure in Bonn, when resignations and probable elections are shattering the chandeliers in Paris as well as Bonn (see pages 31 and 79) and when President Pompidou of France is wrongly reported by the British press as demanding a return to fixed parity for sterling as a precondition of British entry into the common market on January 1st. But the fact is that Europe has managed to pick its way through this political tangle, and the time is now ripe for an initiative which could keep it in the clear. The chance was first created by the week in which Europe's own monetary rules helped to provoke Britain's correct decision to float the pound. It has been kept open through the subsequent fortnight because, despite some muddling by the Six, these two weeks have yielded the best discussion in a long time about the future of Europe's plan for "economic and monetary union," Emu.

The opportunity is there. For the debate about Emu, rather than when or how to hold the summit of the enlarged common market, or who will be in power to attend it, is what Europe's sensible hesitations are now about. President Pompidou arrived in Bonn on Monday with weaknesses in his European policy which tough talking did not disguise. He was up against an incipient change of his prime minister in Paris, he was in a corner of his own making on the subjects of European institutions and the site of Europe's future diplomatic secretariat, and he was at last starting to realise that the scheme for narrow exchange margins between a block of European currencies will not survive as some mystical expression of political will but will make sense only when policies eventually exist to help Europe's national economies to keep in step.

Herr Brandt entered this regular Franco-German summit meeting even weaker than M. Pompidou, with his powerful economics minister, Karl Schiller, on the verge of resignation, and his government needing to under-fash from nothing a west European success to undercut the Christian Democrats in the likely November election. He failed to screw M. Pompidou down, at least for the moment, to holding the proposed European summit in October. So by the standards of the journalists present in Bonn the two sides, particularly the Germans, were judged to have failed.

The idea Ted could propose

But a closer examination of what went on in Bonn shows that these negotiating weaknesses of France and Germany, at a decisive moment in Europe's monetary life, may in fact prove to be a blessing. The possible delay in the summit is a result not only of weakness but

of conscious recognition by both the French and the Germans that, given time, someone somewhere might have an idea that could save Emu from its own inconsistency. This could be the British Government's opportunity, and Mr Heath's in particular, to give a lead.

The state of play in the Emu game is as follows. Last year the Six hoped to start a scheme for narrowing the margins between their currencies, an idea which became christened the "snake in the tunnel." This was washed into oblivion in May, 1971, when the D-mark was obliged to float. France demanded that the whole community go over to a two-market system of exchange control, which would protect ordinary trade transactions from the onrush of footloose dollar capital. Germany, in the person of Herr Schiller, refused, and only in late 1971 did it even introduce modest capital controls to prevent the mark floating up too high. France equally brusquely refused to discuss Herr Schiller's half-hearted suggestion that Germany might be willing to finance a joint float of all European currencies as a block against the dollar.

After the Smithsonian agreement re-pegged parities against the dollar in December, Europe put a new snake together, with two important additions. First, it was tacitly acknowledged that living inside the snake did not mean that currencies whose value got out of line could not jump outside for a moment to change their parity, provided they quickly came back into the snake again at their new parity. Second, the Germans cleverly arranged that intervention among Europe's central banks to keep their currencies inside the snake should take place only in community currencies, and that any debts run up among the banks should be repaid within the month. It was this system which, as the Germans had intended, had the beneficial effect two weeks ago of persuading the first test case, Britain, to take early and sensible action once sterling was shown clearly to be overvalued. Last week the Italian lira nearly followed the pound out of the snake. It did not, partly because Frenchmen were worried that the whole scheme would go west if two currencies were out at once, partly because the Americans twisted Germany's arm not to let it, and mostly because Germany does not believe the lira to be genuinely overvalued.

French opinion on all this is split—ranging from the straight disapproval of a monetary paleolithic man like the foreign minister, M. Maurice Schumann, to M. Giscard d'Estaing at the finance ministry, who understands very well what a sensible thing Britain has done, but does not say so too loud. President Pompidou is in the middle, veering towards M. Giscard's view, provided a long British float does not lead to a pattern in which Europe's currencies float more often than they stay still, killing off the common farm price system in the process.

What is new to Europe's monetary discussions, and was particularly in evidence in Bonn this week, is a string of conciliatory attitudes between France and Germany which with time could lead to a compromise way of protecting the system at least against a flood of dollars. Thus the sterling float has (a) reconcentrated French and German minds on getting international monetary reform off the ground; (b) got Germany, even under Herr Schiller, telling the French in Bonn that it wants to study the French double market system to see if it might work in Germany; (c) got M. Giscard admitting that the pure French double market system probably won't work in Britain or Germany after all, because of the different British and German balance of payments structures and banking systems, and that France is no longer a priori against a joint European float; and (d) had M. Giscard actually volunteering that Europe's currencies cannot be expected to stick together, joint floating or whatever, so long as real economic co-ordination does not take place. It is here that the whole system will break down time and again, in the end destroying the common farm system which France so wishes to preserve. National sovereignty being what it is, there is no early hope of effective common economic policies, beyond helpful but inadequate regional and industrial programmes.

Britain, through Mr Barber and Mr Heath, has constantly said that it supports monetary union. At the same time, it should now point out that making a crisis of every occasion when a European parity gets out of

line, which they all inevitably will from time to time, will be the best way of sinking monetary union and with it the farm policy. The Ten should formally incorporate into the snake the idea that when one or more currencies get patently out of line they should, as sterling did a fortnight ago, float out of the snake for a limited time. In the present instance, for example, a statement from the Ten would say that

it is the intention of Her Majesty's Government to re-fix the value of the pound at a time during the month of October when the Government and the Bank of England, in consultation with Britain's partners, shall decide that the sterling exchange rate has reached a more realistic level. The pound will then rejoin Ecu at its new parity.

Germany and most of its partners would welcome such an idea. France could be persuaded, once it was shown that the occasional absence of one or more currencies from the snake for a month or two every couple of years would not wreck the farm price system (as the far worse experience of last year clearly showed it would not)—indeed, would protect it better than having Europe teeter on the brink of crisis every time a currency gets out of line. Whenever Europe's currency alignments were clearly all awry at once, the whole snake might be consciously dropped for a three-month period, during which time they could float to new values against one another before setting the snake up in business again. A formal announcement of this policy would earn for the Ten the best of the world of fixed parities and of floating.



A patched-up peace

Mr Whitelaw, for all his virtues, is no miracle worker. And if the political leaders on both sides in Ulster do not recognise that soon they will be engulfed by their own extremists

It is almost time once again to despair completely of Ulster. Indeed, very many British people, including some politicians, already have. That is understandable. Less than three years ago the army went into the streets of Northern Ireland to separate the Catholic and Protestant mobs, but largely to protect the Catholic community. Four hundred dead and over 4,000 injured and maimed soldiers and civilians later, casualties mostly caused by Catholic gunmen, the army is once again attempting to contain the Protestant mobs. But the wheel has turned full circle only in the sense that Ulster is now as close to civil war as it has ever been. In the meantime, most of the hopes of 1969 have withered, many of the options which seemed open then have closed, and it is beginning to look as if the people of Ulster, Catholic and Protestant alike, can never have enough. So perhaps it is time that the majority in both communities started to share some of their friends' despair.

When the army backed down

Of course, successive British governments have made mistakes in Ulster; who could have expected otherwise? In such a divided society it was always inevitable that any action taken to solve the problems of one community

would create equal but opposite problems with the other. There has only ever been one clear-cut British solution for Ulster and that has been the total withdrawal of British troops and responsibility: it was touted a bit once, but after Monday night's confrontation between the British army and 5,000 uniformed Protestant extremists of the Ulster Defence Association in the streets of Belfast nothing has been heard from its one-time advocates, at home or abroad. Would they still like the British army to leave? Yet it was an unhappy compromise which was reached between Major-General Ford and the thugs of the UDA on Monday night, for the no-go areas, whether they are Catholic or Protestant, are a political obscenity (see page 23). No sensible person will blame General Ford for allowing the UDA to set up its barricades, or Mr Willie Whitelaw for authorising the agreement. If they did not keep anything which could really justify the term peace they at least prevented further casualties.

It is said that time is now running out for Mr Whitelaw. Time has always been running out for Mr Whitelaw, if only because neither community has been disposed to give any of his gestures to the other community time to work. Mr Whitelaw has been wooing the Catholics

he had to, for it was they who were supporting the gunmen who were doing the killing. He did what was in his power to do: he kept the army at a low profile and began to wind up internment. That produced a ceasefire. He has not been able to end the rents and rates strike (or the non-payment of gas and electricity bills in Belfast) or dismantle the barricades in the Bogside and Creggan, which are genuine Protestant grievances, except at a price which would be intolerable for British or international opinion. Yet it is precisely because he could not give a promise of exactly how and when those Protestant grievances would be resolved which has persuaded the UDA to set up its own barricades.

The question for Faulkner

But was that not more of an excuse than a reason for the UDA to take to the streets? It is very much open to doubt how many of the hooded men who now flaunt their power behind the Protestant barricades would really welcome a return to normal life in the whole province—unless by normalcy was meant a return to complete Protestant ascendancy. And that in turn raises another question. Most of the former Stormont ministers have warned often enough that the inevitable consequence of direct rule would be an uncontrollable extremist Protestant upsurge. That upsurge has now started and it very probably is uncontrollable by the British Government alone. When persuasion has failed, as it seems to have done with the UDA, Mr Whitelaw is left with just two weapons—force or bluff. When the UDA itself turns out in force and is astute enough to keep its firearms hidden, as it has done so far, Mr Whitelaw's bluff is called and the British force that would be required to prevent it from setting up Protestant barricades is as unacceptable as that which would be required to bring the Catholic barricades down. The question which must, therefore, be asked of Mr Faulkner and his friends is this: are they quite sure that in their bitterness at their treatment by the British Government they have not convinced most of their Unionist supporters that they would rather see Mr Whitelaw and direct rule fail than peace be brought to the province without their assistance?

British opinion can be accused of much in Ulster, but it cannot be accused of having lacked sympathy for the moderate politicians in both communities, or not understanding the extreme difficulties in which they have had to work. The moderates have had to learn to live, quite literally, under the constant threat of assassination by extremists of their own or the other side. But despite the threats can they continue for much longer to duck any real attempt to persuade the majority in both communities to show patience and allow compromise? The trouble is that both lots of politicians think that time is on their side: the Catholics of the Social Democratic and Labour party act and speak at times as if they really believe that Mr Whitelaw is their prisoner, and the Unionists seem equally convinced that Mr Whitelaw will eventually have to turn to them to pick up the pieces left behind by direct rule. They could both be very wrong, for it is entirely likely that far from time being on their side it could disastrously pass them by.

Certainly there can be no doubt what is now most urgently needed in Ulster: it is a gesture of goodwill by the Catholic community. If the SDLP had been able to persuade their constituents to bring down all the barricades in Londonderry and cease their civil disobedience campaign immediately after the IRA ceasefire, the UDA would have been deprived of the excuse to set up its own no-go areas. The SDLP leaders were unwilling or unable to do so, and if the conflict in Ulster follows its usual pattern such a gesture even now might not be sufficient to remove a great deal of the tension in the province. If there is one lesson that should have been learned by now by all politicians concerned with Ulster it is that delay in enacting any policy simply raises the threshold of its acceptability among the community it was intended to impress. So it is late, but not yet too late, for the Catholic community to make that gesture towards real peace.

But the shortcomings of the SDLP cannot give the Unionist politicians cause to adopt an attitude of self-righteousness. With a few honourable exceptions, Mr Faulkner and his former ministerial colleagues have behaved like a government in exile in their own country, as no doubt many of them believe they are. That they were unwilling to do anything actively to assist Mr Whitelaw to make direct rule work is disappointing but more excusable than it is with the SDLP. But they have not left it there; instead, some of their speeches have shown a vindictiveness which British ministers will need a long time to forgive or forget, and outside that tiny minority of Orangemen in Scotland and Liverpool they have done almost as much as the thugs of the UDA to alienate most of their natural allies in this country.

To whom will Willie turn?

There may be a brutal but simple truth about the parliamentary political leaders of both communities in Ulster: perhaps singularly and collectively they are not up to the measure of the events which have engulfed them. They certainly act like it at times. That is why there is now an even greater duty on the supporters of both communities, in this country and abroad, to consider the most likely drift of events in Ulster and impress its consequences upon their co-religionists and political friends there. In a conflict in which there is no possible compromise between the extremists on both sides, round one of the fight has undoubtedly gone to the IRA and round two looks very much as if it is going to the UDA. Without the support of most members of both the Protestant and Catholic communities Mr Whitelaw cannot hope to achieve very much more than a slight and uneasy delay before round three. He might be able to go on for some time patching up a sort of peace; he will certainly try. But if at the end of this present round the two communities wind up locked behind their own barricades it will not be to the SDLP or the Unionist party that Mr Whitelaw or his successor will need to turn to prevent an even bloodier round three. However distasteful, it will be with the leaders of the two enclaves, the IRA and the UDA, that he will have to treat. And where would that leave Ulster—or Ireland itself?



One summit that worked

Mrs Gandhi and Mr Bhutto decided it was better to agree than to go home empty-handed

It has often been said that summit meetings are pointless: either they ratify agreements already drawn up by junior officials, or they advertise the failure to agree. Last weekend's outing to Simla by India's Mrs Gandhi and Pakistan's President Bhutto looked like proving the sceptics right with a vengeance: what could be more useless than a summit conference where the leaders could hardly even agree to confer? But in the end it was the presence of the two top decision-makers which saved the day. Both Mrs Gandhi and Mr Bhutto had a personal interest in preventing the collapse of negotiations, if only to retrieve their invested prestige. So they overruled their officials with eleventh-hour concessions—when a communiqué admitting their agreement to disagree was already being drafted—and produced an accord which offers some hope that India and the surviving half of Pakistan may now be moving towards a durable peace.

The remarkable thing about the agreement is its balance. Mr Bhutto proclaimed to a cheering crowd in Rawalpindi on Monday that "nobody has won and no one has lost." Mr Bhutto can claim credit for having persuaded India to withdraw from over 5,000 square miles of Pakistani territory occupied during last December's war, thus allowing more than a million displaced Pakistanis to return home. But since Mrs Gandhi has all along maintained that this land would eventually be returned, his greater accomplishment is probably one that sounds less substantial: breaking her resolve to wrap up all outstanding issues in a package deal. The Simla agreement expressly calls for the "step-by-step" approach Mr Bhutto had been demanding: a gradual resumption of communications, trade and diplomatic relations and at the same time a gradual resolution of the by-products of war—the repatriation of prisoners and "a final settlement of Jammu and Kashmir."

This last phrase is Mrs Gandhi's trump card. As the unequivocal victor in last year's conflict, she went to the summit with much more to give than to receive: India will get back only 70 square miles as a result of the troop withdrawal, and there are only some 500 Indians in Pakistani hands compared with 91,000 Pakistani prisoners in India. But apart from the renunciation of force—which India claimed to be even keener on than Pakistan—Mrs Gandhi had one central demand: that the 25-year dispute over Kashmir be settled for good and all. She did not get her final solution of the Kashmir problem at last week's meeting. But she did win two major concessions from Mr Bhutto: a promise to "respect" the ceasefire line in Kashmir, which was excluded from the general troop withdrawal; and, more important, an agreement to settle all questions between the two countries bilaterally. This means that Kashmir, which, much to India's annoyance, has for years been on the United Nations agenda and has had UN observers

patrolling the old ceasefire line, from now on will be nobody's business but India's and Pakistan's.

For the moment, the Kashmir dispute has been frozen. It will come up again, along with other unresolved issues, at the next Bhutto-Gandhi meeting, tentatively scheduled for September in Pakistan. But if another summit is to be productive—and, in Pakistan's terms, this means arranging for the repatriation of prisoners—it will have to be triangular. And if it is to be triangular, Mr Bhutto will have to recognise Bangladesh. The indications are that he is now ready to do so, perhaps as early as next week. Mr Bhutto's first official act on returning from Simla was to summon his national assembly to meet on Monday, a month earlier than scheduled. One reason for his urgency was undoubtedly to set the troop withdrawals in train—according to the Simla declaration, withdrawals must be completed within 30 days of ratification of the agreement by both sides. But another of Mr Bhutto's reasons for calling the assembly may well be to get a public mandate for recognising Bangladesh.

Now Pakistan has gone west

Public opinion in Pakistan has probably been reconciled to the loss of its eastern wing, and official propaganda has started to reflect this feeling. Last Sunday, when the chances of an agreement at Simla still seemed dim, Karachi radio declared that "Bangladesh is a firmly entrenched reality and it will be natural to recognise that reality." Once Mr Bhutto is convinced that his public opinion is under control it is possible that there will be a series of meetings, involving Sheikh Mujib of Bangladesh too, to sort out the other issues left over from December. Except, that is, for Kashmir. Pakistani national pride is heavily vested in Kashmir—partly as a result of Mr Bhutto's own former anti-Indian crusades—and these days Pakistanis have precious little else left to feel pride about. So the prospects of a durable peace may turn out to depend on Mrs Gandhi's willingness to grant Mr Bhutto time to sell a Kashmir settlement. This will require good faith on both sides; but then without some mutual trust even the formal treaty by which Mrs Gandhi wants to make the division of Kashmir permanent would have little value.

The subcontinent is not about to become a region of miraculous peace. It is too important to the great powers—and particularly to the rivalry between Russia and China—for that. But if Mr Bhutto can reconcile his people to the permanent division of Kashmir the centre of the subcontinent's troubles will have moved away from the Indian-Pakistani relationship to the problem-state of Bangladesh. That is where the next crisis is likely to find its starting point. At least the Pakistanis, if not the Indians, can now reflect that they have probably extricated themselves from that one.

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"One of our suppliers uses factoring. It didn't imply to me that they were in financial difficulties. It was just to their convenience."	"We do not insure bad debts. We just make sure we do not have any."	"If you quadruple your business you can carry it up without going for outside capital."	
"Factoring is a greater thing in export than in home selling because of the complications in exporting."	"Factoring is bad for your image with the larger businesses."	"We are an expanding firm and Credit Factoring gives us a 100% guarantee against bad debts."	
	"We might have to create redundancies."	"Factoring is good for the image. Customers feel you must be of some strength for them to take you on."	
	"You would lose your image, lose your customers; they get a more gentle treatment from our own staff."	"We have not had any redundancies—we have just run down our staff through normal wastage."	
		"Credit Factoring would not do anything to upset the relationship between us and our customers."	
		"We employ a credit factor for our export trade, which works exceedingly well. It is an advantage for the customers to pay in their own currency."	
		"It is nice to know that the money will be in by a certain date. With the old system we had no idea when to expect payment."	
		"The advantages are: regular cash flow, no bad debts, you know how much it is going to cost, and most importantly, if we didn't factor we would have to attract quick payment by offering discounts."	



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Is he the alternative?

Mr Powell may, or may not, really be the man the country could call on if all else fails, but his potential would be much greater if he settled down to concentrate on the main issue

Mr Enoch Powell has made yet another speech about coloured immigrant communities in Britain, and once again he has been duly criticised by much of liberal opinion for it. Mr Powell believes that Britain's cities are about to experience what has happened in the northern cities of the United States, and his language, his talk of "ghettoes" and of the tide flowing "ever forward as it flows towards Niagara," is of a piece with his argument. He will not be worried that his critics dispute his figures for he has been able to claim statistical successes against them in the past. Nor will he care about the admonitions (themselves often in extravagant language) directed at him because he is sure he has the majority with him. As he has contended before, he believes there is a gulf

between the overwhelming majority of people throughout the country on the one side, and on the other side a tiny minority, with almost a monopoly hold upon the channels of communication, who seem determined not to know the facts and not face the realities and who will resort to any device or extremity to blind both themselves and others.

There is an exaggeration in that sort of language which runs through many of Mr Powell's speeches, and it is a great intellectual count against him, but it remains very likely that most people in the country, when they think about immigrants, find much in common with Mr Powell's fears. As for the trendier liberals, since it is central to their creed that the United States is still about to collapse in violence because the whites are repressing the blacks, they are inhibited from telling Mr Powell that there have actually been signs of a cooling-off in American race relations; that may tickle Mr Powell's sense of humour. But Mr Powell is not being funny in his politics. It is no good dismissing him with epithets or even moral scorn because he is not going to go away, and he will argue the toss on morals at any time. Mr Powell has to be taken seriously over the broad sweep of his policies both because he has a following in the country today and because he still has a very big potential following, perhaps the biggest of any single politician, if a calamity (say 10 per cent inflation a year for two more years) were to end public confidence in the present political parties. That will sound far-fetched even when public disappointment with the Commons is becoming reminiscent of that felt in the 1930s. If it does not seem far-fetched to Mr Powell then perhaps he should be taking his own words even more seriously than he does.

Mr Powell is a nationalist. This is the strength of his politics and the root of his policies. It is because he is the only remaining politician of intelligence in England who gives his nationalism such priority (for socialist little Englanders have other priorities) that his voice is so identifiable, so clear in the noise of politics. It has been assumed that his voice has only been heard when he has spoken about race; and, therefore, that he has had

to go on speaking about race, even when he might have wished to climb some part of the way back down from the limb he is on, merely to be heard at all. There is something in that, although perhaps no more than that the popular sense of what is familiar (and identified with the nation) and what is alien is more highly developed over race than anything else. Mr Powell knows very well how to exploit this, how to tell the Englishman looking "into the eyes of Asia" that he is

face to face with those who will dispute with him the possession of his native land.

That native land is, of course, England. Mr Powell is so much the nationalist that he would never deny the Scots or the Welsh their nationhood if they ever wanted to claim it. But it is England that matters above all else to him:

For the unbroken life of the English nation over a thousand years and more is a phenomenon unique in history, the product of a specific set of circumstances like those which in biology are supposed to start by chance a new line of evolution.

England is as special as that. The invocation is the rallying cry, the declaration of separate identity and special strength, to which people will respond instinctively at a time of danger or great uncertainty. No other Tory now speaks about England, far less Britain, as Mr Powell does. It is as if his conscious model were the Churchill of the 1930s, whose imperialist defence of India, romantic attachment to the crown of Edward VIII and nationalist assertion against the drifting of the League and pacifist internationalism were as unpopular with the establishment as anything Mr Powell is trying to put across today.

The extreme commitment of nationalism

Mr Powell has seemed increasingly conscious, since Mr Heath won the election in June, 1970, that he is very likely not going to get near the leadership of the Tory party except after the collapse and humiliation of present Tory policies, and even some national collapse sets in. So he loses no opportunity to emphasise his nationalism. It has led him to the extreme defence of the most threatened and questionable part of the national frontier, Northern Ireland, far beyond what any other leading British politician has committed himself to:

The plantation of Ulster, right or wrong, wise or unwise, beneficent or not, did take place; neither it nor its consequences can be pretended out of existence. The people of this province are part of the British nation, and the soil of this province is British soil, because the great majority of its inhabitants are so minded.

Others might wish, but few would dare, to push on without drawing breath from the first sentence of visible historical and moral doubt to the second of absolute historical and moral certainty.

Mr Powell is not an imperialist (not for some years);

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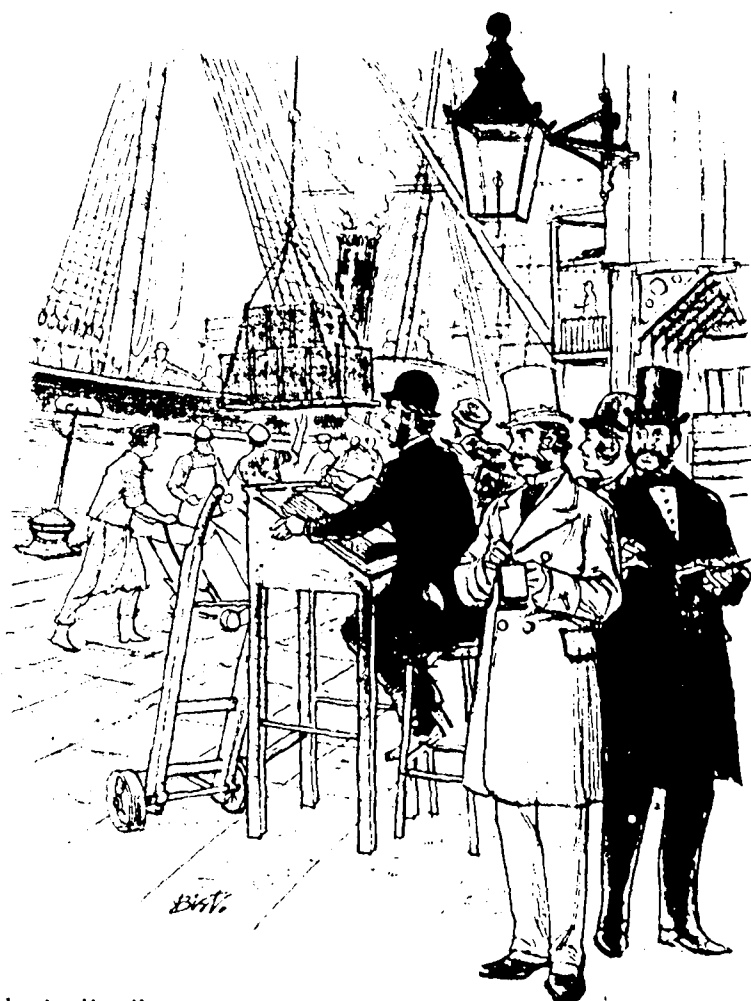
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he is not a particular admirer of the Americans and, indeed, took much persuading ever to visit the United States. So he is no Churchillian in the true sense, but Ulster is his India and if it were ever to slip from British hands he might turn out to be the last man seriously to consider retaking it, just as he was the last man seriously to consider retaking India. It seems to be for nationalist reasons, not primarily economic ones, that he is also utterly opposed to the common market and ready to die in the last ditch, to pronounce that most unpolitical concept "never," in resisting it:

The first and most important thing to say about British entry into the European Economic Community is that it is not going to happen.

The tests for the man in reserve

Those people in the Tory party (and outside it) who have given up any prospect that Mr Heath and Mr Powell can ever make common cause and so now look on Mr Powell solely as being in reserve for the day of calamity probably have three main, contemporary tests for him as the man of calamity, the man who might be able to claim enough credibility, as well as reveal the self-confidence, to pick up the pieces. The first is his nationalism, or patriotism. Mr Powell is not unique among politicians, of right and left, in possessing it, but his credentials are apparent and in good repair. The second is his economic grasp (since any calamity giving him his chance is now most likely to be an economic one). And here, especially after two years of Conservative government, there is much to be said for him. Mr Powell was not a late convert to floating: he has been an advocate of it for years. He was not surprised at the failure of the Industrial Relations Act to help to curb wage inflation: he had denied from the beginning that it ever could. He did not suppose that the CBI's best efforts at a price curb a year ago would influence the unions at all: he said expressly they would not. His economic forecasting has a better record than Mr Heath's or Mr Wilson's. Unlike Mr John Davies, he has never been called on to eat his words about lame ducks.

Where the doubt about Mr Powell's record arises, and this includes the past two years, is in his striving for effect, for simplistic answers. Few modern electorates believe in simple economic answers from politicians. They are not wrong. If things were really as simple as Mr Powell says only an idiot prime minister would not have applied his remedy overnight. Mr Powell has been adamant that the unions have no responsibility whatsoever for inflation: "the unions and their members are innocent as lambs, pure white as the driven snow." And if that is interpreted as a populist bid to enlist Mr Jones and Mr Scanlon, he absolves the employers and shareholders, too. His culprit, and the sole one, is the Government, and its failure, accounting for everything, is the failure to control the money supply. Although few nowadays would deny the importance of Mr Powell's diagnosis as a main factor, fewer would venture out into the announcement of revealed truth with him. So why does he pin his reputation to one cause and one cure? Perhaps he is merely trying to be smart, knowing that

economics can be a complicated business with which the electorate is quickly satiated, and that the remedies of opposition frequently bear little resemblance to the policies of office. But that is not really Mr Powell. He gives much more the impression of sincerity, of actual conviction (which is why most of the efforts to brush him aside as ambitious or frustrated have failed with his audience). After all, it was not a cynical man who voted for the abolition of capital punishment long before many members of the present Tory front bench. The worry about Mr Powell is that he may believe every word he utters.

For this is the third test of a politician holding himself, or held, in reserve for the nation. He frustrates his purpose, his very sincerity, as often as he commits himself, for whatever reason, to words that do not ring wholly true and prophecies that do not come good in ordinary people's own lives. Mr Powell has too many ships of that kind at sea just now. The cities are still some way from chronic racial decay; the common market entry looks like being achieved. It will be argued that Churchill succeeded in the end after his collapses on India and the abdication had made it wholly unlikely that he could hold his head up again. Mr Powell's admirers might say that he, too, would not expect to succeed unless the establishment of the two parties had been stripped away. They might say that the very importance of his arguments demands that they be defended on the most difficult ground and in the most emphatic way. But if Mr Powell is thinking at all along these lines himself, and if he wishes to reinforce his claims to be taken as a radical alternative to the Heath Government (which Mr Wilson and Mr Foot are not), he would be wiser now to concentrate his fire on the central issue of British life in the 1970s, the economy. If he means business he ought to be giving his mind to reducing the chances that a major crisis would only bring in (as the last one nearly did) a Halifax.

How not to get to Downing Street

Colour will never get Mr Powell to Downing Street, nor will Ulster: they are not central to the national identity, and the more extreme he is about them, the more likely he is to encourage extremists of the thuggish, not the patriotic, kind to do their thing. That is the path to debasement. Mr Powell would express horror if he believed that such could be the effect of his interventions: after all, he has maintained that by mentioning the unmentionable he has helped to avoid the worst. The claim is now likely to be put to the test much sooner in Ulster than in any English cities. Mr Powell should know what he is doing either way. "Words," he has said, "are weapons and can be the most dangerous of weapons." He will show that he really does understand this if he concentrates his thoughts and efforts on the national economic task in the next couple of years, and gives less of himself, and his reputation, to causes (however much they give him exposure) that are tangential to the country's, and his own best, purpose.

The quotations from Mr Powell's speeches are taken from "Freedom and Reality" (£1.75, Batsford) and, just published, "Still to Decide" (£2.80, Batsford), both edited by John Wood.

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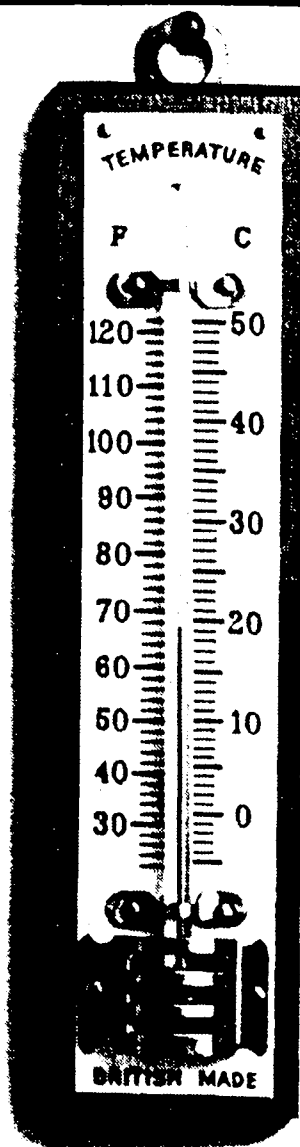
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BRITAIN

The Smith Square socialists ride again

No one can any longer accuse the Labour party of having no policy except that of abandoning most ideas it regarded as practical when in office. For what it is worth the party now has thousands and thousands of words of policy. After a final session lasting 8½ hours on Wednesday, the national executive committee approved the draft of the document which will be presented to the annual conference in Blackpool in the autumn, and it all duly saw the light of day for the first time in the party's official newspaper, Labour Weekly, on Thursday. The method of presentation was the most novel thing about it.

The document is very much what one would expect from a Labour party in opposition when the left-wing is in the ascendancy. Indeed, successive drafts of it had been leaked so extensively, even to unfriendly newspapers, over the previous weeks that most Labour MPs had difficulty in working up much enthusiasm for finding out on Wednesday evening just what the NEC had finally approved as the party's economic and social policies for the next few years. They, like everybody else, were more concerned about the compromise which had been struck over the common market. For while most realistic Labour MPs will sensibly shrug off the crackbrained ideas in the policy statement as a cross they are always doomed to bear when in opposition, it is widely recognised that the common market issue is one which could still split the party wide open.

Mr Wilson had certainly held that view, and he has been at great pains recently to assure Labour's marketeers that he would fight any attempt by the left to stampede the Labour conference out of Europe. On Wednesday, Mr Wilson was not quite as successful as he had hoped with his woolly little

paragraph which would have fudged the issue in his own inimitable style. But neither was Mr Wedgwood Benn with his far longer, more detailed and specifically anti-market amendment. The executive rejected both in favour of a formula devised by Mrs Hart.

This commits the next Labour government to renegotiate the Brussels treaties, which, of course, Labour has been told by its European fellow-socialists that it can't. Undeterred, the policy ploughs on to assert that if the renegotiations do not succeed Labour will not regard the treaty obligations as binding, and will "consult" the British people on the "advisability of negotiating our withdrawal from the communities." If, however, the renegotiations which cannot take place do succeed the new terms would be put to the British people either at a general election or in a referendum.

It is, of course, pretty meaningless mumbo-jumbo, but apparently it has made most of the anti-marketeers on the executive happy, and it is something the marketeers say they can live with. The fact is that the marketeers were determined from the start to believe that they could live with anything that fell short of rejecting the common market in principle. Some take the view that as the market is not likely to be an issue when the Labour party next forms a government it is not worth risking further unpopularity with their own rank and file by appearing to be quibbling over words now. Of course, Mr Heath will have fun at their expense at the next general election, but they are reconciled to that, too. What remains to be decided is whether the far left of the party will still attempt to hive-off Mr Jenkins and his friends by forcing on the conference a policy of total withdrawal. It now looks unlikely that it will.



Life behind the UDA barricades

Ulster

Thuggery comes in many guises

They had, said Major-General Ford, been on the "edge of the precipice." He might have added that when the army stepped back it was merely to stand on the brink. Faced with 5,000 chanting, hooded thugs of the Ulster Defence Association in Belfast late on Monday night, Mr Whitelaw and the army had no alternative but to compromise and let the UDA construct another no-go area in West Belfast. General Ford had 500 troops available, but the UDA was armed only with pick handles and sticks. They are weapons enough to intimidate the local community but hardly sufficiently powerful, in the present climate, to justify the army opening fire if the UDA had pushed things to a direct clash. And the Protestant mob seemed more than willing to do just that.

So the British Government backed down and the UDA claimed a victory for itself, as no doubt it was. Although the barriers are to remain up off the Springfield road—until the Londonderry barricades come down, so the

UDA says—trapping 40 or more Catholic families behind them, General Ford at least wrung the concession that, as well as setting up its own checkpoints on the perimeter, the army would patrol the district and the UDA patrols would be unarmed.

Mr Whitelaw has frequently said that he would not tolerate any Protestant no-go areas, and they are certainly intolerable. No worse, no doubt, than the Catholic enclaves, but that could be little compensation for many of those who were caught inside the barriers at the weekend, at the mercy of men revelling in an opportunity to match their virility with the IRA's. The consequences of mob rule and summary street justice are an affront to British and Irish society alike, whatever the religion of the perpetrators. But what else could Mr Whitelaw and General Ford have done? Monday night's operation by the UDA was so well organised—and permitted by the Protestant community—that it was impossible not to believe the UDA threat that had the security forces not backed down 20,000 of its followers would have rolled into action throughout the province.

The one-for-one assassination campaign that appears to have broken out between the extremists on both sides is bad enough, but the UDA action is the bigger danger. In the past fortnight it has barricaded five districts. Three are in West Belfast—between the Crumlin and Woodvale roads, and off the Protestant Shankill along the border with the Catholic Falls. The other two no-go areas are in Portadown and the Irish street district of Londonderry. The UDA intends to create another one this weekend.

Since the imposition of direct rule an estimated 18,000 men have been recruited to the UDA, which now boasts a province-wide strength of 43,000. Around 60 per cent of its members are reckoned to be Protestant ex-servicemen. The UDA is controlled by a 13-man inner council under a leader who, for the moment, prefers anonymity for fear of IRA assassination or arrest by the authorities. According to a UDA spokesman, he is just "an ordinary man with an ordinary education." The organisation claims that it has no prominent Unionist politicians in its ranks, but it is getting money from somewhere other than its working-class supporters.

It is a disciplined and ruthless organisation with over 30 units dotted around Ulster, under an HQ in Belfast. Short-wave radio sets are used to keep

groups in contact with one another, and coaches were hired or commandeered on Monday to bring UDA men into West Belfast from as far away as Bangor and Newtownards. Although the UDA has not claimed responsibility for any killings or bombing, its members are being trained in hand-to-hand combat in the streets behind the barricades, and it has gathered within its ranks many of the militants who once belonged to the Ulster Volunteer Force, which was declared an illegal organisation under the Special Powers Act in 1967. Its main achievement has been to hammer out some coherence among the myriad of extremist splinter groups on the Protestant right.

But the UVF is still in existence with around a thousand followers. It claims responsibility for the kidnapping of the Protestant hero, Mr Gusto Spence, who was whisked away while on parole from Crumlin road jail after serving six years of a sentence for murdering a Catholic barman. And there are also gangs such as The Red Hand and the Silent Defenders, who live in the twilight world between political extremism and just plain thuggery. Mr Whitelaw's new public protection agency to combat intimidation will not lack work.

Parliament

EEC and all that

After 22 days of debate on the floor of the Commons the committee stage of the European Communities Bill was completed on Wednesday night. In this Parliament alone the European issue has now occupied the Commons for over 310 hours, and it is not finished yet. As the committee stage was taken on the floor of the House and the bill went through unamended it does not require a report stage but will go straight to third reading. It will then go to the Lords—where it will have no difficulty going through—and only if it is amended there will it come back to the Commons.

All Labour's pro-marketeers in particular are praying that it will not come back to the Commons. That is not simply because the bill seriously damaged the political prospects of many of them—although it has done that all right—but because if the Government suddenly discovers in the Lords that the bill does require amendment after all it will smell of political jiggery-pokery. The anti-marketeers have all along complained that the



Howe, whodunit

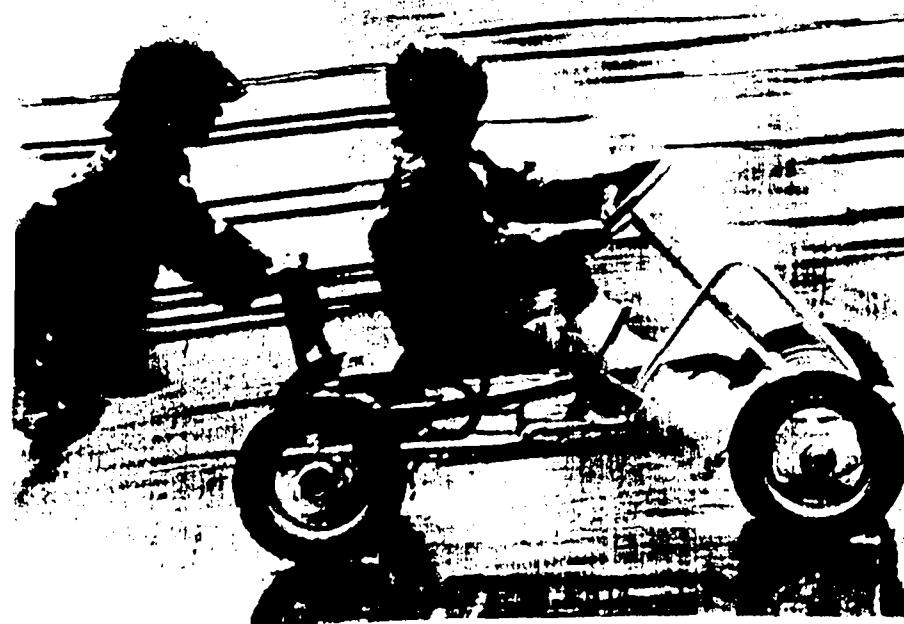
Government has resisted every amendment in the Commons because it wanted to avoid a report stage which would have opened up the whole bill to a flood of amendments once again; and even Labour's most ardent marketeers are not entirely convinced that Sir Geoffrey Howe, the Solicitor-General, did such a brilliant job of drafting the bill that it almost uniquely does not require any second thoughts whatsoever.

If Sir Geoffrey does prove to have achieved just that he will have carved himself a very considerable niche in parliamentary history; if he has not he will be execrated by the very men who have most courageously supported him in the Commons. For the point about making amendments to a bill during its passage through the Lords is that when the bill returns to the Commons the debate is limited to such amendments—the whole bill cannot be opened up afresh. There is no indication whatsoever that the Government believes it will be necessary to amend the bill in the Lords, but Labour's marketeers will be keeping their fingers crossed until it is safely through the other place. For there have been worrying, and possibly mischievous rumours, and if the bill does have to come back to the Commons it will require, in effect, another vote on the principle of joining Europe, and in those circumstances the majority will be nothing like the 112 of last October.

It will be a blessing and relief when the bill finally receives the royal assent, for it has done little to elevate the standing of Parliament with the electorate. That is not because the debates—either on the principle or on details during the committee stage—have been poor; indeed, with such able parliamentarians as Mr Michael Foot,

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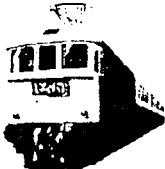
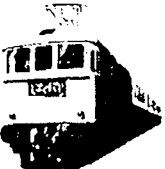
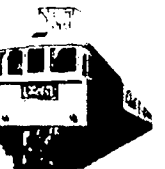
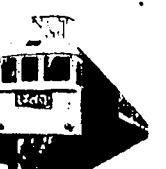
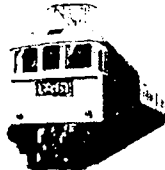
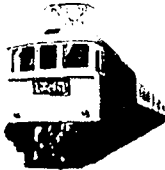
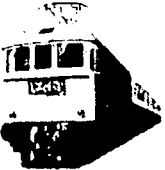
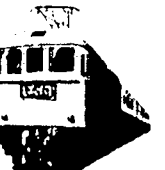
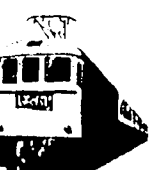
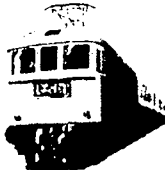
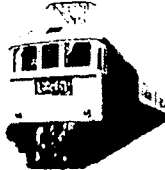
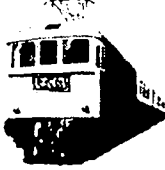
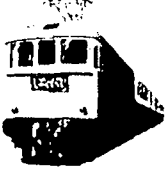
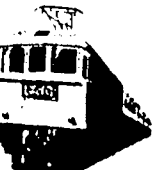
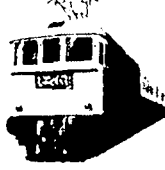
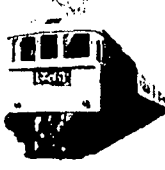
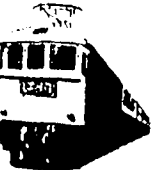
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Sir Derek Walker-Smith and Mr Enoch Powell always to the fore the debates have been of high quality. But the rhetoric has not disguised the reality that the opponents of the bill were never trying to improve it but to destroy it, and if they could not do that then to obstruct it.

The tactic of obstruction to deny the Government parliamentary time for other measures that it thinks necessary is well understood and accepted at Westminster. It is a game most MPs of all parties like to play when in opposition—even when, for some of them, they are in opposition to their own government. But it makes Parliament look an increasingly futile place to the general public, and when obstruction becomes more important than argument—as, for additional example, on the Government's Industrial Relations Bill of last session—opposition parties slip too easily into the politics of ya-boo. Perhaps this Parliament is not really very much worse than its predecessors in that respect, but anyone who did not know quite how awful previous Houses of Commons could be at times would require a lot of convincing of that, particularly if they had heard Mr Harold Wilson's opening speech in the industrial relations debate on Monday.

Hospitals

Fire hazards

What are officially termed "significant fires" in health service hospitals are not all that uncommon: in England and Wales 122, with 8 deaths, in 1970 and 126, with 9 deaths, last year. But serious ones such as occurred at the Coldharbour hospital near Sherborne early on Wednesday, killing 30 mentally handicapped men, are fortunately rare.

The last one of similar magnitude was at Shelton Hospital near Shrewsbury in February 1968. This too was a long-stay hospital, and 24 mentally ill women—most of them elderly—died. That fire was probably caused by a lighted cigarette left in an easy chair by a patient. But its effects would have been much less serious had there not been a few minutes delay in summoning the fire service. The committee of inquiry found the hospital authorities to blame in not ensuring that the nursing staff had had sufficient training in fire procedure and evacuation.

There will be a similar inquiry into the Sherborne fire, which will presumably find out whether the



The ward where 30 men died

instructions on fire precautions that have been issued to hospitals both from the Department of Health and from regional hospital boards had been carried out. On the face of it the Sherborne hospital does not look such a fire hazard as Shelton or indeed other antiquated hospitals. The ward where the patients died was a single-storey building and had recently been modernised; and apparently at least two doors were open. But the fire appears to have spread too fiercely and rapidly for more than a handful of patients to be evacuated.

There is some controversy about how realistically fire practice in hospitals should be carried out. Apart from the very young, the most vulnerable patients in a fire are the old, the mentally ill and the mentally and physically handicapped, particularly as many of them are given sedatives at night and sleep heavily. It is a moot point whether rousing these patients from their beds in a practice evacuation exposes them to greater risk than the remote possibility of an actual fire. But several full-scale fire drills are said to have been held in the past two years in the wing where this week's disaster occurred.

Psychiatry and the law

Back to square one

Fortunately there have been no signs of a panic reaction to the news that a young man convicted of murder by poisoning was a conditionally discharged Broadmoor patient. Mr Graham Young had been sent to Broadmoor by the court when he was a boy of 14 for having poisoned—not fatally—members of his family and a schoolmate. A restriction was placed on his discharge, which could have

lasted for 15 years. But on the advice of the doctor looking after him Mr Maudling agreed to his conditional discharge after nine years.

However exceptional this case, and however rare for former Broadmoor patients to repeat their crime, Mr Maudling and Sir Keith Joseph (who is responsible for the management of Broadmoor but not for discharges) had to take some steps to allay public anxiety. First, no patient will be discharged from any of the special hospitals unless the doctor looking after him obtains a concurring recommendation from another psychiatrist. This can be regarded as a placebo for the public. It may provide extra reassurance; but can a psychiatrist, interviewing a patient for an hour and flipping through his case notes, add anything worthwhile—in the matter of discharge, as distinct from treatment—to the opinion of those who have had the patient in their care for years? Secondly, and much more realistically, the arrangements for supervision after discharge have been strengthened. Coupled with more effective supervision is the requirement that, "where necessary," an ex-patient's employer is "sufficiently informed" about a case to warn the supervisor if things appear to be going wrong. Clearly this stipulation, if carried too far, will make it exceedingly difficult to resettle special hospital patients in the community. In addition a small expert committee will advise on whether any more changes should be made in the discharge procedures.

Quite independently of this committee and of the Young case, however, Mr Maudling and Sir Keith Joseph had already decided to institute an extensive inquiry into the application of the criminal law to mentally abnor-

mal offenders under the chairmanship of Lord Butler. The main provisions governing it are contained in §60, §65 and §72 of the Mental Health Act of 1959 and in §4 of the Criminal Justice Act of 1948. Under §60, after anyone has been convicted of an offence and two doctors have found him mentally disordered, the court can order him to be detained in hospital. He is there treated like any non-offending patient; his doctor can recommend his discharge at any time; and he can appeal to a tribunal to be discharged. But if under §65 a court adds a restriction order whether for a fixed period—as in the Young case—or for an unlimited one, a patient can be discharged only with the consent of the Home Secretary while the restriction order is in force. What is more, he cannot be given leave of absence without that consent or take up a job outside the hospital during the day.

These restrictions are valid for special hospital patients, who are there because they are dangerous. But doctors in other mental hospitals find the few §65 patients they receive (135 in 1970) a nuisance. The restrictions entail endless and often fruitless communication with the Home Office and are often inimical to a patient's rehabilitation. If he is psychopathic, like Mr Young, he may resent being labelled "mental" and refuse to co-operate in treatment; but because a hospital order has been made he cannot be transferred to prison. In the event, a §65 patient may serve a longer sentence in hospital than he would have done in prison—as did Mr Young in Broadmoor. Perhaps the Home Office should employ its own psychiatrists to supervise restricted patients. As things are, it takes decisions affecting someone's liberty without ever seeing him.

§72 of the Mental Health Act and §4 of the Criminal Justice Act create fewer headaches. The first enables a prisoner found to be mentally disordered to be transferred to hospital for treatment. §4 is for milder offenders—particularly those found guilty of minor sexual offences—who are given the option of probation coupled with psychiatric treatment instead of prison.

So far as the existing law is concerned the committee undertaking the extensive inquiry will be likely to concentrate on §65 and perhaps on the relations between the special hospitals, the Home Office and the Department of Health. It may also discuss the placing of mentally abnormal offenders in the future when the large hospitals



Butler: philosophical problems

are supposed to have been run down. But its remit goes much further. It is to examine

To what extent, and on what criteria, the law should recognise mental disorder... as a factor affecting the liability to trial or conviction of a person accused of a criminal offence, and his subsequent disposal.

This remit will bring up the hoary old questions of fitness to plead, not guilty by reason of insanity and the McNaghten rules. It will also stir up again many unresolved dilemmas. Where is the boundary between medicine and the law, between who is sick and needs treatment, and who is sinful and should be punished? Is psychopathy a true illness? If so, has the doctrine of criminal responsibility been eroded so far that it might as well be abandoned altogether? With his experience as Home Secretary and his longstanding interest in the workings of disordered minds, Lord Butler should enjoy examining philosophical problems like these.

Families

Five-year plans

Any interpretation of surveys of married couples' "family intentions"—a euphemism for breeding plans—must be as fraught with provisos as an insurance policy. The gap between reported and real intention may be particularly wide, to say nothing of the gap between intention and achievement. As indicators of the trend in the birth rate such surveys have the rather obvious disadvantage of leaving unplanned pregnancies out of account. But they are the most sophisticated that exist, and they are useful because the birth rate has proved tiresomely unpredictable over the past eight years.

The Hull Family Survey, whose second report was published on Wed-

nesday, is particularly valuable because the original 350 couples, questioned shortly after their marriages in 1965-66, have been retraced and questioned. So the survey offers answers to two sorts of questions: are family intentions changing, and how fully (or overfully) are they realised? It is not quite possible to separate the two: the average of the number of children desired by each couple had dropped substantially, from 2.61 to 2.23, but is this because of a general change in attitudes or because these couples found child-rearing a more onerous business than they had supposed?

By far the most common explanation given (by over half of the couples who had changed their minds) for deciding to have fewer children was economic. This could still mean no more than that five years of marriage had made these couples less starry-eyed, but it is a useful pointer to the continued failure of the birth rate to pick up after it declined in the mid-1960s. Only 5 per cent gave the state of the world population explosion as an explanation. One in 19 couples had actually revised their intentions upwards; the most common reason for this was "over-achievement." (For one couple, for example: "The first pregnancy was twins and the second triplets.")

Other surveys have suggested that one-third of pregnancies are unwanted at the time of conception, and, neatly, one-third of the pregnancies occurring during this survey were said to be unplanned—these made up an increasing proportion of second, third and fourth pregnancies. Well over half of fifth and subsequent pregnancies were unplanned. But the survey tries to distinguish between risk-taking and contraceptive failure: the latter appears to account for under a third of unwanted pregnancies.

Some 93 per cent of the couples had used a contraceptive at some stage—a surprisingly high figure—and 60 per cent had used condoms. As many as 50 per cent had at some stage used the pill—more confirmation that the trend towards the pill was strong in the late 1960s. But perhaps the most interesting piece of evidence of all is on how the class and religious differences in original intentions (those at the top and the bottom of the economic pile intended to have more children than those in the middle, and Catholics intended to have more than the rest) had not stood the test of time. Differences in achievement were virtually nil.

Otto Secher

on how and why

Albright & Wilson

have prospered in Cumberland



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July 5, 1972.

THE WORLD

International Report

Chaban goes, gaullism stays

FROM OUR PARIS CORRESPONDENT

M. Pierre Messmer will do what he is told. That was the first reaction in France to President Pompidou's dumping of the prime minister, Jacques Chaban-Delmas, and his replacement by M. Messmer. M. Messmer is known as a gaullist *dur et pur* and, whatever else gaullism means, it certainly means unquestioning acceptance of the president as the maker of policy. Although M. Chaban-Delmas had always accepted this verbally more loudly than anyone, there have been signs more than once that he had a mind of his own. His removal is generally seen as a presidential reassertion that the buck stops nowhere before the Elysée.

Certainly M. Messmer has the qualifications. For nine years from 1960 he was General de Gaulle's minister of defence—not a field in which the general was inclined to seek advice from his subordinates. More recently, under M. Pompidou, he has held the job which in plain English would be that of colonial secretary; he has rigorously applied the constitutional theory that a colony is not a colony as long as you call it an overseas territory or department, and that those overseas citizens who think otherwise had better shut up or have it done for them. Nothing suggests that M. Messmer has ever disagreed with the policies he has had to apply, which have included comforting the army after the retreat from Algeria, deciding to create a nuclear deterrent, withdrawing from Nato, and defence *tous azimuts*. With M. Couve de Murville he was the first politician, and one of the few, to be received at Colombey after de Gaulle's retirement.

M. Messmer's first job is to limit the losses of the ruling party in the forthcoming elections. The government will get a new and leaner face, although not it seems—names were not known when *The Economist* went

to press—a totally new one: the foreign minister, Maurice Schumann, and the defence minister, Michel Debré, have been allowed to carry on with official trips to China and America respectively, and the ejection of M. Valéry Giscard d'Estaing from the finance ministry would be a political eccentricity at this moment.

Since the government will need time to make its mark the early dissolution of the national assembly, which has been often talked of, now seems unlikely. Meanwhile, one can guess that M. Messmer will be trying to reassure the more orthodox and conservative members of the ruling party, who found M. Chaban-Delmas too liberal by half in his readiness to listen, for instance, to the trade unions. It may have been precisely for this purpose that a man of M. Messmer's views was chosen, although he was anyway clearly second favourite for the succession. One can guess again—although inevitably it is

firmly denied—that, having served his purpose, unless he does it unusually well, after the elections he too will follow M. Chaban-Delmas to the chopping block. It is hard to believe that M. Pompidou will be content for long with a prime minister whose first loyalty has been to the president's predecessor.

Whether M. Messmer's appointment in fact means an end to M. Chaban-Delmas's occasional attacks of liberalism is another story. So-called left-gaullism is today a very sick joke, one of its leading practitioners having recently been caught with his hand not too far from somebody else's till. The equally so-called reform of the public broadcasting authority, another touchstone of liberalism, seems likely to lead back to the days when broadcast news and government views were not easily distinguishable. One of the frequent gaullist complaints against M. Chaban-Delmas was that he had allowed the broadcasters too much freedom, and the "reform," although prepared under his prime ministership, reflects his critics' views more than his own.

And yet, if the ruling party is to regain its prestige, it has got to destroy the idea, created by a year of scandals, that the state and the public



Pompidou changes shirts: on with Messmer, off with Chaban



Tanaka: more natural than traditional

that a move away from the slow, orderly pace of bureaucratic decision-making might boost the party's popularity in time for the general election that will inevitably be called either this autumn or early next year.

In his first televised press conference as prime minister, Mr Tanaka acted more naturally than a traditional leader of Japan. He sweated profusely, and took to wiping his forehead as if he had just sat down in a coffee shop and been given a hot towel. He was even more rambling than Mr Sato, grunting and modulating his raspy voice in much the same way as an ordinary Japanese in everyday conversation.

He tried to promise everything. The time is ripe to normalise relations with China, he said, without discussing the terms under which this might occur. A peace treaty with the Soviet Union is in order, he declared, again without offering any new ideas about the offshore islands or Siberian oil questions. He also said Japan needs to strengthen its relations with the United States—an idea taken for granted in the past. On domestic matters he ran the gamut of housing, traffic, pollution and health, and promised programmes to deal with all of them. He has won the race, but not quite begun to govern.

China

More tall tales

Most visitors to China like to poke a toe into forbidden territory by asking about the fate of that non-person, Lin Piao, and most are brushed off with a non-answer. But one recent traveller elicited a remarkable explanation from his card-carrying communist guide. Lin Piao was purged, he was told, for

three reasons: he promoted the cult of personality; he was a difficult man to get along with; and he opposed China's rapprochement with the United States. Dissension within the army over policy towards the United States was so acute, according to this informant, that it erupted into a shoot-out at Wuhan.

This traveller's report may be nothing more than the Peking version of the classic taxi-driver's tale. But such snippets continue to be prized because 10 months after Mao's chosen successor, his wife, and four top military leaders vanished into the night—or into a Mongolian hillside, if they were indeed passengers in that mysteriously vagrant Trident jet—the Chinese have offered no official explanation of the event. Lin is regularly attacked by implication in the Chinese press, although not yet by name. (His predecessor, Liu Shao-chi, was similarly nameless for two years after his disappearance.) But despite the carefully maintained public silence Peking has been systematically informing the Chinese people about the Lin Piao affair in a series of top-secret documents circulated in the party.

One purported example of such a document has recently been released by the Chinese Nationalists. Its assertions include plans for an armed coup to be carried out by Mr and Mrs Lin, their son Lin Li-kuo, who was the deputy director of the air force combat department, and a number of other air force officers. The plan was to capture Mao and the rest of the high command on the occasion of a major meeting. (A long-postponed session of the National People's Congress was reported to be scheduled for September, 1971, just after Lin Piao disappeared.) The main force behind the coup was to be the Chinese air force, but Soviet support was expected "because of maoist maltreatment of the Russians." The document conceded that the army would not be solidly behind Lin and his co-conspirators because of Mao's policy of divide-and-rule, and that the security net around Mao himself made him a difficult prey. But "this is a life-and-death struggle," the author declared. "Either we swallow them up or they will swallow us."

The document links the disappearance of Lin Piao with the purge a year earlier of Mao's erstwhile political secretary, Mr Chen Po-ta. It is now known that Chen was denounced at the second plenum of the central committee in August, 1970. According to the papers released by the Nationalists, Lin's five fellow-victims, headed

by the former chief of staff, Huang Yung-sheng, were forced to make public self-criticisms at the same meeting. The Lin family, fearing that the defence minister's head might roll with the rest, then began to plot their coup.

It is a credible scenario. But there is no way of knowing whether this and other, similar, stories represent truth or politically inspired fiction. All that is certain is that except for a recently appointed deputy chief of staff, the top offices in China's armed services are still empty; there is no minister of defence, no chief of staff. There is not even, six years after the last great purge, a head of state. And this week, for the umpteenth time, 78-year-old Mao was reported to be dying.

Russia

In the dark ages of psychiatry

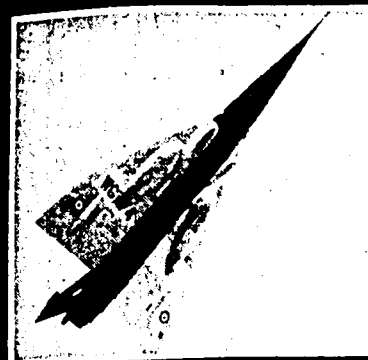
FROM A SPECIAL CORRESPONDENT

Jerusalem

The Soviet practice of incarcerating political nonconformists in "mental asylums" has acquired considerable notoriety over the past few years. As a result of the reports appearing regularly in the clandestine Russian periodical *Chronicle of Current Events*, and of the information supplied by the young Soviet dissident Vladimir Bukovsky, recently sentenced by a Soviet court to a total of 12 years' imprisonment and exile, the western world has been able to learn a good deal about this technique of political repression. Now this knowledge has been confirmed and amplified by a new source—the Soviet émigrés in Israel. Dr Norman B. Hirt, an eminent Canadian psychiatrist, has just spent a year in Jerusalem, interviewing many former "patients" as well as a few former Soviet psychiatrists.

Some of the most chilling pages in the book Dr Hirt plans to publish on the subject will deal with the director of all diagnoses connected with political cases at the Serbsky Institute of Forensic Psychiatry in Moscow—the man in charge of the whole system of psychiatric treatment of "socially dangerous" people in Russia, Daniel Lunts. According to Dr Hirt's informants (all of whom were interviewed independently and without each other's knowledge), Dr Lunts—described as a professor of psychiatry, but a KGB colonel—is a man in his fifties, of medium height, whose connections with the secret police eventually led

Continued on page 41

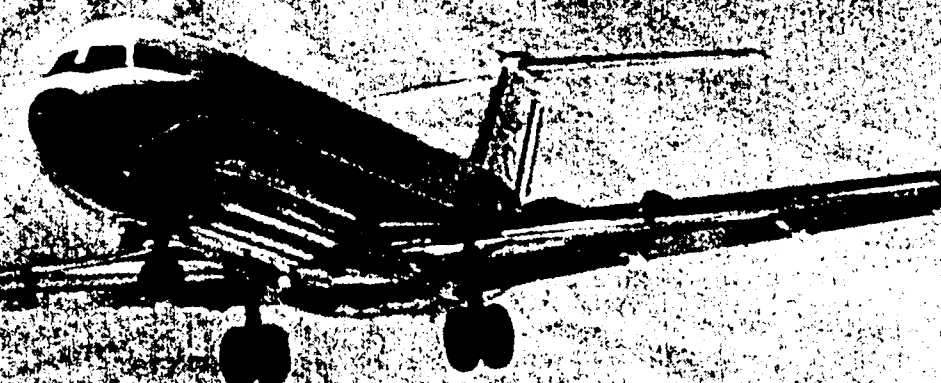


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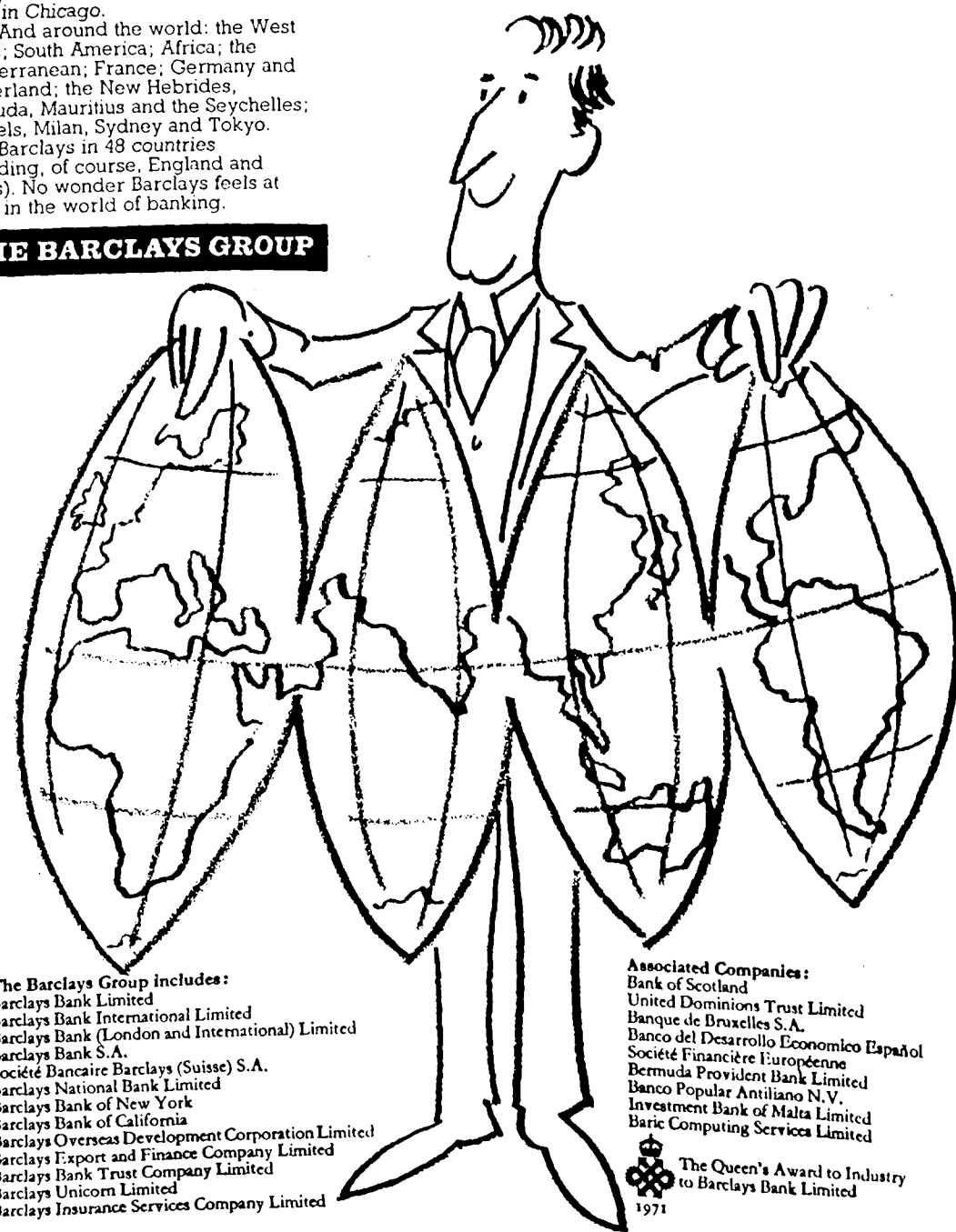
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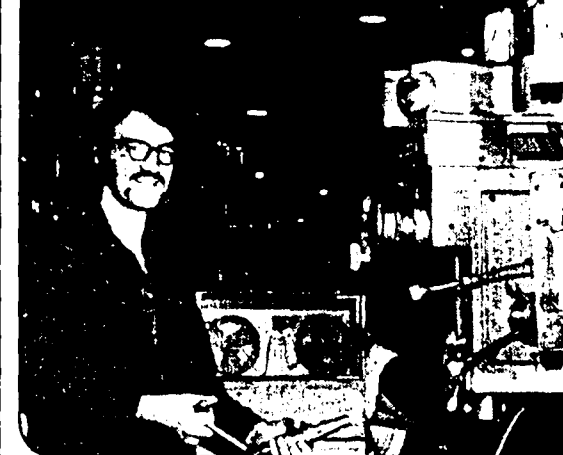
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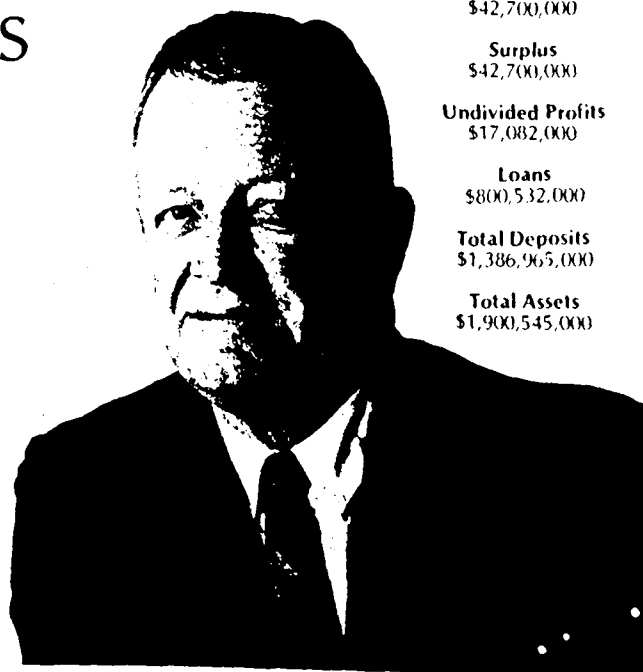
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Continued from page 34

to his being given the job of supervising all the political psychiatric cases in Russia, of whom there are many thousands, according to Dr Hirt's informants. He is said to have told patients that "when I say a man is schizophrenic, he is schizophrenic, just as if I say an ashtray is schizophrenic, it is schizophrenic." Witnesses claim that he has stripped women patients and stuck pins in their breasts, ostensibly to determine their "hypersensitivity" and thus their "pathological characteristics."

This man is responsible for perfecting a system whereby virtually every Soviet citizen who has ever undergone any psychiatric examination may find himself pronounced neurotic or

psychotic on the flimsiest grounds. To be sure, only a small proportion of Soviet psychiatric patients are branded "psychotic." Indeed, it must be borne in mind that alongside the forensic psychiatric system dominated by Dr Lunts and the KGB there is a much larger system of ethically run and well organised clinics, dispensaries and hospital wards, staffed by men who abhor the Lunts methods.

Yet so pervasive is the power of the KGB that it may at any time decide to arrest a political dissident, merely on the basis of former illnesses, and to confine him either for observation in a psychiatric clinic or, after a bogus trial, to an indefinite term in one of the notorious "special psychiatric hospitals." It is Dr Lunts who has built

Something, but not enough

"Very like a whale," said Polonius to Hamlet. Had he been referring to the taste of pet food, or even of sun tan lotion or gearbox oil, he might have been right. Whales, among the world's most amiable and intelligent creatures, have been hunted and killed to the verge of extinction lest human beings should bronze in blotches or the squeals of their kittens be drowned by those of their gears.

Now the danger of the annihilation of the species seems to have been averted. The 24th annual meeting of the International Whaling Commission which ended in London last week agreed to reduce marginally the quotas on the killing of most varieties of whales. Although the world's total catch, which was in the region of 40,000 last year, is now set at a maximum of 38,600, scientists believe the reduction will enable most stocks to be built up.

An important achievement at the conference was the decision to abolish

the blue whale unit which has been used in the past to measure quotas. One blue whale unit was equivalent to 2 fin whales, 2½ humpbacks or 6 seis. The effect of this was to encourage whalers confronted with a shortage of one variety to make good their quota by increasing the pressure on others. In future quotas are to be set for each variety of whale individually. It is also encouraging that the commission's members have agreed to carry foreign observers on their ships.

But there is still cause for anxiety. The fin whale, even though its annual quota has been reduced by about two-fifths to 2,600, may still be in danger of extinction. And the commission does not represent some whaling countries such as Brazil, Chile, Peru, Portugal and Spain whose total catch came to about 3,000 last year. Even more important, last week's meeting rejected the resolution passed at last month's UN environment conference in Stockholm, which called for a 10-year moratorium on all whaling. Proposed by the Americans last week, this motion was strongly attacked by the Russians and Japanese—who between them account for over 80 per cent of the world's catch—and was defeated with the help of Iceland, Norway, Panama and South Africa.

Such is the state of ignorance about numbers, distribution and breeding habits of whales that a moratorium of this kind may be necessary to ensure the survival of some members of the species. In the absence of such a ban the British Government should emulate the Americans by forbidding the importation of all whale products. Otherwise some future Polonius may know as much about, say, the fin whale as we know today about its ancestor, the basilosaurus. Which is not much.



Victim of a Japanese harpoon

up the techniques of mock "medical investigations" and who is most frequently responsible for the forced medical "treatment" of people against the wishes of their relatives, despite contrary evidence adduced by lawyers and acquaintances, and even regardless of other medical judgment.

The medical treatment, it is made clear by the evidence amassed by Dr Hirt, is a form of punishment. The use—or excessive use—of certain anti-depressants, tranquillisers and narcosynthetic chemicals (so-called "truth serums") is a case in point. The drugs include aminazin which, when used in excess, produces debilitating after-effects such as athetosis—a violent lack of control of muscular movements—severe skin reactions, the destruction of the memory system, and the complete exhaustive collapse of the victim; reserpine, which has been used in such quantities that post-mortems have shown severe destruction of the protein structure of the victims' brain substrates; and sulfozin—a 1 per cent solution of purified sulphur in a peach-oil base which, according to Dr Hirt, "is never employed in ethical practice" but which is liberally used by the KGB.

Other punishments testified to by Dr Hirt's informants include beatings and the use of the "dry pack"—a wet canvas in which the patient is rolled from head to foot, and which causes the most agonising pains as it begins to dry and contract. The Serbsky Institute is also reported to have a cage, one metre square, for patients who have been given an overdose of drugs that cause muscular spasms.

I asked one former Soviet psychiatrist, whom I interviewed together with Dr Hirt, why neither he nor his colleagues in the Soviet Union have seen fit to denounce Dr Lunts and his system. After all, they have the necessary evidence, and protests against injustices are no longer a novelty in Russia. The psychiatrist looked at me for a few seconds, and then exclaimed: "Would a western psychiatrist ever dare to come out openly against his professor?" A melancholy answer, but perhaps, given the stalinist power exercised by Dr Lunts and the KGB, an understandable one. Dr Hirt says that such answers strengthen his determination to expose a man who, together "with the powers that be, is setting us back to the dark ages of psychiatry. If my medical colleagues remain silent they will in effect be condoning one of the greatest medical criminals of the century next to Dr Mengele of Nazi Germany."

*Eastern Europe***With friends like these . . .**

FROM OUR SPECIAL CORRESPONDENT

Warsaw

Life is not getting easier for Russia's allies in Europe in the early aftermath of President Nixon's visit to Moscow. On the contrary, the very success of the visit has apparently strengthened Russia's writ in eastern Europe. Some middle-ranking officials from the Moscow foreign trade agencies travelled to Warsaw last week for an east-west trade conference sponsored by the Polish chamber of commerce. There they singlemindedly set out to create an air of plenty and peace, singing a song which nobody present could recall hearing from them before.

Russia now believes, they said, in the international division of labour. No longer is the aim the old one of economic self-sufficiency for the communist world. Growth can come only through trade and industrial co-operation with the west and Japan. East-west deals should henceforward give every western partner a handsome profit; indeed, according to one Russian, there should be "a perfect guarantee" that there will be no loss. Never mind how, so long as the method does not involve a direct western share in ownership or management inside Russia. Any speaker, from east or west, who cast doubts on where the resources or bureaucratic skill would be found in communist countries to increase trade substantially was immediately taken to task by the Russian delegation.

Russia's trump was an old warhorse who worked for Lenin—Professor Ljubimov, who was trundled out not, as in the old days, to mock the weakness of the west's monetary system, but to drop heavy hints that Russia expects its views to be taken into account in the discussion of any new world monetary system. The implied suggestion was that the rouble might eventually afford the cost of being made convertible if room could be found in any new system for gold at a much higher price—a means, among other things, of completing Russian financial dominance in eastern Europe.

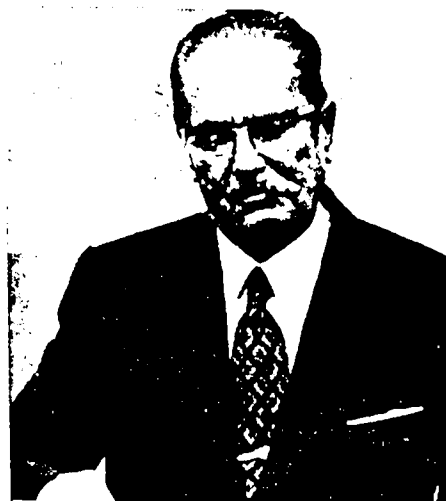
The reaction to this by most of the other east Europeans present at the Warsaw meeting was little short of panic. It took the form of desperate public attacks—toned down strenuously by the Russians, following Mr

Brezhnev's lead in March—against the enlargement of the common market. The east Europeans see an enlarged community as combining fatally with Mr Nixon's visit to strengthen Russia's claim to conduct the trading policies of the whole of eastern Europe, as a block, from Moscow. Several east Europeans remembered, for the benefit of your correspondent, a warning given by *The Economist* the week after Mr Nixon's Moscow trip that block negotiating by the EEC at the forthcoming European security conference would destroy any remaining hope the east Europeans might have had of behaving at that conference with even the slightest independence of the Soviet Union.

Already President Nixon's visit to Moscow has been the signal for Russian "observers" to start turning up uninvited at negotiations being conducted by the Hungarians and Poles to buy western factories—on the handy pretext of warming up the conversation with a dram of the Moscow spirit. Hungary, which has spun the most varied web of loans to finance more trade with the west, including straight access to the Eurobond market, is obliged for the moment to watch its step. Throughout eastern Europe, Rumania alone excepted, talk of joint ventures with western firms on the Yugoslav model is being muted for the time being. It is a time for would-be heretics in the east, now that the Washington patriarch has been and departed bearing gifts, to be more catholic than the Moscow pope.

*Jugoslavia***The trouble with terrorism**

Is Yugoslavia about to have a guerrilla problem? Probably not, despite last weekend's dramatic announcement from Belgrade that a Croat terrorist group, infiltrated from the west, had been broken up by security forces and territorial army units near Bugojno, in mountainous western Bosnia. It is true that Croat extremists have in recent years mounted a number of bomb attacks on Yugoslav offices in various western countries. In April, 1971, the Yugoslav ambassador in Sweden, Mr Vladimir Rolovic, was assassinated by two young Croats who had recently arrived from Yugoslavia. And the crash of the Yugoslav DC-9 airliner over Czechoslovakia last January, in which 28 people were

*But Tito's still got too many friends*

killed, was probably the work of Croat extremists trying, unsuccessfully, to assassinate the Yugoslav prime minister, Mr Bijedic.

But there is a world of difference between sporadic acts of violence committed on foreign soil and serious guerrilla action within Yugoslavia itself. There is no sign that the Croat extremists—poorly led, politically disunited and scattered all over the world—are capable of taking on the well trained and well armed Yugoslav army without the support of the local population and at least some backing from a foreign power. They do not seem to have either. Neither Russia nor China nor any western country is even remotely likely, at the moment at any rate, to support anti-Tito guerrillas. Despite the widespread disillusionment that President Tito's purge in Croatia has caused among Croats at home and in the west, there is no sign of a shift to the sort of policies that could produce a political base for terrorism.

The most worrying aspect of the weekend's news is that it may play into the hands of all those hardliners in Yugoslavia who have been agitating for a return to the "firm-hand" policy associated with the former vice-president and security chief, Mr Rankovic, who was dismissed in 1966. Last week's meeting of the Serbian central committee revealed that the hardliners are a force to be reckoned with. The vision of a terrorist threat within Yugoslavia could be a godsend to the advocates of harsher measures against political enemies of all sorts.

In Croatia the hardliners have been unhappy with the pace of the political purge—despite the fact that more than 1,300 junior and middle-rank party officials have been dismissed and

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that police prosecutions have been started against more than 1,000 students, intellectuals and former party officials (but not the top party men sacked in December). The result of next month's trial of some Zagreb student leaders, who organised a strike in November to support the deposed Croatian leaders' economic demands, may show the relative strength of the two sides in Yugoslavia.

Sportsmanship

Great chess bore

With that elderly ailing yachtsman, Sir Francis Chichester, safely where he belongs (in hospital) we can devote our undivided attention to that other mid-summer non-event: moody Bobby Fischer, the capitalist world's money-grubbing little horror, playing, or not playing, chess against sporty Boris Spassky, whose sportiness vanishes at a flick from the Soviet machine behind him. It is all much too tedious to regurgitate but when a chess-happy Mr Jim Slater's offer to double the prize money belatedly lured Mr Fischer to Reykjavik (where the poor Icelanders are said to be paying what amounts to at least a dollar each for the privilege of playing host to the championship) the Soviet chess federation chose to get stuffy and foul things up all over again.

The Russian move is no doubt part of the psychological warfare integral to this cerebral exercise. The Russians, whom Mr Fischer—before his groveling apology on Thursday—had accused of lying, cheating and hypocrisy, have held the championship for 35 years; the experts say that America's genius can probably wrest it from them. Great chess players, as Mr Arthur Koestler explained in a scholarly article in the Sunday Times on July 2nd, are seldom nice or happy. Icelandic chess sagas tell tales of slaughter, including that of King Canute's opponent. Such extremes are now unusual but two more recent champions have died insane.

One former champion who has clearly escaped this peril is Mr Max Euwe, the Dutchman who has the wretched job of organising the present spectacular. Cheerfully admitting that he has been making up his own rules in order to try to save the game, he has apologised in the way the Russians demanded. The awful thing is that if the game is saved the two men will fight it out for the best of 24 games. Chess may not be more savage, or more inductive to international ill-will, than other games, but it is certainly slower.

Palestine

Bond Street gang?

Britain's part in co-sponsoring last week's Security Council resolution—which “condemned” the recent Israeli raids into Lebanon, while only “deploring” the guerrilla attacks that led to them—has detonated an Israeli reaction. The Israeli government was angered by the resolution, particularly by the clause which called for it, albeit in convoluted phrasing, to return the Syrian officers captured during the previous week. Hence, one must assume, Israel's decision to embarrass the British Government by challenging Britain's supposed decision to allow the guerrillas' Palestine Liberation Organisation to set up an office in London—although the Israelis had already been informed that under British law and tradition neither decision nor permission was involved.

The Government has indeed been embarrassed, with members of parliament on both sides protesting at the thought of a terrorist nest in the centre of London. In Parliament on Monday Mr Joseph Godber, Minister of State at the Foreign Office, reiterated what Sir Alec Douglas-Home had replied to Mr Abba Eban last week: there are no means of preventing anyone establishing such an office so long as it operates within the framework of British law. This means that a PLO office, like the other offices in Britain which are or have been attached to a wide variety of political movements, can provide information or lobby anybody who is available to be lobbied but cannot operate as a guerrilla base for planning terrorism or training terrorists.

The distinction can be a fine one and there is no doubt that the activities of a PLO office, when established, will be closely scrutinised. So too, as Mr Godber assured Mr Callaghan, the shadow Home Secretary, will its personnel. The most likely head of the new office will be Mr Said Hammami, a PLO representative who has been in London for about a year attached to the Arab League information office. With his own office and staff, Mr Hammami's job will be extended but will remain, he insists, for information only.

A PLO office has existed more or less quietly in New York since 1965. The quiet was broken last year when the office was raided, and its chief beaten up, by militant Jews. There is also an office in Geneva but in most

European capitals information about the Palestinians and their cause is disseminated, if at all, by the Arab League and its PLO representatives. It may be these who were meant by the resolution passed last week by the political committee of the Council of Europe, which called on the council's 17 members (who include Switzerland and Britain) to close what it called their PLO offices.

Israel's desire to prevent the propagation of more efficient information about the Palestine guerrilla movement (at present scanty and even more confused than the movement itself) is understandable, although it comes rather curiously from Mr Menahem Begin, the leader of the Jewish guerrilla organisation which fought both Arabs and Britons in the last years of the British mandate. The past being the past, Mr Begin was correctly given a visa for his recent visit to London. The Palestine guerrillas being very much part of the present, it is questionable whether their leader, Mr Yasser Arafat, should receive similar hospitality if, as rumoured, he applies for a visa to open the London office. As chairman of the PLO's executive committee, Mr Arafat is, in theory at least, ultimately responsible for all acts of violence by the guerrilla groups which belong to the organisation.

But it is improbable that Mr Arafat will make the attempt. The information office can do its work as well, and in fact a good deal better, without the hullabaloo of a controversial opening. And Palestinians in London, pointing to the rock-bottom state of the fortunes of the guerrilla movement, say starkly that Mr Arafat has, or should have, a great many more important things to do than ceremonial openings.



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The Vatican

The Pope at war with the enemy within

FROM OUR SPECIAL CORRESPONDENT

Pope Paul and his court are away at Castel Gandolfo, the Pope's summer residence in the mountains, and the only people—apart from the tourists—to be seen around the Vatican now are a handful of junior officials left in charge of the papal shop. But even the Pope's absence does not signify a closed season for the headquarters of a religious community whose members make up 16 per cent of the world's population. The Roman Catholic church and its external and internal preoccupations are big news even in the middle of summer.

Last week the Vatican caused a stir by promoting to the rank of full bishop a number of apostolic administrators in Poland's western territories, which belonged to Germany until 1945. The Vatican thus officially recognised the permanence of Poland's western border only a few weeks after the Bundestag in Bonn had ratified the non-aggression treaty between Poland and west Germany which Herr Willy Brandt signed in December, 1970. The Pope has as much of an Ostpolitik as Herr Brandt, President Pompidou or any other western statesman. He also has on his hands a number of bitter internal controversies. One is over whether priests should be allowed to marry. The other concerns the ban on birth control which was confirmed by Pope Paul four years ago.

Even in this very secular age there is an almost insatiable thirst for information about the most traditional of the Christian churches. It is a curiosity that is not easy to satisfy, for the Vatican is in some ways a more secretive place than a communist capital. For example, the Osservatore Romano, the papal daily, is a unique model of carefully misleading evasiveness, by comparison with which Pravda appears to bristle with information and even gossip. Nevertheless, despite the Vatican's information smokescreen, it is possible to catch a glimpse of what is happening, and to form some basis for speculation about the future.

It is persistently rumoured that the Pope will retire on his 75th birthday

on September 26th. There is a precedent for retirement: a predecessor, Celestin V, returned to monastic life after only five months on St Peter's throne in 1294. Certainly the Pope is thought to be sincere when he says from time to time that he would like to give up.

He is showing signs of tiredness. And there is his 1968 ruling bidding heads of congregations and other top prelates to retire at the age of 75. Some very respectable Vaticanologists maintain that he would hardly prescribe for others what he was not going to practise himself. So they think he will go this year. This theory, however, ignores the Pope's deep sense of personal mission in the struggle against the forces of secularism which he sees threatening the Roman Catholic church from within. Last week's statement by Archbishop Benelli, the Vatican's deputy foreign minister, that the Pope will not retire must be taken seriously.

Speculation about the next Pope is therefore premature, and expectations that Pope Paul will shortly hold another consistory at which a number of new cardinals will be appointed make prediction well-nigh impossible. The new Pope could conceivably be elected from their ranks—and he could very well be a non-Italian. Italian cardinals now form less than a third of the electoral college.

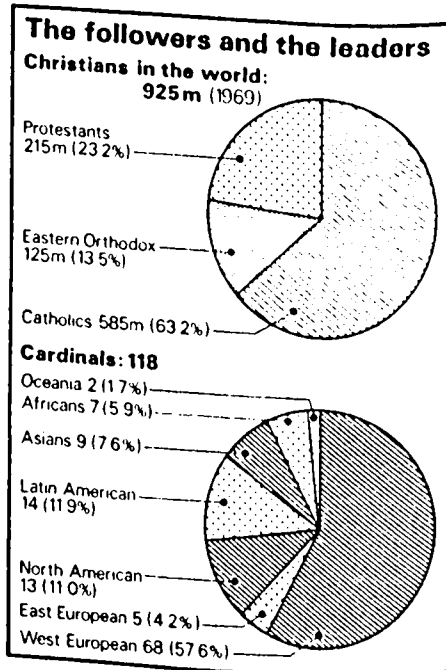
The ancient system of smoke signals which heralded the election of a new Pope is gone: the final announcement will be made on the radio, and the voting will take place in a modern hall. But not much else has changed. The conclave, the body which will elect the new Pope, will be smaller than before. Since cardinals over the age of 80 have been barred from voting, only 89 out of the 118 cardinals will have full voting rights. The reformist Cardinal Pellegrini of Turin has suggested that the conclave should be widened to include representatives of national episcopal conferences and even a small number of Catholic laymen. But this is unlikely to be accepted because of strong opposition from the

more conservative figures, such as Cardinal Siri of Genoa, and the influential Archbishop Benelli, who is said to have the Pope's confidence.

One of the strongest arguments put forward by the traditionalists against widening the conclave is that it would give various governments the opportunity to influence the vote through their national bishops and laymen. Some Vatican figures still shudder at the memory of how Emperor Franz Josef exercised his rights as Europe's last "apostolic ruler" before the first world war to veto the election of a very popular cardinal because he was too pro-French.

The liberals reject this. They claim that the traditionalists are not seriously interested in making the present selection procedures in the church more democratic and cite the continuation of a relatively restricted papal conclave system as one proof of this. They also point to the recently published guide for the selection of new bishops which, in theory at least, provides for wider consultation before episcopal appointments are made by the Pope. There is some truth in the critics' view that, although the new guide provides more opportunity for the apostolic delegates or nuncios in various countries to make their own inquiries, it does not actually oblige them to do so, and certainly it does not oblige the Holy See to take local opinion into account. The critics particularly resent the absence of any provisions for laymen and other interested persons to make their views known to those in authority.

There has been a storm of protest in



Holland over recent episcopal appointments made contrary to advice from the local dioceses. Cardinal Alfrink of Utrecht even went on television to criticise the appointment of the reportedly conservative Bishop of Roermond, Monsignor Gijsen, over the head of the diocesan chapter in February. Feeling among some Dutch Catholics is running high and moderates like Cardinal Alfrink are already being accused of being too soft. The advocates of a tougher line are suggesting that the faithful should stop giving money to the church until the Vatican agrees to consult with the Dutch dioceses. The Pope is unlikely to condone such actions. There is a real possibility of an eventual schism between Rome and Holland.

In west Germany the Vatican is under fire from several directions. Cardinal Höpfer's intervention in the present debate over the controversial bill which would allow abortion until the third month of pregnancy has angered the ranks of the government coalition in Bonn. The cardinal had said that Catholics should not vote in elections for candidates who support this measure. Some government supporters have suggested that the 1933 concordat between the Vatican and Germany should be reconsidered. The Catholic ranks are divided and there has been criticism of the hierarchy for its handling of the issue.

Perhaps significantly, the majority of the 33 theologians who signed the March manifesto "against discouragement in the church" come from various German universities. This manifesto, which proclaims that the church is suffering from a crisis of leadership and confidence and calls for direct action to remedy the situation, has already been described by Cardinal Garonne, the head of the congregation for education in Rome, as an example of "ecclesiastical guerrilla warfare."

But even more worrying than the troubles in mixed Catholic and Protestant countries such as Germany and Holland is the mounting dissent in Italy right under the Vatican's nose. A group calling itself the "November 7, 1971, movement" (after the last day of last year's bishops' synod) has attracted some quite big names from among the clergy, but also much criticism from the hierarchy.

In view of its troubles in the traditionally "easier" areas of north-west Europe, Spain and Latin America, the Vatican must be tempted to win some solid success in the communist coun-



At least the Pope can keep the cardinals in line

tries. But top Vatican policymakers insist that they are pursuing their variant of Ostpolitik in a strictly realistic spirit of small expectations. They know that if and when there is a measure of liberalisation in the communist world the Catholic church will probably be the last to be allowed to benefit from it. They admit that the policy has not yet yielded any tangible results, except in Yugoslavia, which is a different kettle of fish anyway. On one front, at least, the Vatican has made no progress at all. The Chinese apparently refuse to realise that although the Catholic community in China is small the Catholic church throughout the world is large and powerful.

The Vatican is saddened that the church in black Africa, for many years regarded as a future growth point of world Catholicism, has made so little progress. But Islam seems to be making the converts and the Vatican is clearly still licking its wounds after the Nigerian civil war. It also has serious problems in Zaïre, where there has been a head-on clash between President Mobutu and the local hierarchy. The recent massacres in Burundi, one of the Vatican's most favoured African countries, have come as a severe blow.

Like other worldwide institutions, the Catholic church is suffering from difficulties inseparable from times of rapid change. One of these is the problem of manpower: the number of men and women deciding to become priests or nuns has been falling rapidly, and nowhere more so than in the developed countries of north-western Europe and north America. The church also has its financial problems. This might be hard to believe in

view of its worldwide investments and land ownership, but Vatican officials claim that vastly rising costs have resulted in the church being short of money; it is, they say, far from having "unlimited financial puissance," as claimed by Mr Avro Manhattan in a new book on Vatican finances*. The Vatican delegation at the recent Unctad conference in Santiago was particularly galled to be classified as a member of the rich-nation club.

Ultimately, neither the problem of manpower nor that of money can be solved by the technical means that business or even a political organisation would apply. When all is said and done, the Roman Catholic church is not like any other institution in the world. It has been preaching eternal truths to man in a uniquely absolute and self-confident manner. Much of that self-confidence, which other Christians tend to find so irritating, has gone now. But it cannot be regained solely through the reform of power structures within the church. The church's present crisis may be one of "leadership and confidence," as the 33 theologians say, but there is also a deep crisis of faith. And how do you solve problems of faith? It is possible to sympathise with the more conservative elements in the Catholic church who say that there are things which cannot be settled by a vote and that the church cannot become as radical and democratic as some would like it. It would then cease to be what it is. Perhaps they are right. But then that does not mean that those who see reform in the church will, or should stop arguing for change.

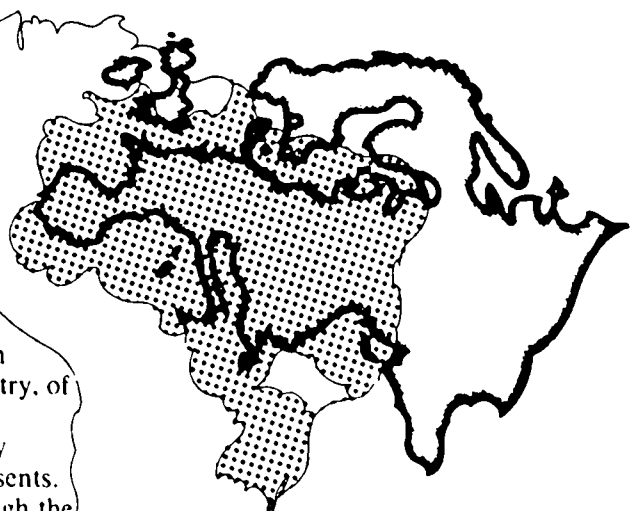
*The Vatican Billions. Avro Manhattan. Paravision Books. 220 pp.

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BRASIL EXPORT 72

São Paulo, Brazil, 5/14 September 1972 - Caixa Postal n.º 30.802, São Paulo

THE WORLD

American Survey

Four men who changed the court

FROM A SPECIAL CORRESPONDENT IN WASHINGTON, DC

With some notable exceptions, President Nixon's campaign to "balance" the Supreme Court really began to pay off in the term which has just ended. It is true that the death penalty was all but eliminated and government wiretappers were admonished that they would have to obtain court warrants in order to eavesdrop on domestic "subversives." But with four Nixon appointees, twice the number of a year earlier, the nine-man court more often than not tilted its decisions towards the police and prosecutors and away from criminal suspects. When the Justices rose for the summer, the President was able to observe with obvious satisfaction: "I feel at the present time that the court is as balanced as I have had an opportunity to make it."

What the President meant was that he had filled four vacancies, not enough for a numerical majority. But the four men he appointed, Chief Justice Warren Burger and Justices Harry Blackmun, William Rehnquist and Lewis Powell, were as reliably conservative and dedicated to "law and order" as any chief executive could

reasonably expect. After all, as Mr Nixon noted, lawyers by their nature are bound to disagree sometimes. So it is even more remarkable that the four voted as a block in 54 of the 67 cases in which they all participated during the past term. Once in a long while, one of them, usually Mr Powell, strayed. In his first judicial post, he appeared to be trying to pattern himself after the late Justice John Harlan, a highly independent jurist. It fell to Mr Powell to write the opinion that invalidated the Administration's policy of not obtaining judicial warrants before tapping the telephone wires of individuals and groups considered to be subversive. In an extraordinary break with the White House and the Justice Department, the ruling came down without a single dissenting vote. But any fair observer would have to say that even Mr Powell is more conservative than the least liberal of the five other Justices, Mr Byron White.

Only the four Nixon appointees voted to retain the death penalty. They alone voted to permit a rural community in Virginia to secede from a county school system in which there were

many more blacks and form a white school district. They lost. Had they won, federal judges, already under pressures from the White House and Congress, would have been even less inclined to override geographical lines to bring about racial desegregation in schools. The four Nixon judges, alone, voted to uphold contempt judgments against witnesses before grand juries who were unwilling to testify until the government proved that it had not used illegal wiretaps against them. Here, too, the Nixon block lost, 5 to 4.

More frequently it prevailed by attracting Justice White or Justice Potter Stewart, or both, to its point of view. For example, Mr White and the four Nixon appointees banded together to prevent a test of the army's surveillance of civilians. Several individuals and groups, including war protesters, had sued on the grounds that spying by about 1,000 agents, beginning in 1965, inhibited freedom of speech, assembly and dissent. But the Chief Justice said that the plaintiffs had failed to show concrete injury or even that their particular rights were endangered. In an opinion that exemplified his judicial philosophy, Mr Burger said that federal courts cannot serve "as virtually continuing monitors of the wisdom and soundness of executive action; such a role is appropriate for the Congress."

The same majority, the Nixon men plus Mr White, produced on the final day of the term a 5 to 4 ruling that members of Congress may be haled before grand juries to testify about how they acquired secret government documents. The case concerned publication of the Pentagon Papers by Beacon Press in Boston. The question, everyone thought, was whether a grand jury could summon assistants of Senator Gravel of Alaska, a passionate opponent of the Vietnam war, who released the study a year ago. Surprisingly, the court held that even members of Congress could be compelled to answer for actions that are not "legislative in nature." Justice Stewart, one of the four dissenters, said that the decision breached "the



Front row: Justices Stewart, Douglas, Burger, Brennan and White; back: Justices Powell, Marshall, Blackmun and Rehnquist

Ruling for life

Six hundred prisoners in 31 states were overjoyed last week when the Supreme Court outlawed capital punishment. But if Congress or any of the states is determined to try to reintroduce the death penalty, as Governor Reagan says that California will if a referendum supports it in November, the effort might prevail by meeting the objections of two members of the five-man majority. Each of the nine Justices wrote his own opinion and Justices Stewart and White opposed capital punishment not because it was "cruel and unusual"—the view of Justices Brennan and Marshall—but because it is imposed erratically, at the discretion of judges and juries. Even Justice Douglas, the court's senior liberal, simply argued that it was the poor and the black who were most often condemned to death. Of the prisoners who have been waiting on death row, 329 are black, 14 are members of other racial minorities and only 257 are white.

The Chief Justice, who voted to retain the death penalty, pointed out that states could make it mandatory for certain crimes or could instruct judges and juries on the kind of cases in which capital punishment could be imposed. Either step might convince a member of last week's majority that the penalty was not being applied in a hit-or-miss manner. Only 11 states have actually abolished the death penalty, although no one has been executed since 1967 as the country waited for the court's decision.

traditional separation of powers and could be a boon to "a vindictive executive."

Again, by exactly the same vote, the court held that the Constitution's guarantee of a free press did not give reporters a special privilege to protect their confidential sources by refusing to assist grand juries. Justice Stewart, again one of four dissenters, argued that the decision was an invitation to state and federal authorities to undermine the historic independence of the press. A week earlier, an identical majority held that the malls of urban shopping centres could be declared off-limits to peaceful distributors of political pamphlets. This undercut a 1968 decision and served to make private property rights superior to freedom of speech and assembly.

Supported by both Justices White and Stewart, the Nixon appointees upheld the Justice Department's authority to bar alien marxists from visiting the United States to attend academic conferences. In another

ruling reminiscent of the suspicious 1950s, Justices Burger, Blackmun and the somewhat reluctant Justices Stewart and White combined to rule that states may discharge public employees for refusing to swear or affirm that they will oppose the violent overthrow of the government.

It was in the field of criminal law, especially, that the Nixon appointees had their greatest impact. With the help of Justice White, they held that trial juries could convict defendants by verdicts that are less than unanimous. With the support of Justice Stewart, meanwhile, they ruled that in general suspects are not entitled to a lawyer at identification parades. And with the votes of both Justices White and Stewart they widened the power of grand juries to compel witnesses to testify, made it easier for prosecutors to put questionable confessions before juries and expanded the authority of policemen to search suspects.

When Justice William Douglas, the court's senior member and most consistent liberal, announced a major extension of the right-to-counsel, the event seemed almost anomalous. During the Warren years the court had granted trial lawyers to poor people only if they were charged with serious crimes. Now, with the endorsement of all the Justices except Mr Powell and Mr Rehnquist, the court has held that if a defendant faces the prospect of even one day in jail he is entitled to counsel at his trial, no matter how minor the charge against him.

This kind of decision was an exception, however, as was the major departure that spares all the present inmates of death cells. The mood was generally one of restraint. For example, over anguished dissents by the three liberals, Justices Douglas, Brennan and Marshall, the court allowed private social clubs that hold liquor licences granted by the state to exclude blacks as guests. Such racial discrimination had been attacked as unconstitutional because the state helped to keep the clubs in business. But Justice Rehnquist, in a 6 to 3 ruling, said that "such a holding would utterly emasculate the distinction between private as distinguished from state conduct."

During the term as a whole, Justice Douglas dissented most frequently, 56 times. Justice Brennan dissented 37 times and Justice Marshall 31 times. The fact that the three holdover liberals were in the minority most often should be strong evidence of the court's movement to the right. No other President in memory has been as successful as

Mr Nixon in influencing the court. Few, of course, have had the chance to make so many appointments. But even President Franklin Roosevelt, who named eight Justices, found two of them far less liberal than he had expected them to be. The performance of the prosecution-oriented Justice White would probably have surprised President Kennedy, who named him.

The Nixon quartet is proving much more reliable. They are as conservative as the President who put them there and control of the court is within their grasp. Mr Nixon's re-election and new vacancies on the court would only make a certainty of what seems to have happened already.

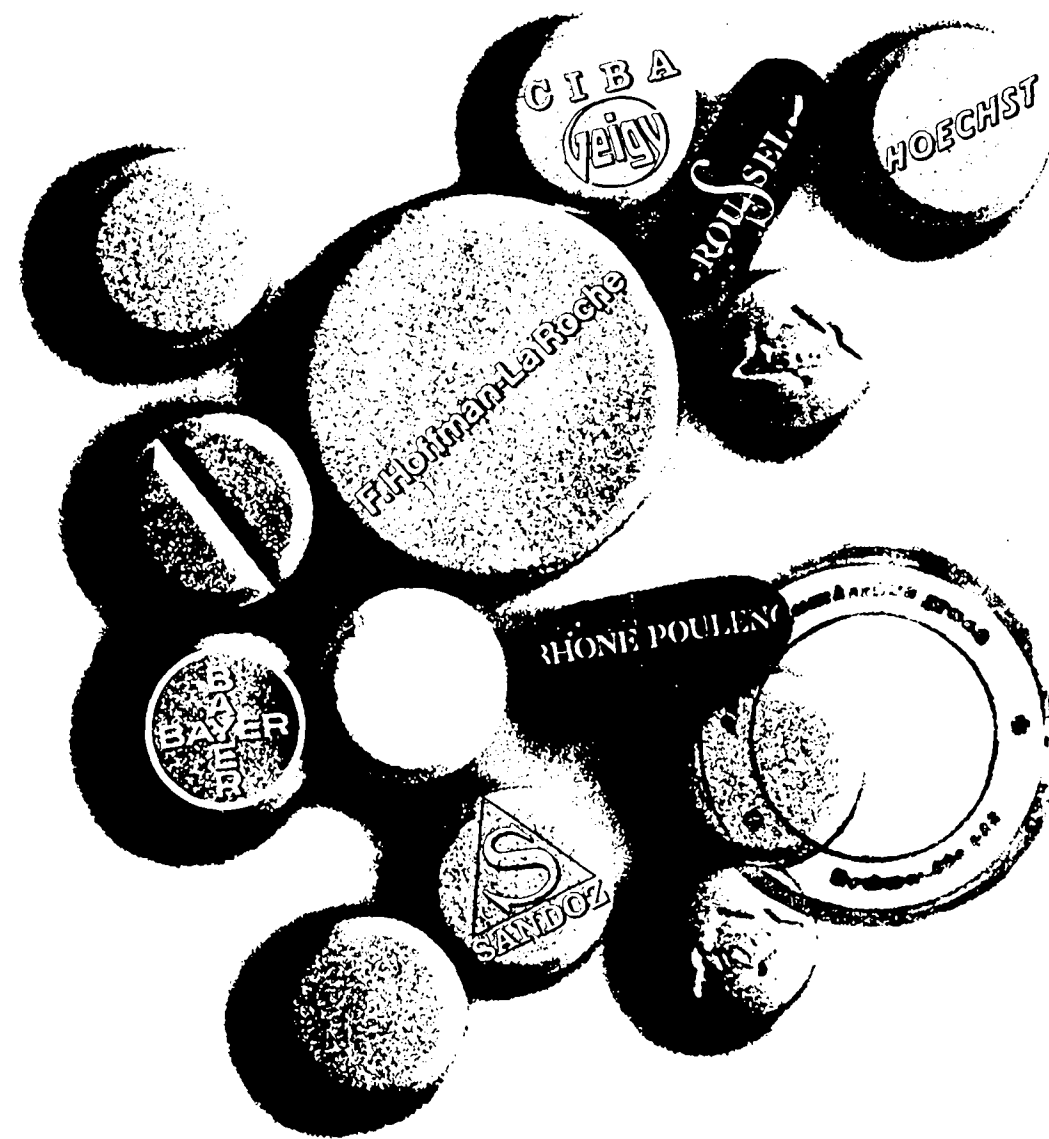
ELECTION '72

Whose delegates?

With over twice as many delegates pledged to him as to Senator Humphrey, his nearest rival, Senator McGovern is still within reach of the Democratic party's nomination for President. But it is no longer an easy reach. Just how much of a struggle he will have at Miami Beach will not be known until next week when the members of the convention decide whether or not to restore to him the full 271 votes of the delegation from California. If the convention decides to uphold the decision made last week by the credentials committee—that the state's delegation should be divided between the candidates in proportion to the popular vote which they won in the primary in June—then Mr McGovern will have to scramble for another 151 votes, if he still wants the nomination, to replace



Now, how many have I?



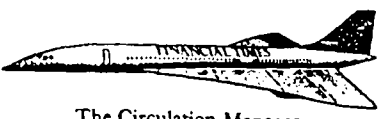
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those he lost to Mr Humphrey and the other candidates. In his first angry outburst in the wake of the credential committee's decision, Mr McGovern threatened to bolt the party. But since then he has been trying to cool the bitter feuds between the party's old guard and its new reformers. Even if these do not deny him the nomination, they could well endanger the Democrats' chances against the Republicans in November.

Senator McGovern's supporters argue that while the system that allocates all the California votes to the winner of the primary may not be in the spirit of the party's reform rules this was the way that all the candidates, including Mr Humphrey, had agreed to play the game before the election. But can Mr McGovern overturn the decision on the convention floor? No one yet knows whether the 118 McGovern delegates who are not in dispute will be allowed to vote on the issue. The other 151 are disqualified from voting on a challenge in which they are concerned.

This week Mr McGovern won a historic victory when an appeals court overturned a decision in a lower court which upheld the action of the credentials committee. But calling in the courts sets a dangerous precedent and may lead to other difficulties. In the past such disputes have always come under the jurisdiction of the members of national political conventions. Now for the first time a court has shown that the rules which govern such conventions can be disputed. This could endanger the party's reforms.

The best example of the dilemma is whether or not the delegation headed by Mayor Richard Daley of Chicago should be seated at the convention. In retaliation for their defeat on the Californian issue Mr McGovern's supporters voted in the credentials committee to unseat the 59 members of the mayor's delegation on the grounds that their election did not comply with the reform rules. At least 40 members of the new delegation are McGovern supporters. But if the election of the Daley delegation was not in violation of Illinois law should it not therefore be seated along with the Senator's 271 delegates from California? So far the courts have ruled against Mr Daley. But if the Senator (who does not want a confrontation with the mayor which might well cost the Democrats Illinois in November) gets his 271 delegates then he may be happy to come to some arrangement with Mr Daley.

Going, going . . .

The United States returns to the negotiating table in Paris on July 13th for what President Nixon hopes may at last be "constructive" talks on ending the war in Vietnam, conceivably before the end of Mr Nixon's first term in January. But there were few signs in the President's press conference last week that a chance of accommodation had arrived. The communist leaders only understand "bargaining from

strength," he said. The present bombing of North Vietnam, the heaviest for five years, will continue until the communists agree to the conditions which he laid down in May: release of American prisoners of war, safety for the remaining American servicemen in Vietnam and no communist takeover of the government of South Vietnam. The thought of a coalition government imposed on Saigon was dismissed with unusual vigour.

Mr Nixon insists that there has been a turnaround in the war since the

ELECTION '72 Big-money race

Counting the cost of the 1972 presidential campaign has begun. Already there are two big uncertainties: where did the President get the \$10m already in hand for his re-election campaign and what will Senator George McGovern do for money if he is chosen as the Democratic candidate for the Presidency?

Raising money to pay the astronomical bills incurred by candidates in presidential election years is always a delicate subject but this year it is even more so. The Republicans, traditionally well-supplied with cash, are labouring under the burden of the new federal election spending act, which requires candidates to divulge the sources of their financial support. The Democrats carry a double burden: the \$9.3m debt left over from the unsuccessful campaign for Mr Hubert Humphrey in 1968 and Senator McGovern's populist economic policies, which terrify even liberal Democrats in business, banking and industry.

This weekend the Democrats will meet the debt problem head-on. Led by Mr John Brown, chairman of the Kentucky Fried Chicken Corporation, they will present a television programme 18½ hours long, in which more than 100 celebrities from sport and show business will invite the viewers to telephone in contributions to bail the Democrats out. The so-called telethon is to be allowed by a special waiver of the rules of the Federal Communications Commission, which ordinarily require that the nationwide networks take no more than three of the peak viewing hours in the evening away from local stations for the showing of network programmes. The Democratic party has convinced the American Broadcasting Companies and the FCC and hopes to convince the viewers that the telethon is really a bipartisan effort to save the two-party system. The fact that donors may charge contributions to their credit card accounts is expected to help the money roll in.

But the Democrats have disagreed over whether to spend the proceeds of the telethon on this year's campaign or to pay off the party's debt. Senator McGovern's backers want the coming campaign to take priority. Yet the Democratic National Committee insists on clearing the debt first. The problem for Mr McGovern, if he is nominated, will be to find enough self-sacrificial philanthropists like Mr Stewart Mott, the General Motors heir, willing to give hundreds of thousands of dollars to the man who has promised Americans harsh inheritance taxes and many other measures to redistribute wealth.

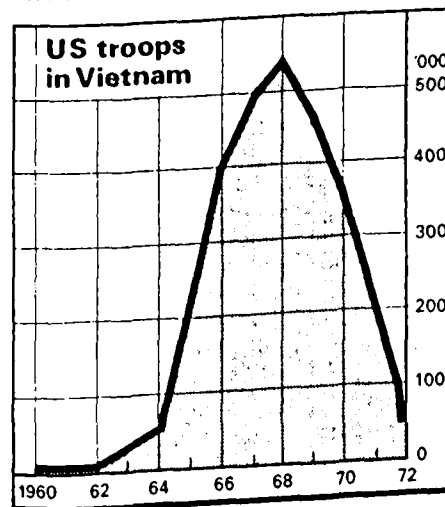
The New York Times has reported that the McGovern economic philosophy so alarms Wall Street that it may not only deprive the Democrats of from 10 to 20 per cent of their traditional backing but may also make it easier for the Republicans to attract contributions. The Republicans have already collected one-third of the \$30m estimated to be the cost of Mr Nixon's re-election campaign. They are not the slightest bit embarrassed by the fact that most of it was garnered before April 7th from donors who were told that, if they gave before the new law went into effect on that date, they would not have to have their names made public.



Shirley MacLaine: Democratic star

present communist offensive began. He must also believe that the American people will not hold against him in November a war fought almost entirely from the sea and in the air by professionals: he can now point to the virtually complete withdrawal of troops on the ground. At the end of June only 49,000 soldiers remained in Vietnam and this number is to fall to 39,000 by September 1st. No more conscripts are to be sent to Vietnam against their will, although the 4,000 who are there at present will have to remain. But the build-up at sea and in Thailand, let alone at staging posts in the Pacific, exceeds withdrawals from Vietnam since the offensive began. The North Vietnamese will have noticed, suspiciously, the statement of the White House spokesman that the presence of forces outside Vietnam is not a matter for negotiation.

The few men who remain in Vietnam now come under the command of General Weyand, General Abrams's former deputy; for the first time the post of deputy is to be filled by an air force officer. General Abrams has slipped away after completing a job no soldier relishes—withdrawal most of his men in the face of a skilful and determined enemy. He has been chosen to succeed General Westmoreland as army chief of staff but there is one obstacle which must be cleared away before he is confirmed by the Senate. Its armed services committee is holding a full inquiry into statements by General Lavelle that his unauthorised bombing strikes last winter were known to General Abrams. The Secretary of Defence has denied that this is true but Senator Stennis, the committee's chairman, wants to satisfy himself about the "serious questions of command and control" raised by the disclosures concerning General Lavelle, who has been demoted and retired.



Old age comfort

A time-honoured way of winning votes in an election year is to increase old-age pensions. This year Congress, which is controlled by the Democrats, has outdone itself. It voted overwhelmingly to give about 28m pensioners their biggest rise—a 20 per cent increase in their social security benefits as from September 1st. The average pension for an elderly couple will go up from \$223 to \$270 a month. There will also be an automatic increase in pensions whenever the cost of living index rises more than 3 per cent a year.

In order to pay for these higher benefits the social security tax, which falls on both the employee and the employer, will go up on January 1, 1973, from its present level of 5.2 per cent on the first \$9,000 of annual earnings to 5.5 per cent on the first \$10,800. From then on the rate of tax will remain the same indefinitely—at present it tends to creep up year by year—but the wage base on which the tax is levied will continue to rise according to a formula linking it with the rise in the general level of wages. Under this new system those with higher incomes will pay proportionally more of the bill than those lower down the scale. People earning under \$9,000 a year—about two-thirds of the 66m who pay social security taxes—will only have to pay an extra \$27 a year at most. Those who earn \$10,800 will pay an extra \$136.

President Nixon, who has signed the bill, is not pleased with the new rises. He claims that they are inflationary and that they will add a deficit of \$3.7 billion to the federal budget for the fiscal year which started on July 1st. He has threatened that the additional cost will have to be met by cuts in other federal programmes. The President also fears that the Senate will have little incentive to struggle on with his controversial and difficult proposals to reform the welfare system now that the popular social security increase is no longer part of the package. But he could not veto the pension proposal because it was attached to a measure continuing the federal debt ceiling at \$450 billion until October 1st. Without this bill the debt ceiling would have reverted to \$400 billion—and the actual debt now stands at about \$426 billion.

The financial battles between the President and Congress are by no means over. Congress will have to vote



Generation gets a pay rise

again on the debt ceiling just before the November elections and it is expected that the Democrats will try to play the same game and attach to it a number of measures, such as tax reforms, which the President might otherwise veto.

John and Martha

The playwright, Mr Edward Albee, denied that the bickering George and Martha in "Who's Afraid of Virginia Woolf?" were intended to be George and Martha Washington, the founding couple of the United States. None the less, many people took the play to be a dissection of American marriage in general. Now the marital troubles of the Mitchells, John and Martha, have been interpreted by no less than President Nixon as typical of those suffered by other husbands and wives in American political life. In accepting the resignation of Mr Mitchell, the manager of his campaign for re-election, because of Mr Mitchell's need to spend more time with his wife and daughter, the President said that of the sacrifices made by those entering public life, "the greater share of the sacrifice was usually the woman's" because she had to put up with the "absence of a husband and father."

The President's statement will not lose him much of the women's vote. And he may not in fact have to do without the services of Mr Mitchell. As Mr Nixon's former law partner, the manager of his 1968 campaign and the Administration's first Attorney General, Mr Mitchell remains a friend and adviser with influence at the White House. He will give up his \$60,000 salary, but he can make more money practicing law—in Washington offices one floor above those of the Committee



John Mitchell, won't you please come home?

to Re-elect the President. His job on the committee has been given to Mr Clark MacGregor, Mr Nixon's astute chief adviser on relations with Congress.

What is wrong with Mrs Mitchell? Rumours suggest that general emotional strain is the answer and that Mr Mitchell resigned not out of uxoriousness nor pressure from the White House but out of a need to deal with a pressing family problem. That explanation, however, does not erase the possibility that the outspoken Mrs Mitchell was telling something near the truth when she telephoned a journalist to say that she was being held a political prisoner, restrained by bodyguards and forcibly administered sedatives, and that she was not "going to stand for all those dirty things that go on." She has been one of the few candid and spontaneous characters in the Nixon Administration's line-up and, whatever her verbal indiscretions, it was not a figment of her imagination that five men linked with the Republicans were found breaking into the Democrats' national headquarters. Moreover, although Mr Mitchell may not agree with his wife's statement that politics is "nothing but a cops and robbers game," he apparently does share her view that their life was more agreeable before he acceded to Mr Nixon's request that he step down from the Justice Department to head the 1972 Republican campaign.

No secret accounts

FROM A CORRESPONDENT IN CALIFORNIA

The Bank Secrecy Act, passed in 1970 to provide for official scrutiny of the flow of dollars overseas, mainly as a check on criminal activities, has also

raised the question of whether information-seeking government agencies may violate the privacy of domestic bank accounts. For in drafting rules to implement the law, the Treasury Department has required not only that "unusually" large transactions be reported and that records be kept for five years of international payments over \$10,000, but also that copies of all cheques be held, in order to enable any bank account to be reconstructed.

Before the law was passed, banks had objected to such an idea because of the huge burden of keeping such records (the United States generates 22 billion cheques yearly), while civil libertarians protested at the potential invasion of privacy. Congress delegated the decision to the Treasury, which was to draft rules not restricted to foreign transactions, but to those necessary to maintain evidence with a high degree of usefulness in criminal, tax or regulatory investigations or proceedings.

Most banks were ready to fall in line. Cheques are usually micro-filmed anyway, to guard against loss, so only expanded procedures and storage are needed; to object to the new rules might merely annoy the authorities while needlessly upsetting customers. But in California the state's huge banking chains are, as symbols of the establishment, already a target for radical attack. Now, goaded by the publicity and by complaints from customers, they have joined in a suit already brought by one small banker and by the American Civil Liberties Union seeking an injunction against the new rules on the ground that they are unconstitutional. Added pressure came from California's Senator John W. Tunney, one of whose constituents received with his statement an internal

bank communication saying: "This is to authorise you to read cheques to the FBI before sending the statement to the customer." Last week a federal judge in San Francisco suspended the objectionable provisions just as the rules were about to go into effect. Hearings are to begin on July 20th.

Most Americans are unaware, or unconcerned, that bank records are already almost casually available to the Federal Bureau of Investigation, the Internal Revenue Service and other government agencies under present laws. The banks co-operate because frequently they need assistance themselves in countering fraud and other crimes. They hope that now the courts may set some specific guidelines, to extricate them from an embarrassing conflict between their obligations to their customers and to the authorities. They fear that people may be unwilling to open bank accounts once they realise that there is a risk of complete disclosure of their affairs. Bankers observe, too, that criminals are unlikely to be caught by the new rules: drug pushers, after all, do not accept cheques and determined criminals can easily conceal their activities.

The ACLU sees the new rules as a serious extension of the present dubious practices, which will encourage "fishing expeditions" against controversial individuals and organisations. It has urged the banks to declare that no disclosures will be made without a written subpoena or court order, providing for notification to the customer, with sufficient time for him to oppose the order legally.

Gas in jeopardy?

Natural gas, the non-sulphurous fuel which is in great demand to comply with clean-air standards, is in short supply in the United States and last week the Federal Power Commission finally gave the El Paso Natural Gas Company permission to go ahead with the first large-scale, long-term imports of liquefied natural gas. The company has contracted with Sonatrach, the Algerian state-owned oil agency, to buy 1 billion cubic feet a day for the next 25 years. This will be sold to subsidiaries of three domestic pipeline companies on the east coast and will supplement supplies from Georgia to New York. LNG, as it is called, occupies only about one-sixth of the space which it takes up in its non-frozen state and will be brought across the Atlantic in nine "cryogenic"

NEW ZEALAND

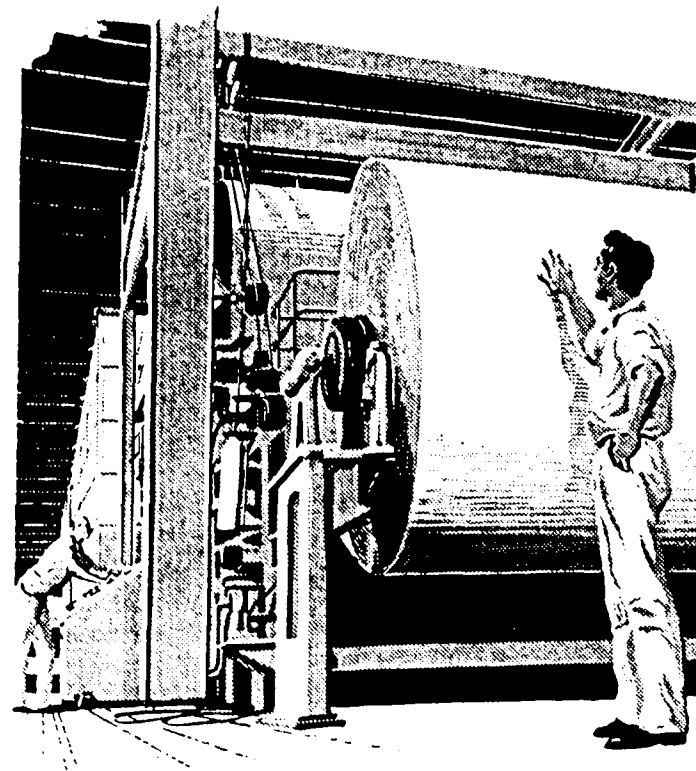
The pattern changes

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GROUP LE NICKEL — PENARROYA — MOKTA

Extracts from Shareholders' reports

This group of 65 companies operating in 16 different countries and established in 12 others, is the largest lead producer and the second most important nickel producer of the Western world, beside being the major private uranium ore producer in France. In 1971, it was faced with a diminished growth rate and an international monetary crisis, as well as with falling raw material prices and a lowdown of consumption. These adverse conditions resulted, as elsewhere in the non-ferrous industries of the world, in an appreciable reduction in profits.

Main production of the Group

	ore	metals
Nickel	4,298,000	40,019
Lead	165,500*	313,200
Zinc	110,600*	119,800
Copper	138,300*	18,200
Iron	3,029,000†	—
Manganese	2,020,000†	—

* concentrated ore, to which should be added 329,000 tons of lead, zinc and copper ore mined by the Cie des Mines de Huarant.

† Including the Mokta company's contribution.

The grand total of the consolidated balance sheet amounting to 4,285 million francs (against 3,404 million in 1970) shows a 26% increase, half of which is derived from the integration of the Mokta group.

Consolidated turnover amounted to a total of 2,896 million francs (against 3,018 million in 1970), the activities in metal and ore production having contributed 2,661 million francs.

Consolidated results reached 104 million francs (against 154 million in 1970) and reflect the year's adverse economic conditions.

LE NICKEL: 1971 was dominated by the following factors:

- A substantial setback on the nickel market and a consequential 10% decrease in metal sales. Turnover reached 745 million francs as against 847 million in 1970 and 573 million in 1969.
- An 8% drop in the price of nickel expressed in francs occurred in December 1971 as a result of the devaluation of the dollar. The full effect of this move will be felt during the 1972 financial year.
- The pursuit of mining exploration and metallurgical research in connection with processes as well as products.
- A 36 million francs trading profit (1970: 82 million), including 13 million derived from foreign exchange gains and 15 million from dividends paid by subsidiaries.

PENARROYA: The report submitted to shareholders highlighted the following:

- A drop (in relation to 1970) in the output of lead and zinc concentrates of around 4% and 8% respectively.
- An adaptation of metal products to market conditions and developments during the year.
- The pursuit of mining prospection, which had been undertaken during previous years, and the discovery of two rich zinc deposits in France.

Total turnover recorded by the Penarroya group's industrial concerns was 1,287 million francs (against 1,478), and that of the industrial and commercial companies combined reached 1,851 million francs (as against 2 million francs).

MOKTA: The Compagnie de Mokta experienced a particularly favourable year, and obtained the best results of the past ten years.

After taking into account a provision for mining research and a capital gain of 6.9 million obtained from the disposal of assets, there was a net profit of 19.2 million francs after a 13.5 million francs allocation to reserves; the available balance allows for the distribution of a net dividend of 7.50 francs per share.

tankers, beginning in 1975.

At first it was taken for granted that the FPC's decision would encourage many more applications for large-scale imports of LNG. But this looks more questionable since El Paso's chairman and the chairman of one of the importing companies have declared the commission's conditions "unreasonable" and "unacceptable." LNG is expensive gas—at least twice as expensive as gas produced in the United States, whose price is controlled. The importers had expected to be allowed to average in this cost with that of domestic supplies, so that no consumer would have to pay a great deal more. This the commission refused to authorise and the pipeline companies fear that they may have trouble selling their LNG on long-term contracts.

The commission also refused to permit the price at which the imported gas was sold to the domestic pipelines to rise until 1980—and then by only 1 cent per 1,000 cubic feet. Yet the contract with Sonatrach provides for higher prices under certain circumstances. The FPC also insisted that El Paso-Algeria, the subsidiary created to bring the oil over, transferring title on the high seas, must apply for an FPC certificate, thus putting itself under the commission's unwelcome jurisdiction.

The importers and their shareholders would thus bear the full economic risks. They would also be under pressure to hold their costs and prices to a minimum in order to keep the cost of gas to the consumer as low as possible. But with the United States becoming increasingly dependent on imports of natural gas, the consumer and the FPC may soon be faced with a choice between higher prices and forgoing gas they need.

Eyeing the sky

The United States first launched a communications satellite for commercial international traffic in 1965. By 1974 or 1975 it may be using the same kind of satellite at home. The Federal Communications Commission, after six years of deliberating over the complex legal and economic problems presented by introducing satellites into the domestic communications industry, has come out with its policy at last. There is to be no monopoly on domestic space communications. Instead any company which can produce a technically and economically sound plan may own a satellite.

The free-entry policy is far from what had been expected when the FCC first took up the issue in 1966. Then it looked as if the Communications Satellite Corporation (Comsat), the quasi-public company which runs the American end of the international satellite system, might be allowed to operate the domestic service by itself. The FCC was leaning toward Comsat or some other form of monopoly control until early 1970. Then President Nixon's Office of Telecommunications Policy suggested that there might be free competition in satellites as long as the aspiring companies could demonstrate to the FCC that they had potential customers for their satellite service and that their system would not interfere technically with others.

The FCC's new policy might seem Republican-tailored, therefore, but three of President Nixon's appointees to the commission have dissented from it. The chairman, Mr Dean Burch, and two colleagues believe that the new rules place too many restrictions on Comsat and on the American Telephone and Telegraph Company, two of the most likely entrants in the race. What the new rules do is to prevent AT&T, the powerful company which holds a monopoly on long distance telephone service, from using a satellite for anything but telephone service in the next three years. And they also force Comsat to choose

between the two plans that it has had in mind. One was to collaborate with AT&T on a satellite system; the other was to operate one of its own, seeking its own direct customers. The decision was a severe blow to Comsat, which has asked the FCC to reconsider.

So far eight applicants have filed preliminary proposals before the FCC. For virtually all of these, AT&T and Comsat included, the most desirable customers are the three national television networks. The networks now transmit their programmes around the country over AT&T's land lines and microwave towers and pay the company \$75m a year for this service. For a long time, the networks have believed that they could save about half this sum by using satellites and the satellite applicants have been wooing them with various offers. Now the FCC has complicated the question. AT&T will not be allowed to have the television business; Comsat may have it only by giving up its reliance on AT&T. And the networks have begun to wonder, with rising costs, if they had not better stick with AT&T's land lines after all. It may be that the early winners in the satellite stakes will be the specialised communications companies which want to distribute computer data, cable television programmes and telex messages over new networks which only satellites will make possible.

Profits from that silver lining

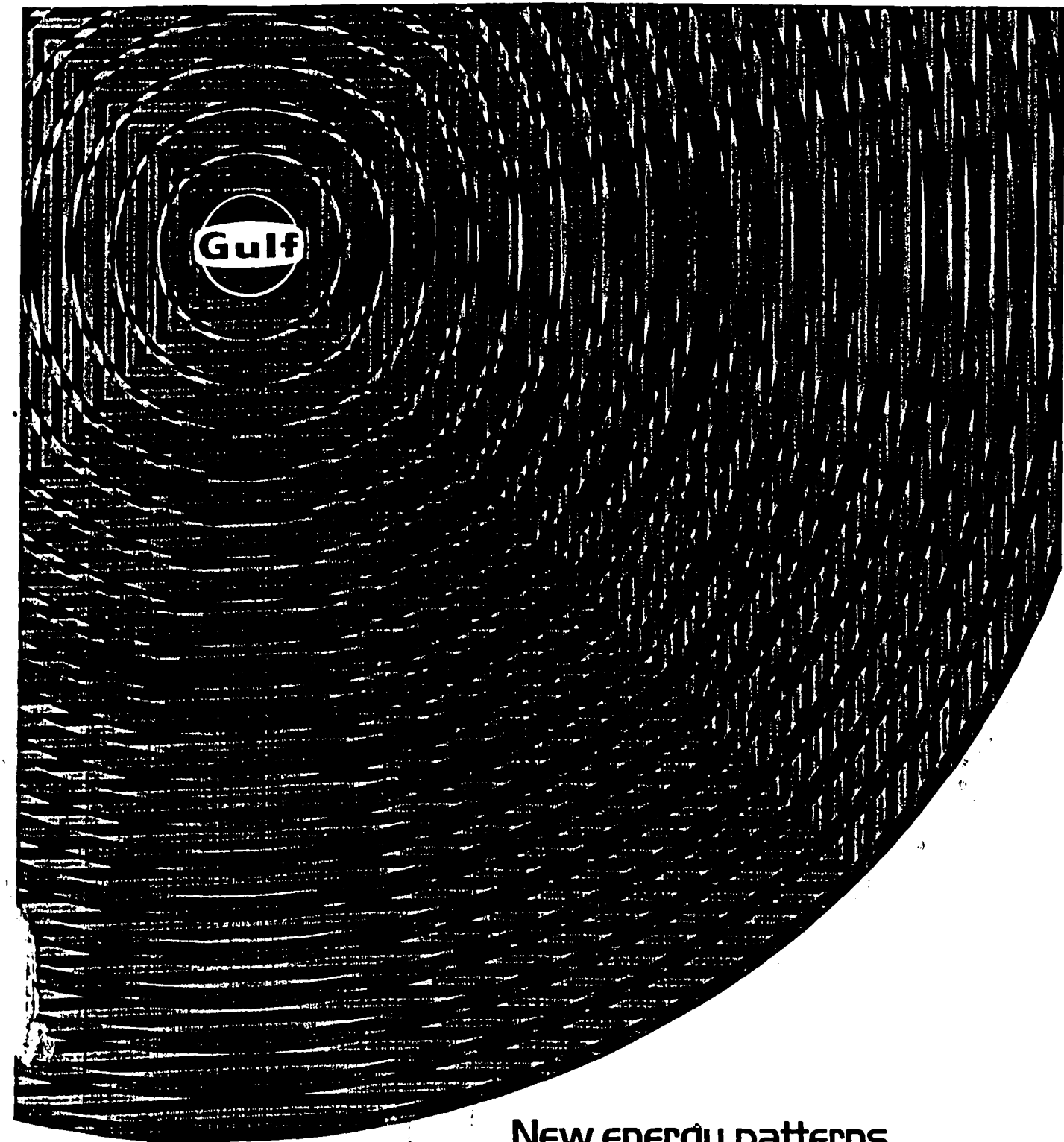
The American public was right. It did want the commemorative Eisenhower silver dollars (the first silver dollar minted in the United States since 1935) and it has been willing to pay for them—to the embarrassment of the Treasury. The Secretary of the Treasury, a long-time opponent of high government profits, called the profits from sales of the collector's dollar "unconscionable"; they are estimated at \$55m a year for 11m coins, so there is not much disagreement with him.

The dollars became available a year ago after a congressional hassle in 1971 over whether they should contain any silver. The compromise—a 40 per cent silver content—seems to have pleased everyone. Now three coins are being issued: two made of 40 per cent silver—a collector's "proof" coin selling for \$10.00 (available in London for \$22.22) and an uncirculated \$3.00 version that is slightly imperfect—and the layman's copper-nickel sandwich coin that is freely circulated as an alternative to the greenback bill.

The Eisenhower coin (with a



"pleasant looking eagle" spreading its wings over the Apollo 11 moon landing site—the "tail" to Ike's "head") is probably the last silver coin that the Treasury will produce. Most of the government's silver reserves are being disposed of, except for a defence stockpile and the 23m ounces that were set aside for the Eisenhower issue. But profits from the government's numismatic activities are not likely to decline. Sometime soon part of the Treasury's 2.9m rare silver dollars will come up for sale—including the 90 per cent silver Carson City dollar (some still in the mint bags). These sell for \$6.50 for an 1879 issue and up to a cool \$60.00 for the rare 1881.

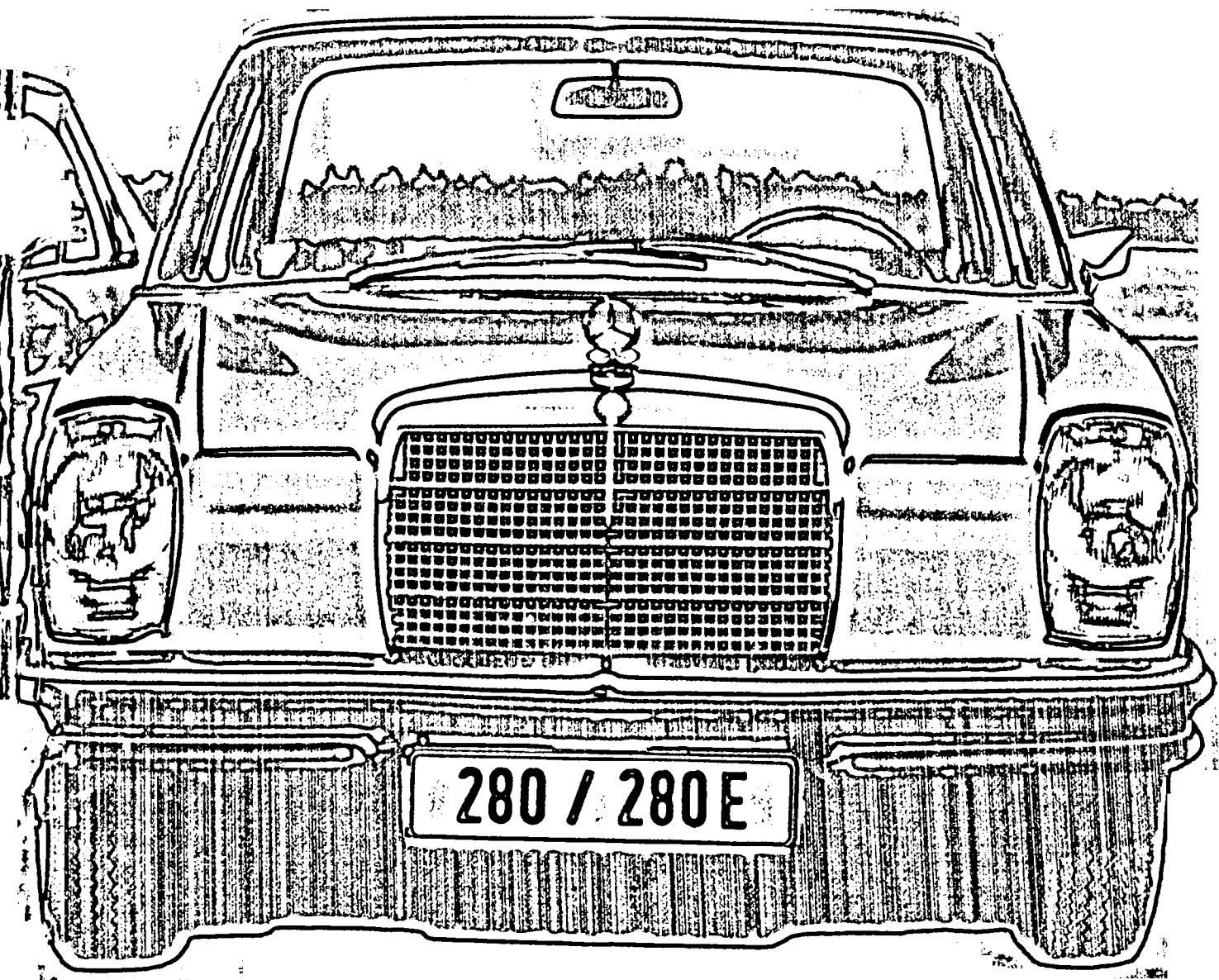
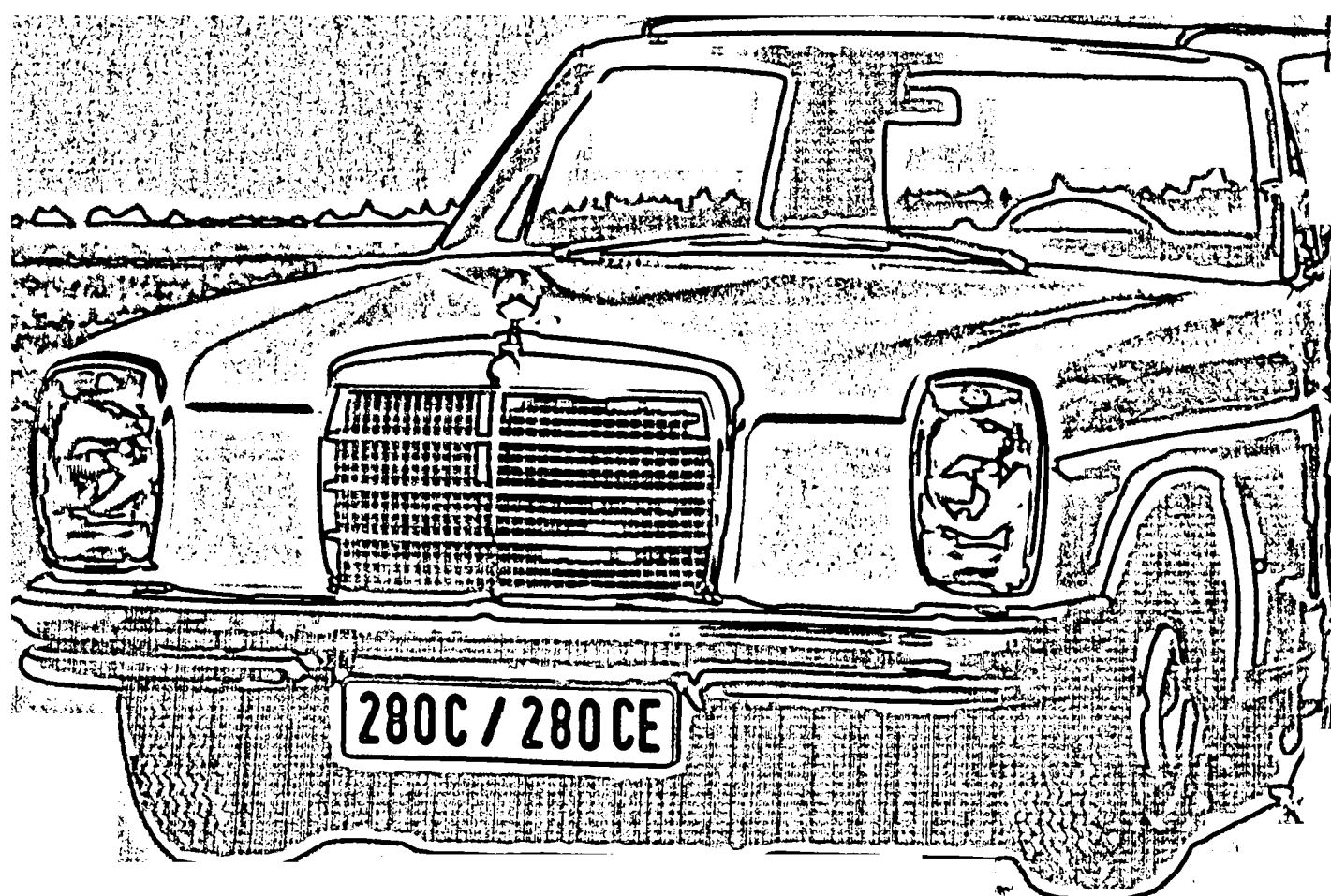


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The new 2.8 litre, twin-overhead, camshaft engine is one of the most advanced designs in production anywhere in the world. In relation to its performance, fuel consumption is extremely favourable. Its top speed will satisfy demanding drivers.

Mercedes-Benz 280 E and 280 CE, 185 h.p. DIN (210 h.p. SAE), electronically-metered fuel-injection system, 0-60 mph in 9.9 seconds.

At the top of the successful 200-250 C range, Mercedes-Benz now introduce four new models, the 280, 280 E, 280 C and the 280 CE, all with new engines.

Mercedes-Benz 280 and 280 C, 160 h.p. DIN (180 h.p. SAE), dual compound down-draught carburettor, 0-60 mph in 10.6 seconds.

Harnessing the engine power is more important than the power itself, so the models have more powerful brakes and wider tyres. Fuel tank capacity is 17 gallons.

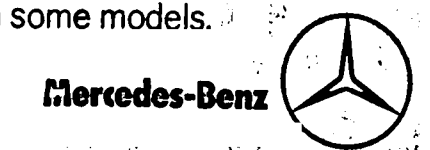
There are also changes in the cars of the whole range: additional exterior safety colours, improved interior finish,

The current Mercedes-Benz range:

200 D	280 S
220 D	280 SE
200	280 SE 3.5
220	280 SEL 3.5
230	300 SEL 3.5
250	300 SEL 6.3
250 C	350 SL
New 280	350 SLC
New 280 E	600
New 280 C	600 Pullman
New 280 CE	

The range available varies in some countries to suit local requirements.

extra position on wiper switch for interval operation. Headlamp washers as an optional extra on some models.



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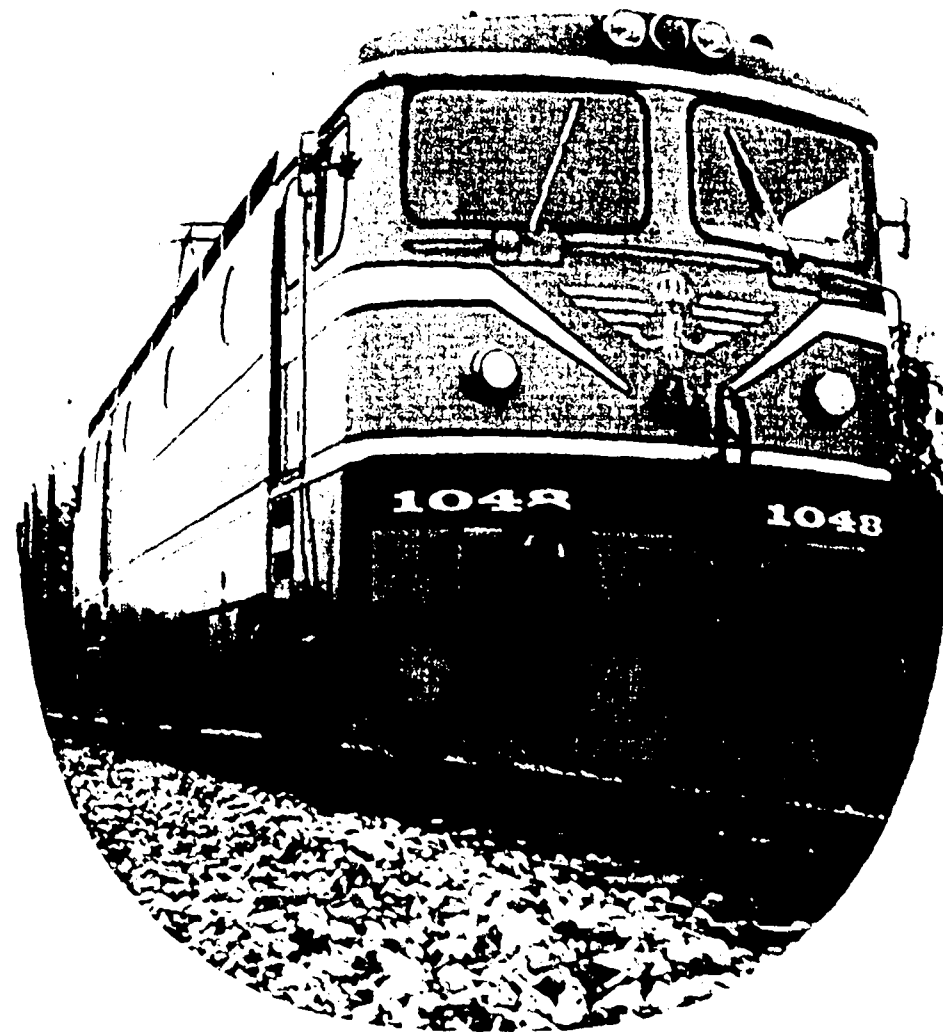


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Books

War and peace

THE COLLAPSE OF BRITISH POWER

By Correlli Barnett.
Eyre Methuen. 655 pages. £5.

TOTAL WAR

By Peter Calvocoressi and Guy Wint.
Allen Lane, The Penguin Press. 976 pages £6.

Correlli Barnett is well known to be no respecter of persons whose leadership his parents' generation were brought up to take for granted: a useful quality in a radical historian. He must have done some of the work for this book on the fall of the empire while he compiled his history of the British army; in it, he covers a narrower span in time but a wider historical canvas. His central thesis is that the British imperial governing class was badly taught, and therefore failed to hold the empire. At school and university, boys learned to pursue "all that is noble and good" (J. R. Green on Mr Gladstone in 1876), to write prose and verse in Latin and Greek, instead of learning how to be numerate, or the principles of engineering or any other socially useful science. They went out, conscious of their mission to govern, crammed full of good intentions and manly character but with no grasp of the world around them; knowing nothing of its recent, little of its past history; and taking for granted that all responsible men's motives were as high as their own.

By an unusual double, the author has written a book which will infuriate liberals and conventionalists alike. No surviving member of the League of Nations Union will be able to read it without a tremor; crusty old schoolmasters whose great-uncles served in the Mutiny will be appalled; but the line of argument, severely realist, merits attention. Mr Barnett claims that the empire fell because the home country's resources were inadequately organised and hopelessly over-extended; and because the leading imperial statesmen were simpletons enough to stir up, in India and the colonies, political opposition among native races which might have remained supine and content under firmer, sterner rule.

The first two thirds of his book is

based on wide and deep reading of history books, and on his own meditations; in the closing third, he dissects British armament and foreign policy in the 1930s, with the help of the recently opened cabinet archives and all the advantages of hindsight. Baldwin emerges comparatively favourably: his villain is Neville Chamberlain, with:

The forbidding personality of a Victorian headmaster, aloof, authoritative; the very embodiment of rectitude... devoid of charm and outward warmth;... devoid of insight into other men's feelings or motives.

The inadequacies of the machine tool industries, and the slothful incompetence of the central government machine, also come in for stricture. In the end, the British found themselves caught up in "a war which, according to the Treasury, they could only afford to wage if short, but, according to the Chiefs of Staff, could only hope to win if long. The crisis of British power had begun." In a brief coda, Mr Barnett fires another round at another sacred cow he had assaulted earlier—"to the last, the existence of the empire forced on England a world role she had not the resources to sustain"—and concludes that:

Lend-Lease gradually consummated the process Churchill had begun of transforming England into an American satellite warrior-state dependent for its existence on the flow of supplies across the Atlantic.

For a wider, a world-comprehensive view of that world war, there is at last a book we can turn to. Mr Calvocoressi and Guy Wint's "Total War" is the best single-volume history in English of the struggle that came to convulse the world between 1936 and 1945. It has nearly a thousand pages, fortified by nearly a hundred excellent illustrations; it is even better printed than Mr Barnett's book, only a pound dearer, and not unmanageably heavy in the hand. Instead of concentrating, as most war histories do, on actual warlike operations, it delves for diplomatic, strategic, and cultural causes. It takes in political and social as well as military struggles, and surveys results as well as events. In fact, it seeks to explain what the war was about as well as how it was



Chamberlain: forbidding villain

conducted.

There are in fact two books, sensibly placed within a single pair of covers: a study of the war in the Far East and the Pacific, written by Guy Wint between his first and second heart attacks and revised by his widow, and a study of the European-Mediterranean-Atlantic war by Peter Calvocoressi, ably assisted by Mrs Righter. They are well written, full of intelligent comment as well as a great deal of history. For example, from a chapter on this country's cardinal front:

The Germans came closer to victory at sea than anywhere else after 1941, and at the time of their defeat they had not exhausted their capabilities. They lost, not because they had no more cards to play, but because they played them just too late... These innovations did not have the chance to take effect in the battle because allied science had beaten the U-boat back to a position of no recovery.

Or, in an aside in a chapter named after Bose, the Indian nationalist leader who hoped to reconquer Delhi with Japanese bayonets, "It may be that Wingate demonstrated, not the success of his own guerrilla strategy, but the success of British propaganda."

Guerrillas are given a fuller measure of attention and credit than is usual in war histories, which are so often written from inside the closed world of the uniformed. A long section on nazi-occupied Europe includes a chapter on resistance:

This impressive resurgence of European nationalism in arms helped to salve the humiliation of the defeats in 1940-41 and by doing so contributed more to the spiritual rehabilitation of Europe, which was in the balance, than to the defeat of Germany, which was assured by other forces.

The resurgence was called out against themselves by the Germans, whose police bodies that "dealt death in the open and death in the camp" were the terror of all occupied Europe for four

agonizing years. Horrible as modern wars must be, a war that put down Himmler's *Schutzstaffeln* was a war worth fighting.

Grand nationalist

GAULLISM

By Anthony Hartley.
Routledge and Kegan Paul. 373 pages. £3.25.

This is a very illuminating assessment of de Gaulle, and one that seems to be scrupulously fair, although done by an Anglo-Saxon and pro-marketeer. Everything up to page 33, on the roots of gaullism, is brilliant, and has never been done quite as well elsewhere. Mr Hartley has got the nationalism exactly right. "The supreme interest of mankind dictates that each nation be responsible for itself": that is the key to gaullism and to de Gaulle. It was meant to be a statement both of inevitability and of high romance, and both were in de Gaulle and were understood by him. It still goes on in a petty sort of way; it was the reasoning behind the Mururoa tests. If this reasoning now reads so strangely in English print (where only powellism comes anywhere near to the same preaching) then the rest of Mr Hartley's book is a good explanation of why it should not.

Mr Hartley runs through the history of the Third, Fourth and Fifth Republics with assurance, not centring it all on de Gaulle and even letting him wander off (as he did) into the wings. This, too, adds to the book's credibility. Mr Hartley even seems secretly on the side of that Fourth Republic which did rather well with France's economy. But he leaves no doubt that the crises of 1940, 1958 and (although it was in a genre of its own) 1968 were crises of nationality, to which only a nationalist could give a convincing answer on the spot politically—and in what one suspects will be the judgment of the continuing nationalism of France and most of its neighbours.

That is why de Gaulle was, and will remain, a great man: the last European, perhaps for many generations, who provided dramatic nationalist solutions, first against a Churchill who was providing the British with alliance solutions (which became client ones) and then against the postwar men who were offering federalist or internationalist solutions. He got away with it as late as the 1960s because everyone else knew that France was actually a satisfied power, so that although his

nationalism was damaging to the British, in a decade of appalling weakness for them, it had little or no effect in the world, not even in Canada. In the end he knew that, too: he went because there was no reason to carry on. Mr Hartley throws light in the right corners, and in some unsuspected ones.

Echoes of the past

BRITISH ECONOMIC POLICY AND THE EMPIRE, 1919-39

By Ian M. Drummond.
Allen and Unwin. 241 pages. £4 cloth, £2.40 paperbound.

THE FRENCH ECONOMY, 1913-39

By T. Kemp.
Longman. 183 pages. £2.50.

The economic problems, thought and policy of the prewar period do not precisely parallel those of our own—how could they? But for those with eyes to see they relate to and anticipate much that we have to deal with in the apparently more sophisticated 1970s. And books like these—Professor Drummond's quite explicitly, Mr Kemp's less directly—help redress the dreary tendency to imagine that all our problems and all our debates are entirely new.

In their different ways, Britain and France were both in decline in the interwar period. In each instance fragmented visions of alternative futures became tangled with nostalgic and obstinate attempts to return to a lost past. The pre-1914 world could not be recalled—even if the trappings of its relationships and policies (prewar parities, stringent monetary policies, an imperial division of labour, a smoothly working international economy, a system of settling wages and investment which relied on market forces and private power) could be briefly maintained or energetically advocated. In like manner, the history of the interwar years is still worth studying: first, because the essence of our problems is not new; second, because our debates about their solutions are still heavy with the echoes of the past.

Professor Drummond's book combines a moderately detailed study of attitudes and policies towards the imperial economic system with documents exemplifying those attitudes and policies. The documents are, unavoidably, patchy in quality and coverage—although there are a few (notably a transcript of a private meeting on unemployment in 1919, in which Lloyd

George hounds some of his ministers with slashing commonsense) which provide fascinating sights into the abyss of official decision-making. But in his own 125 pages Professor Drummond provides a succinct, robust and eminently clear analysis of the history of imperial economic policy, particularly as it related to the white dominions. That history—as he rightly emphasises—must be seen as part of the history of economic development.

Admittedly, the rosy picture of the Empire as a coherent network of "men, money and markets" harked back to a pre-1914 engine of growth which could no longer work, while the views of the Treasury, as well as the harshness of economic and political reality, emasculated the development programmes of those whom Professor Drummond calls the imperial visionaries. But many of the ideas which were intertwined with fallacious assumptions were eminently reasonable. Professor Drummond's historical perception and keen economic logic provide a spirited counterbalance to the sloppy neo-colonialist interpretation of imperial policy, and a welcome reminder that:

Those who wish to make reputations and fees in the guiding of economic development would find it distressing to admit that their creative breakthroughs of the 1960s were the stock-in-trade of grey civil servants and flamboyant imperialist politicians in the 1920s.

Mr Kemp's fairly slim study of interwar France is based upon secondary sources and places much more emphasis on a general narrative and much less on systematic analysis. This is partly because he is more concerned to grapple with ill-defined socio-economic problems (in particular a presumed crisis of confidence on the part of the French bourgeoisie, which is constantly referred to, rarely elaborated, and never explained). The result, although far more detailed than Professor Drummond's work, is less informative and intrinsically less interesting. Nevertheless, it provides a useful introduction to a field neglected by English authors. Moreover, it, too, reminds us of some of the enduring themes of twentieth-century economic history: of the cruel worship of monetary policies and exchange parities which are the product of historical accident rather than economic reality; of the inevitable and painful clash on the one hand between monetary ideologies and practical necessities, and on the other hand between the free-wheeling exercise of working-class economic power and the maintenance of prosperity in a system relying on private investment.

Shavian zenith

BERNARD SHAW: COLLECTED LETTERS, 1898-1910

Edited by Dan H. Laurence.
Max Reinhardt. 1041 pages. £6.

For the second of four planned volumes only an interim report is necessary, and a warm welcome—all the warmer for a seven years' wait. Mr Laurence has now got Shaw past his fifty-fourth birthday; that is, well into the second half of his life. It is awful to think of how much of his own life Mr Laurence is allowing to be consumed, at this rate of progress, by the task he does so well. He has put literature deep in his debt.

The years covered by this instalment carry Shaw to his prime of achievement and reputation. He began badly, collapsing from overwork and a mysterious foot ailment. Fortunately this at last enabled Charlotte Payne-Townshend to capture him for marriage, as Ann Whitefield was to capture John Tanner in "Man and Superman." (Shaw's struggles to save his bachelorhood were exactly those of his hero.) Thus rescued from journalistic drudgery—Charlotte being rich—Shaw was able to produce, with remarkable speed, a series of important works, some of them masterpieces, like "John Bull's Other Island," the success of which began the great Shavian boom. By 1910 he was acknowledged to be one of Britain's most influential writers, even though he was passing through a bad patch, writing comparatively tedious works such as "Getting Married" and "Misalliance." "Pygmalion" and Mrs Patrick Campbell still lay ahead.

The public life is excellently illus-



Shaw: prime time

trated in this volume—better than in the first. Shaw is away from London more often; his wife insists on the necessity of annual holidays, and the house at Ayot St Lawrence has been acquired. We see Shaw the fabian, Shaw the controversialist, Shaw the evolutionist crank, Shaw the businessman, above all Shaw the man of the theatre. The letters about the production of his plays are of the deepest fascination. Taken with Mr Bernard F. Dukore's recent book on Shaw as a director they reinforce the view that one of his greatest strengths as a dramatist was his complete theatrical professionalism. Nor is it merely the tact and intelligence with which he advised his actors and actresses that impress; it is also his profound commitment to the value of the art he practised so well. Perhaps he made the stage too much a platform in his own work; but no one could read his letters on the subject without feeling that he had vindicated that high place for the drama which is more easily given, in much recent criticism, to the novel.

Shaw's inner life is comparatively poorly represented. Living with Charlotte he no longer needed to write to her, and she put a stop to the philandering with other women which had so commonly expressed itself in intimate correspondence. The reader must make do with the jokes, of which there are plenty—the jewel, perhaps, being the meeting with August Strindberg:

After some further conversation, consisting mainly of embarrassed silence and a pale smile or two by A.S. and floods of energetic eloquence in a fearful lingo, half French, half German, by G.B.S., A.S. took out his watch and said in German, "At two o'clock I am going to be sick." The visitors accepted this delicate intimation and withdrew.

This catches the ridiculous side of both playwrights to perfection.

Release

IN HIDING

By Ronald Fraser.
Allen Lane, The Penguin Press. 252 pages. £2.50.

FRANCO'S PRISONER

By Miguel Garcia.
Hart-Davis. 171 pages. £2.25.

On March 28, 1969, Manuel Cortes listened to the radio in his house in the Andalusian village of Mijas as he had done every Friday for the past 30 years. This was the day the Spanish cabinet met. He was waiting for an announcement. On that day it came: the Spanish government declared an

amnesty for all alleged offences committed during the civil war. Sr Cortes sent his wife to Malaga to check the news and when she returned with the confirmation he stepped out of his house, a free man.

Manuel Cortes's imprisonment in his own house had, in a sense, been self-imposed. When the civil war ended he returned home to hear that republican supporters were being shot out of hand by General Franco's victorious forces. His own fate was clearly sealed since at the outbreak of the war he had been the village mayor and was known as a life-long socialist. His wife and foster-father persuaded him to hide in their home rather than to give himself up or try to escape. And for the next 30 years he lived in his own village, unbeknown to anyone except his immediate family.

Mr Ronald Fraser has told the story of these years in the words of Sr Cortes, his wife and daughter. It is a moving and illuminating account of the courage, persistence, patience and faith of a simple couple who persevered with the dangerous plot through much hardship, poverty and fear. But Mr Fraser has led Manuel and Juliana to wider fields than the claustrophobic atmosphere of the room beneath the stairs. They talk of their early life in the village, of Manuel's initial hopes for the republic and for the lot of the Spanish workers, of his efforts to control the extremists in his village and of his experiences in the fearsome civil war. And now that he is free in a prosperous village devoted to the tourists he can reflect on the changes that have come about. He is particularly saddened by the young people. "This has been the biggest disappointment to me in coming back to the world. For today's youth is tomorrow's leadership and what hope is there with a youth that knows nothing and cares even less?"

Miguel Garcia was arrested in October, 1949, and sentenced to death for being a member of an anarchist terrorist organisation in Barcelona. In the end he spent 20 years in various Spanish prisons before being released in March, 1969. His own account of his prison treatment is not a pretty story, but his experience, harsh and often cruel as it was, could be matched by long-term prisoners in most countries. He gives some fascinating glimpses of the dedicated men he worked with to disrupt the Franco regime and stir up the revolution again, but his bitter hatred of his political enemies flavours all he writes and, one suspects, all his judgments.

Unpumiced

HOMER
By C. M. Bowra.
Duckworth. 191 pages. £2.95.

It was a constant surprise to find a certain flatness in the writings of the late Sir Maurice Bowra, one of the most scintillating talkers of his time. This book may offer an explanation. It was found after his death almost ready for the printers, except for a missing last chapter; and it is (on top of those other virtues which one expects from him) delightfully readable. Was that flatness in other works the result of too much pumice-work in revision and proof-correction? Whether it was or not, this book can be recommended without that slight hesitation which one felt about much of his written popularisation—that it risked boring the newcomer.

Bowra was a classical classicist, unhesitating and—when it came to the most fundamental points—slightly unquestioning. Greece was best, and Homer was the best of epic poets. He does not ask how far we find him so good because he was the first, and set the standards by which, ever since, Europe has consciously or unconsciously judged other poets and, by circular argument, Homer himself. If one does not look for questions of this kind, which smack of heresy, this is as good an introduction to Homer as one could want.

Bowra gives a clear but somewhat simplified account of the Homeric question and its background. There is no room in so short a book for doubts and complexities: for example, the Ahijawa of the Hittite records are simply Achaeans, with no reservations



Homer: Europe's standard-setter

or explanations. Bowra's wide knowledge of epics in many languages made him an exceptionally good expounder of Milman Parry's path-breaking discoveries, based on his study of Serbian ballads, about the way in which oral poetry develops; though it appears from a rather strange remark about the natural rhythms of Serbo-Croat that even to Bowra it was only a written language, as it very clearly is to most Homerists.

He intended to deal with the question of the unity of Homer in the missing last chapter. There is no reason to suppose that he had changed his earlier view that stylistic arguments favour a single poet, but that, once one accepts that the two poems are the culmination of a long oral tradition, it hardly matters. He is, of course, best on the literary qualities of the poems. His brief chapter on the general structure of the Iliad is a masterpiece of understanding and concision. This book can be strongly recommended both to those who read Greek and those who do not.

Spiritual circus

THE NEW RELIGIONS
By Jacob Needleman.
Allen Lane, The Penguin Press. 255 pages. £2.75.

Clinical psychologist turned philosopher, Professor Needleman tries to describe and assess for us the youth-based, California-based enthusiasm for old religions that is flooding America. They are new religions to western culture which, at an advanced stage of organising and controlling human life, increasingly questions and rejects what it is doing. Professor Needleman gives a sympathetic account of what a growing number of people are discovering in Zen Buddhism, Subud, Tibetan Buddhism, and in particular in gurus such as Meher Baba, Maharishi and Krishnamurti. It has become, he says, a spiritual explosion. He is more successful in portraying than in assessing because, whether from choice or from conviction, he adopts no particular standpoint from which to evaluate the phenomenon. He does not consider or attempt to tie in the pentecostalist spirituality that is sweeping the established Christian churches.

The common features of these religions or world-views are roughly as follows. They regard the ordinary techniques of living as an illusion constantly recreated by human desire, disintegrating and lowering human life; our most intellectual operations

are carried out simply to serve the illusion. (Reason is and ought to be the slave of passion, thought Hume.) They offer man a higher source of wisdom, of serenity and perspective, of reality in place of illusion, which can only be reached by disciplines of detachment and of inward withdrawal, either to immanent divinity or to a true self. These disciplines include physical and ritual rigours as well as mental ones, and the suggestion is that they relate us to cosmic powers or energies from which western man has become alienated and detached. Christianity and Judaism, in so far as they have diluted their disciplines, joined the illusory search for an earthly paradise and become part of institutional life instead of challenging it, have lost out.

It is not clear what these mainly young people are looking for, or how they would know when they had found it. Perhaps it can only be characterised as peace of mind, a sense of the value of human activity, something to integrate the chaos of their experience. They do, however, seem convinced that they can never integrate their multiform experience from a point within it, but only from a point outside.

Old Smithsonians

BRITISH MONETARY POLICY, 1924-31
By D. E. Moggridge.
Cambridge University Press. 311 pages. £6.80.

This interesting, well-written and misnamed book is the fruit of Dr Moggridge's extensive researches, though cabinet papers and other documents, into Britain's return to gold in 1925, at an exchange rate that was at least 10 per cent too high. The decision was "ultimately an act of faith in an incompletely understood adjustment mechanism undertaken for largely moral reasons," and those advising the chancellor "added almost no analysis of current conditions and problems." Once \$4.86 was chosen, the avoidance of devaluation became a matter of religious conviction, upheld by both the Treasury and the Bank of England with a farrago of rubbish that throws appalling light on the decision-making apparatus of the time. Churchill asked some of the right questions, but nobody in the civil service of the Bank answered them.

The usual catchphrase was "that the City and its institutions deserved special consideration in the formula-



Snowden: clinging to \$4.86

tion of economic policy, because invisible earnings played a large role in the balance of payments." When the Labour government of 1929-31 came to office, the fervour against devaluation was heightened by the chancellor's hyperbole and ignorance; Snowden told the Labour cabinet that devaluation would "reduce the standard of living of the workmen by 50 per cent." If this book had been written in time, it should have been required reading for everybody in Westminster, Whitehall and the City of London during Mr Callaghan's chancellorship, which again resisted devaluation in 1964-67. One would like to think last month's floating has put it out of date in Britain, but the threat of another Smithsonian fixing suggests that it isn't.

Map-reading

THE TIMES ATLAS OF THE WORLD
The Times/John Bartholomew. 312 pages plus 123 plates. £20.
OXFORD ECONOMIC ATLAS OF THE WORLD
Clarendon Press: Oxford University Press. 248 pages. £5.75 cloth, £3 paperbound.

The fourth revision of the fourth atlas produced by The Times is quite as abreast of the times as can possibly be expected in a work of its size and scope. On the excellent Bartholomew maps, as well as in the list of contents, not only have the Basses-Alpes become the Alpes de Haute Provence, but East Pakistan has become Bangladesh and the Trucial States have become the United Arab Emirates. In the 272 pages of index that follow the 244 pages of maps, it may appear at first glance as if there had not been a corresponding effort to catch up; but the perceptive reader will quickly find there is a supplementary index. Again, a glance at the contents page might

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Business Brief

Madison Avenue's slim-in

The Advertising Association's annual conference in London this week revolved, inevitably, round Britain's entry into Europe. Advertising outside the United States is now growing much faster than it is in America, but Madison Avenue has such a head start that it will take many years for the others to catch up. Of Britain's three largest advertising agencies, two are American. Of the world's 20 largest agencies, all are American.

This does not mean that life on Madison Avenue (actually, few of the agencies have their offices there) is or is going to be roses. After the heady growth rates in agency business in the early 1960s (7%-9% a year) came a sticky patch, with almost no growth at all in 1967, and things have never been quite the same since. Admen still inhabit plush offices, employ glamorous girls and earn luscious salaries, but if they are not also very good at the job the chances are they will not enjoy these privileges for long.

The American Association of Advertising Agencies (4As), which counts the bulk of agencies among its members, has

figures to show that employment in the industry has actually declined over the past few years while turnover has kept on going up (see chart). Some of these gains in productivity are more apparent than real because of what inflation has done to the cost of buying advertising space, but there is no doubt that the industry has cut out some of its dead wood, and is now squeezing a lot more work out of the survivors. With labour costs accounting for two-thirds of the industry's income, it was the obvious thing to do.

The slimming was largely a response to the slowdown in the American economy. Advertising suffers disproportionately from economic depressions, because manufacturers tend to look on promotional spending as a frill that can be dispensed with when the pressure is really on. Advertisers began—often for the first time—to question whether they get value from their agencies, and to explore ways of getting the same kind of service more cheaply.

By the late 1960s most large advertisers had developed fairly efficient marketing departments of their own, and no longer

I'm Jo.

I've got a lot going for you to Miami and the Sunshine States of America, with the only daily non-stop flights from London and our own kind of personal service.

And a lot from Miami: I've got great connections to all of Florida, New Orleans, Houston, California; you name it. Then fly it.

And starting 26 May, I'll have more: the nice convenience of the only daily 747's to Miami. Pick the day you want to go. Then go.

And the beautiful luxury of the great 747, with more cabin room than any airliner in the sky today.

And the 747 extras en route: first-run movies, multi-channelled audio entertainment and our international gourmet cuisine.

And a refreshing kind of personal service, person-to-person.

Give it a go, won't you? Fly my daily 747's to the Sunshine States of America.

Telephone National Airlines direct, or ring up your travel agent. Tell him Jo sent you.

Soft sell makes hard cash

depended on their agencies for this.

At the same time, a rash of new operators appeared in the market, offering creative services, research or media buying on a piecemeal basis—which was often cheaper than the established agencies' "full service" package.

Commission v. fee

Agencies are traditionally paid by a commission—formerly 15%, now increasingly 17½%—on the cost of the advertising space they buy for their clients in the press, radio or television. This has the merit of simplicity, but can work unfairly. With an established campaign for a well-known product, the agency probably does rather well out of it. With new products which need a lot of work, or on special services, it may not cover its costs but will quietly cross-subsidise itself from its more profitable clients, to the disadvantage of the less demanding of them. So there has been a progressive move away from commission and towards charging fees for specific services. The Association of National Advertisers, in a study published at the end of May, found that between a quarter and a third of the members questioned were paying their agencies on a fee basis—more than double the proportion in the last survey in 1967.

The main reason for the change, the ANA found, was that advertisers are now much more inclined to use their agencies on a "partial service" basis, picking out and paying only for the services they want.

Agencies have been bulldozed into providing this kind of service by competition from the new, small, single-service operators. Independent media buying services have probably

done most to shake up the agencies' complacency. When these first appeared a few years ago, they upset the agencies' applecart by undercutting rates for television air time, which they were able to do because of their lower overheads. After some initial success, several of them came a cropper over the way they used clients' money, not always producing the advertising spots asked for. They have now receded into the shadows, but not without having administered a snock to the agencies, which revamped their media buying departments, put more senior people on the job and came out a lot more competitive than they had been before.

The advertisers also by-passed agencies by setting up house agencies to handle their business. Companies like Monsanto and Norton Simon, who switched to this during the last year or two, seem happy with the results. But house agencies do not necessarily save that much money; it could be as little as 5% on the firm's advertising budget. The bulk of advertising spending goes on buying space in the media, and a house agency can do little to reduce this. There is also some risk that house agencies may not attract the best advertising talent because the scope they can offer is usually more restricted than a normal agency's. One possible way out, which has been taken by several companies, is to use the house agency for routine advertising and go to specialists for the rest.

But many advertisers do not want to be bothered with the details and prefer to hand the work over to a professional agency even if doing so costs more. As the economy picks up, most of the big agencies are now reasonably confident that 1972

will be a much better year, with business up by perhaps as much as 10%. They think that the small independent operators have been cut down to size, and are unlikely to take much business away in future. The men who run the small "hot shops"—agencies whose success depends on their creative work rather than their range of other services—would dispute this. They claim that clients are still worried by the big agencies' excess fat in the middle ranks, among account executives and the like, and that an increasing share of the cake will be going to such smaller and nimbler outfits as themselves. But big agency chiefs point out that a first class little hotshop automatically grows big—like Wells, Rich, Greene, which the energetic Miss Mary Wells catapulted from nothing six years ago to number 19 in America last year, with a worldwide turnover of \$110m.

Consumerism

If the internecine strifes in the industry seem less vicious, it could be because a new enemy has emerged which threatens large and small alike. The shorthand name for this is consumerism. Over the past couple of years or so, the public mood has become much less tolerant of advertising's eccentricities and little white lies. The new catchword is "truth in advertising," meaning you can no longer get away with claiming "Cheerios make you feel groovy all day long" if in fact they do no such thing.

Against this changed background, the Federal Trade Commission, which has a watching brief over the advertising industry, has recently started

acting very tough. Last autumn it took the novel step of holding a series of hearings on modern advertising practices. It has now become more specific on the sort of changes it is looking for—all highly alarming for the industry.

The commission's first aim, in the interest of getting rid of "unfair and deceptive" advertising, is to get companies that have been guilty to run "corrective" ads, explaining that their claims have been misleading. The idea had been floating around for some time, but the FTC has recently really turned on the heat. Several cases have been brought, but so far only one advertiser has published a correction. This was the unfortunate Continental Baking Co (an ITT subsidiary) which had claimed that its Profile bread helped people to lose weight. The FTC took issue with this; Continental Baking, not wanting an expensive lawsuit over a product with relatively small turnover, agreed to spend 25% of Profile's advertising budget for a year telling consumers that it was no good for slimming.

The FTC also challenged Continental Baking's claims for Wonder Bread, and this case has not been settled yet. Wonder Bread "helped to build strong bodies twelve ways," and the proteins, minerals, carbohydrates and vitamins it contained were all listed. It does indeed contain all of them—but so does every other bread on the market. The FTC feels that the company should not use these facts to imply that Wonder Bread is somehow different. Ocean Spray cranberry juice is in the same sort of trouble; the makers agreed last month

The world's top 20 agencies in 1971

Ranking (by billings)		World	US	US staff	
World	US	\$m	\$m		
1	1	J Walter Thompson Co	774.0	419.0	2,513
2	7	McCann-Erickson	593.9	232.9	860
3	2	Young & Rubicam	503.5	317.3	1,820
4	5	Ted Bates & Co	424.8	244.8	1,600
5	3	Leo Burnett Co	422.7	296.8	1,412
6	4	Batten, Barton, Durstine & Osborn	331.5	296.1	1,469
7	10	Ogilvy & Mather International	296.5	176.5	920
8	6	Doyle Dane Bernbach	280.3	234.9	1,290
9	8	Grey Advertising	255.9	195.0	1,250
10	9	D'Arcy-MacManus- Intermarco	245.0	185.0	1,012
11	17	SSC&B	239.8	122.6	517
12	11	Foote, Cone & Belding Communications	235.0	174.5	924
13	15	Benton & Bowles	198.5	141.3	768
14	20	Compton Advertising	174.8	101.0	463
15	12	Dancer-Fitzgerald- Sample	170.0	164.9	710
16	28	Norman, Craig & Kummel	163.4	68.2	390
17	16	Needham, Harper & Steers	151.9	139.5	635
18	13	William Esty Co	151.0	151.0	662
19	14	N W Ayer & Son	148.3	148.3	941
20	18	Campbell-Ewald Co	121.8	119.8	612

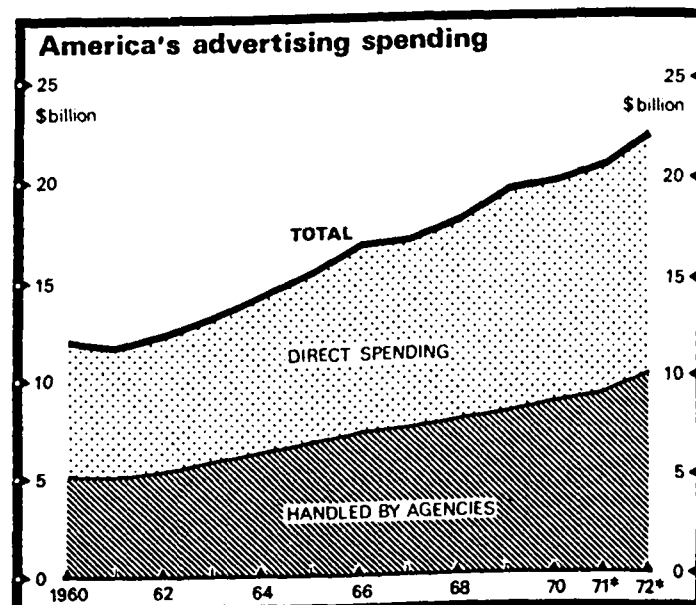
Reproduced with permission from the February 21, 1972, issue of Advertising Age. Copyright, 1972, by Crain Communications Inc.

to run a series of advertisements to correct any impression that their product contains more vitamins and minerals than, perhaps, orange or tomato juice.

Advertisers' attitudes towards the FTC are hardening, and they seem increasingly willing to fight in court, partly because they feel that unless they make a stand the FTC might acquire too great a hold over the industry. It has already demanded free air time for people who want to dispute commercials. And if the FTC succeeded in its aim to be allowed to issue trade regulations, it could simply rule that a claim was unfair or deceptive without even having to prove it.

Despite their grouses, many admen will admit that the FTC

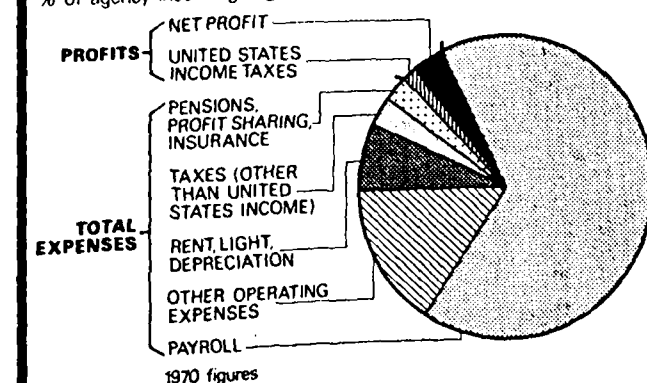
had a point over "unfair and deceptive" claims. What is worrying them now is that they do not know where it will stop. They are trying to cope with the uncertainty by producing ads that are either crammed with facts or which say nothing in particular and concentrate mainly on creating an aura round the product. What this does for the effectiveness of the advertisements is very much an open question. But then nobody really knows what makes an ad a good one. It would be hard to imagine a softer sell than National Airlines' "I'm Jo/Barbara. Fly me." Yet Bill Free, whose New York agency thought up the theme, maintains that on the day the campaign started National's switchboard broke down under its load.



* estimated

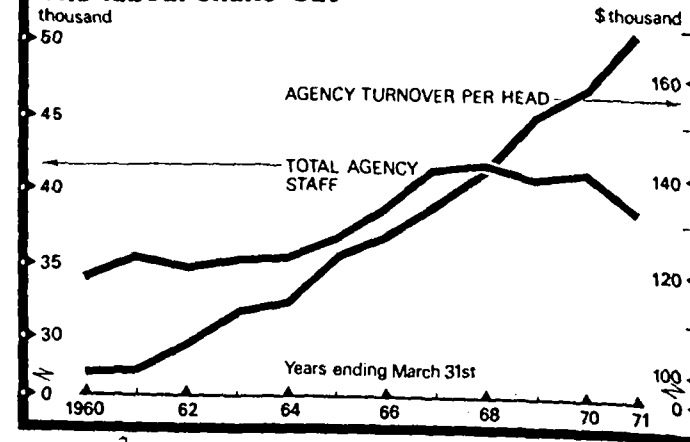
Big costs, small profits

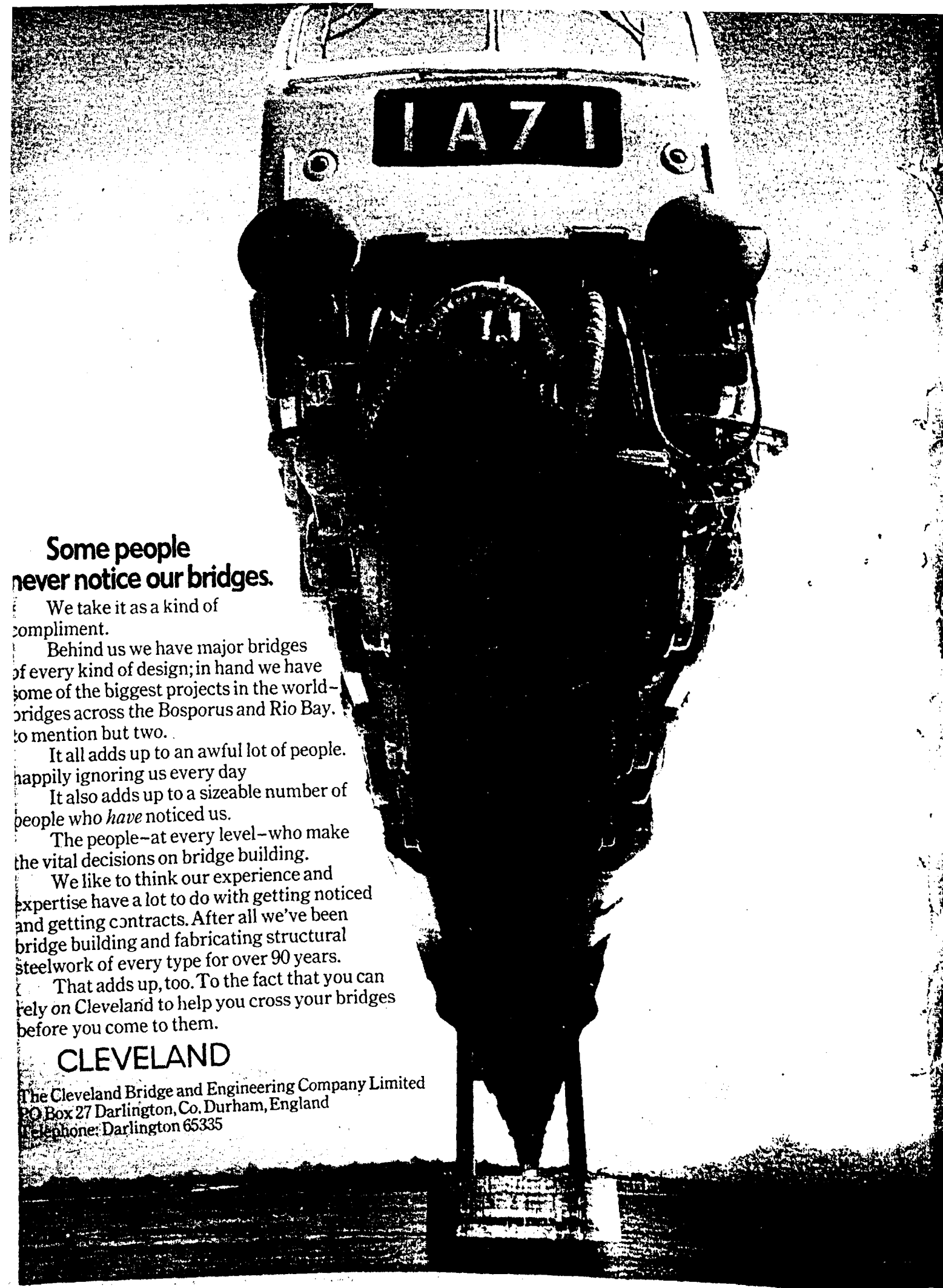
% of agency income going on:



1970 figures
Coverage: American Association of Advertising Agencies members

The labour shake-out





Some people never notice our bridges.

We take it as a kind of compliment.

Behind us we have major bridges of every kind of design; in hand we have some of the biggest projects in the world—bridges across the Bosphorus and Rio Bay, to mention but two.

It all adds up to an awful lot of people happily ignoring us every day.

It also adds up to a sizeable number of people who *have* noticed us.

The people—at every level—who make the vital decisions on bridge building.

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CLEVELAND

The Cleveland Bridge and Engineering Company Limited
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Telephone: Darlington 65335

BUSINESS

Does the Bank know when to stop?

The Bank of England acquired a new domestic technique during sterling's latest crisis. It must not use it to expand money supply more recklessly still

One of the few immediate domestic effects of the sudden flight from sterling that unpegged the pound was the sharp upward twist it brought in interest rates. How virtuously have the Bank of England's guardians of the money supply behaved during this hectic period? Have they, as some suspect, acquired any bad new habits?

The task suddenly imposed on them was huge. In the 15 months to March of this year non-residents had built up their banking and money market liabilities in sterling by just over £1.5 billion. This inflow of funds from abroad accounted for nearly half of the £3.1 billion growth, to £20.6 billion, in money stock (M3) during this period; it has been one of the main sad reasons why M3 up to May of this year was expanding at an exorbitant annual rate of over 20 per cent. Then, in the week before sterling floated in the early morning of June 23rd, on the Chancellor's own reckoning, nearly £1 billion fled back out of sterling, most of it in two days.

The Bank of England behaved on this seesaw with its normal crisis tactics, to which it has become very used. Inevitably, it massively pumped in money to a suddenly starved market through all the traditional channels—direct loans to the discount houses and purchases of Treasury bills, local authority bills and commercial paper. But its intervention was carefully designed to offset only partially the outflow over the exchanges, thus making speculators pay through the nose. At one stage this nose-extraction brought overnight interest rates in London to 200-300 per cent.

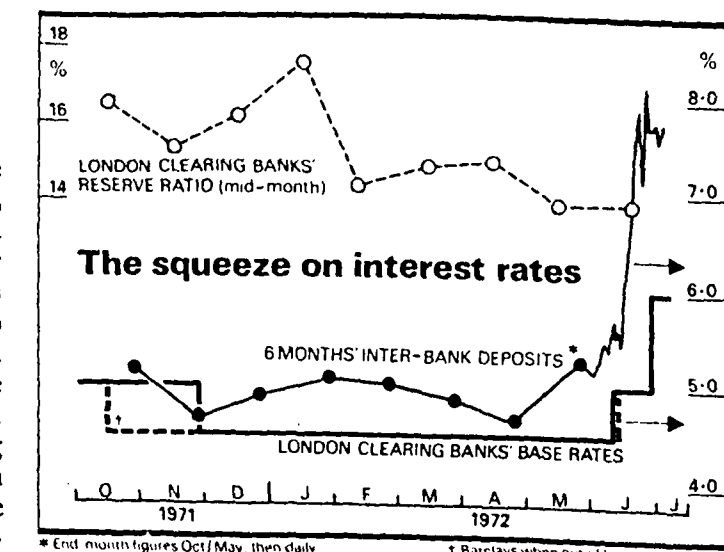
Then, once sterling was safely floating, the Bank of England came more generously to the aid of the suddenly deprived domestic banking system. Borrowing a page from the American book, it agreed, exceptionally, to lend money directly to the banking system against gilts. Its undertaking was to stand ready, initially for a fortnight only, to purchase at current market prices government securities with more than a year to run to maturity, on the understanding that the banks would later repurchase them, after having paid an effective annual interest charge of 6½ per cent. For use in the kind of exceptional circumstances that do rather hamstring a money market when there has suddenly been £1 billion of a run on sterling, this is a reasonable addition to the Bank's armoury of monetary weapons. Although econo-

mists are always rightly suspicious when a central bank says that it is merely smoothing out a threatened hump in interest rates—because that often means that it is about to try to buck an underlying trend in them—200-300 per cent of interest on overnight money is quite a hump. Criticism should arise only if the Bank falls so in love with its new technique that it allows it to undermine its new regime of credit control and further to fuel a runaway growth in the money supply.

To be fair, there is no evidence that the Bank of England intends anything of the sort. It has used its new tactical mix to engineer a return to more normal conditions in the money markets; those overnight lending rates had been brought back below double figures by the end of last week. However, it seems prepared to live with the higher basic structure of money market and bank lending rates that has been the ultimate fall-out of the crisis. This, if it is indeed the end of the story, looks like the right balance.

For there have been two distinct factors at work behind the recent jump in interest rates. The predominant one in the days after mid-June was obviously that flight of £1 billion from sterling. The secondary one was that the flight came when the commercial banks already had relatively little fat left in their liquidity positions.

Even before sterling's crisis, competition for funds to



feed the accelerated rise in bank advances of the past two months was beginning to push up the cost of money at the margin. Six-month inter-bank deposits, which had moved up from just over 4½ per cent at the end of April to more than 5¼ per cent at the beginning of June, when the banks first put up their base rates, were commanding nearly 7 per cent before the run on sterling reached its peak. The rise of £280m in the London clearing banks' domestic advances (net of inter-bank and other money market lending) in the five weeks to mid-June had to be financed in part through further sales of gilts and recourse to the wholesale market for funds. This was all relatively, and increasingly, expensive money. It is true that at the same time the banks were still pulling in relatively cheap retail deposit funds. The underlying rise in domestic deposits to mid-June was quite strong. Even so, the banks' combined reserve ratio on June 21st, the day before the Bank rate increase from 5 per cent to 6 per cent and two days before the floating of the pound, was as low as 13.9 per cent. Barclays' ratio was down to 12.7 per cent, barely above the requisite 12.5 per cent. A further upward adjustment in some banks' lending and deposit rates was only a matter of time—even without sterling's crisis.

Small wonder, then, that the massive switch out of sterling in the next couple of days sent overnight borrowing rates rocketing and the Bank of England scurrying to the rescue. More than one clearing bank saw its reserve ratio dip temporarily below the 12½ per cent floor after June 21st, although the banks most in need of aid may prove to have been not the giants but smaller fry.

If the Bank of England rests content with merely having taken the worst of this extra, and wholly exceptional, strain off interest rates—if it allows its special repurchase facility to elapse on schedule—well and good.

Buying time for ICL

The Government gave International Computers Ltd £14.2m on Monday to complete its new range—enough to buy an 18-month breathing space in which to turn the company round

The Government had already turned down the option offered by the American Burroughs company which, had it been allowed to buy 51 per cent of ICL on terms that ICL shareholders must have considered generous, would then have moved its own management into ICL and assumed responsibility for putting the company to rights. Burroughs obviously felt unable to do this without the completely free hand a 51 per cent shareholding would have given it, although some of the other American companies still interested have intimated they would be prepared to settle for less. The Government preferred to put its faith in the abilities of the recently appointed chairman, Mr Thomas Hudson, and managing director, Mr Geoffrey Cross (both with American backgrounds), to do the job on their own.

It needs some faith. ICL's requirement for a further

But it should be on its guard against political pressure to use the new technique more aggressively. After all, the sharp upward adjustment in lending rates and the squeeze on bank liquidity has come embarrassingly early on in the business cycle, when lending to industry is still weak.

The politicians may argue that this is no time to allow rising interest rates to "nip expansion in the bud." The Treasury, with an eye to the gilt-edged market and the Government's massive borrowing requirements, is inclined to sympathise with arguments in favour of letting the money supply rip. Both of them should be resisted.

Given the present pace of inflation, the recent rise in interest rates is not likely to hold back any worthwhile investment scheme—indeed, the rates themselves are partly a mirror of inflation. One possible counter-argument is that it is admittedly in Britain's interest to keep the floating exchange rate for sterling low; somewhere around \$2.40 should be welcomed, not regretted; it would be a pity if higher interest rates (and dollar woes) kept the exchange rate up higher than that. But the proper remedy to adopt, if they do, is to dash for freedom by removing exchange controls.

The whole object of a devalued pound is that more of the 5 per cent growth in gross national product which Britain hopes for over the next year should go into exports, and less into domestic consumption. This does not require a further large squeeze on domestic spending, but it does mean that the squeeze should be bigger than is consistent with a 20 per cent per annum increase in domestic money supply. It will be a misfortune if one consequence of sterling's crisis is that the authorities discover that the Bank of England has picked up, in order to defend its children, a weapon that can conveniently be used to make the expansion in domestic money supply even bigger.

£14.2m shows which way the company is heading. This sum will pay for about a third of ICL's research and development during the 18 months from April this year to September next year, and demonstrates the extent to which cash flow is falling below both needs and expectations. ICL now requires twice the rate of subsidy that it did four years ago, when a £13.5m grant towards research and development in 1968 could see the company through well into 1971. This is an industry which cannot survive without an expanding cash flow that keeps pace with expanding research and development bills. Unless the basis of ICL's business can be changed, the company is bound to need increasingly large direct subsidies from the Government. The length of time it can stay in business under these circumstances then depends on how long the present and any future government choose to be

generous.

Cash flow can be increased by increasing sales and by increasing profits on sales. ICL's new men will try to put up profits by raising productivity throughout the company, something long overdue. ICL has fired people, but it compares poorly with some other companies (as the chart shows), and the Government has admitted that more redundancies are inevitable. When ICL was still two separate companies, the combined staffs totalled 34,187. Two years after the merger in 1968, this went up to 36,329. It is now down to 32,669, which for ICL's turnover is probably 5,000 too many.

There is scope here for improving profit margins, but that of itself will not be enough unless sales are also increased. There is little room for a large expansion of the home market, which has led ministers to look anxiously to Europe, which undoubtedly offers a market large enough to support a company of ICL's size. However, International Business Machines already has something like 70 per cent of this, and the other American computer companies are making considerable inroads into the rest. What remains now looks pretty unattractive and ICL would have to compete for it with the two European-owned computer interests of any importance—Siemens in Germany and Compagnie Internationale pour l'Informatique in France—which have already rejected partnership with it.

Eliminate Europe, and the only sizeable markets remaining are in Japan and America. The Japanese government is not about to let foreigners buy a majority share of any Japanese computer firm. That leaves America.

In America, ICL could get the volume of sales needed to put its business on a proper footing, but not by direct exports from this country. It would have either to buy an established American company as a shell through which to do business, or, alternatively, be bought up by one. Plenty of American companies have been up for sale at prices the Government could well have afforded to advance to ICL. The computer divisions of both General Electric and the RCA Corporation were hawked around for a long time before being bought up by other American companies, which neither particularly wanted, or needed, them.

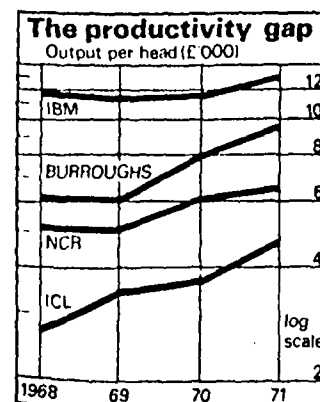
RCA was sold for less than £55m. It had 500 cus-

tomers, with 1,000 computers installed and all eventually falling due for replacement. Those customers alone were worth many times the price paid, and ICL will never again be able to acquire so much of the market so cheaply. The computer division of General Electric sold for around £100m, and would have been an even more attractive buy because General Electric was second only to IBM in Europe.

Had either company been combined with ICL a business would have been created with a customer base large enough to guarantee survival. The opportunities are still not entirely closed. Other American computer manufacturers are looking vulnerable and could be up for auction some day; they include such plums as National Cash Register, Control Data and Xerox Data Systems. On a smaller scale, there are numerous software companies not actually building computers but providing the services that go with them. They are still suffering grievously from the cutbacks in the American military and space programmes; some of them are rich in technical talent but could be bought for a song. ICL's new management seems to be concentrating on getting a software partnership of some kind in America—and in Europe too.

ICL's biggest technical gap happens to be in software. The Government's latest £14.2m will be needed mainly to develop software for the company's new range of computers. Work on the computers themselves has been virtually completed, and raises few problems. Given the demands of today's customers, the software side is the tricky bit, and the cost of designing and testing software programmes has a nasty habit of rising beyond expectations. That £14.2m will turn out to be insufficient to see ICL through.

If the Government is apprehensive about ICL's acquiring an American subsidiary and prefers to go on providing the company with subsidies that could soon add up to the equivalent of the purchase price, what about the alternative of allowing American companies to buy into ICL? ICL's own management has treated inquiries frostily, and the Government itself seems fearful of the changes American buyers would demand. When the Minister for Industrial Development, Mr Chataway, announced that, while it had turned down Burroughs, the Government was still ready to entertain a proposal from another American company, like Univac, he said



Chataway has the handouts . . .



but has Hudson the winners?

that it must be for a minority share of ICL, and that control must stay in British hands so that decisions about research, manufacturing and marketing continue to be taken here. An arrangement like this, assuming Univac accepted it, might reduce the amount of money ICL would need from the Government in future, but would do little else unless substantial management control did in practice pass into Univac's hands.

As it stands, the package that the Government is offering interested foreign investors is not a particularly attractive one, since it appears deliberately to preclude opportunities for reorganising ICL. Mr Hudson himself has brushed off more informal approaches from some of the big American software companies which would like

to link up with ICL on the basis of a much smaller shareholding than would satisfy big computer manufacturers like Burroughs or Univac. His technique has been to say that he might be ready to talk after he has straightened out ICL to his own satisfaction. But unless Mr Hudson's middle name is Hercules, he needs an American partner now rather than later, because the shape that an ICL with links in the American software industry should take could be very different to the shape of an ICL without them. Mr Hudson, with his IBM background, must appreciate this. Given the state of the company, the Government cannot seriously think it has bought off its problems with £14.2m. It has only bought time.

That Concorde caper

The Government is considering yielding to airline demands for a bigger, more efficient version of Concorde. Has it considered all the consequences?

The pressure for an enlarged Concorde has been growing over the years. Airlines have asked for a much larger aircraft into which they can get more passengers. They can buy range now, if they must, by reducing passenger numbers—which explains why, although the manufacturers claim that Concorde can carry 128 seats, some airlines have talked of only 90. But because of the restricted size of the cabin airlines cannot do a trade-off the other way round, and increase the number of passengers carried by taking out some of the fuel. On the calculations now being done by potential buyers, even if a premium is charged on first-class fares, Concorde operations will show a loss on a full aircraft. Air Canada is the first airline so far to have dropped its Concorde options altogether, chiefly because it does not see enough of this super-first-class traffic to justify a supersonic service. Other airlines may share these misgivings, but have preferred to put pressure on the British and French governments to give them an aircraft with more seats, which would then open up the opportunity to reduce both their losses and their fares.

Should the two governments do this? There are no insuperable technical problems in the way either of doubling the seating to around 200 or increasing engine power to operate the much bigger aircraft. But there are big financial ones. The airlines would, if the governments promise them a better Concorde, agree to buy more of the present version now than they might otherwise do, and this must weigh heavily in both London and Paris. The present sales drive is a mainly British one, carried out on Lord Rothschild's advice to see how many Concorde the airlines will buy when they have to commit themselves to legally-binding contracts, and to large progress payments to the manufacturers. Sir Frederick Corfield, who was the minister in charge of Concorde until his sharp tongue talked him out of the job in the Prime Minister's spring reshuffle, has put the figure as low as 30. This is a depressingly poor return for 13 years' work by 50,000 men in two countries and an investment

of well over £1 billion.

It is very tempting to buy more work for the two Concorde production lines by promising to develop the bigger version. Almost despite itself, the British Government is coming to accept it as inevitable, and part of the premium for joining the EEC. But the spending that would be needed to start development work on a Mark II Concorde even before the first version has gone into service is going to pre-empt all the funds available for aircraft development in Britain. No other new project could be started. If Concorde continues, the rest of the aircraft industry may as well shut down.

This is causing considerable alarm inside the Ministry of Defence, which has more to worry about in the present condition of the Royal Air Force and its equipment than it has over any other branch of the services. The RAF is in trouble: its equipment is either obsolete or ordered in penny packages, and a big, new Concorde programme would mean that it stays that way for a long time to come. Nor is there any obvious money to spare for new civil projects.

The Government may feel that Britain's return on its investment in aircraft manufacture over the past decade has been so unrewarding that this really will not matter. The price of salvaging Rolls-Royce's RB-211 engine in order to deliver it to the Americans for less than it costs us to build, may have convinced Mr Heath that Britain can no more afford to have a success in this industry than it can a failure. Sour experience with British aircraft was an important contributory factor to the Air Canada decision to drop its Concorde options; it was Air Canada that raised most difficulties about taking up its Tristar orders again after the Rolls-Royce collapse. The decision to proceed with a fresh round of Concorde development is going to be taken, if it is taken, because the Government finds it simpler to give in to airline pressure than it is to resist it, and not because it has seriously thought through the consequences for the rest of the aircraft industry.



ISTITUTO MOBILIARE ITALIANO

Annual Meeting — June 22, 1972

On June 22, the Annual Meeting of the Shareholders of Istituto Mobiliare Italiano (IMI) was held in Rome, chaired by Mr Silvio Borri, to approve the Balance Sheet and Reports for the Institute's 40th fiscal year.

The Board of Directors' Report, read by Mr Borri, contains an extensive review of the activities of IMI, which in the past year have shown further significant developments. Their highlights are reflected in the following figures (data converted into US dollars): new loan applications received totalling 6,533 million dollars (74% over the preceding year); loan agreements signed totalling 1,527 million dollars (+41%), or 1,629 million dollars if we include the transactions entered into by the Autonomous Section for Maritime Credit. As of March 31, 1972, the Institute's outstanding loans amounted to 6,592 million dollars (+14%).

The following is the breakdown of IMI's loan agreements signed by main classes: investment financing 1,250 million dollars (+50%); export credit financing 237 million dollars (+6%); financial credit to foreign countries 26 million dollars (+32%); loans to non-residents 14 million dollars (+38%).

From a geographic standpoint, 58% of the investment loans related to projects in Southern and Insular Italy.

A specially large expansion was registered in industrial investment financing (+74%). The main recipients were the following industries: engineering (351 million dollars), petrochemicals (306 million dollars), metallurgy (210 million dollars); food processing, textiles and paper (31 million dollars each).

The Report stresses that the loans extended to industries (1,008 million dollars, of which about one third for the constructions of new plants) have contributed to the implementation of investment programmes for 1,759 million dollars and expected to provide over 28,000 jobs. During the year, 47 new concerns were established with the Institute's financial support, of which 24 are in the South of Italy. The loans to enterprises operating in the service and utilities sector (182 million dollars) of which 129 million dollars in the telecommunications sector registered a 4% increase.

In the course of the fiscal year the Institute has started the activity, pursuant to Title I of Law No. 184 of March 22, 1971, for the restructuring of industrial enterprises. In this connection, it is stressed that the Institute has been methodically supporting the enterprises in the drafting of appropriate plans, striving to encourage co-operation among several enterprises, with a view to promoting the solution of problems on an intercorporate basis in the framework of the special features of each individual sector.

As regards the special operations for the account of the Government, the Report dwells on the R & D Fund, which has consolidated its character as a permanent instrument for the support of industrial research. With the approval during the year of additional financing totalling 31 million dollars and the

establishment of the two new research companies, the total amount of financing approved by IMI since the inception of this Fund has exceeded the initial 172 million dollars.

The transactions entered into during the 40th year have brought the amount of IMI's outstanding operations as of March 31, 1972 to 6,592 million dollars, of which 94% against the Institute's own funds and 6% under "special operations" (i.e. the operations turned over to IMI by the Government for specific economic-policy purposes and financed out of public funds).

IMI's domestic fund-raising activity has been developing without special problems, in view of the liquidity condition prevailing in the Italian economic system. During the 40th fiscal year, IMI has placed bonds on the Italian capital market in the amount of 703 million dollars, plus subscribed bonds now being issued totalling 222 million dollars and bonds for term delivery totalling about 292 million dollars. As of March 31, 1972, IMI's bonds outstanding in Italy totalled 4,653 million dollars, with a 9% increase during the year. Foreign-currency loans have been contracted on foreign markets to a total amount equivalent to 198 million dollars: at the end of the 40th fiscal year, IMI's foreign-currency borrowing totalled 696 million dollars.

During its tenth year of activity, the "Credito Navale"—Sezione Autonoma dell'IMI (Maritime Credit—Autonomous Sections of IMI) has extended maritime-credit loans totalling about 103 million dollars. Outstanding loans as of March 31, 1972, totalled 490 million dollars.

The Report stresses that, at the end of the Institute's 40th fiscal year, IMI's active role in the events of Italy's economic life during the last four decades has gained for it increasing prestige both in Italy and abroad. This performance, in addition to bringing about a rapid growth of activities in quantitative terms, has enabled the Institute to build up a wealth of experiences and skills, continuously enriched by an increasing degree of activity diversification and by a steady improvement in operating methods.

After a brief review of the trends on the capital market, the Report finally introduces the Institute's balance sheet and profit and loss statement, showing that, after the largest allocation to the risk fund permitted by the tax law and after the customary depreciation allowances, the profits totalled 14,019 thousand dollars. The Board proposed that 9,788 thousand dollars of this sum be allocated to the Ordinary Reserve Fund and that 4,127 thousand dollars be distributed to the Shareholders (being the equivalent of an 8% dividend on paid-in capital stock), allocating part of the balance to other reserve funds and bringing forward the residual.

After the reading of the Board of Auditors' Report the Shareholders' Meeting unanimously approved the Board of Directors' and Board of Auditors' Reports and decided in conformity with the recommendations made by the Directors.

BALANCE SHEET SUMMARY AS OF MARCH 31, 1972

(40th Fiscal Year)

(Dollar equivalents calculated at the rate of Lit. 581.50 per US Dollar)

LIABILITIES

Subscribed capital stock	\$ 171,969,048
Government allocations under Law No. 184 of March 22, 1971	.. 294,007,417
Bonds in Lire and foreign currencies	.. 51,585,287
Borrowings and sundry debts in Lire and foreign currencies	.. 4,686,510,869
Outstanding guarantees	.. 2,151,160,706
Interest payable and rediscounts on receivables	.. 35,706,846
Miscellaneous items	.. 153,035,214
Balance of year's profits	.. 12,254,103
	.. 14,019,599
	\$ 7,570,268,866
Contra Accounts	
Loan commitments, securities and bills held & on deposit	\$ 4,194,068,221
Special and fiduciary operations	.. 1,417,955,671
GRAND TOTAL	\$ 13,182,292,759

ASSETS

Subscriptions receivable on capital stock	\$ 120,378,332
Securities owned	.. 335,462,740
Liquid assets in Lire and foreign currencies	.. 206,895,837
Loans in Lire and foreign currencies	.. 6,104,747,530
Sundry credits in Lire and foreign currencies	.. 334,038,484
Advances receivable and other operations in Lire and foreign currencies	.. 181,181,327
Outstanding guarantees	.. 35,706,846
Unamortised discounts	.. 112,860,793
Interest receivable and rediscounts on payables	.. 134,705,596
Real estate and furniture	.. 4,291,376
Miscellaneous items	.. 7,570,268,866
Contra Accounts	
Loan commitments, securities and bills held & on deposit	\$ 4,194,068,221
Special and fiduciary operations	.. 1,417,955,671
GRAND TOTAL	\$ 13,182,292,759

STATEMENT OF INCOME AND EXPENDITURES AS OF MARCH 31, 1972

EXPENDITURES		INCOME	
Overheads	\$ 16,521,010	Interest and sundry income	\$ 317,757,336
Taxes	.. 18,277,532	Interest on current accounts and securities owned	.. 40,530,722
Interest paid on bonds	.. 280,854,989		
Depreciation	.. 7,293,039		
Allocation to the Risk Fund	.. 21,321,920		
	\$ 344,268,490		
Balance of profits	.. 14,019,599		
	\$ 358,288,089		\$ 358,288,089

New Issue
July 5 1972

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Curacao, Netherlands Antilles

DM 100,000,000.—

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under the irrevocable and unconditional

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Offering price: 98%

Interest: 6½% p.a., payable annually on July 1 of each year

Redemption: from July 1, 1980 in 8 annual instalments

Listing: Frankfurt am Main

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BANQUE DE NEUFILZ, SCHLUMBERGER, MALLET
BANQUE DE SUEZ ET DE L'UNION DES MINES
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BUSINESS

International

Come on, is it really worth it?

The lull in the foreign exchange markets that initially followed on Britain's decision to float the pound has come to an abrupt end. The emerging pattern — of pressure on the dollar, reluctant and expensive support operations and proliferating exchange controls — was all too predictable and is all too familiar. When to the almost daily imposition of some new exchange restriction on flows of money into Switzerland were added the resignation of the French government and the looming resignation of the German economics minister, Herr Karl Schiller, the dealers were hardly able to keep pace with events. Some almost threw in the sponge. This was one factor in the easing of outright selling pressure on the dollar on Wednesday. Sterling started to float up too. Many of the closing exchange rates quoted that day were little more than nominal. Thursday was no more encouraging for those wedded to the Smithsonian agreement.

The dollar on Thursday lost more ground. It was reported that the Swiss, Germans and Dutch central banks may have all given support to it. Sterling settled at around \$2.43½, supported by the fact that it is virtually the only currency on which you can earn some money. But every foreign exchange dealer was saying that markets are thin and increasingly nervous.

Central bankers still seemed determined to hold what remains of the Smithsonian line one way or another, but it has been costing them a lot. On Monday and Tuesday alone support given to the dollar in the major continental markets and in Tokyo exceeded \$1½ billion. The brunt of the burden fell on the German Bundesbank, which may have had to pick up as much as \$300m on Monday and \$500m on Tuesday when would-be hedgers, thwarted by the Swiss National Bank's

decision to charge a commission of 2 per cent a quarter on new foreign deposits, switched their attention to Frankfurt. There was a pause on Wednesday while everyone costed the third round of Swiss exchange controls. The Swiss commercial banks themselves were having to buy dollars to cover their positions to conform to the new rules. German banks, anticipating similar controls, have done so too.

Certainly it was clear that last week's round of Germany's exchange controls had little, if any, effect. The steps taken by the German cabinet were so minimal that outsiders at first wrongly saw in the decision a partial victory to Herr Schiller. But he had wanted no further exchange controls at all, which is another way of saying he thinks the D-mark should be floated.

And how right he is. This week's muddle in the exchanges must prompt a question even in the minds of the Smithsonian conformists: are fixed rates really worth it?

Schiller

Bye, bye supremo

Bonn

At long last, late on Thursday, came the news that had been expected all week. Germany's minister of finance and economics, Professor Karl Schiller, has resigned and Herr Brandt has accepted his resignation. So ended a struggle which was being fought at the end in political terms, but which could have important economic implications. Herr Schiller's party, which dislikes him but needed him, had been trying to persuade him to stay.

On the party's side, it had seemed, was Karl Schiller's own taste for power (shared and rather obviously encour-



Going, going, gone

aged by his third wife), and his knowledge that as an economic liberal who has stamped on many of his party's plans for social reform he will not be called back in a hurry. Herr Schiller is aged 61, although he does not look it.

With the German economy now picking up nicely, just as Herr Schiller said it would when everyone else a year ago was crying doom, Herr Brandt might just pull it off again in a November election. But a campaign without Herr Schiller will, even in the eyes of Social Democrats who curse him, come dangerously close to confessing economic failure before it begins.

The first favourites tipped for Herr Schiller's two jobs were the Fre Democratic interior minister, Herr Hans-Dietrich Genscher, fresh from triumphantly rounding up the Baader Meinhof gang, to be minister of economics (which takes in international economic affairs), with a junior minister, Herr Hans Hermsdorf, taking over at finance. The majority of Social Democrats, however, would prefer the defence minister, Herr Helmut Schmidt, who would help to allay electoral fears of a soak-the-rich tax policy. On Thursday he seemed the most likely successor, even if, as it is said, he did not really want the job.

Germany's gross national product is expected to grow by just over 7½ per cent this year, most of it in the second half, of which less than 3 per cent will

be real growth. The rest will be inflation. The target for gnp growth next year is 9 per cent, of which as little as 4 per cent should be in higher prices; but Herr Schiller says that inflation will be bigger than that unless the central and local governments can cut their budget deficits. As he was told that he could not have a rise in taxation ahead of an election, Herr Schiller wanted government spending cut back both this year and next. The spending ministries refused.

This was Herr Schiller's first defeat. His second was the now celebrated moment 10 days ago when he stood alone against the whole cabinet—and against Herr Karl Klasen, his own appointee as chairman of the Bundesbank—and opposed the imposition of foreign exchange controls. On Monday, the "five wise men" backed him up by reporting that Herr Klasen's controls are not only bad for Germany's economy, but are likely to undermine that European monetary union in whose name Herr Klasen largely invoked them. The wise men believe that Europe's currencies should be set jointly floating.

South Africa

Rundown rand

Johannesburg

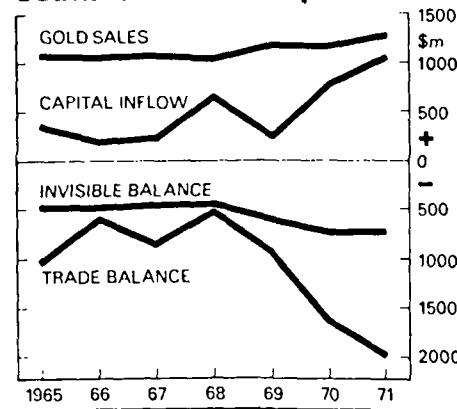
Taken by surprise at Britain's decision to float the pound, the South African authorities scratched their heads for a week and eventually agreed to maintain the currency link with their largest trading partner by floating the rand. This was only six months after a 12 per cent devaluation. The South African currency is now 25 per cent cheaper against the pre-Smithsonian yen parity, and even 10 per cent lower than the debilitated dollar.

South Africa floated on the fear that an unrealistic exchange rate for the rand might have slowed its vital capital inflow and delayed its export receipts.

The current account is still far from healthy (see chart) although it has improved from an annual rate of deficit in the first quarter of last year of £880m to £250m in the first quarter of 1972. And foreign reserves, although almost doubled from their low point in December, still need building up. Politically, South Africa has to be certain of an economic upswing from last year's wretched growth rate of 1 per cent a head.

But there is open disagreement whether the inflationary effect of the

South Africa's trade problem



float will outweigh the trading advantage of a cheaper rand. The demand for imports is inelastic, as about 80 per cent of South Africa's purchases are for the capital goods and raw materials necessary for growth. Moreover, the supply position of South Africa's major exports, mainly primary commodities, is inflexible. Both the government's ideological labour restrictions and the country's lack of adequate transport facilities for bulk commodities, such as iron ore, coal and maize, compound the problem. Against this background excessive devaluation could have a perverse effect while boosting the country's inflation rate of about 6 per cent.

At the same time, capital has been flowing strongly into South Africa, and there is a revival in private investment and production. This augurs well for a recovery in British imports, which dropped 21 per cent in the first quarter of this year against 1971. The outlook for South Africa's metal and mineral exports is generally promising, while the high gold price (at present exchange rates, the rand price of gold is more than double the average price received in 1970) is bringing in large funds of extra foreign currency. It is unlikely, therefore, that the rand will float, or be eventually fixed, as low as the pound.

Japan's strike

The pinch comes

Tokyo

More than half Japan's merchant fleet has been strikebound for close on 12 weeks, and it has at last begun to hurt; 1,260 ships, 4 per cent of the world's total, are idle along the Japanese coast. In Tokyo Bay, which normally holds 126 ships, there are 323 at anchor clogging up berths

needed by foreign ships. The strike is reckoned to have cost £42m so far, the brunt of which will fall on the 80 owners of ocean-going vessels whose crews are the backbone of the strike. Offers to the 160,000 seamen have been raised to an extra £3.60 a week in the latest attempt at conciliation, but the union is holding out for a further £1. A settlement is unlikely unless the government intervenes, as it was threatening to do before the change in prime minister put off any action.

Japanese industry, which at first universally welcomed the strike as an excellent way to run down surplus stocks, is feeling the pinch. Oil stocks have dropped below the 30 days that are the normal margin of safety, and some of the smaller refineries have had to close. Sharp rises in the prices of oil-based products are now being forecast, although Japan may stave off actual rationing by chartering an increasing number of foreign tankers.

The animal feed industry, which imports 90 per cent of its grains, has reported that stocks have halved since the strike began and doubts if it can keep up supplies to farmers for more than another month. Even the steel industry, which had embarrassingly large stocks, is being forced to cut production.

At Japan's two biggest ports, Yokohama and Kobe, 500,000 tons of exports are piled up on the piers and in warehouses. One of the seamen's complaints is that these are the only two of Japan's 91 ports that are entirely safe for international shipping. A survey by the union claims that 20 ports have no fire-fighting facilities, and nine no navigational lighting at all. At one port, Rumoi, six ships have recently run aground.

EEC

Coaxing the mandarins

Brussels

Now that the EEC commission is beginning to weed out 350 of its Brussels staff to make way for civil servants from Britain and the other countries joining the community next year, a political row is developing about who should go. Under the system of national quotas Britain, France, Germany, Italy and the Benelux countries will each provide 18 per cent of the commission's staff; Ireland,

Continued on page 87

J. LYONS

& COMPANY LIMITED



"Improved earnings in the current year and in the years ahead"

B. L. SALMON

The following is the Statement by the Chairman of J. Lyons & Company Limited, Mr. B. L. SALMON, C.B.E., which has been circulated to stockholders with the Report and Accounts.

The Year's Trading

The results for the year show a further satisfactory increase over the previous year both in profit and in earnings per share.

	1972 £'000	1971 £'000
Trading Profit	11,233	9,774
Profit before Tax	7,055	6,127
Profit for Equity	4,635	3,464
Earnings per Share	33.38p	25.00p

Group turnover is appreciably up on last year, despite the fact that none is included this year in respect of our bread and milling interests, which now form part of Spillers-French, as already announced. This increase in turnover is general throughout our businesses.

The results reflect improved performance across the Group. In a year characterized by rapidly rising costs and a depressed economic environment, we have pursued the policy of expansion and modernization which we have been following for the past few years. At the same time we have given continuing and increased attention to efficiency and have initiated a searching examination of our operations. The results of a profit improvement unit, which we have recently formed to help executive management in this work, have already made a significant contribution and will do so increasingly in the future.

The Directors are recommending a final dividend of 11p per £1 unit of Ordinary and "A" (non-voting) Ordinary stocks making a total for the year of 16p per unit; an increase of 2.42p over last year.

Food Products

Lyons Bakery Limited has maintained its position as leader in the packaged cake market and is set on a course of steady and sound expansion. This business will be given further impetus by our plan to build and equip a new factory in Yorkshire which, when open in 1975, will be the most up-to-date cake factory in the world.

The main product of Lyons Groceries Limited is tea. During 1971 its market share improved in packet tea and more than doubled in the fast growing tea bag market. Its brand leadership in ground coffee, with nearly two-thirds of the market, was maintained. The "Ready Brek" cereal achieved another year of dynamic growth while a new cereal product, "8 till 1", was successfully test-marketed and will be expanded nationally during 1972.

Lyons Maid Limited achieved reasonable results in spite of the weather being somewhat below average. To strengthen its position in this highly competitive market the establishment of a new image for the product range was initiated emphasizing the appeal of ice cream as a "fun-food", and it is intended to develop the presentation on these lines.

Henry Telfer Limited, manufacturing meat products, continues to grow in both turnover and profit. Work has commenced on the construction of a new factory in Northampton to which it will

transfer its operations in 1974, thus providing a modern factory with facilities for the further developments which are planned in this growing market.

Despite severe competition in the coffee market, Sol Café Limited continues to grow and prosper in the instant coffee sector. The substantial additional investment made in this business, which is based upon a high and advancing level of technology, expresses our confidence in its further growth prospects.

Lyons Catering Supplies Limited is now reaping the benefits of the Symingtons and Margetts acquisitions. The keystone of this activity is in offering a specialized service designed specifically to meet the needs of caterers, which represent a very substantial and developing market.

In soft drinks our London factory is one of the largest production units in the country for concentrated citrus drinks, and O. R. Groves Limited continues to command the major share of the private label sector of this business.

After some hesitation last year, the frozen food market has resumed its upward trend and the improved results of Findus Limited, already evident in the second half of last year, account largely for the enhanced contribution from associated companies' profits.

The merger, which was described last year, of our bread and flour interests with those of the Co-operative Wholesale Society Limited was aimed at improving our market share by participating in a larger grouping—J. W. French (Milling & Baking Holdings) Limited—and thus achieving a level of size and potential efficiency which was not attainable on our own. A similar opportunity arose when discussions initiated by Spillers Limited led to the possibility of merging the relevant interests of the three parties and ultimately enabled us to participate at a still higher level in the market, wherein Spillers-French Holdings Limited is now of comparable size with the two market leaders. The business is managed by Spillers, our participation being nearly 10% of the equity, and we are gratified by our association in this way with two such distinguished partners.

Hotels and Catering

The development of Strand Hotels Limited, our hotel operating subsidiary, has continued with the opening of the Rugby Albany Inn at Crick (Northamptonshire) and the Alpha Hotel in Amsterdam both of which have made losses in their first year but are now improving. Since the year ended, the Wakefield Albany Inn at Ossett (Yorkshire) has opened.

During the next 12 months the new 250-room Albany Hotel at Glasgow and a further 100-room Albany Inn at Havant will come into operation, as will the modernized Park Court Hotel at Lancaster Gate where, rebuilding behind a historic façade from a number of small hotels acquired on the site, we are developing a modern hotel of 450 bedrooms each with private bathroom. In addition our new 830-room Tower Hotel at St. Katharine's Dock, adjacent to the Tower of London, will be open.

These developments are in some respects different one from another; they do, however, have one key characteristic in common—they have been specifically designed to meet the market for medium-priced as opposed to luxury-class accommodation

continued overleaf

J. Lyons & Co. Ltd. continued

without losing those elements of service which customers require. There are many widely conflicting estimates of future demand for hotels in London and elsewhere and some suggestion that over-capacity will result. We recognize this possibility but believe that the value for money which we plan to continue to offer will attract the high levels of occupancy that have characterized our business.

We also intend to establish hotels in major Western European cities to develop an international referral linkage for the growing business and tourist traffic.

Perceiving, in the outer suburbs and in the provinces, a market for country inns with conference facilities, high-quality restaurants and particular emphasis on comfort and an intimate atmosphere, our new subsidiary, Falcon Inns Limited, has embarked on the establishment of a chain of country inns of which six are already operating successfully—at Frimley (Surrey), Brandon (near Coventry), Stratford-upon-Avon, Keswick and two at Bowness-on-Windermere. We are developing this business.

There is an improved contribution from J. L. Catering Limited, which has largely completed the modernization of its many establishments and brought their ambience and menu structure into line with the public taste of the 1970s. Developments are concentrated on speciality restaurants and in particular the London Steak House chain, which is already thirty strong, and in leisure catering such as at safari parks.

Wimpy International Limited, our catering franchise company, has had another good year and services 580 Wimpy outlets in the United Kingdom and a further 300 in 30 countries overseas. It is now developing the Golden Egg franchise, which is showing good performance at present and good promise for the future. The growth prospects for "fast-food" franchises look very promising, both in the U.K. and in overseas countries.

Lyons Overseas

Lyons Irish Holdings Limited maintains its dominant position in the tea market in the Republic of Ireland and is fast developing the cake business, Gâteaux Limited, which it acquired in 1970.

In Africa, Lujeri Tea Estates Limited (Malawi) and Clarkham Produce Limited (Kenya) continue to prosper.

We are acquiring an interest in DCA Food Industries Inc., an American company which markets cereal mixes including doughnut mixes and other specialized products. Its main activities are in the United States of America, where it is one of the most prominent companies in this field; it also has interests in the United Kingdom, Spain, Japan, Australia and Canada.

The Continent of Europe

Although for a number of years the fortunes of the Group will be largely dominated by our performance in the domestic markets in which we operate, we are impressed with the possibilities on the Continent of Europe, particularly with the accession of the United Kingdom to the European communities. We see both the need and the opportunity to establish ourselves as a trans-European business.

Whilst we plan to develop our export business to the Continent it is probable that our main involvement there will be to acquire or set up local operations.

We have already announced the acquisition of Homburg N.V., one of the major meat processing businesses in Western Europe and one which has developed a high technology in this field and achieved a significant rate of growth. Negotiations are proceeding for the acquisition of other businesses; two of these are at an advanced stage and we hope to be making further acquisitions during the year. None of these is expected to make a significant contribution to profits this year.

Non-Food Activities

James Hayes & Sons Limited, our linen hire and contract laundry business, has consolidated its recent acquisitions and is now one of the leading companies in this field in the south of England.

The performance of Normand Limited, our motor vehicle business, has continued to improve.

Cadby Hall

I have already mentioned our plans to establish new factories outside London for Lyons Bakery Limited and Henry Telfer Limited. We have for some time perceived the need to provide more modern production resources for these businesses and more up-to-date working conditions for our staff. Extensive studies convinced us that it was not possible to do this within the confines of Cadby Hall or even elsewhere in the metropolitan area, a pressing priority of food processing equipment nowadays being the establishment of flow lines in long single-storey buildings.

As a result of these decisions the opportunity has arisen to develop the ten-acre Cadby Hall site and we have announced plans, and are awaiting planning permissions, for a major development scheme embodying a hotel, an apartment block and an office building. In drawing up these plans we have also been conscious of the need to make a positive contribution to the environmental development of the area with which we have been associated for so long, and the whole complex of new buildings is to be set back from Hammersmith Road behind a generously landscaped frontage.

We cherish our links with Hammersmith and intend to maintain the corporate headquarters in one of our adjoining sites; to which end we have already embarked upon site clearance for the construction of a new office block which will perpetuate the name of Cadby Hall.

The total operation, including the two new factories, is on a considerable scale. The programme will take some eight years to complete and require upwards of £30m of investment, without allowing for inflation. We are confident that our plans will be in every sense rewarding—to our staff, to the neighbourhood and to our shareholders.

Property

Our substantial property portfolio provides important underpinning for our financial plans and affords, when needed, a second-line source of liquidity. At the same time it is a continuing and improving source of profit.

We have in recent years formed two subsidiary companies, The Auriol Property Company Limited and Green Elms Limited, devoted to realizing the development potential of properties which we own and no longer need to use and also to carrying on the business of property dealing on their own account. They have already made a useful contribution to profit and we see property dealing as a continuing source of profit in the future.

The Board

Since the last Annual General Meeting a number of changes have taken place on the Board.

In anticipation of his retirement from the Board Mr. G. I. H. Salmon relinquished the office of Chairman in January last and I was appointed to succeed him. His retirement from the Board in May came after many years of outstanding service to the business, culminating in his Chairmanship during the last four years when he guided the Company through the important changes which have taken place in its affairs and its prosperity. My colleagues join with me in offering our warm wishes on retirement to him and to Mr. G. M. Gluckstein, who retired from the Board in December last after 38 years of service to the Company.

As recently announced, Sir Samuel Salmon relinquished the office of President which he had occupied since 1968. Mr. G. I. H. Salmon accepted the Board's invitation to assume this office and we shall therefore continue to have the benefit of his wide experience and counsel, we trust for some time to come.

To take account of the developing needs of the business Mr. G. K. Lawrence and Mr. N. L. Salmon, who remains Group Managing Director, were appointed Deputy Chairmen. Mr. L. Badham was appointed Assistant Group Managing Director and, assumed responsibility for our hotel and catering activities.

Mr. J. M. H. Gluckstein, who was formerly Managing Director of Lyons Groceries Limited and since January has been concerned with the developments on the Continent, was appointed a Director on 20th April this year. My colleagues join me in welcoming him to the Board.

Management and Staff

Central to the purpose of the Lyons Group of companies is the development and maintenance of our value systems—and especially those which relate the business to its employees: its management and staff. It must never be forgotten that, however perceptive the plans may be, in the ultimate it is on the co-operation, the energy and the responsibility of people that the business depends for the execution of those plans.

We are particularly anxious to maintain the maximum of stability and continuity in this relationship. Thus, when we announced the plans for the re-location of our Cadby Hall factories, a key feature of the arrangements was our undertaking to make possible continuity of employment to all those staff who at that time had two years' service in the Group, and to provide re-location and re-training where necessary.

Again, during the fuel crisis last winter, we decided to do all in our power to avoid laying off any staff, even where there may not have been any work for them to do, and we told them so. Although there was some impairment to production, we were able to maintain this policy and were greatly heartened by the response of our staff in this difficult situation and were helped to keep the business going by their flexibility, ingenuity and co-operation.

The Economic Environment

We welcome the measures for deflation introduced by the Chancellor of the Exchequer in the course of the year. A deflated economy means more to us than the problem of operating a business in a difficult environment; as employers of over 30,000 staff we must view with concern any phase of industrial recession.

We believe, however, that industrial activity is on the upturn and that this will be accelerated by the realization of wider opportunities that will emerge through the Common Market.

Before our next Annual General Meeting value added tax will have been introduced. Our plans for dealing with it are well advanced, and although it will represent an additional administrative burden this will not be of considerable proportions. Whilst we applaud the proposed zero-rating of manufactured food in general we must deplore the continued discrimination against ice cream, soft drinks and confectionery, which perpetuates an anomaly of purchase tax.

An even greater burden will fall on hotels and catering, where not only the service but the very food element itself is to be taxed. The additional burden of VAT in these sectors far outweighs the abolition of selective employment tax and purchase tax and is bound to lead to price increases.

The Future

An essential component of the drive for continued growth in size and in profitability to which we are committed lies in the improved prospects which will result from the broadening of the base of the Group's activities. Proposals for our corresponding capital requirements in this connection are set out in a separate letter which accompanies this report.

In particular, in the current year and more so in the years to come the Group will be developing increasingly as a European business. It will be some time before the developments on the Continent make a significant impact on the growth in earnings for which we plan but we shall meanwhile continue to grow in the United Kingdom and are confident that this will be reflected in improved earnings in the current year and in the years ahead.

Dividends and Earnings						
	Dividends				Earnings	
	Proposed final	Interim December 1971	Total for year ended 31st March 1972	Total for last year	Year ended 31st March 1972	Last year
On each £1 unit of the Ordinary and "A" (non-voting) Ordinary stocks	11·0p	5·0p	16·0p	13·58p	33·38p	25·00p
On each £1 unit of the Proportional Profit stock and on each "B" Proportional Profit share	2·2p	1·0p	3·2p	2·72p	6·67p	5·00p

Group Turnover and Trading Profit								
	Turnover				Trading Profit			
	1972		1971		1972		1971	
	£m	%	£m	%	£000	%	£000	%
<i>United Kingdom</i>								
Food Products	119	63	112	66	6,328	56	5,166	53
Hotels and Catering	35	18	31	19	2,775	25	2,473	25
Property	—	—	—	—	1,176	10	1,037	11
Non-Food	20	11	13	8	406	4	399	4
<i>Overseas</i>								
Food Products	12	6	10	6	856	8	639	6
Hotels and Catering	3	2	2	1	—308	—3	60	1

The Annual General Meeting will be held on Thursday, 27th July, 1972 at the Cumberland Hotel, Marble Arch, London, W1A 4RF

J. Lyons & Company Limited, Cadby Hall, London, W14 0PA

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NOW MIDLAND EXPANDS EVEN FURTHER INTO EUROPE.

**New Brussels Office opened to
spearhead Midland Bank EEC operations.**

As a vital part of Midland Bank Group's special interest in developing business between the EEC countries and the United Kingdom in the framework of the enlarged Community, the Bank announces the opening of an important Representative Office in Brussels, the heart of the Common Market.

The purpose of the new Office, at Rue de la Loi 15, 1040 Brussels is to aid and encourage trade and investment in both directions between continental Europe and the United Kingdom. It will extend our involvement with Europe already evidenced by our close relationship with major European banks and our participation in European Banks International (EBIC) in Brussels.

The Midland and its European banking

partners have nearly 8,000 branches in Europe and combined assets totalling almost £16,000 million. This, together with Midland Group's great strength in the financial markets of the United Kingdom, will enable the new Brussels Office to fulfil a major liaison function between businessmen in the Common Market and in Britain.

If you're thinking of setting up in Europe, or expanding existing trade and investments, get in touch with your local manager; or if you're a European businessman who would like to gain a foothold in Britain, get in touch with one of the offices below.

In either case, this addition to the Midland's services will be of the greatest importance in expanding trade and investment activity.



Mr. Keith Cheshire, senior Midland Bank Group Representative. Has until now been the Midland Bank Group Representative in Zurich. Wide experience in international banking in Europe and the United Kingdom.



Mr. Geoffrey Masters, Midland Bank Group Representative. Has had managerial responsibilities in the industrial Midlands of England. Experienced in lending to industry and commerce.



Mr. Norman Brade, Midland Bank Group Representative. Has gained wide experience in large London branches. Recently concerned with the control of lending in the Bank's Head Office.

Our three Representatives have the languages and the contacts to help you.



Midland Bank

A GREAT BRITISH BANK

Brussels Representative Office: Rue de la Loi 15, 1040 Brussels.
Head Office: Poultry, London, EC2P 2BX.
Overseas Branch: 60 Gracechurch Street, London, EC3P 3BN.
Zurich Representative Office: Bleicherweg 21, 8002 Zurich.
West End Overseas Branch: 215 Piccadilly, London W1V 0QA.
Provincial Overseas Branch Offices: Birmingham, Bradford, Bristol, Cardiff, Hull, Leeds, Leicester, Liverpool, Manchester, Newcastle, Sheffield, Southampton.

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WHY is the University of Aston in Birmingham launching a new management centre?

A new centre for management education at the University of Aston in Birmingham will be established in October. One of the industrialists intimately involved in its conception was Noel Bond-Williams, Director of Delta Metal Company Limited, and a past president of Birmingham Chamber of Commerce. He has been involved with the University of Aston since its foundation in 1966, and is now its Pro-Chancellor. In this interview he talks about the management education needs of industry and the University of Aston Management Centre.

As an industrialist, a customer of business schools, how do you make your own assessment of them?

One builds up an impression of each school based on their record of achievement, the companies they have serviced, the qualities of their teaching staff, and the extent to which they use industry as a working laboratory. I try, as a manager, to understand what each business school is good at.

How do you judge particular teaching skills in business schools?

Well, if you believe, as I do, that born managers can be made even better, then you are looking for two kinds of training. The first is for overall training in management techniques for young managers, the second is for specialised teaching of particular skills to supplement or strengthen those which a

manager already has. Some schools are good at providing both kinds of training, others are specially strong in the teaching of particular skills. But there may be dangers for a school that concentrates exclusively on one or the other.

In what way is specialisation a danger?

The needs of business and industry are constantly shifting. A specialist approach can become irrelevant. A business school could find itself strong in an expertise that no-one wants, and find it difficult to change tack, if it bases its whole outlook on a specialised field.

The Owen Report advocated regional business schools -- was this the seed from which Aston University Management Centre grew?

It is never easy to recollect the exact beginning of an idea. It seemed to many of us that Aston's wide experience of management training could be a starting point, and the University Grants Committee's suggestion that we look afresh at the joint interest in business studies at Aston and Birmingham Universities actually got us going. As a result, it was decided that the Graduate Centre for Management Studies should cease to operate as a joint venture of the two Universities, and the concept of a comprehensive Management Centre at Aston naturally developed from this decision.

In what ways are the needs of industry going to be reflected in the character of the new Centre?

The Aston Centre will have the experience of over 20 years work in management education. The University has helped some of the biggest of Britain's companies, and some of the smallest. The people in it have eminent qualifications, not only in an academic sense, but in their experience of industry and business. As a technological University, Aston has been a leader of those co-operating with and working in industry. Aston has tremendous experience in educating graduates in management subjects, of in-plant training and advanced management courses and research. And all the time, through sandwich courses, industrially based higher degree schemes and industrial consultancy, it has been -- and has been seen to be -- intimately involved in industry.

What do you see as problems facing a new management centre in Birmingham?

Some would see Aston's distance from the seat of government a disadvantage, others that the Centre will be in a city, not in rural seclusion. Perhaps the most important handicap is that Aston might find it difficult to service many of the needs of the maritime industries, which are such a significant sector of British industry. The advantages, however, seem to me to be stronger. Geography and communications make the Centre easy to get to, and from. And being in the midst of Europe's biggest industrial

conurbation is an outstanding advantage: the industrial laboratory you need is all around, together with a tempo of work which is hard to find anywhere else. The variety of local industry makes it improbable that any management student should not find a field of study akin to his own. After all, the management of technology cannot take place in isolation from technology itself.

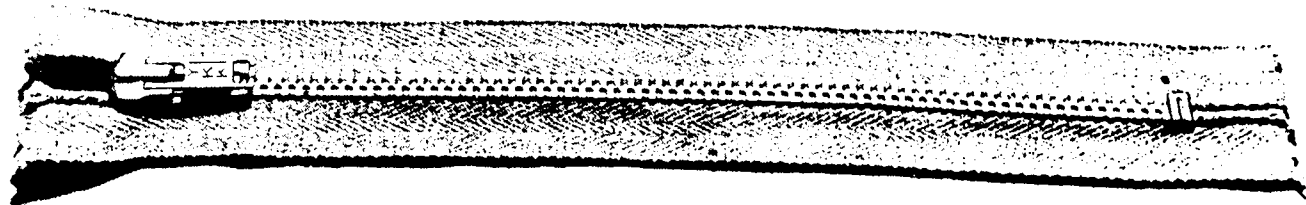
Finally, what are your own predictions for the success or otherwise of the Aston Centre?

The omens are good. Competition will force an increasing demand for good management education. Aston's experience shows that it can deliver the goods. It has proved its ability in the area of broad management education, particularly at undergraduate level. The matrix structure, in an academic institution, should enable it to develop expertise to meet specific needs -- but be flexible enough to change rapidly to meet new ones. But ultimately its only chance of real success lies in its ability to continually meet the needs of the business and industrial communities. And I think it can do that.



THE UNIVERSITY
OF ASTON
IN BIRMINGHAM
Gosta Green,
Birmingham B4 7ET

YKK Production Now Formally Underway In England



YKK Fasteners (U.K.) Ltd. have formally opened their new 33,000 sq. m. Runcorn Plant facilities for production. **

Following on the heels of YKK plants in New York, U.S.A., and Sneek, Netherlands, the Runcorn Plant completes another link in the world-wide network of YKK facilities.

YKK assure prompt delivery and service for their widest variety of zippers.

** Opening ceremonies were honoured by the attendance of approximately 400 dignitaries including Mr. & Mrs. M. Carlisle, Q.C., M.P. and Minister of State, Mr. & Mrs. H.J.S. Dewes, Governor of Cheshire, Mr. & Mrs. V. Arnold, Chairman of Runcorn Development Corp., and Mr. & Mrs. S. Williams, Mayor of Runcorn.



YOSHIDA KOGYO K.K.
Tokyo, Japan

Y.K.K. has affiliated companies in the following 21 countries
 ENGLAND: YKK Fasteners (U.K.) Ltd., London, Runcorn / THE NETHERLANDS: Yoshida (Nederland) N.V., Sneek, Yoshida-Have Verkoopkantoor, Rotterdam
 / GERMANY: Yoshida (Deutschland) G.M.B.H., Monchengladbach, München, Stuttgart, Berlin, Offenbach / FRANCE: Yoshida-France, Bondy / ITALY: Yoshida Fossanese S.P.A., Prarolo / BELGIUM: Yoshida-Belgium N.V., Gent / SPAIN: Yoshida Espanola S.A., Barcelona / U.S.A.: Yoshida International Zipper Co., Inc., Miami / CANADA: YKK Zipper Co., Canada Ltd., Montreal, Toronto / EL SALVADOR: Yoshida de el Salvador S.A., San Salvador / COSTA RICA: Yoshida de Costa Rica Ltda., San Jose / TRINIDAD AND TOBAGO: YKK Zipper (W.I.) Ltd., Port of Spain / ECUADOR: Ecuadorean Agency for Foreign Firms, Guayaquil / AUSTRALIA: YKK Australia Pty. Ltd., Sydney / NEW ZEALAND: Slidfast (N.Z.) Ltd., Auckland / HONG KONG: YKK Zipper (S'Pore) Private Ltd., Jurong Town / KOREA: Korea Zipper Co., Ltd., Seoul / TAIWAN: Taiwan Zipper Co., Ltd., Chungshan N. Chung Li

Beulon ZIPPERS • ZIPPER OF Delrin* • Eston ZIPPERS • Ziplon ZIPPERS
 *Du Pont Trade Mark (Nylon) (Polyester)

Continued from page 80

Denmark and Norway will together make up the remaining 10 per cent.

The official line is that there should be no net increase in the number of staff unless it is justified by new work in monetary or regional policy. The commission is hoping to avoid repeating the 1967 debacle when the EEC, Euratom, and the Coal and Steel Community staffs merged. All the brightest men took the severance pay (equal to three years' salary) and left. Most of the deadwood stayed. This time the commission wants to choose who goes, but this has generated some sharp in-fighting as each commissioner feels responsible for his compatriots. The commission has, however, proposed to end the statutory guarantees on staff appointments, despite much union opposition.

Britain is having an equally hard time coaxing Whitehall men to go to Brussels, although there have been 500 applicants from outside the civil service. The conditions of pay and service have only recently been circulated but the lack of response is so startling that the British have asked the commission to introduce certain improvements. One suggestion is an educational allowance for British staff for so long as the European school in Brussels fails to provide facilities for all ages. The British Government is also pushing for an additional allowance for all nationalities working in the top two grades: director-general and director. At present the pay for these ranks, though tax-free, falls appreciably below the going rate in Whitehall, in private industry or in the British mission in Brussels itself.

Iran

The next Japan?

After a spectacular jump of \$155m in sales last year to \$500m, the United States has for the first time in a decade ousted west Germany as Iran's largest supplier, providing over one-fifth of its total imports. Ambitious Americans in Teheran are convinced that Iran is emerging as the Japan of the Middle East. In the Iranian year ended March 20th, gross national product increased 13 per cent in real terms, far outstripping the 3.2 per cent increase in population. The same sort of remarkable growth is expected in 1972-73. Oil income was over \$2.1 billion last year, and promises to be about \$2.7 billion this year.

There are worries about the 7 or 8 per cent annual rise in prices and the 25 per cent jump in the money supply. Because oil revenues do not pay for all the ambitious development spending, Iran still depends on external credits; its annual debt payments take up about 17 per cent of its exports. But the development projects under way look well-chosen and even workable—including those for petrochemicals, metals, electronics, pipelines, power stations, and the extensive copper mining project at Sar-Cheshmeh.

The big problem is the usual one for fast-developing countries. Rural destitution is being exported into urban poverty, which can be politically much more dangerous. Although the outlook for crops appears more promising, following two years of disastrous drought, the drift of small farmers to the urban areas has created an unfilled demand for social services. The quickening of the agricultural revolution and the avoidance of urban revolution are tasks to test the Shah's remarkable political skills.

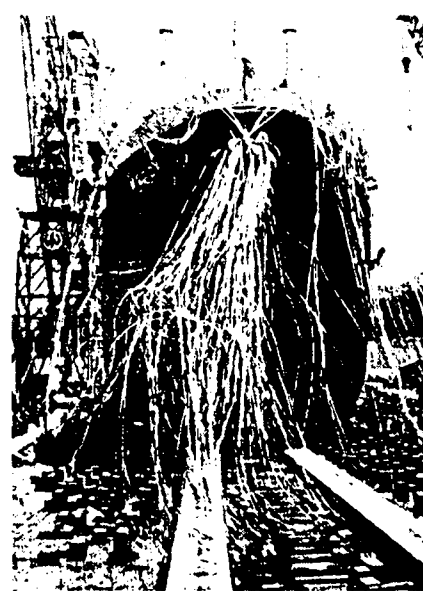
Shipbuilding

For the rapids

By 1975, the world's shipyards will be geared up to build 50 more supertankers a year than there are likely to be orders for; an excess capacity of well over half the current output of tankers in the free world. It is this near certainty of chaos which this week brought the European and Japanese shipbuilders into sharp conflict at a meeting of 18 shipbuilders from nine countries in the Hague.

Japan's present plans, which aim at doubling the nation's shipbuilding capacity within the next few years, clearly threaten the rest of the world. But with increasing pressure on the yen to upvalue, with cutbacks in the growth of Japan's steel production, and a recent round of inflationary wage settlements, the plans also look increasingly unrealistic in Japan. But many of them have reached the point where they cannot easily be stopped, and few Japanese shipbuilders would want to cut back even if they could.

At the same time, Europe is littered with shipyards rescued from bankruptcy by rationalisation programmes that will only further increase their capacity. To prevent the yards lying idle European governments may require shipowners to buy from home yards, as the Japanese now insist. European shipowners would protest most



We've room to build plenty more in Japan

strongly. The fact is that even a cut in Japanese capacity would still leave Europe with too many yards.

It is almost inevitable that most shipyards will have to cut their labour forces if they are to stay in business through the 1970s. They will also have to stop accepting orders at a loss just to keep work flowing. This is hardly an attractive option for the capital-intensive supertanker industry, and an alternative some Japanese shipbuilders have supported an agreement on minimum prices.

The more likely solution is further government intervention. This in turn will merely add to excess capacity. President Nixon has just announced extra \$300m of subsidies for American shipyards, on contracts worth over \$660m. American protectionism on this scale will soon make the present estimate of a surplus of 50 supertankers look conservative. The only area where there could be a shortage of shipbuilding capacity for the rest of the decade, in liquid natural carriers and oil rigs, is one to which few yards have the skill to switch.

The Smithsonian pound

	USA	July
Sterling recovered	10	
to \$2.4460 on	Germany	10
Wednesday so	France	10
that the dollar	Italy	10
has been	Belgium	10
upvalued against	Holland	10
sterling by 6½%	Denmark	10
and other currencies	Switzerland	10
upvalued	Sweden	10
by roughly 9%	Japan	10

Table shows the cost, in Britain, of goods which could have been bought from other countries for £100 at Smithsonian central rates. The method was explained on page of The Economist for July 1st.

Hongkong

A coup for Britain

A key contract has just been won by the British railway industry, breaking the French export monopoly in underground systems. It is to design the first two stages of a £131m underground for Hongkong. The firms involved include Freeman Fox, Scott Wilson Kirkpatrick, GEC and London Transport.

Over 70 undergrounds are being planned by different cities round the world. In Calcutta and Bombay, they face difficulties of finance. Others, such as the one burrowing beneath suburban Washington, DC, have little justification other than the political urge to show that something is being done about public transport. But many crowded cities like Hongkong, in developing parts of the world, may be better suited to some kind of fixed-track public transport than to buses. It would be a pity if Britain, the inventor of undergrounds, did not get some of the business.

Three foreign contracts, in Mexico City, Santiago, and Montreal, all went to the French, whose rubber-tyre system is now being discredited.

So far Britain has not been good at selling its railway technology. Overseas visitors are constantly being entertained at British Rail's research centre in Derby, to see what is allegedly going to be the world's newest train. British Rail and London Transport are continually being brought in as consultants to foreign railways. This earns a lot of thanks but usually not much business. The Hongkong contracts could be the start of a change.

Italian industry

Decimated

Italian private industry is slowly recovering from the recession of the

Index-linking: it's a risk

Experience with index-linked wages abroad has not been such as to encourage Mr Heath or anyone else casting around for an anti-inflationary nostrum. Even the system's defenders would not seriously claim that it stops or slows down inflation, but merely that it regularises the process of adjusting pay to higher living costs which, without index-linking, is inclined to proceed in fits and starts and be accompanied by strikes.

How well the system works depends partly on how fast inflation is already progressing. The Finns were for many years quite happy with their very extensively index-linked wages, but found the system increasingly self-defeating as inflation gathered speed. They abandoned it altogether after their 1967 devaluation. But Belgium, where index-linking has been in general use since the war, is still not showing any signs of disenchantment and it is one country in which it could be claimed to have worked. Over 90 per cent of Belgian wages, as well as pensions, social security benefits and professional fees, are covered by the net, and Belgium has one of the best price stability records in western Europe, averaging

only 3 per cent a year in the past decade. Apart from Luxemburg, which has very similar index-linking arrangements, the only west European country to have done better on the prices front is Germany—where index-linking is hardly used and needs special approval from the Bundesbank.

Sweden and Denmark have both been inflating heavily in recent years, yet in Sweden index-linking is unknown and in Denmark wages and pensions are adjusted to the cost-of-living index every six months. France, Italy and Holland all have index-linking schemes of one kind or another but it is impossible to single out what effect this has had on the general level of inflation in any of them.

The basic flaw in the system, in whatever form, is that it can push the spiral up; employers, faced with higher wages caused by the rise in the cost of living yet not underpinned by extra productivity, will try to recoup their extra costs by higher prices, causing a rise in the cost of living which will lead to higher wages and so on. In the end, it all comes down to the simple fact that wages rises must be matched by productivity rises.

past two years, only to find its ranks thinned by a spate of foreign take-overs and a mushrooming of state ownership. Although the government has tried to stem some of the invasion of foreign capital, checking Westinghouse's expansion and preventing American domination of the food industry, it has been official policy to lift Italy out of its recession by expanding public and foreign ownership. Many Italians are now rethinking the wisdom of this.

The last of the Italian private giants is Fiat, followed at a distance by companies such as Sir, a petrochemicals group; Falck, a steel company; the Pesenti empire and a number of protected food companies. Three years ago the list would have been much

longer. Montedison was then still a bastion of private enterprise; now it is controlled largely by the state companies Eni and Iri. Pirelli had not joined up with Dunlop, and electrical companies like Ignis, Zanussi and Zoppas were still the independent showpieces of the Italian economic miracle. Now Ignis has become a subsidiary of the Dutch Philips empire and Zanussi has taken over Zoppas at the price of big loans from the state and a close link with the German Aeg group. Nor has public money been exclusive to Italy's big companies. Since Gepi, the state-financed rescue organisation, was set up a year ago, 250 small and medium-sized companies have asked for help.

Many of the recent foreign acquisitions have been made by British capital. British Leyland has taken the heavy machinery side of the Innocenti group; Pilkington has gone into partnership with a leading glass manufacturer, Siv, and Lucas has taken a stake in the motor accessory makers, Fausto Carrello. The continuing low level of stock prices on the Italian bourse and the increasing willingness of private entrepreneurs to sell out at what seem attractive prices after years of disappointing profits make it likely that the foreign stake in Italian industry still has a long way to go.

REDIFFUSION

"ENCOURAGING UPTURN IN COMPANY'S FORTUNES"

Group well placed to benefit from new developments and greater freedom

Sir John Spencer Wills (Chairman)

The forty-fourth Annual General Meeting of Rediffusion Limited will be held on July 26th at the Connaught Rooms, London.

The following are extracts from the Review of the Chairman, Sir John Spencer Wills, which has been circulated with the Report and Accounts for the year ended 31st March 1972:—

The Year's Results

The year has seen an encouraging upturn in the Company's fortunes. The improvement in the Group profit after all charges was well in excess of 40%, even before taking account of extraordinary items or of the benefit which the comparison with last year obtains from the new practice of including our proportion of the profits of associated companies. This is a heartening improvement after the difficulty we had in the past few years in keeping up with the ravages of inflation.

Television and Related Business—U.K.

The outstanding feature of the financial year is the substantial increase, from £3.3 million to nearly £5.5 million, in the profit from our television-set business and its associated cable networks in the United Kingdom. Most of the increase came from new colour television-set rental contracts.

We have increased our share of the national market and our expensive colour-television assets have since been fully employed. In towns where Rediffusion has cable networks their advantages for colour-television reception continue to be attractive to viewers. The spread of colour viewing into all income groups has become marked, and business has remained unusually buoyant.

I am especially pleased to say that no television sets have greater customer appeal than the superb colour receivers designed by our own staff and produced, efficiently and economically, in our own factories. To meet a demand for these which is far greater than we can yet satisfy, we have been bringing into service successive expansions of our productive capacity. Further factory extensions are in hand.

Rediffusion Industrial Services, which undertakes the installation of all kinds of communication systems and audio and television distribution, had another record year in volume of new business, but is not finding it easy to keep its margins ahead of inflation. The development of the hotel industry is providing opportunities for the company, since most new hotels want to provide television-sets—and, increasingly, colour television-sets—in their guest-rooms. The

Rediffusion HF cable-television system is particularly well suited to hotel installations.

Redifon and Subsidiaries

The operating structure of the Redifon companies has been reorganised. All activities except flight simulation put up better performances than in the previous year. During the year the 'Redifon Navigator' was introduced, using the world-wide Omega network of marine navigational radio transmissions. Initial orders for this equipment give cause for optimism about its prospects. Redifon also succeeded in making a major break-through into the American military market, by securing an order for the supply of a Redifon visual simulator to the United States Air Force, in collaboration with American Airlines with whom the company has concluded a sales agency agreement.

Music Services

Our music services have again shown a satisfactory increase in profit and an excellent return. Redifon, which has many more customers in this country, and operates in more countries abroad, than any other background music service, achieved an overall subscriber growth of 10%, mostly in overseas countries. Carlton Phonograph Services, the new 'jukebox' business, expects to become profitable in the current year. Rediffusion International Music has increased the production of its gramophone records and its export and licensing operations.

Associated Companies

Our share of the profits of associated companies, included in the Group total for the first time, was double the comparable figure for the previous year. The improvement was mainly attributable to Rediffusion Television, reflecting increased profits from its 50% holding in Thames Television, from which source there has since been a further improvement.

Overseas Operations

The aggregate profit from our overseas operations in the classification 'Television and radio' was 10%, better than last year's quite good total.

New Developments

I will refer briefly to developments from which we may in the course of time receive some benefit.

Local Commercial Radio in the U.K.

Legislation to establish local commercial radio has now been passed. Rediffusion Radio Holdings, the company that we formed last year, stands ready to provide services to operators. It has been in active discussions with some intending applicant companies, and will have a limited equity participation in at least one of them. We are confident that our experience will enable us to take a significant part in this new development.

Local Cable Television in the U.K.

Rediffusion has applied for permission to conduct an experiment over its cable networks at Bristol and Hull. If the Minister grants our application the experiment can be expected to

cost us money, but it should provide much interesting and useful information and experience. It is our intention that local people, and especially the organisers of local community activities, should be involved in the experiment to the greatest possible extent—from behind the camera as well as in front of it.

Developments in Cable Communications

In the United States cable operators serving the large cities are to be obliged to erect network of very large channel capacity to provide extensive facilities for serving local community television needs. By contrast, in the United Kingdom, which was the first country in the world to develop cable-television systems on a large scale, the official attitude towards enabling these systems to enlarge the freedom of choice of the television viewer is still one of extreme caution.

'Dial-a-program'

Conventional cable-TV equipment already in production in America can cater for the high, but still limited, channel capacity now stipulated for the major American cities, and companies like our Delta-Benco company which make such equipment are hoping that the opening up of this market will improve their sales. However, it is our hope that some far-seeing operators will consider installing Rediffusion's 'Dial-a-program' system. The system is already showing its usefulness for 'institutional' customers. 'Dial-a-program' has now been installed at Case Western Reserve University at Cleveland, Ohio, and has been ordered for the large new Nova Park Hotel to be erected at Zurich.

'Video cassettes'

A substantial domestic market for video cassettes may still be some years off, but we continue to study the development closely.

I have mentioned three factors—local cable television, the obligation on cable-television operators in America to provide viewers with a very wide choice, and the development of video cassettes—which are symptoms of the growing realisation of a very obvious and simple fact: that the choice of what may be shown on our television screens need not be limited to what can be fitted into the available wavebands for transmission and reception over the air. Rediffusion will be ready to benefit from the greater freedoms which, sooner or later, are bound to open up in this country as well as elsewhere.

The Future

Many of our overseas companies are working under difficult conditions and we may well suffer quite an appreciable diminution of our profits from them. For this reason, and because the current year's results will be measured against the substantially increased profits earned last year, a rate of improvement in profits of the order of that seen for the year under review is most unlikely. However, I am pleased with the spirit of determination very evident throughout the Group and my confident hope is that the results will be good.

A copy of the Accounts containing the Chairman's Review can be obtained on application to The Secretary (P.E.T.), Carlton House, Lower Regent Street, London, SW1Y 4LS.

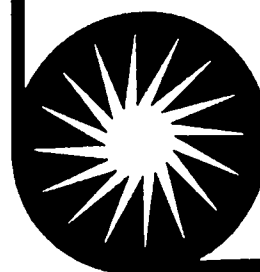
Key indicators: world commodity prices

Up they go

The world's leading zinc producers have pushed up their sterling price by £10 to £160 a ton, blaming it on floating sterling. It is the first of an expected run of increases wherever producers have a say in price fixing. Tin has also risen sharply to £1,515 a ton as new sterling intervention prices were fixed for the tin agreement's buffer stock.

	Index 1963=100		Percentage change on	
	June 28	July 5	one month	one year
All items	129.6	130.9*	+ 1.0	+ 7.7
Food	141.8	144.5*	+ 0.1	+ 8.9
Fibres	103.1	102.5*	- 0.9	+12.2
Metals	178.9	180.2	+ 0.7	- 9.2
Misc	116.7	117.7*	- 1.0	+12.6

*provisional



All of these Debentures have been sold. This announcement appears as a matter of record only.

\$50,000,000

General Electric Overseas Capital Corporation

4¼% Convertible Guaranteed Debentures Due 1987

(Convertible from June 15, 1973 into General Electric Company Common Stock at \$80¼ a Share)

Interest payable annually on June 15 commencing in 1973
Payment of principal, premium, if any, and interest unconditionally guaranteed by

GENERAL ELECTRIC COMPANY

MORGAN & CIE INTERNATIONAL S.A.

GOLDMAN, SACHS & CO.

ALGEMENE BANK NEDERLAND N.V. AMERICAN EXPRESS SECURITIES S.A. AMSTERDAM-ROTTERDAM BANK N.V.
ANDRESENS BANK A/S ARNHOLD AND S. BLEICHROEDER, INC. ASTAIRE & CO. BACHE & CO. BAER SECURITIES CORPORATION
BANCA COMMERCIALE ITALIANA BANCA NAZIONALE DELL'AGRICOLTURA S.p.A. BANCO DI SANTO SPIRITO
BANCA PROVINCIALE LOMBARDA S.p.A. BANCO DI ROMA/COMMERZBANK AG CREDIT LYONNAIS BANCA NAZIONALE DEL LAVORO
BANK OF AMERICA BANK MEES & HOPE NV BANKHAUS HERMANN LAMPE K.G. BANKHAUS FRIEDRICH SIMON K.G. & A.
BANQUE BLYTH BANQUE DE BRUXELLES S.A. BANQUE EUROPEENNE DE TOKYO BANQUE FRANCAISE DE DEPOTS ET DE TITRES
BANQUE GENERALE DU LUXEMBOURG S.A. BANQUE DE L'INDOCHINE BANQUE INTERNATIONALE A LUXEMBOURG S.A.
BANQUE LAMBERT S.C.S. BANQUE LOUIS-DREYFUS BANQUE NATIONALE DE PARIS BANQUE D'EUROPE S.S. SCHLUMBERGER, MALLET
BANQUE DE PARIS ET DES PAYS-BAS BANQUE POPULAIRE SUISSE (UNDERWRITERS) S.A. BANQUE ROTHCHILD
BANQUE DE SUEZ ET DE L'UNION DES MINES BANQUE DE L'UNION EUROPEENNE BANQUE DE L'UNION PARISIENNE
BANQUE WORMS BARING BROTHERS & CO. H. ALBERT DE BARY & CO. N.V. RAYERISCHE HYPOTHEKEN- UND WECHSEL-BANK
BAYERISCHE VEREINSBANK JOH. BERENBERG, GOSSLER & CO. BERLINER BANK BERLINER HANDELS-GESELLSCHAFT
GUNNAR BOHN & CO. A/S BREISACH PINSCHOF SCHOELLER BROWN HARRIMAN INTERNATIONAL LTD. BURNHAM & COMPANY INC.
CAPITALFIN INTERNAZIONALE S.p.A. CAZENOVE & CO. "LA CENTRALE" FINANZIARIA GENERALE S.p.A.
CHRISTIANIA BANK OG KREDITKASSE COMPAGNIE LUXEMBOURGEOISE DE BANQUE S.A. CONTINENTAL BANK S.A.
COSMOS BANK (OVERSEAS) CREDIT COMMERCIAL DE FRANCE CREDIT INDUSTRIEL D'ALSACE ET DE LORRAINE
CREDIT INDUSTRIEL ET COMMERCIAL CREDIT SUISSE (BAHAMAS) CREDITANSTALT-BANKVEREIN CREDITO ITALIANO
THE DAIWA SECURITIES CO., LTD. DEN DANSKE LANDMANDSBANK RICHARD DAUS & CO. THE DELTEC BANKING CORPORATION
DEUTSCHE BANK DEUTSCHE GIROZENTRALE -DEUTSCHE KOMMUNALBANK- THE DEVELOPMENT BANK OF SINGAPORE
DEWAAY, CORTVRIENDT INTERNATIONAL S.A. DILLON, READ OVERSEAS CORPORATION DRESNER BANK EDILCENTRO S.p.A.
EFFECTENBANK-WARBURG EURAMERICA FINANZIARIA INTERNAZIONALE S.p.A. GUTZWILLER, KURZ, RÜNGER SECURITIES HAMBROS BANK
GIROZENTRALE UND BANK DER ÖSTERREICHISCHEN SPARKASSEN HARRIS & PARTNERS HENRIQUES JR. HILL SAMUEL & CO. HOARE & CO. GOVETT
HANDELSBANK IN ZÜRICH (OVERSEAS) HENRIQUES JR. HILL SAMUEL & CO. HOARE & CO. GOVETT
THE HONGKONG AND SHANGHAI BANKING CORPORATION ISTITUTO BANCARIO ITALIANO JAPAN INTERNATIONAL BANK
JARDINE FLEMING & COMPANY KIDDER, PEABODY & CO. KITCAT & AITKEN KJØBENHAVNS HANDELSBANK KLEINWORT, BENSON
KREDIETBANK N.V. KREDIETBANK S.A. LUXEMBOURGEOISE KUHN, LOEB & CO. INTERNATIONAL KUWAIT INVESTMENT CO. (S.A.K.)
LAZARD BROTHERS & CO. LAZARD FRERES & CIE LAZARD FRERES & CO. LEHMAN BROTHERS LEPERCQ, DE NEUFLIZE & CO.
LLOYDS & HOLSA INTERNATIONAL BANK LOEB, RHOADES & CO. MANUFACTURERS HANOVER MERCK, FINCK & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH B. METZLER SEEL, SOHN & CO. MODEL, ROLAND & CO., INC. SAMUEL MONTAGU & CO.
MORGAN GRENFELL & CO. NEW YORK HANSEATIC INTERNATIONAL LTD. THE NIKKO SECURITIES CO.
NOMURA SECURITIES INTERNATIONAL, INC. NORDDEUTSCHE LANDESBANK GIROZENTRALE DEN NORSKE CREDITBANK
SAL. OPPENHEIM JR. & CIE. ORION BANK PETERBROECK VAN CAMPENHOUT SECURITIES S.A. PICTET INTERNATIONAL
PIERSON, HELDRING & PIERSON PRIVATBANKEN I KJØBENHAVN N. M. ROTHCHILD & SONS ROWE & PITMAN
SCANDINAVIAN BANK J. HENRY SCHRODER WAGG & CO. SINGER & FRIEDLANDER SKANDINAVISKA ENSKILDA BANKEN
SMITH, BARNEY & CO. SOCIETE GENERALE SOCIETE GENERALE DE BANQUE S.A. STRAUSS, TURNHULL & CO.
SVENSKA HANDELSBANKEN SVERIGES KREDITBANK SWISS BANK CORPORATION (OVERSEAS) C. G. TRINKAUS & BURKHARDT
ULTRAFIN INTERNATIONAL CORPORATION UNION BANK OF SWITZERLAND (UNDERWRITERS) VEREINSBANK IN HAMBURG
VERMEER & CO. M. M. WARBURG-BRINCKMANN, WIRTZ & CO. S. G. WARBURG & CO. WESTDEUTSCHE LANDESBANK
WESTERN AMERICAN BANK (EUROPE) WHITE, WELD & CO. WOOD GUNDY YAMAICHI SECURITIES COMPANY
June 29, 1972. Limited Limited Limited of New York, Inc.

BUSINESS

Britain

It's Ted they're chiefly afraid of now

The new president of the Confederation of British Industry, Mr Michael Clapham, went to Downing Street on Wednesday evening to be privately briefed by the Prime Minister on the general drift of his talks with the Trades Union Congress, but also to be warned at the same time that unless the CBI could table details of a further price freeze when its team goes formally to Downing Street next Monday, the meeting may as well be called off. Mr Heath intimated that he had heard enough platitudes from the TUC to last him for a considerable time.

This was awkward for Mr Clapham. The CBI is certainly ready to renew the freeze for a limited period, but the 200 biggest companies whose views were canvassed in the early part of the week are growing increasingly fearful that at the end of that period, when they want to take the freeze off, the Government will clamp it on again, statutorily, as part of a policy of trying to keep wages down by threshold agreements linked to the cost of living, which would then be kept down by a compulsory prices freeze.

These fears have grown as the rumours from Whitehall spread, even before Mr Heath asked the TUC, at the end of Tuesday's meeting, to join a small working party that would consider, among other things, index-linked wages. Many companies have come through the past 12 months of price freeze with buoyant profits because they had already raised their prices sharply in the first half of last year, before the freeze was introduced. All of them are insisting that when they formally agree to extend the freeze for a further three months, increases made in the previous 12 months will be disregarded. A company, therefore, that had raised prices by 5 per cent or more in the early part of last year, and by a

further 5 per cent during the 12 months of the freeze, should be free to raise them again by another 5 per cent in the coming three months, making a total of over 15 per cent in under two years. Some companies do not like the new arrangements and would have preferred to sign on for a longer freeze at some slightly higher figure, like 7½ per cent, but it seems politically impossible for either the Government or the CBI to budge beyond 5 per cent now.

So if industry generally does expect a Government price freeze in the autumn, some companies may think it sensible to take what opportunities are offered now to raise their prices. But if they do raise prices in the next three months that could push the Government into imposing a freeze that it might not otherwise have had to introduce. Whatever it says in public, industry is much more concerned about this



Hughie went to Downing Street

possibility than it is about the general drift of wages. Settlements are running at an appreciably lower rate—so far—in private industry than in the mines and railways. The apparently vulnerable engineering and motor industries are coming out of the present round of wage negotiations with fewer scars than they expected.

Engineering wages Near the end

Mr Hugh Scanlon has almost admitted that he has lost the plant-by-plant battle for the engineering industry's wage claim. In Sheffield recently he said that he had more or less given up hope on most of the 13 points in the claim. The fight was taken to the plant level after he had been turned down by the national employers' federation. Mr Scanlon is now concentrating on wages, hours and holidays.

There is precious little left for him to achieve: over 60 per cent of the 2m workers covered by the national Engineering Employers' Federation have agreed to wage increases for their own factories, most of which fall within a 7-8 per cent band, with no shorter working hours. Of the remainder, a third work for those 2,500 small companies in the federation that employ around 100 men each, very few of whom have put in for higher wages at all.

Mr Scanlon is under considerable pressure to return to national bargaining. The union is getting too little support at the grass roots, where this battle is supposed to be being conducted, as the low attendances at Mr Scanlon's public meetings have shown. His union also has dwindling funds available for strike pay. Already there are informal contacts between the union and the employers' federation.

Even in normally militant areas, like the Midlands, there has been little success for the militants. At Jaguar, the men accepted £3 a week, or well under 10 per cent. At British Leyland's Longbridge works the militants have done better; the men were show-

ing a much greater interest than the shop stewards this week in accepting the 15 per cent plus deal the management had offered them to buy off piece rates. There have been some hiccups in getting this deal through, largely because the Longbridge men are hoping for the lump payments that have been handed out to some at BLMC's Cowley works: 400 lucky paintshop men there got a £250 handout this week.

British Leyland feels it can justify this level of payout in order to get consistent output, especially at a time when it is trying to beat Ford in the market. But settlements of this order pose a problem for managements in other motor industry plants. A secret ballot at Chrysler's engine plant at Stoke, Coventry, gave the moderates a chance to reject the shop stewards' advice on Wednesday and accept £3.60, an 8.8 per cent increase. Last year Chrysler was paying roughly double this. But Lucas recently gave the national employers a heart attack by offering up to £4.25 a week. So far, however, there have been few deals above 10 per cent.

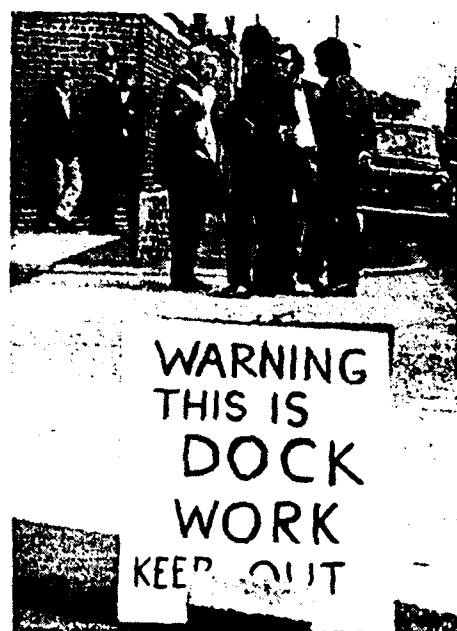
There appear to be two main reasons for the lack of militancy in the ordinary engineering worker. In the past two years he has learned painfully that managements have worked out how to control unit costs: each wage increase means fewer jobs. In engineering last year, unit wage costs were kept stable, and 106,600 jobs went. He has also had an increase in real wages. Up to the budget, the average increase in earnings over a two-year period had been over 20 per cent.

Dockers

So hard to make the summer hot

The militants in the docks are trying to make the atmosphere heat up again, to avoid the risk of holiday apathy setting in at the dock delegates' conference of the Transport and General Workers' Union when it meets at the end of the month to review its strike threat. The militants are planning a one-day strike on July 26th to coincide with the publication of the joint union-management report on the fall in jobs at the docks. But the TGWU leadership is cleverly not giving away the date of the conference it is calling to discuss the report.

If the National Industrial Relations Court again came to the brink of making martyrs of some of the mili-



Bernie's and Vic's lads were out on picket

tants, as it did three weeks ago at Chobham Farm, this might raise the temperature. Some of the old faithfuls, like Mr Bernie Steer and Mr Vic Turner, were again summoned to the NIRC this week, and again failed to appear. But so far there has been no mention of prison, and everyone is doing their best to keep things cool.

The company asking for an injunction against blacking this time is another east London firm, Midland Cold Storage, and it proceeded with its case, despite the absence of those allegedly responsible, citing the non-arrival of a consignment of Chinese rabbits, of some boilersuits from British Road Services, of some prawns for Young's Seafoods and so on. The Official Solicitor graciously represented Mr Steer and his friends, who refuse to recognise the court, and Sir John Donaldson, the court's president, was also very solicitous of their interests, asking many questions on their behalf. One surprising aspect of the case was that Midland asked for much of the evidence to be given in camera, because it said some witnesses from other firms were unwilling to give it in public.

Every attempt to keep things cool is being made by the employers too. They could be accused, and are accused privately by many exporters, of breaking contracts themselves by not making more vigorous attempts to stop the blacking, which is becoming increasingly effective. Dagenham Cold Storage where the militants concentrated their energies after their success at Chobham Farm, has also been negotiating to take on dockers, having been frightened financially by Ford

Motor's withdrawal of its contract.

Apparently, the success of the blacking was a major reason why the militants rather unexpectedly did not vote for an unofficial strike after the last dock delegates' conference. The London militants felt the blacking was achieving their ends more successfully than a strike would have at that stage. Liverpool and Hull voted against them. But this week a proposed extension of picketing in Hull did not happen because there was so much work to do on ships that there were no men to spare for the picket lines.

Miners

30 per centers

Morecambe

The miners, at their annual conference this week, did not waste much time celebrating their victory. On Tuesday they got down to fixing next year's wage claim. While holidaymakers outside played the fruit machines along Morecambe's rainswept promenade, the miners talked with the confidence of men who know where richer pickings are to be found.

The bluff Mr Joe Gormley presided over the conference, but his moderate views were visibly out of touch with the mood of the delegates, which was avowedly militant. On Monday, Mr Gormley urged them all "not to give the impression that the only way to solve our problems is by the use of the strike weapon." It was almost enough to warm the heart of Mr Derek Ezra, chairman of the National Coal Board, who had pointedly not been sent the customary invitation to address the conference.

But Mr Lawrence Daly, the general secretary and co-leader of the union, was much more in tune with the mood of the moment. He declared, with a Goldwater-like echo, that "moderation in the pursuit of justice is no virtue." He also gave a distinct impression of taking charge, and did most of the talking from the platform. Mr Daly can be eloquent and intelligent; he also appears to be in closer personal touch with the delegates than Mr Gormley.

The first motion on wages merely called for higher pay. It just scraped through, because many delegates thought this approach was too wishy-washy. The second motion called for pay rises worth 30 per cent on the top of any threshold agreement linked to the cost of living. No speaker dared oppose it; the vote was unanimous.



Joe, Lawrence: look who's talking

In the past, the miners were content to pass motions calling for substantial pay rises, leaving it to the union executive to agree to any deal it liked. But the conference decided, as it did last year, to give the leaders less leeway and to specify the actual size of the claim. The motion also told the executive that if it did not get a satisfactory offer, there should be a strike vote.

The demand for a threshold agreement seemed to have been added as an afterthought. One delegate reckoned no one in the union had much idea of what a threshold agreement is. Another was worried about what would happen if the cost of living actually went down: would they have to accept a wage cut? No one suggested that the 30 per cent claim should be reduced if a threshold deal were negotiated, which after all would be the object of such a deal.

Various arguments were used to justify the 30 per cent claim. One delegate said the whole of last year's 25 per cent wage award will have been eaten away by inflation by next February. Others argued that the miners must maintain their new ranking in the wages league. Miners' wages were compared unfavourably with the earnings of floor sweepers in British Leyland factories.

Economy

Wanna spend?

The Chancellor believes that the British economy is on target for 5 per cent growth. But other people wonder how he works that out. He appears to be going on unemployment: the drop in numbers since the beginning of this year seems the main reason for his confidence.

But which employers are doing the hiring? The latest measure of the

size of the industrial labour force is for April; it was then doing nothing more encouraging than no longer falling and was still 4½ per cent less than a year before. As for employment outside industry, nothing is recorded later than last September. It requires inspired guesswork to judge the current strength of the economy.

Take the latest indicator. The May index of the volume of retail sales (adjusted for price changes and seasonal factors) was 108.5 (1966=100), up 0.4 per cent from April but virtually unchanged from the 108.4 of October. Yet the two sub-components of the total (likewise adjusted) each moved up between October and May: that for food shops by nearly 1 per cent, from 102.2 to 103.2; and that for non-food shops by 0.4 per cent, from 113.0 to 113.5. How come one and one don't make two? The answer, according to the statisticians at the Department of Trade and Industry, is that all series are seasonally adjusted independently of one another, which, they say, "occasionally results in inconsistencies." This time round is one of the occasions: if the two seasonally adjusted components are combined, the total index would be 109.0 instead of the 108.5 recorded. That would be very acceptable to Mr Barber and it could even be the truer measure. But the statisticians should not indulge in self-righteous exposure of these discrepancies: their job is to provide workable figures.

All that is certain is that shop buying did increase in the two months after the March budget; it would have been a poor look-out had it not. But it is the next set of these figures that is critical, after the income tax concessions came through in the June pay packets. What did people do with that extra money?

We have analysed in the accompanying table the annual changes (which should be more reliable than monthly ones) in British consumption. Last year, which was marked by the highest unemployment for 25 years, put a brake on the improvement in essential living standards: that is to say, in the volume of spending on food, housing, fuel and clothing. Indeed, it saw the first actual cutback in food consumption since the early 1950s, which probably meant no more hardship than that people switched from frying steak to stewing steak and so on. The most revealing feature is the concentration of last year's extra buying on cars, household durables, drink and services. These booms are probably still

How does your spending grow?

Per cent changes in spending in real terms (1963 prices)

	Average a year:		
	1960-65	1965-70	1970-71
Food	+1.1	+1.0	-0.3
Alcoholic drink	+3.5	+3.8	+7.1
Smoking	-0.8	+0.4	-3.4
Housing	+2.8	+3.1	+1.2
Fuel & light	+4.2	+4.3	+1.6
Clothing & footwear	+2.8	+1.6	+0.8
Cars & motor cycles	+7.4	+3.6	+26.3
Furniture & floor coverings	+3.3	-2.6	+0.9
Radio & electrical goods	+3.8	+2.1	+10.2
Other goods	+4.8	+3.1	+2.0
Other services	+3.7	+0.9	+2.4
All goods & services	+2.9	+2.0	+2.5
Population	+0.7	+0.5	+0.4

going on, but we would guess that more, too, is now going into housing, beyond that required to meet inflationary house prices (which, incidentally, have gone up 18 per cent in the past six months).

But if the Treasury's budget-time forecasts, to which it seems to be sticking, are to be realised, then the column in the table for 1971-72, when it can be calculated, must show rises in consumption of all goods and services of 5.7 per cent. This implies that in the next six months the increase over the 1971 average has to be a massive 7.5 per cent. It is asking a lot.

Exchange reserves

Someone owes us money too

By itself, the published decline of \$185m in Britain's reserves in June (\$69m of which reflected the normal mid-year servicing of long-term debts with the United States and Canada) gives a totally misleading picture of sterling's shattered fortunes last month. It is a net figure; it specifically excludes the cost of intervention in European Economic Community currencies (the bill for which need not be settled until July, if then); no forward dealings show up in it at all. None the less, read in conjunction with the Chancellor's statement to the Commons on the £1 billion cost of intervention in the markets before the floating, it becomes more revealing.

On June 29th, the day when Mr

Continued on page 97

GRÄNGES

annual report

INCREASED STEEL DELIVERIES DESPITE CYCLICAL WEAKNESS

In 1971 the steel market in Europe experienced one of its worst years, with considerable production cutbacks and declining prices. Gränges iron-ore deliveries from the mines in Grängesberg and Stråssa decreased from 3.5 to 3.2 million tons owing to the failure of the ore customers to fetch large quantities that had been ordered for the year. This held iron-ore exports to 1.45 million tons, compared with 1.98 million tons the year before.

Oxelösunds Järnverk nevertheless continued to increase its deliveries of heavy plate, reaching the new record level of 633,000 tons, although profitability suffered in consequence of lower prices and higher costs. During the year a 140-ton ASEA-SKF ladle furnace was commissioned — the world's largest to date. It opens up fresh scope for progress towards ever higher steel qualities — the line the Works has pursued since it began operations ten years ago. Nyby Bruk, in defiance of the adverse market conditions, also succeeded in increasing its deliveries of stainless steel sheet and tubing, but the fierce competition from foreign producers, in particular the Japanese, which exerted heavy pressure on prices, sharply reduced its profits.



Erland Waldenström, Chairman of the Gränges Board and of the Executive Committee, which also includes Sven Ersman, Deputy Chairman of the EC and Johan Åkerman, President.

COPPER STRIP FOR AUTOMOTIVE RADIATORS A GOOD EXPORT PRODUCT

The negative world-market trend for raw aluminium grew more pronounced during 1971. Consumption in the Western world rose a good deal less than in the previous few years; at the same time, capacity was rapidly expanded. Production cutbacks were not sufficient to stave off price reductions. GRÄNGES ESSEM could not keep more than 88% of its capacity at the enlarged smelter in Sundsvall occupied during 1971, and production was held to 75,000 tons of raw aluminium (1970: 66,000 tons).

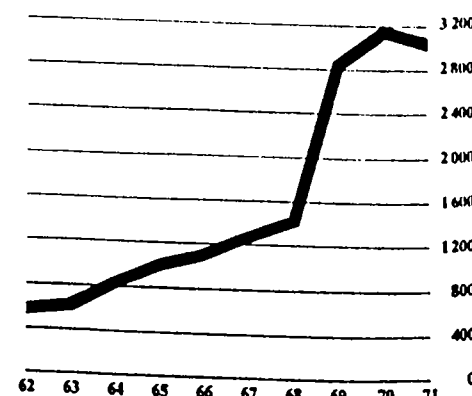
The market for semimanufactures, both of aluminium and of copper, was circumscribed by the slack state of business. Gränges Essem nevertheless succeeded in substantially raising production and deliveries of thin strips in copper and brass, the main factor herein being larger exports to the U.S. The plastics market remained under pressure in respect of standard products, but Gränges Essem's special products Akatherm (sewage systems), Meltaway (snow-clearance systems) and Neptub (sea-bed sewage lines) increased their turnover.

LONG-TERM CONTRACTS FOR OIL SHIPMENTS RAISED SHIPPING PROFIT

The booming freight market of 1970 faded out quickly in 1971, and rates in both the tanker and the dry-cargo sectors fell precipitately. GRÄNGES SHIPPING nevertheless improved its results by about 60% thanks to the advantageous freight contracts for oil movements that had been signed up while the shipping market was still strong. The uncommitted tonnage had to seek work on a market growing ever weaker, though cheaper chartering of outside tonnage and declining bunkerage rates did something to offset the extremely low freight level.

The Division's own fleet of 733,000 d.w. tons, reinforced by time-chartered shipping aggregating some 540,000 d.w. tons, was kept fully occupied and ran up 74,000 million ton-nautical miles of haulage — an increase of about 10% on the 1970 figure. The fleet now includes four chemical carriers aggregating 109,000 d.w. tons. The building of three 265,000-ton combined ore/oil carriers, ordered from a Yugoslavian yard, is to begin in 1972. Gränges owns two of them outright and has a 25% share of the third.

GROUP'S EXTERNAL DELIVERIES (SKr m)



Gränges, the Swedish group that is becoming increasingly international in scope, found foreign buyers for 50% of its total 1971 turnover of \$ 633 m. Iron ore, steel, copper and aluminium make up the backbone of its business, with a growing emphasis on mining. A feature of the year was large-scale prospecting in Canada, Australia, New Caledonia and elsewhere, chiefly in quest of copper and nickel ores.

Gränges profits in 1971 were heavily affected by the weak state of world trade, especially in the steel sector, and the economic slackness that was evident in Sweden.

1972 will probably be another poor year for profits, whereas a substantial improvement is expected in 1973.

NEW IRON ORE MINE IN LIBERIA

GRÄNGES INTERNATIONAL MINING is responsible for the Lamco Joint Venture's iron-ore production in Liberia. Deliveries of Nimba ore fell off in 1971 by about 11% to 10 million tons in consequence of restrictive fetchings by ore customers. Prospecting operations in neighbouring orefields yielded encouraging results during the year and the decision was taken to commence extraction at Mt Tokadeh 25 km from the present mining area. The initial stage of development, scheduled for completion by the beginning of 1973, is expected to permit the extraction of about 1½ million tons of ore per year.

ORE PROSPECTING ALL OVER THE WORLD

GRÄNGES DEVELOPMENT continued its studies of various projects aimed at expanding Gränges mining activities to other ores besides those of iron. Surveys were carried out in Australia and Canada and elsewhere, and nickel prospecting was commenced on New Caledonia. At Bethlehem Copper Corporation, Canada, in which the Group has a 25% interest, operations at the mines in Highland Valley, British Columbia, proceeded normally during the year at an unchanged rate of production. A new orebody was discovered in the same area, and test drillings so far indicate reserves of about 300 million tons of ore.

FUTURE SHIFT TOWARDS SPECIAL PRODUCTS

The overall aim for the long-term development of Gränges is to reduce the Company's preoccupation with the standard commodities of the world market and to go in for special products with a greater degree of inherent technology and with their own markets and individual pricing.

In his address to the shareholders at the 1972 Annual General Meeting, Chairman Erland Waldenström foreshadowed a shift of emphasis onto international mining industry, heavy engineering based mainly on steel plate, and certain specialities of Gränges Essem.

On the steel side, Gränges will continue to concentrate on product development and marketing work, leaving quantitative expansion in abeyance for the time being.

This report is a summary of the Annual Report adopted at the Annual Shareholders' Meeting, held on May 30th 1972. Copies of the full report in English are available from the Head Office, Box, S-103 26 Stockholm 16, Sweden.

(in millions of US dollars)

FROM THE ACCOUNTS

	(in millions of US dollars)	
	1971	1970
External sales (breakdown by divisions)		
GRÄNGES STEEL	\$252.0	\$262.8
GRÄNGES ESSEM	273.0	293.1
GRÄNGES SHIPPING	69.4	62.4
GRÄNGES INTERNATIONAL MINING	1.9	2.1
GRÄNGES CONJOINT UNITS	44.3	37.4
Other business	—	18.1
	640.6	675.9
Sales between divisions	— 8.1	— 19.1
External sales	\$632.5	\$656.8

	1971	1970
Operating profit before depreciation	54.6	82.1
Depreciation	39.9	37.8
Net earnings after taxes	12.1	24.9
Per share	\$2.08	\$4.30
Dividend per share	\$2.49	\$2.49
Investments in property, plant and equipment	35.6	61.3
Current assets		
Long-term receivables and investments	439.2	431.7
Property, plant and equipment (after deduction of accumulated book depreciation)	108.2	115.0
Current liabilities	273.0	280.0
Long-term liabilities	178.8	189.6
Untaxed reserves	251.0	238.5
Minority interests in subsidiary companies	76.2	88.7
Capital and reserves	11.1	9.1
	303.6	301.0

*This announcement is neither an offer to sell nor the solicitation of an offer to buy any of these securities.
The offering is made only by the Prospectus.*

2,296,000 Shares

I. M. S. International, Inc.

Common Stock
(Par Value \$.01 per Share)

Price \$25 per Share

White, Weld & Co.
Incorporated

Blyth & Co., Inc.

duPont Glore Forgan
Incorporated

Goldman, Sachs & Co.

Halsey, Stuart & Co. Inc.

Hornblower & Weeks-Hemphill, Noyes

Kidder, Peabody & Co.
Incorporated

Loeb, Rhoades & Co.

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Paine, Webber, Jackson & Curtis
Incorporated

Smith, Barney & Co.
Incorporated

Stone & Webster Securities Corporation

Wertheim & Co., Inc.

Bache & Co.
Incorporated

Basle Securities Corporation

EuroPartners Securities Corporation

Paribas Corporation

SoGen International Corporation

Swiss American Corporation

UBS-DB Corporation

ABD Securities Corporation Amsterdam-Rotterdam Bank N.V. Banque Française de Dépôts et de Titres

Banque de Neufilze, Schlumberger, Mallet

Banque Nationale de Paris

Robert Fleming
Incorporated

Hill Samuel Securities
Corporation

Kleinwort, Benson
Incorporated

Pierson, Heldring & Pierson

Pictet International
Limited

C. G. Trinkaus & Burkhardt

The Nikko Securities Co. International, Inc.

Nomura Securities International Inc.

Ultrafin International Corporation

June 28, 1972

Continued from page 93

Barber made his statement and just one day before the June reserve figure was struck, Britain's reserves totalled roughly \$7 billion. The Chancellor put the cost of supporting the pound during the critical period of June 15th to 22nd at \$2½ billion. He further said that if Britain had chosen to settle the bill on the 29th, "from the reserves and from funds swapped forward," there would still have been over \$5½ billion left in the reserve kitty. The implication is that only \$1½ billion would have had to be taken on the reserves; something close to \$1 billion could have been met from sums owed us on forward swaps. Perhaps there was point in the grumbles in the French press about the Bank of England being too clever by half in its forward dealings.

Investment

Anti-depressants?

The National Economic Development Council's meeting on Wednesday was partly given over to considering how to avoid a violent cutback in investment in the next economic downturn. It was acknowledged that little could be done about the present trough, which has been particularly damaging to the machine tool and process plant industries. Nedo has looked at the Swedish system under which companies may put money into a tax-free reserve during boom times that can later be used for investment during periods decided by the government, ie in an investment slump. The trouble with copying Sweden is that Britain has 100 per cent first-year depreciation for plant and machinery investment, so

money used for that purpose is tax-free anyhow. If tax (as opposed to accounting) depreciation is so large that it causes tax losses in any year, these may be set against future profits and also profits in the previous three years. So tax-free reserves accumulated for future investment would be no bonus. They might help building, but that is not the problem area.

Another approach would be to allow more than 100 per cent depreciation in depressed years and less than 100 per cent in booms. This would be a more complicated version of the pre-1966 investment allowances, whereby more than 100 per cent of investment could be depreciated (though not all in the first year). The Inland Revenue hates investment allowances, the Government is not very keen—and neither is the EEC. As for a general investment grant in the depressed years, the Government has eaten enough words on investment grants with its regional ones. Apart from using regional grants on a cyclically selective basis as well, it is back to the old drawing board.

Antiques

Buying them back

Dealers in antiques and art are very relaxed about the worries of the foreign exchanges, for they know what's good for them. They look back lovingly on 1968 and 1969, those years of international monetary upheavals after the 1967 devaluation of sterling, when money was the last thing people wanted to hold. Both years saw record attendances of 25,000-26,000 at the swish

Grosvenor House Antiques Fair in London. After much poorer times in 1970 and 1971, and big reactions in some trades, notably silver, buyers were back again this year: when the fair closed in the wake of the floating pound, 20,000 people had seen it, a record daily attendance as it was of shorter duration this time. While the Americans were conspicuous by their absence and the Japanese by their overnight queueing for first grabs, the bulk of business was done with British buyers. Dealers say their prices are still below those of the auction rooms.

Certainly there have been fancy prices in the London salerooms recently: world records, for instance, for English paintings, notably 140,000 guineas (still the quaint monetary unit of auctions) for a George Romney sold at Christie's. Many non-outstanding impressionist and modern paintings which have gone at top prices are destined for Japanese buyers, maybe anxious to get in before the next yen upvaluation. But the new gimmick is that the Japanese are now tracking down their own art, and the salerooms round the world are tracking down collections of Japanese art to sell. Last week a record £4,600 was paid at Sotheby's for a Japanese colour print, only shortly after the same auctioneers had sold a dozen seventeenth-century Japanese lacquer boxes for an astonishing £14,000.

African countries clamped down, too late, on the export of their native art and they, like the Japanese, will come to buy it back at inflated prices from Europe and America. The tip to heartless collectors is: think of the next emerging nation and snap its antiquities up.

Key indicators: British economy

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Reserves Fall of \$185m in June, after debt repayments of \$69m but before allowing for most of the cost of pre-float support for the pound.					
Industrial production*	April	127.7	+0.9	+2.3	+2.4
employment*	April	88.8	nil	-1.0	-4.3
productivity*	April	143.8	+0.9	+3.3	+7.0
Retail trade Again high in May.					
Export trade*‡	May	146	nil	-2	-3
Eng'g orders on hand*	December	114	nil	-2½	-9
Retail trade*	May	114.8	+0.4	+2.4	+3.3
Unemployment*	June	159.1	-3.5	-9.8	+10.7
Consumer credit Large increase in new credit sales in May. HP car sales in June 68% up on a year ago.					
Average earnings*	April	200.6	+2.3	+4.1	+11.5
Retail prices	May	156.9	+0.5	+1.8	+6.1
Export prices	April	150	nil	+1½	+7½
Import prices	April	135	nil	nil	+3

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

BUSINESS

Investment

Max's red revolution is what the market wanted

It may, of course, be a coincidence. But the steady recovery of the London stock market, after the first floating week had brought a fall of 26 points in the Financial Times industrial index, started with the victory of Grand Metropolitan Hotels over Watney Mann. By Thursday the market had improved to 507.9, compared with the previous Friday's close of 480.6.

After the failure of previous mega-bids, like the one for the Metropolitan Estate and Property Corporation by the Commercial Union (a mere £120m) or Allied Breweries' bid for Trust Houses Forte (£131m), the main lesson for the market was that big bids can succeed. The participants and spectators are now girding themselves for the Beecham/Glaxo/Boots fight, which is in the GMH-Watney £400m class but also in a state of suspension pending the decision of the Secretary of State for Trade and Industry. The Monopolies Commission has handed in its report. The latest figures from the Beecham Group suggest that if the bid for Glaxo is opened again there will be plenty of cash in the till for a long fight with Boots.

When the bidding was shut off by the Government, Beecham's shares were priced at 296p, Boots's at 238p; today the prices are 317p and 267p respectively.

At GMH-Watney Mr Maxwell Joseph now controls a company with assets of roughly £430m and sales of £500m. A week ago his sphere of influence was half as large. It would be churlish not to congratulate him on his victory, but the economic arguments in favour of a merger were not as strong as the arguments for keeping two less-than-juggernaut companies separately alive. In the absence of Governmental guidelines, some City fathers seriously considered that the protection of capitalism required them to oppose the bid. No doubt there were some unpleasant elements in a few of the arguments to keep the beerage pure, but it is doubtful if GMH shareholders' prospects have been increased by as much as the management's power.

However, perhaps what most deserves a postmortem by both groups of shareholders is that a battle for the organisation of industry was fought out at a cost of something like £1m

to each combatant, largely in newspaper advertisements.

If ever there was a merger to illustrate with textbook exemplariness the benefits of letting a strong management get to work on underutilised assets, it was the takeover of Associated Electrical Industries by the General Electric Company in 1967. For the year to March, 1972, GEC has lifted profits by £14m to a record £77m. Industrial efficiency shows up in the increased trading margins; financial control in the massive £100m cash turnaround and a fall of a half in the interest charge. All those ratios and numbers that measure the economic efficiency in the use of plant and machinery continue to show the improvements that are the reverse side of the coin of making 35,000 people redundant in the past three years. At 176p on a p/e of 20, the market does not pay the respect it should to a company which shows that manufacturing industry can still pay handsomely.

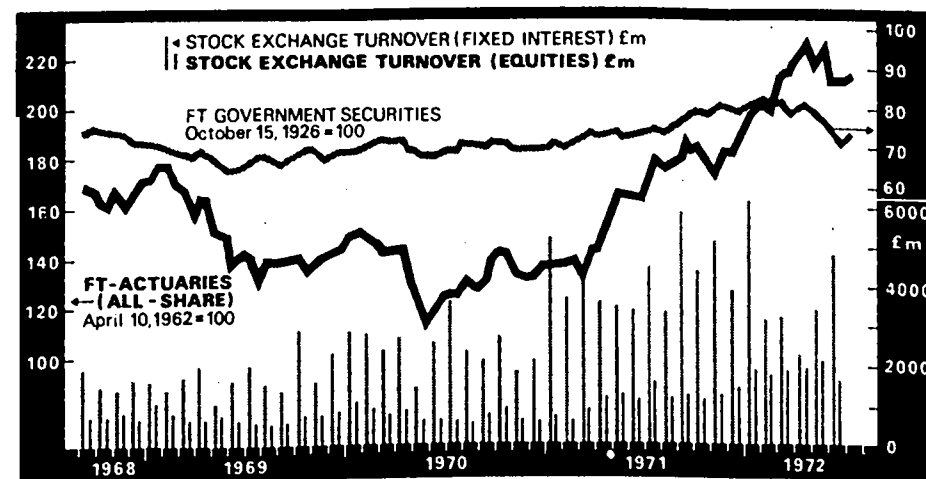
Wall Street

No bigger than McGovern's hand

New York

Share prices have steadied for the first time since mid-June as Wall Street noted two new grounds for encouragement: the scheduled resumption of the Vietnam peace talks in Paris on July 13th and the fact that some foreigners are still willing to hold dollars despite Britain's surprise floating of the pound. On Wednesday the Dow Jones industrial average rose 4.81 to close at 933.47, down only 1.81 from a week before.

Investors felt they could give more attention to the prospect of lots of reports showing favourable second quarter earnings and other continuing signs of economic improvement. Special situation stocks and growth glamour issues have been especially favoured. At midweek, Curtiss Wright, the former aero-engine manufacturer which currently commands attention as holder of North American rights to the Wankel



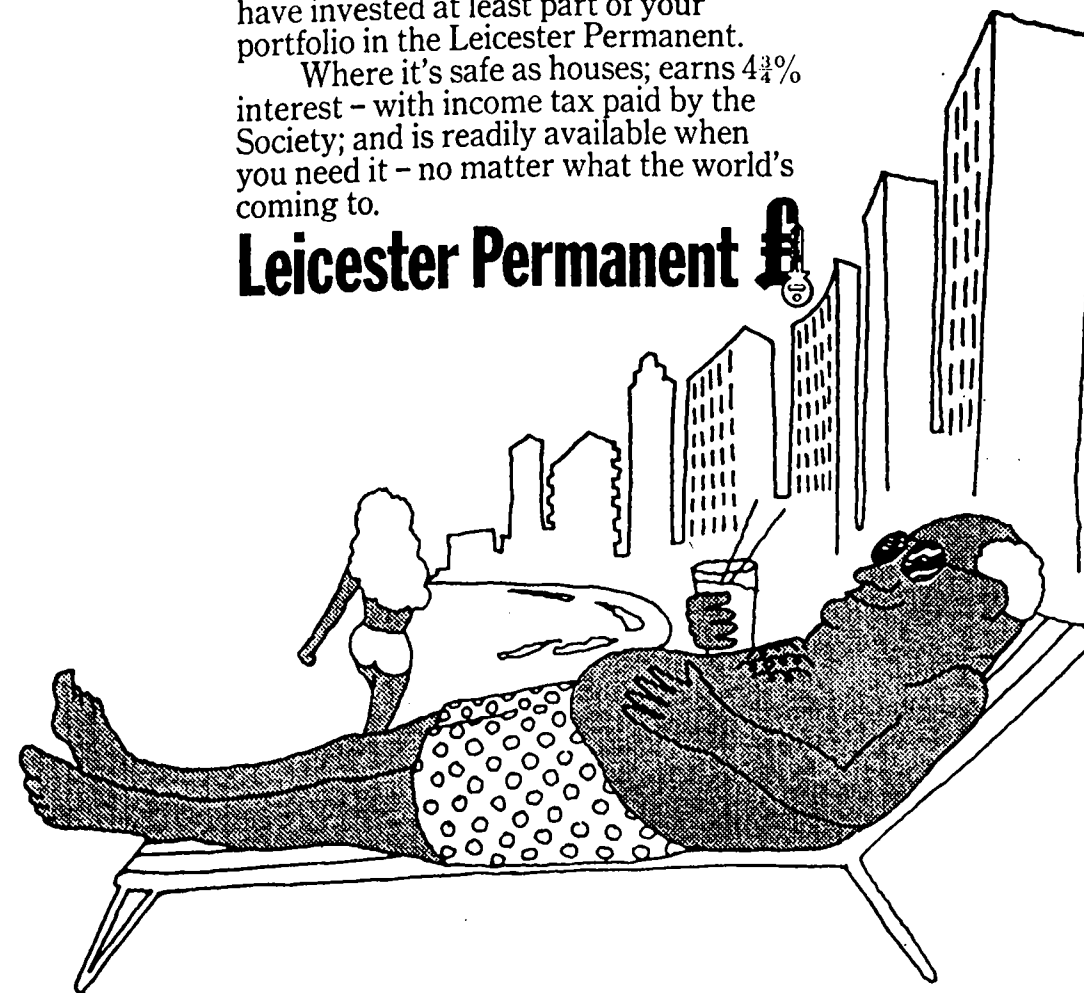
He runs off to Rio with the profits and where does that leave you?

It doesn't happen often, but a lot of silly things can affect shares just when you want to sell.

That's why, if you're wise, you will have invested at least part of your portfolio in the Leicester Permanent.

Where it's safe as houses; earns 4½% interest - with income tax paid by the Society; and is readily available when you need it - no matter what the world's coming to.

Leicester Permanent £



Leicester Permanent Building Society · Head Office: Oadby, Leicester, LE2 4PF
London Office: 49 Park Lane, W.1 · City Office: 66 Gresham Street, E.C.2.

Rotary engine, rose \$1½ to \$57. This followed an even more spectacular \$3½ jump on Monday (before the exchange's July 4th holiday). Another favourite, Control Data, tacked on another \$1 to \$77½ on Wednesday, following a similar \$3½ increase on the previous trading day.

But the market's underlying nervousness over the ascendancy of Senator McGovern, the Democratic anti-business pushover for the Presidential nomination next week in Miami Beach, was underscored on Wednesday. A seven-point gain in the Dow was abruptly pared towards the close to under five points, on news that a United States appeals court had just ruled that the Senator should enjoy at the convention both the California delegation that he had won and the part of the Illinois delegation Mayor Daley had been keeping.

Meanwhile, foreign buying of American stocks seems to be receding. While net purchases in the January-March period totalled nearly \$600m (compared with \$700m for all of 1971 and a record \$2.3 billion in 1968), they declined in April to \$80m from \$177m the month before. The inflow probably dwindled even more markedly in June, as the market turned dull and the dollar came under pressure.

Lazard Frères

We stated in our issue of June 24th (page 99) that Lazard Frères had been accused by the SEC of "not disclosing details of the negotiations with the Justice Department at the time they made a distribution of ITT shares." This may be misleading. Lazard was, in fact, charged with a small technical violation of registration requirements for the period ended in May, 1971. This was not connected with the SEC charge against two officers of ITT about the use of insider knowledge about discussions with the Justice Department in June, 1971. Both sets of charges were quickly settled, Lazard Frères accepting a consent decree. That is, without accepting that it was guilty, Lazard agreed to an injunction restricting it from the same infractions of the securities laws. Lazard has made it clear that the consent decree was chosen to avoid "protracted litigation over so technical a question."

After thorough investigation by the SEC, no evidence has been found to substantiate the claim by one of Mr Ralph Nader's aides that Lazard Frères engaged in insider trading.

Eurobonds

Normal service will be resumed

Amsterdam

Coming on top of a sharp attack of indigestion, the latest round of currency jitters has put paid to hopes that the volume of new Eurobond issues this year could top the \$5 billion mark, compared with the 1971 peak of £3.6 billion. Nervousness about the dollar which, despite everything, still remains the most popular unit in which to denominate a Euroloan, has knocked both the primary and secondary sectors of the Eurodollar bond market.

Three dollar issues currently on offer—\$95m worth of convertibles by J. C. Penney, Southland Corporation and Mass Mutual Mortgage and Realty Investors—have been postponed until later this month. The rub is that when the new issue flow resumes borrowers are going to have to pay more, probably ½%, for a straight debt loan which could have been sold—just—on a coupon of 8% and at a sharp discount before sterling was floated just two weeks ago.

One encouraging sign is that the secondary market for dollar bonds, traditionally the weak link in the chain, has held up remarkably well, and already selective buying of high-yielding issues has been noted. But

Pensions' progress

Something over £1 billion is channelled into stocks and shares through pension schemes every year. Soon the Government's new scheme to ensure every worker has an occupational pension will be adding another £250m-£500m. Yet incredibly little is known about pension schemes. Now, however, the British Institute of Management, in a new survey*, comes up with some statistics of importance to the 12m-13m people thought to be covered by occupational schemes.

Almost every existing scheme, says the BIM, is due for amendment in the next three years because of the Government's new pension policy. The BIM's survey, covering 570 companies, indicates plenty of scope for improvement. One important change for the better is the trend towards basing pensions on final salaries rather than on an inflation-threatened flat rate. Nearly four out of five schemes for staff employees now do this; however, only 21 per cent of schemes for manual workers are so arranged. The trade unions should be trying to get this

changed.

Where there are separate schemes for manual workers (in 27% of the companies surveyed) they provide fewer benefits than staff schemes all along the line. For example, where lump sum death benefits are paid to dependents the sum is less than one year's pay for most manual schemes and between one and three years' salary for most staff schemes. Manual workers, of course, pay less since over a third of their schemes are non-contributory or contributions are small and flat-rate. Staff contributions are levied at 5 per cent (usually) of income.

Women are another underprivileged group. They are excluded from 5 per cent of staff schemes and 23 per cent of schemes for manual employees; they must put in longer service to qualify; and, while contributions of their male colleagues may be earning a widow's pension rights, widower's pensions are scarcely known.

*Pensions Today, by N. Kingston. British Institute of Management, £5.



I'm not covered, actually

Associated British Foods



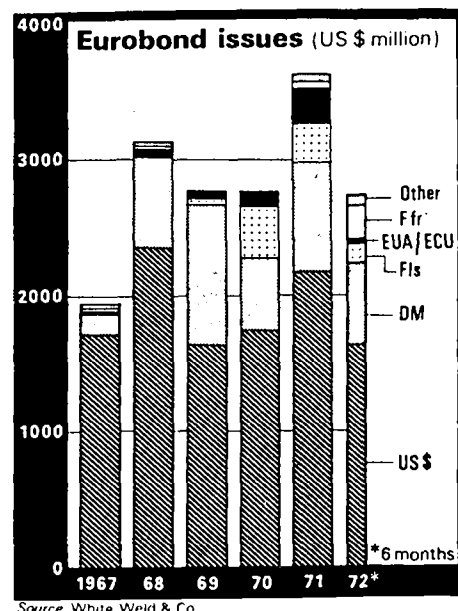
Mr. Garry H. Weston reports a year of record earnings growth

	1971-72	1970-71	Increase
Profits before Tax	£27.5 million	£23.8 million	15.6%
Earnings per Share	4.22p	3.49p	20.9%

1971-72 was a year in which all operating divisions in the United Kingdom achieved profit increases to give Associated British Foods twelve months of record earnings growth. Whilst highly satisfied by these results we prefer our progress to be judged from the company's continuous growth over the past five years.

The comparisons given below demonstrate what has been achieved by constant attention to the better utilisation of our assets and by our policy of backing the management in our operating divisions with a high level of capital investment. This policy will continue and I firmly believe will be reflected in our future results.

Five year comparison	1972	1967	% Increase
	£ million	£ million	
Sales	612.0	300.0	104
Profits before Tax	27.5	13.3	106
Net Assets	157.3	93.6	68
Ordinary Shareholders Funds	99.9	45.5	98
Earnings per Share	4.22p	2.33p	81
Return on Net Assets	17.5%	14.3%	22



some big traders are reducing their exposure.

Only two sectors of the Eurobond market effectively remain open to borrowers. Although the **Finnish Mortgage Bank** is raising DM70m at 7% by way of an internationally-syndicated offering, no further foreign D-mark loans will be floated until next month at the earliest. This leaves the Eurofranc market, where the province of Nova Scotia is borrowing Fr100m for 15 years at 7½%, and the Euroguillemet market, where Philips has raised Fl100m for seven years at the low rate of 6%.

J. Lyons

Rights for Europe

J. Lyons is changing gear. Over the next few years the old teashop image will finally fade, and shareholders will find themselves owning a European food group with major British property interests. The ease with which the market absorbed the news of the £20m

rights issue, and also another possible £17m-£20m in convertible preference shares, shows the confidence bred during years of steady share price and earnings growth.

The word is that the subscription price will be 130p, and ownership of each share will give the right to subscribe to a new one. At the current price of 677p, this gives the rights a value of 273p. Underwriting will not, quite clearly, be necessary. The sweetener to the inevitable initial earnings dilution is that the dividend payout on the increased capital will be higher. The changeover to imputation tax is already swinging the balance a little of the way back to equity finance from debt finance.

The addition of nearly £40m equity on to the existing £63m of shareholders' funds is a measure of the change in stature that the company is planning. And an equity base of £100m is a wide one for further gearing up. The revaluation of £17m on to the £56m book value of property indicates where the money will be used, and the group has already announced plans to spend £32m over the next seven years on property.

For the continent of Europe the spending plans are for around £60m over the next few years, which is a lot in anyone's currency. The convertible preference shares will be quoted on the major bourses, and will in fact count as foreign currency securities so far as British exchange control is concerned. Some of them will be issued to repay the £8m borrowed from the banks for the first major acquisition in Europe, of Homburg, a Dutch meat company. Meat, hotels and cakes, in that disparate order, are the most probable areas of expansion. The shares, on a p/e of about 20 at 677p, do not fully discount the medium-term growth in earnings and assets.

International Life Insurance Still unresolved

The decisions by Keyser Ullmann, the merchant bank, and its chairman, Mr Edward du Cann, to take a 9% stake each in International Life Insurance are either very brave or very foolhardy. ILI, it can hardly be forgotten, is the British subsidiary of IOS Ltd, and the affairs of IOS are still far from resolution. Keyser Ullmann and Mr du Cann hoped to buy control of ILI—but IOS is well aware that this company, managed in conformity with British insurance company rules, is one of the few bits of the old IOS empire which catches a few rays of sun, and IOS wanted an astronomic sum of £7m or more.

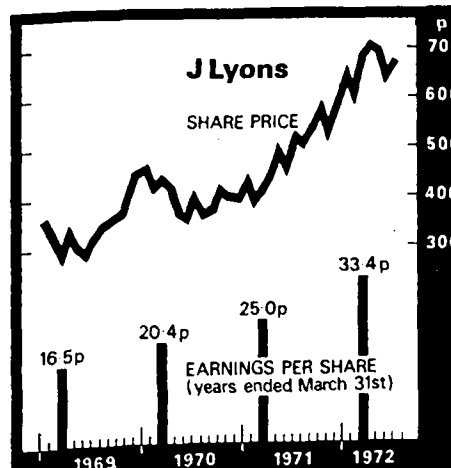
So the buyers settled for second best—or worst. They paid relatively little, £65,000 each, but any success achieved in galvanising ILI will clearly benefit the majority owners. Premium income dropped by £9m to £16m in 1971. Mr du Cann is given day-to-day control, but he will have an uphill job in reassuring the twitchy insurance broking fraternity that he cannot be outboxed by the other shareholders. IOS now owns 60% of ILI, and IOS's Fund of Funds has promptly bought a 3% stake in Keyser Ullmann, making it the largest single outside shareholder. Another 22% of ILI is owned by three independent American shareholders.

What Keyser Ullmann achieves out of an association with ILI is also hard to see. It will be the investment manager, but it has to find a way of coping with the £18m of the fund which is in Fund of Funds Sterling. ILI can hardly be Keyser's route into insurance. Keyser recently paid a lot for a property company, but at least took

Key indicators: world bourses

	Stock price indices			Percentage change on			
	June 5	1972 high	1972 low	one week	one month	one year	record high
London	498.0	543.6	470.4	+ 2.4	- 1.2	+29.8	- 8.4
New York	933.5	971.3	889.2	+ 0.3	- 1.1	+ 4.2	- 6.2
Canada	214.0	220.2	187.5	- 0.1	- 0.8	+16.4	- 2.8
Australia	586.2	632.7	490.1	- 1.1	- 4.7	+17.1	-11.7
Japan	279.8	286.2	199.9	+ 2.5	+ 3.2	+40.7	- 2.2
H'kong	456.9	456.9	324.0	+ 5.7	+ 2.8	+52.4	-
Belgium	112.6	112.6	96.9	+ 2.6	+ 2.1	+ 8.5	-
France	80.7	85.7	67.6	-	- 5.8	+ 5.5	- 6.3
Germany	110.6	119.3	97.1	-	- 6.4	+ 5.6	-26.8
Holland	145.8	148.4	105.4	+ 0.3	+ 3.8	+16.1	- 1.8
Italy	49.2	49.7	43.9	- 0.4	+ 4.5	- 1.8	-57.8
Sweden	341.6	350.9	308.7	+ 1.4	+ 0.4	+21.0	- 9.0

Stock prices and yields are on pages 117 and 118



RAS

RIUNIONE ADRIATICA DI SICURTA'

Milan - Italy

RESULTS OF 133rd FINANCIAL YEAR

At the General Meeting of the shareholders held in Milan on 27th June, 1972, the balance sheet and accounts for 1971 were approved and a dividend of 500 lire per share was declared, payable as from 6th July, 1972. At the Extraordinary Meeting immediately following, a free and tax exempt increase in the Company's share capital was decided. The nominal value of each share was increased from 3,500 lire to 3,750 lire, general reserves being utilized for this purpose.

In their Annual Report on the year's activities, the Board of Directors stressed favourable trends in Life Insurance, both in Italy and abroad, where impressive rates of growth were recorded. The results of the non-Life activity, however, showed a substantial deterioration in the claims rate, especially in Italy. Favourable financial results were sufficient however to offset underwriting losses, to strengthen reserves and to pay a dividend to the shareholders. In 1971 the Company's premium income was £67,211,442 net of taxes, a 12.6% increase over 1970. In the same year, the premium income of the whole RAS Group (comprising 9 domestic and 25 foreign Companies) reached almost £235 million.

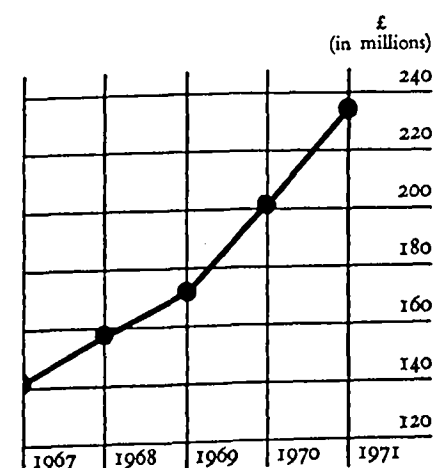
HIGHLIGHTS OF ACCOUNTS (£ *) RAS ONLY, DOMESTIC AND FOREIGN BRANCH OFFICES

1970	1971
59,681,177	Premium income 67,211,442
8,530,345	Investment Income, incl. capital gains 10,401,428
30,616,760	Claims, maturities and other benefits paid 32,824,681
37,321,230	Insurance reserves, non-Life Accounts 42,085,172
92,579,838	Insurance reserves, Life Account 104,108,647
576,798,544	Life Sums assured 658,987,827
4,430,876	Share Capital 4,747,368
8,771,185	General Reserves 11,276,795
686,011	Profit for the year 706,287

(*) Figures indicated are the sterling equivalents of the entries in the Balance Sheet expressed in Lire. Conversion has been made at the official rate of exchange at the end of the year.

PREMIUM INCOME OF THE RAS GROUP (ITALY AND ABROAD)

SALES OF THE RAS GROUP (Premium income in 1971 in £ *)



RAS and L'ASSICURATRICE ITALIANA (in Italy and abroad)	134,296,660
Other Italian Group Companies	17,509,510
Foreign Group Companies	82,875,254
Total premiums	234,681,424

Ras Group Life Account, total Sums Assured . . . £924,669,801

the whole thing over. Paying a little for a bit of an IOS insurance company does not appear to make much sense. One point on which there can be little doubt is the personal enthusiasm of Mr du Cann. As one of the pioneers of the unit trust movement, he perhaps sees himself as the saviour of the suckers. At least the task will be more exciting than the job he has just relinquished as chairman of Barclays Unicorn. Having built up the Unicorn group, he sold it to Martins (now Barclays) Bank; it has been highly successful in sales, but its dull record on innovations contrasts with its founder's outlook.

SEC and profits

Whether forecasting

New York

Oddly enough, Wall Street, a hotbed of opportunism when it comes to

finding ways of selling securities, does not use the profit forecast. Equally curiously, while the British takeover panel has cast a wary eye on the use of earnings forecasts to bolster the value of takeover bids, the Securities and Exchange Commission is actively pushing for the use of forecasts in America as a means of taking some of the hot air out of speculative issues.

The SEC still has not come out with a directive on the matter but should do so any day. The commission's staff has been holding a series of meetings with professional bodies, most of which have urged caution. It seems that the SEC's first step may be to introduce some form of cash flow projection falling short of an estimate of actual profit. All the associations want to know exactly where their members will stand legally in the event of a projection proving wildly out of kilter. So the law will have to be meticulously spelled out before the system begins to work.

Retail Business

Issue No.173 July 1972
contains the following Special Reports:

THE UK MARKET FOR PAINT
PIPE TOBACCO IN THE UK
EARLY PLANNING FOR VALUE
ADDED TAX

This month's Trade Review
HARDWARE AND IRONMONGERY
SHOPS

Annual subscription £55 (US\$145) Single
copies £7 (US\$20) each, payment with
order please. Details from the Subscription
Department

THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St. James's Place
London SW1A 1NT
Telephone 01-493 6711
137 Avenue Louise 1050 Brussels
Telephone 38-29-30

Share incentives get the go-ahead

The Government has altered that part of the Finance Bill dealing with share schemes. Profit-linked schemes, in which ordinary shares are issued in relation to profits, will not be affected; neither will schemes involving the straight purchase of ordinary shares. But the benefits from share-option schemes and share-incentive schemes will be subject to income tax and surtax unless they meet certain conditions.

Share-option schemes involve granting the holder the option to subscribe to shares at a certain price at certain times in the future. Share-incentive schemes require the purchase by the participants of incentive shares that turn into ordinary shares when certain conditions are fulfilled. Sometimes these conditions simply specify a time limit, sometimes profit targets; and the purchase of incentive shares can be outright, by part-payment (with full payment when the shares mature) or with the benefit of loans.

One contentious rule limited the value of shares a person could have in relation to his salary. Originally it was proposed that he could only get shares worth up to 40% of salary in any year, with an overall limit of twice his salary. Now there is to be no annual limit, and the overall limit is raised to four times salary.

The Government's original idea was to limit the maximum number of shares that could be issued to 5% of the company's issued capital. But to help small companies, where a decent

individual stake could exceed this, the limit has been raised to 10% if the share capital is less than £2m, and £200,000 if it is between £2m and £4m. The original rules allowed employees of subsidiaries to participate in the schemes of parent companies; this is now to be allowed for employees of consortium companies as well. The Government has also promised to look again at the possibility of allowing part-time directors to participate, and of allowing subsidiary companies to have their own schemes. Part-time directors vary from the vital to the parasitic; it is difficult to include the first without the second. Subsidiary companies' shares are easy to manipulate in value, making tax avoidance possible, although excluding them is hard on British subsidiaries of foreign companies.

The Government has made no concession on the rule saying that share-incentive schemes must not include shares issued at more than a 20% discount, which is a pity. Some schemes have such fierce profits targets as a condition of the maturity of the incentive shares that they genuinely are worth less than 80% of an unrestricted share. Such schemes offer the greatest spur to managers taking part in them.

The Government is also dead against the Cunard type of scheme in which executives bought incentive shares that did not themselves become ordinary shares but entitled the holders to a scrip issue of ordinary shares

whenever profits exceeded a certain value (the highest level previously achieved by the company); 5% of the excess was to be so distributed as a scrip issue. This scheme was an excellent incentive because the rewards were precisely related to performance. But it also involves the turning of reserves into capital gains, when they would normally count as dividends when distributed. The Inland Revenue is frightened of this—rightly, as the long history of dividend stripping shows.

The new rules are a codification of ideas that were around under Labour as well as Tory governments. Labour spokesmen were not very happy about them in the Finance Bill committee; particularly about stock options, which are more suspect than share-incentive schemes. Mr Barber has promised that he will look for ways of devising share schemes that reach down to the shop floor, a necessary concession to win Labour support, which may well be needed if the rules are to be stable over the 10 years that a scheme can last for. One suggestion from Lowndes Management Incentives would link share schemes to Save-As-You-Earn. For instance, a regular payment of £10 a month could be used for SAYE, while an extra 5p a month could provide a ½p share part-payment to 10 shares worth £1. At the maturity of the SAYE contract, the SAYE contributions could be used to pay up the rest of the price of the shares, and the SAYE bonus would be a cash extra. Such schemes would need to protect the shop-floor worker against large losses through a share price decline.



De La Rue

"A favourable outlook for the Group in the current year"

Sir Arthur Norman—Chairman

1972 RESULTS

A major upswing in profits and margins in Thomas De La Rue International and a decline in profits and margins in Potterton International and in Formica International.

1973 PROSPECTS

Another significant advance in sales and profits in Thomas De La Rue International.

A tough year ahead for the central heating industry in the UK with a stern fight for market share and better margins.

Rationalisation of manufacture and products combined with improved manufacturing efficiency create confidence in Formica International.

	1972	1971
Profit before tax	£4.10m	£3.50m
Profit attributable to De La Rue	£1.79m	£1.50m
Earnings for each Ordinary Share	14.3p.	12.0p.
Dividends for each Ordinary Share	11.25p.	11.25p.

CHAIRMAN'S STATEMENT

THE SABAH TIMBER
COMPANY LIMITEDMR. H.G.C. TOWNSEND'S
REVIEW

The Annual General Meeting of The Sabah Timber Company Limited will be held on July 28th in London. The following is an extract from the circulated statement by MR. H.G.C. TOWNSEND, O.B.E., the Chairman.

Group profit for 1971, before taxation but after paying £935,325 royalties to the Sabah Government, amounted to £3,723,880, a new record for the Company. Taxation absorbs £1,672,215 net. Its incidence is lower than last year, mainly because more of the profit came from the less heavily taxed U.K. sector. After deducting pre-acquisition profits and minority interests, the balance attributable to the parent company is £1,808,689.

The board recommend a final dividend of 32½ per cent., making 37½ per cent. for the year, an increase of 5 per cent. Over the years an undue disparity has grown up between interim and final payments. It is the board's intention to reduce this in 1972 by paying a larger proportion of the expected total dividend in the form of an interim distribution.

To finance the group's continuing growth the sum of £1,100,000 has been transferred to capital reserve, bringing it to £4,600,000. The directors propose the capitalisation of £1,600,000 of reserves and the issue to members of one new 10p share credited as fully paid (not ranking for the dividend now proposed) for each 10p share held.

After remaining buoyant in the earlier part of 1971, the market for South-East Asian logs turned sharply downward in the second half of the year, reaching its lowest level for five years. Averaged over the year, however, proceeds per cubic foot were not much lower than in 1970. As had been foreseen, a surge in exports from Indonesia created a situation

of temporary over-supply.

Production, at 13.8 million cubic feet, was 3.1 million below that achieved in 1970, when once-for-all special licence areas were still being logged.

In the current year, log prices have recovered slightly from their lowest 1971 level but production is expected to decrease to about 11 million cubic feet in 1972 and probably to less than 10 million in 1973 as felling is phased down to the 10½ square miles per year to which we are restricted under our cutting agreement during the remaining ten years of the concession.

High priority continues to be given to the search for suitable new forest areas. The area mentioned a year ago proved on detailed survey to be unsuitable but another, larger area in Indonesia is now being explored. If it comes up to expectations we envisage a joint venture with local partners.

About seven years ago, the board decided to enter the U.K. timber trade as a means of insuring against an eventual downturn in earnings from Sabah and providing revenue close at hand. This process has made good headway and is continuing.

On new acquisitions, our policy is to favour companies which seek the financial and other benefits available in a large group but are nevertheless keen to retain their individuality and local initiative.

After a strong finish to the year, the U.K. subsidiaries showed substantially improved results compared with 1970 and provided approximately half of the group profit. Co-operation between units is whole-hearted and proving a big factor in the group's success. 1972 has started well thanks to the high level of building.

APPOINTMENTS

KENT COUNTY
COUNCIL

PLANNING DEPARTMENT

SENIOR ASSISTANT

DIVISIONAL PLANNING OFFICER

£2,562-£3,390

A vacancy exists in the County Policy Division for a person of considerable post-graduate experience, able to make a constructive approach to the formulation of strategic policies and the evolving of research techniques of practical application, as an aid to the taking of planning decisions in the context of Structure Planning.

A casual user car allowance is payable and grants are made towards removal expenses.

Applications, giving names and addresses of two referees, should be sent under confidential cover to the County Planning Officer, County Hall, Maidstone by 17th July.

COMPANY STATEMENT

THE CONTINENTAL AND INDUSTRIAL TRUST
LIMITED

and its Subsidiaries

Managed by J. Henry Schroder Wagg & Co. Limited
Year ended 31st May

	1972	1971
TOTAL REVENUE	£	£
Less: Expenses	1,361,651	1,353,918
Interest	69,056	62,641
NET REVENUE BEFORE TAXATION	371,847	430,782
Less: Taxation	920,748	860,495
Preference Dividend	53,648	62,371
NET REVENUE AVAILABLE FOR ORDINARY DIVIDEND	55,000	55,000
EARNED ON ORDINARY SHARES	812,100	743,124
ORDINARY DIVIDEND PAID	19.2%	17.5%
TOTAL NET ASSETS (£'000)	18.0%	16.5%
	41,477	36,461
Net assets attributable to:		
Debtenture Stocks		
Dollar Loan	4,878	5,003
Preference Shares	1,531	2,067
ORDINARY SHARES	1,000	1,000
	34,068	28,391
	41,477	36,461
Net asset value per 25p Ordinary Share	201.1p	187.6p
including an amount in respect of the full dollar premium, of	11.4p	9.4p

APPOINTMENTS

La Trobe University
MELBOURNE, AUSTRALIA

Lectureship in Politics

Applications are invited for an additional Chair of Economics which will be primarily in the field of quantitative economics. The other Chairs of Economics are at present held by Professor C. G. P. Simkin and Professor W. P. Hogan.

Salary range: \$A6,801-\$A9,390 p.a. F.S.S.U. type superannuation available.

Further information and application forms are available from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572), or from the Registrar, La Trobe University, Victoria 3083, Australia.

Applications close on 31 July, 1972.

University of
Sydney

Chair of Economics

Applications are invited for an additional Chair of Economics which will be primarily in the field of quantitative economics. The other Chairs of Economics are at present held by Professor C. G. P. Simkin and Professor W. P. Hogan.

Salary: \$A15,264 p.a.

Applications, including curriculum vitae, list of publications and names of three referees, by 5 August, 1972, to Registrar, University of Sydney, N.S.W., Australia 2006.

Information about conditions of appointment and application procedure available from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

For further

appointments

see pages 5, 106 to 112

CHAIRMAN'S STATEMENT

LONDON TIN
CORPORATIONSalient Points from the statement by
Sir Douglas Waring, C.B.E., the Chairman:

- ★ Total production by the units in Malaysia and Thailand, excluding for comparison purposes those of Austral Amalgamated Tin Berhad, was approximately the same as in the previous year. In Nigeria the position is better compared with a year ago, largely as a result of the streamlining of operations and an improvement in local conditions.
- ★ We have continued our programme of investigation work in Australia but it is still far too early to assess whether the property under investigation contains ore reserves sufficient to constitute a viable mining proposition.
- ★ As forecast, dividend income was maintained at approximately the same level as in the previous year and our total profit before taxation was slightly higher at £2,760,000. Dividends paid, amounting in all to 8.5p per share, were the same as previously.
- ★ The statistical position of tin is sound and if the general improvement in world economy which is predicted, and which is beginning to show itself in greater industrial activity, is developed according to plan there should be an increase in the demand for tin. Your Board will endeavour to maintain the total dividend at the existing rate, which in spite of the recession of the past two years or more, has remained constant for a considerable time.
- ★ I have informed my colleagues that I would like to retire as Chairman and Director as at 30th September next at the conclusion of forty-five years' service with the Organisation. It is proposed that Mr. Mitchell, Deputy Chairman and Managing Director, should be appointed Chairman and Chief Executive Officer at that time.

Annual General Meeting will be held in London on Friday 28th July 1972

National and Local Government Officers
Association

Appointment of Assistant Organising Officer

Applications are invited for the appointment of Assistant Organising Officer at this headquarters in the Health Section of the Service Conditions Department. The salary offered is in accordance with the Senior Officers Grade (£2,367-£3,075). In addition a London weighting allowance of £144 is paid. Applications should be made to the General Secretary by not later than first post on Tuesday, 25th July, 1972, on the official form, a copy of which, and particulars of the appointment, can be obtained from the General Secretary, NALGO House, 8 Harewood Row, London, NW1 6SQ.

CHAIRMAN'S STATEMENT

GENERALI
Assicurazioni Generali S.p.A.

1971 BALANCE SHEET

The annual Shareholders' Meeting of the "Assicurazioni Generali," held in Trieste on 27th June, 1972, under the Chairmanship of Senator Cesare Merzagora, Chairman of the Company, approved the Report and the Accounts for the year 1971.

The Consolidated Balance Sheet of the Generali Group for 1970 had shown a total of premiums of Lire 541,000,000,000; for 1971, according to reliable estimates, the total will exceed Lire 635,000,000,000, with an increase of almost Lire 100,000,000,000.

The stocks and bonds portfolio is entered in the Balance Sheet for a book value of Lire 300,218,000,000.

Premiums collected by "Generali" in Italy and abroad totalled Lire 309,785,000,000, with an increase of 20.4% over the previous year. Life assurance, including both direct and indirect business, accounted for Lire 109,468,000,000 (+14.2%); Non-Life insurance (both direct and indirect business) for Lire 200,317,000,000 (+24%).

The considerable increase in premiums—which reached particularly high levels in the field of third-party insurance for motor vehicles and watercraft—was offset by a strongly negative technical trend in Theft and Fire insurance as well as in motor vehicle gap between premiums and claims and the heavy financial burdens (7% of premiums collected) required by the law instituting obligatory third-party Motor Vehicle insurance in Italy.

Interest-bearing investments of

the Company were, at year's end, distributed as follows: real estate 31.7%; stocks and bonds 44.2%; deposits connected with reinsurance activity 18.2%; bank deposits 4.4%; loans on life policies and mortgage loans 1.5%.

In 1971 the three-year programme of real estate investments for over Lire 100,000,000,000 was concluded; real property now figures in the Balance Sheet for Lire 215,393,000,000.

The technical reserves reached Lire 640,062,000,000 and "guarantee funds" (including the technical reserves and other reserves required by law, as well as the company's capital) exceeded Lire 682,244,000,000. The year's profit is Lire 3,432,932,396 and—combined with the amount of Lire 354,599,948 drawn from available reserves—makes it possible to maintain the dividend at the same level as for 1970, i.e. Lire 450 per share.

The extraordinary Shareholders' Meeting approved the new Articles of Association and the new Rules for the General Meeting of the Company as well as the merger with "Immobiliare Eleonora Romana s.r.l."

After the General Meeting, the Board of Directors re-elected Life Senator Cesare Merzagora as Chairman of the Company and Dr. Carlo Faina, Dr. Franco Mannozi (Managing Director) and Dr. Fabio Padua (Managing Director) as Vice-Chairmen.

APPOINTMENTS



PAISLEY

(A SCOTTISH CENTRAL INSTITUTION OF
HIGHER EDUCATION)

Lecturer in Marketing

The introduction of a new degree course in September in Engineering Marketing creates additional posts in Marketing. Applicants should have a good degree in an appropriate discipline, preferably experience of marketing and/or post graduate marketing qualifications and have a special interest in the marketing of industrial and engineering products.

Salary scale £1482-£3309 currently under review as from 1st April, 1972.

Application forms and further particulars from Establishment Section, PAISLEY COLLEGE OF TECHNOLOGY, High Street, Paisley PA1 2BE, Renfrewshire (Tel: 041-887 1241). Closing date 4th September.

University of
New South Wales

Applications are invited for the following chair:

PROFESSOR OF
GEOGRAPHY

This is an additional chair in the School of Geography. The new Professor will share in the further development of this recently established school. He will be responsible for undergraduate and post-graduate courses in economic geography and in human geography generally, and will be expected to foster and supervise research in economic geography by staff and post-graduate students. Experience in applied economic geography is desirable. The present head of the school is Professor J. A. Mabbutt.

Salary: \$A15,368 per annum. Subject to the consent of the University Council, professors may undertake a limited amount of higher consultative work. The University reserves the right to fill any chair by invitation.

Details of appointment, including superannuation, study leave and housing scheme, may be obtained from the Secretary-General, Association of Commonwealth Universities (Apts), 38 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close in Australia and London on 15 August 1972.

University of
Manchester

Lecturer and
Research Assistant in
Econometrics

Applications invited from honours graduates in Econometrics, Statistics and Economics for the above posts. For the Lectureship applicants should have teaching and research interests in at least one of the following fields: Econometric Theory, Applied Econometrics, Mathematical Economics. Applications for the Research Assistantship will be considered from people graduating this summer. Salary ranges p.a.: Lecturer, £1,841-£2,082 (initially); Research Assistant, £1,269-£1,329. Further particulars and application forms (returnable by July 19th) from the Registrar, The University, Manchester, M13 9PL. Quote ref: 115/72/E.

The Queen's
University of
Belfast

Lectureship in Political
Science

Applications are invited for one or more Lectureships in Political Science from 1st October, 1972, or such other date as may be arranged. Salary scale is £1,841 to £3,852 (maximum to be raised to £3,999 on 1st October, 1973) with contributory pension rights under the F.S.S.U. Initial placing on the salary scale will depend on qualifications and experience. Applications should be received by 31st July, 1972. Further particulars may be obtained from The Senior Assistant Secretary (Personnel), The Queen's University of Belfast, BT7 1NN, Northern Ireland. (Please quote Ref. 72/E.)

Birkbeck College

(UNIVERSITY OF LONDON)

Postgraduate Economics

The newly established Department of Economics at Birkbeck College will admit students for an M.Sc. (Economics) course in October 1973. Details will be published later. Applications for 1972-73 are however invited from students wishing to do research leading to the M.Phil. or Ph.D. degrees, either on a part-time or a full-time basis. Preference will be given to applicants whose research interests relate closely to those of one or more members of the staff of the Department.

Further details are available from the Registrar, Birkbeck College (H3), Malet Street, London, WC1E 7HX.

APPOINTMENTS

Wye College

(UNIVERSITY OF LONDON)

Agricultural Economist
(Maize Research)

Applications are invited for the above post in the Maize Unit, which is supported by the Home-Grown Cereals Authority. Candidates should be graduates in agricultural economics or agriculture with agricultural economics. A sound practical knowledge of farming is also desirable. The appointment will be made according to qualifications and experience in a scale related to the Lecturer grade, which is currently £1,841 x £147 to £2,378 x £150 to £2,878 x £147 to £3,705. Superannuation under F.S.S.U.

Further particulars may be obtained from the Secretary, Wye College, (TE/8), Nr. Ashford, Kent, to whom applications should be submitted by 24th July, 1972. It is hoped that the appointment will begin on 1st September, 1972.

Polytechnic of the
South Bank

DEPARTMENT OF BUSINESS
STUDIES

Lecturer in Marketing

Applications are invited from suitably qualified and experienced candidates for this post, which will provide opportunities for developing Marketing as a subject in the Business Studies degree course, and new courses at post graduate and post experience level.

The appointment will be made as either Senior Lecturer or Lecturer Grade II, according to the qualifications and experience of the successful candidate.

Salary scale: up to £3,768 per annum.

Further particulars and application forms from the Clerk to the Council (Room No. 237), Polytechnic of the South Bank, Borough Road, London SE1 0AA. Tel: 01-928 8989.

Economics
GraduatesPractise Economics
at the highest
possible level

Economists in government service deal with matters of national importance. Their work is in the application of economic principles to industrial problems, and the analysis of current trends and future prospects in all fields with which government concerns itself. Their role is to give expert economic advice to ministers and senior administrators.

The experience you gain in the Government Economic Service is invaluable. And the way is open for you to rise to responsible positions near the centre of influence and decision-taking.

You'll begin as Economic Assistant on the scale £1530-£2325. You must have, or expect to gain in 1972, a degree with first or second class honours or a higher degree in economics or a related subject. You must be under 27.

You could progress to Senior Economic Assistant (£2476-£2984) in 2-4 years or earlier according to experience. Promotion to Economic Adviser (£3653-£4883) could come 2-3 years later. Further promotion takes you to Senior Economic Adviser (£5175-£6475), and there are higher posts still. These appointments may be permanent and pensionable or short-term (with FSSU).

For further details and an application form to be returned by 14th August write to Civil Service Commission, Alencon Link, Basingstoke, Hants, quoting ref. A/621/4.

COMPANY STATEMENT

ST. MARTINS PROPERTY
CORPORATION LIMITED

Preliminary Results

for the year ended 31st March, 1972

The profit of the Group for the year ended 31st March, 1972, subject to audit, was £1,570,000 as set out below:

Year to 31st March 1971 £000's		Year to 31st March 1972 £000's
3,895	Net Rents and other income, less property expenses and administration	4,201
1,584	Interest (net)	1,882
2,311		2,319
(40%) 839	Estimated Taxation	777
1,472		1,542
42	Proportion of profits, after taxation, attributable to minority shareholders	7
1,430		1,535
130	Proportion of unrealised appreciation required to compensate for expenses relevant to properties under development	110
1,560		1,645
63	Transfers to Reserves Group Profit	75
1,497		1,570
532	Parent Company Dividends, Interim Paid 1.25p per share	592
828	Final Proposed 2.00p per share	947
1,360		1,530
£137	Addition to amount carried forward	£31

The declaration of a Final Dividend of 2.00p per share (8 per cent) will be recommended to Shareholders at the Annual General Meeting to be held on Friday, 8th September, 1972, making a total for the year of 3.25p per share (13 per cent). This compares with 11½ per cent on the Share Capital after adjustment for the Capitalisation issue of 1 for 1 made in September, 1971.

On the basis of the valuation of properties at 31st March, 1972, the net asset value of the Ordinary Shares was 210p (150p). If full allowance is made for the conversion of the Convertible Loan Stock the value would be reduced to 185p (137p).

FINANCIAL NOTICE

UNION BANK OF ISRAEL LTD

STATEMENTS OF CONDITION

31st of December, 1968 to 1971 (Round to nearest IL. 10,000)

	1968	1969	1970	1971
Share Capital, Reserves and Unallocated Profits	10,830,000	11,080,000	11,390,000	11,890,000
Deposits and Other Accounts	404,910,000	549,610,000	665,590,000	969,060,000
Confirmed Documentary Credits and Other Obligations on account of Customers	41,260,000	62,400,000	55,660,000	81,980,000
	457,000,000	623,090,000	732,640,000	1,062,930,000
Cash and Banks	122,550,000	249,580,000	315,080,000	449,610,000
Securities	5,850,000	7,890,000	15,780,000	18,600,000
Advances and Other Accounts	282,300,000	297,990,000	341,030,000	507,460,000
Bank Premises and Equipment	5,040,000	5,230,000	5,090,000	5,280,000
Customers for Obligations on their behalf	41,260,000	62,400,000	55,660,000	81,980,000
	457,000,000	623,090,000	732,640,000	1,062,930,000

HEAD OFFICE TEL AVIV

14 branches in Tel Aviv, Ramat Gan, Jerusalem, Haifa, Natanya, Hadera, Rehovot, Beersheva

APPOINTMENTS

CJA RECRUITMENT CONSULTANTS
35 New Broad Street, London, E.C.2. Tel. 01-588 3588

A top financial appointment—opportunity for considerably increased earnings and responsibilities in the short term

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£6,000 - £8,000

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This vacancy is caused by expansion and is open to candidates aged 26-30 who have a minimum of five years' practical experience in Banking or in the treasury of a multi national company. Candidates will be totally familiar with the international money markets and all aspects of corporate finance. Reporting to the European Treasurer, the Financial Manager will have prime responsibility for arranging short term, project and export financing, and will also assist in general treasury operations. Frequent European travel will be necessary. Initial salary negotiable £6,000-£8,000; contributory pension; free life assurance; assistance with removal expenses if necessary. Applications in strict confidence, under reference FM3239/FT to the Managing Director:

CAMPBELL-JOHNSTON ASSOCIATES (MANAGEMENT RECRUITMENT CONSULTANTS LTD, 35 NEW BROAD STREET, LONDON EC2M 1NH. TEL: 01-588-3588 or 01-438-0553)

For further appointments
see pages 5, 106 to 112

INTER BANK RESEARCH ORGANISATION INTERNATIONAL STUDIES

We are looking for a graduate, aged 25 to 30, to support our International Consultant.

Areas for study will include the money markets of London and other financial centres, diversification in international banking business, and trends towards multinationalism in the structure of financial institutions. The implications for the British banks of developments in Europe and in the international monetary system will also be studied.

The ideal candidate will have several years' experience in an international banking environment, and the ability to think creatively about the challenges of international banking over the next 10 to 15 years.

Salary will be competitive, according to experience and qualifications. Five weeks' annual holiday. Three year contract, renewable by agreement.

For further details please apply to:

J. H. Robertson, Director
INTER-BANK RESEARCH ORGANISATION,
Moor House,
London Wall,
London EC2Y 5ET
or Telephone 01-628 3070.
Please quote Reference No. 32.

London School of Economics

UNIVERSITY OF LONDON

Applications are invited for appointment from as early a date as possible to a Research Officership in the Centre for Urban Economics at the London School of Economics in connection with a project on the economics of physical planning with special reference to the evaluation of urban renewal. Candidates should be trained economists and able to handle data; preference will be given to those experienced in research. The appointment will be for 18 months and will be at a starting salary of £1,641 a year rising after one year's service to £1,788 a year, with the addition of London Allowance at the rate of £162 a year and superannuation benefits.

Applications should be received not later than 18 July 1972 by the Administrative Officer (Room E10), London School of Economics and Political Science, (TE/1) Houghton Street, London WC2A 2AE, from whom application forms should be obtained.

University of Bradford

MANAGEMENT CENTRE

Lecturer in Marketing Science

An appointment will be made, preferably from 1 October 1972, of a lecturer to specialise in teaching and researching the application of Quantitative Techniques to Marketing. The teaching involvement will be at Undergraduate, Postgraduate and Post Experience levels. Preference to candidates having a good honours degree in a subject area with a high quantitative component, a postgraduate management qualification and significant business experience. Salary within scale £1641 to £3989 commensurate with qualifications and experience. Superannuable (PSSU).

Application forms (returnable by 17 July 1972) and further particulars from the Registrar, (Post MA/L/24/M), University of Bradford, Yorkshire, BD7 1DP.

BUSINESS ANNOUNCEMENTS

DEVELOP YOUR IDEA!

If you have an idea, but are short of either capital or management to develop it further, we are a young, highly successful management team conscious of our social responsibilities to the individual.

We have considerable cash resources and management skills to produce and market your idea (whilst allowing you to work in a creative environment) and ensuring that the resulting rewards are fairly shared.

Write to Box No 2508.

APPOINTMENTS

International Superphosphate and Compound Manufacturers Association Limited (ISMA)

Research Assistant

The International Superphosphate and Compound Manufacturers' Association Limited (ISMA) has a vacancy for a Research Assistant in its London-based Secretariat.

The successful applicant, working under the direction of the Manager, Statistical Services, will be responsible for the collection, processing and publication of statistical information relevant to the world fertiliser industry.

The work involves liaison and correspondence with other organisations; development of new sources of information; preparation of input data for computer processing and verification of output; maintenance of statistical records and compilation of statistical reports.

He/she will be expected to become conversant with the international fertiliser market and to acquire a detailed knowledge of the computer systems used by the Association for statistical compilation.

Applicants must have initiative, an aptitude for figures and the ability to work independently. This is an interesting responsible job for the right person. Good knowledge of French advantageous. Age 20-30 initial salary in range £1500-£2000 p.a. plus LVs, non-contributory pension scheme. Persons with appropriate qualifications and/or experience should write in confidence to:

B. R. Walters
ISMA Ltd.
121 Gloucester Place
London W1
Tel. 686-2468.

University of Kent at Canterbury

FACULTY OF SOCIAL SCIENCES

M.A. in Quantitative Social Studies

Applications are invited for this one year course which is designed for students who wish to prepare themselves for active quantitative investigations in research, business or the Public Service. S.S.R.C. awards are available for suitable candidates.

Further particulars and forms of application may be obtained from Mr. J. Reilly, The Cornwalls Building, The University, Canterbury, Kent, Telephone Canterbury 66822, extension 671 (Quote: PGS/72).

Senior Urban/Regional Planner

Firm of international consultants require experienced planner with expertise in economics to advise and lead teams in the U.K. and abroad. Apply Box No. 2512.

University of Malaya

Chair of Business Administration

Chair of Applied Economics

Applications are invited for the above-mentioned appointments in the Faculty of Economics and Administration. Candidates should have high academic qualifications and wide experience in teaching and research. Preference will be given to candidates with a knowledge of Bahasa Malaysia (Malay). For the Chair of Business Administration the successful candidate should be an expert in any one of the functional areas of Marketing, Production Management, Finance or Industrial Relations. For the Chair of Applied Economics a knowledge of Malaysian Economy will be of advantage.

Salary: There is a range of basic salaries to a point on which a Professor is appointed depending on his qualifications and experience. These are: £2919, £3032, £3146, £3259, £3373, £3486, £3600, £3713.

Full particulars of additional allowances, superannuation and conditions of appointment, together with application forms, are obtainable from the Association of Commonwealth Universities (Acpu), 36 Gordon Square, London WC1H 0PP (Tel: 01-387 8572).

Applications close on 15 July 1972.

UNIVERSITY OF DUBLIN Trinity College

LECTURER/JUNIOR LECTURER IN ECONOMICS

Applications are invited from suitably qualified candidates for the above post.

Salary scales:
Lecturer: £2,081 x £129-£2,984/
Bar/£3,113 x £129-£3,500,
Junior Lecturer: £1,544 x £102-£1,952.

Marriage and children's allowances are paid and there is a non-contributory F.S.S.U.-type Pension Scheme.

Further particulars may be obtained from:
The Assistant Secretary (Staff),
West Theatre,
Trinity College,
Dublin 2,
who will receive completed applications up to 17th July, 1972.

CHAIRMAN'S STATEMENT

BPB INDUSTRIES LTD

Year to:	1.4.72	31.3.71
	£000	£000
Sales	75,457	68,371
Profit before taxation	6,875	5,816
Profit after taxation	4,549	3,483
	Pence per Share	
Earned for Ordinary shares	13.2	10.1
Ordinary Dividends	7.0	6.5

Points from the statement by Mr. R. S. Jukes CBE, FCA

Capital projects in hand total £10½ million.

High level of sales of plasterboard achieved by British Gypsum Ltd. in the United Kingdom and by Gypsum Industries Ltd. in Ireland.

Paper and board mills of Davidson Radcliffe Group Ltd. increased sales volume but packaging products affected by current recession in industry.

Plasterboard ventures in France, Belgium and Sweden are becoming firmly established and profitable.

Prospects for year to 31st March 1973 are favourable.

Copies of the Annual Report and Accounts can be obtained from the Secretary,
BPB Industries Ltd., Ferguson House,
15/17 Marylebone Road, London, NW1 5JF



CONFERENCE HOTELS

New 160-seat conference hall

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30 minutes West End—35 minutes City
2/3-bedroom beautifully FURNISHED HOUSE TO LET approx. 10 months mid-August to end June 1973. Quiet street opposite hospital, plenty of parking space. Central heating—piano—TV. Exceptional kitchen. Small patio garden with lilac and leburnum. Whole house redecorated less than two years ago. Rent £30 p.w.
Tel.: 01-930 5155 ext 313 or
Write Box 2511 The Economist,
25 St. James's St. SW1

APPOINTMENTS

Chief Economist

for Coras Iompair Eireann (CIE), Ireland's National Public Transport undertaking. Reporting directly to the General Manager his function will be to provide an economic input to CIE's corporate policy and development. This will involve recommending suitable courses of action to management on those services affected or likely to be affected by outside economic events. The Chief Economist will also be expected to make a major contribution in discussions with the Government about grants and he will be one of CIE's chief contacts with EEC. The department he will direct employs a number of people with considerable economic expertise. Candidates should have a masters degree in economics with experience at senior level in relating professional economics to corporate policy and development. Some experience in transport economics and the economics of public finances embodying cost/benefit analysis and techniques is desirable. Age probably early 30's. Salary will be discussed at interview. Please write—in confidence—to P. J. H. Fryer quoting ref. S.80675.

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(Dept. G92), St Albans, or
call at 30 Queen Victoria Street,
London, EC4. Tel. 01-248 6874.
(Founded 1910.)
Accredited by the Council for the
Accreditation of Correspondence
Colleges.

For further
appointments see pages
5, 106 to 111

Senior Lecturer or Lecturer in Small Business Studies

This post, due to the generosity of the Industrial and Commercial Finance Corporation, will enable the School to explore and develop teaching in the area of Small Business, including that of new ventures. It is hoped that the successful candidate will contribute to both masters degree and post-experience courses and explore means of developing teaching within Small Business. Another possible area of interest is the relation of Government to Small Business. A primary need will be for the candidate to develop case material and research relevant to future teaching activities.

The experience of applicants should include practical work in, or consulting for, this field of business. The appointment will be at lecturership or senior lecturership level according to the qualifications and seniority of the successful applicant. The post will be held, in the first instance, for three years, and the starting date is negotiable. Research assistance will be available.

Closing date for applications will be July 31st.

Salary scales: Senior Lecturer—£3852 to £4734,
plus London Allowance £162.
Lecturer —£1641 to £3999,
plus London Allowance £162.
Membership of the F.S.S.U. applies.

Apply to: Professor M. E. Beesley,
Faculty Dean,
London Graduate School of Business Studies,
Sussex Place,
Regents Park,
London, NW1.

TECALEMIT LIMITED

ORDINARY DIVIDEND — 16% AGAIN

Year to 31st March	1972	1971
Sales	£10,527,525	£11,233,142
Profit on Trading	611,431	1,045,203
Profit after Interest	471,473	874,231
Profit after Tax	285,383	530,952

DIVIDENDS	1972	1971
Preference	26,250	26,250
Ordinary—Interim—5½% (5¼%)	82,500	82,500
—Proposed Final—10½% (10¼%)	157,500	157,500
	266,250	266,250

The shortfall of orders reported at the half-year continued until the end of 1971. Although there was a marked improvement from the beginning of 1972, the miners' strike severely affected output while profitability continued to suffer from our adherence to the C.B.I. recommendation.

Copies of the Report & Accounts and Chairman's Statement can be obtained from the Secretary, Tecalemit Limited, Maidenhead, Berkshire, SL6 3AQ.

GROUPE LAFARGE CIMENTS LAFARGE

The Annual General Meeting was held on June 27th, 1972, Monsieur Marcel DEMONQUE, presiding. The accounts for the financial year 1971 which produced, after depreciation of F.128,973,819, a net profit of F.30,562,497, against F.69,314,333 and F.60,332,704 respectively in 1970, were duly adopted.

The decline in the results is due mainly to the three following factors:

- relatively stagnant business activity in 1971,
- higher in depreciation,
- effect of the loss incurred by Ciments de la Seine, which was taken over at the end of the year.

The Company's self-financing capacity remained at about the same level as in 1970, however.

It was resolved at the Meeting to fix the dividend at F.9.35 per share, the same as in the previous year, which including the tax of F.4.675 already paid to the Treasury for shareholders entitled to tax credit, provides a total income of F.14.025.

This dividend will be paid on July 10th, 1972 against coupon No. 29.

A resolution was passed at the Meeting authorising the Board to raise one or more loans for a total amount of F.300 m. on terms it considers acceptable.

The mandates of Messrs John G. BEEVOR and François de JERPHANTON as Directors, were renewed.

In his address, Monsieur Marcel DEMONQUE pointed out that the estimates for 1972, both as regards the Company and in the estimates for consolidation, were decidedly better than the results terms of consolidation, were decidedly better than the results for 1971. The results attained during the early part of the year seemed to confirm that these targets would be reached or indeed exceeded.

Replying to a question, the Chairman made it clear that the 100 m. Euro-franc loan, issued recently at 7.5%, had been highly successful as it had been subscribed twice over.



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Nelbarden (Scotland) Ltd., Rank Strand Electric Ltd.

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COINCIDENCE?

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Charles D. Chapman, Town Clerk, Town
House, Kirkcaldy. Telephone 4141.

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Please send me the facts about expansion in Kirkcaldy.

Name

Address

Position in Company

BANCA TOSCANA—Società per Azioni

Capital L. 4,000,000,000, fully paid up—Reserve funds L. 4,125,000,000

REGISTERED OFFICE: FLORENCE

An Ordinary General Meeting of the shareholders in Banca Toscana was held at the head office of the Bank, Palazzo Portinari Salvati, Florence, on 27 May 1972; 52 shareholders representing 35,769,375 shares attended the meeting.

The President, Prof. Enzo Balocchi, welcomed those present. The Managing Director, Prof. Paolo Pagliazzi, then read out the Report of the Board, commenting upon the substantial increase in the volume of deposits; the 21.29% rise brought the volume of deposits to the figure of L. 684,000 M, the net flow being over L. 120,000 M, the highest in the history of the Bank.

— the satisfactory increase in lending to customers which rose by 13.92%, exceeding the total of L. 293,000 M despite the difficult economic situation.

— the appreciable expansion in the volume of transactions in every department, including the foreign section in which dealings exceeded those during the previous year in spite of the negative effects of instability in the international monetary situation.

— the fact that with a net profit of L. 694,989,548, more than L. 256 M could be allocated to reserves, a sum could be set aside for the Charity Fund and a 9% dividend could be distributed.

BALANCE SHEET AT 31st DECEMBER, 1971

ASSETS		LIABILITIES	
Cash	L. 15,706,999,458	Share capital	L. 4,000,000,000
Funds with issuing house	.. 58,145,578,789	Ordinary Reserve	.. 3,632,704,285
Bank's own securities	.. 195,752,612,665	Reserve against risks (Law 1228, 27.7.1962)	.. 236,000,000
Holdings	.. 847,407,213		L. 7,868,704,285
Assets carried forward	L. 5,700,276,185	Savings deposits	L. 147,012,074,919
Portfolio	.. 96,360,438,222	Current accounts with customers and correspondents	L. 537,911,473,884
Secured current accounts	.. 17,835,788,900		L. 684,923,548,803
Ordinary current accounts	.. 159,000,446,954	Bankers' drafts	L. 6,493,483,786
Mortgages & special financing (Law 1228, 27.7.1962)	.. 14,676,937,811		L. 691,417,032,589
Banks and correspondents	L. 293,573,888,072	Bills for collection	.. 5,264,824,997
Portfolio of bills for collection	.. 103,796,319,385	Staff Redundancy Benefit Fund	.. 11,539,142,807
Sundry debtors	.. 60,414,681,003	Fund for depreciation of property	.. 2,034,640,041
Debtors for endorsements, sureties, acceptances for third parties	.. 7,631,882,508	Sundry creditors	.. 18,883,149,138
Debtors for securities and bills of exchange for collection & payment	.. 4,133,501,049	endorsements, securities, acceptance for 3rd parties	.. 4,133,501,049
Property: for company use	L. 4,768,254,579	Securities and bills of exchange receivable and for delivery	.. 17,486,356,935
other properties	.. 887,266,539	Amount payable for interest and commission	.. 4,962,026,382
Investment towards Staff Redundancy Benefit Fund	.. 1,044,884,514	Shareholders for profits from previous years	.. 5,340,909
Installments due	.. 1,848,829,771	Previous profits to be distributed	.. 4,394,764
	L. 766,058,462,501	Installments payable	.. 1,744,359,057
Securities deposited	L. 70,308,469,205	NET PROFIT FOR THE YEAR	L. 694,989,548
Security depositors	L. 152,308,697,642		L. 766,058,462,501
	L. 988,675,629,348	Deposits of securities	L. 70,308,469,205
		Securities with third parties	L. 152,308,697,642
			L. 988,675,629,348

Following a report from the President of the Committee of Auditors, Dr. Mario Tanini, and discussion among some of the shareholders, the Meeting approved the Directors' Report, the Balance Sheet and Profit and Loss Account and the Board's recommendations as to profit distribution.

The Meeting then appointed the members of the Board of Directors for the three-year period 1972-1974 as follows: Enzo Balocchi, Paolo Barile, Leonida Biagi, Rodolfo Brizzi, Pasquale Bruzzichelli, Marco Buitoni, Mario Ciolli, Mario Conforti, Lido Falorni, Sergio Giachetti, Natale Lorenzini, Vinicio Meoni, Paolo Pagliazzi, Ermanno Saggini, Angelo Toschi, Canzio Vannini.

The Meeting also appointed the members of the Committee of Auditors for the same period as follows: Mario Tanini, President, Alberto Bonpani, Roberto Olivieri, Aldo Venturini, Mario Materozzi.

Full auditors: Mario Della Piana and Giovanni Fabbrini.

Alternative auditors: Mario Della Piana and Giovanni Fabbrini.

The Board of Directors met on the same day to appoint the holders of office in the company as follows:

President: Prof. Enzo BALOCCHI

Deputy President: Canzio VANNINI

Managing Director: Prof. Paolo PAGLIAZZI

The Central Deputy Manager, Mario Giovannini, was asked to become Secretary to the Board.

The 9% dividend becomes payable on the 29th May 1972 at agencies of the Bank.

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- Non-Stop—London/Jeddah.
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New ticket offices— and more of them

They don't just look more modern and efficient. They are more modern and efficient. And so are the courteous, well-trained personnel who serve you. New offices have recently opened in Bombay, Jeddah, Rome, Sanaa and soon Cairo, Amman, Mecca, Riyadh, Dhahran, Medina, Karachi, with more on the way.



New Cargo terminal— London Heathrow

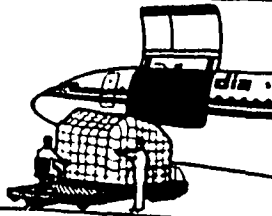
It isn't only the building that's new and better. The service that goes with it is too.

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New all-cargo jets

Only Saudia fly all-cargo Boeing 707s London, Frankfurt then non-stop to Saudi Arabia. It's the fastest service, the only scheduled service and a fully-palletised service. And our new improved cargo facilities at London (Heathrow) and in Jeddah, mean we're just as efficient on the ground too.



New wide-body look

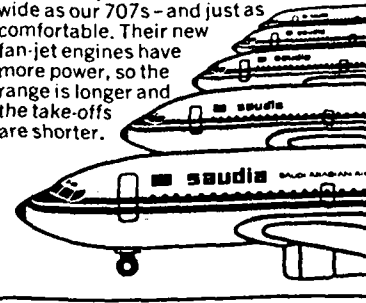
Only Saudia 737s have the new wide-body look, with new 'Twin-seats' in Economy. All our 4-engine Boeings will also have the new livery outside and colourful interior decor, also with 'Twin-seats' in Economy.

**New livery**

We think you'll go for our smooth new livery in green, white and blue. A big Saudia on the fuselage and our emblem on an all-green tail mean you can spot us easily.

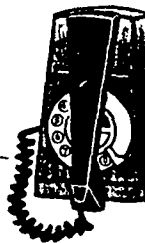
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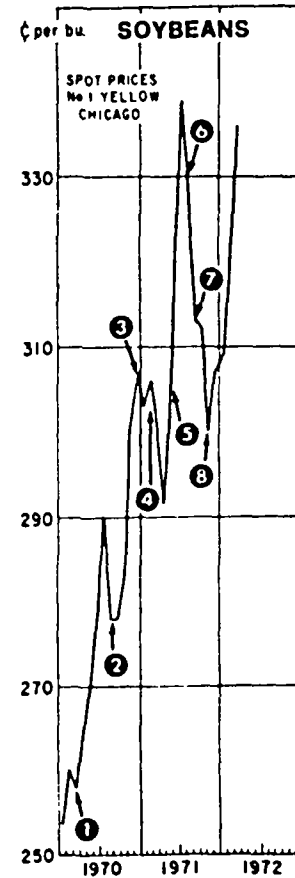
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Recommendations of:

- 1 March 1970 — BUY.
- 2 August 1970 — BUY.
- 3 December 1970 — lower prices first quarter 1971.
- 4 February 1971 — make major commitments around 287 — 290.
- 5 June 1971 — prices above 340 soon.
- 6 August 1971 — BUY late October early November.
- 7 September 1971 — prices at 285 undervalued.
- 8 November 1971 — BUY. Significantly higher prices.

For over a quarter of a century, our basic research has enabled us to anticipate well in advance a major reversal in the price trend. It is indicative of the commodity work performed by us for many large corporations in industrial and agricultural commodities.

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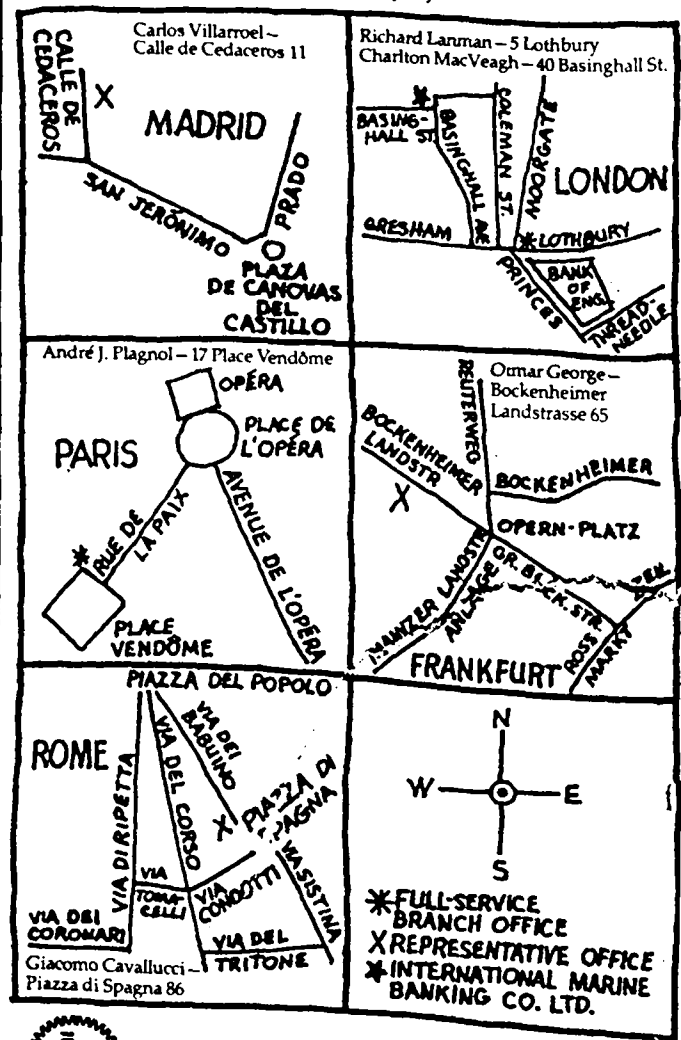
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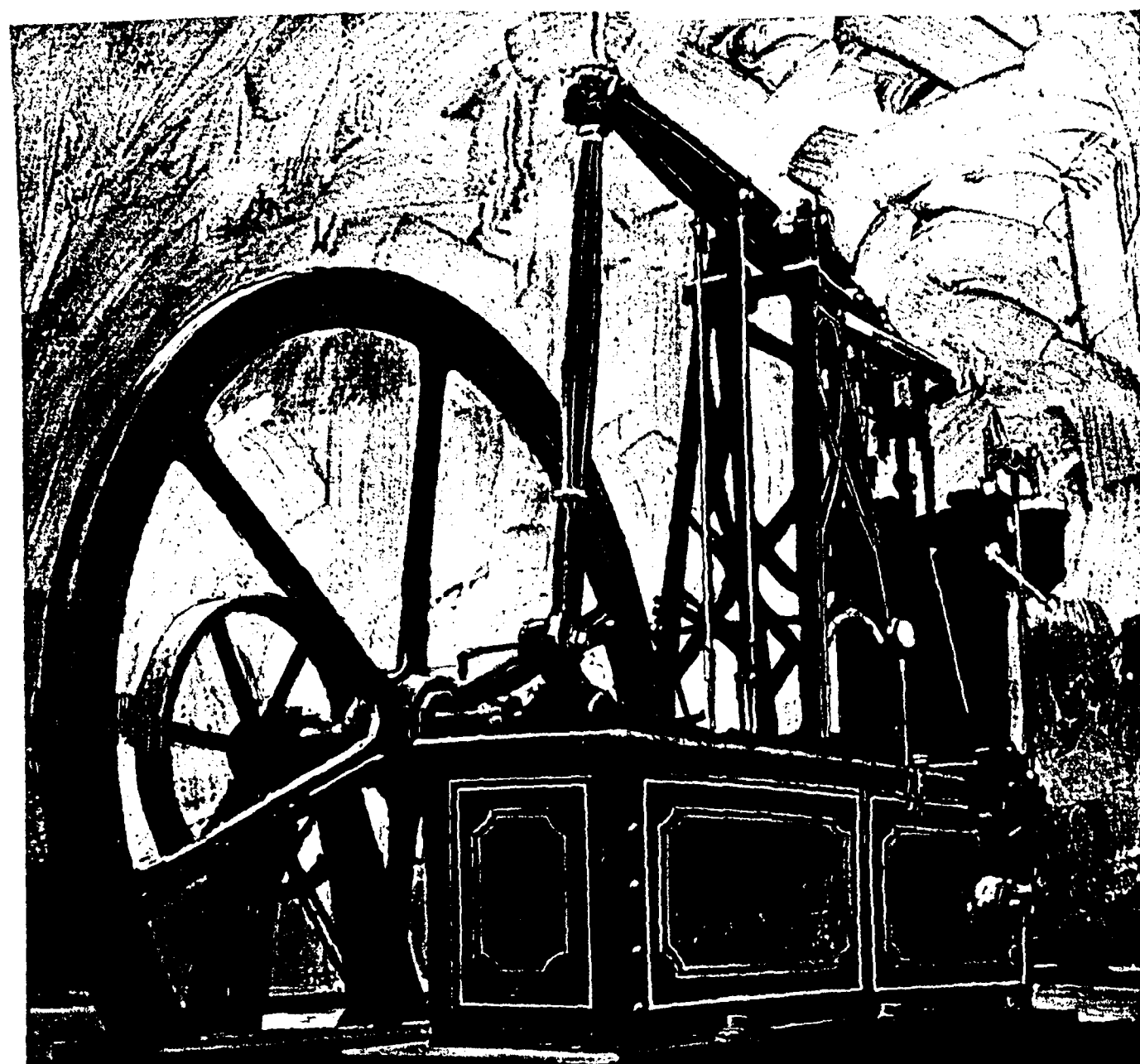
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STOCK PRICES AND YIELDS

Prices, 1972		British funds		Price, June 28 1972		Price, July 5 1972		Net red. yield, July 5 1972		Gross red. yield, July 5 1972		Eurobonds		Last week's prices		This week's prices		Yield to maturity %	
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
98 1/2	97 1/2	British Electric 3 1/2%	1968-73	97 1/2	97 1/2	3.585	3.585	5.980	5.980	Anglo-American 7 1/2%	1987	93 1/2-4 1/2	94 1/2-5 1/2	7.84					
89 1/2	75 1/2	British Electric 3 1/2%	1976-79	77 1/2	78 1/2	5.775	5.775	7.430	7.430	Amoco (I) 8 1/2%	1987	84-9	84-9	9.19					
109	96	Treasury 8 1/2%	1980-82	98 1/2	99 1/2	5.100	5.100	8.485	8.485	General American Trans. 8 1/2%	1987	99-100	99-100	8.03					
108 1/2	94 1/2	Treasury 8 1/2%	1984-86	96 1/2	97 1/2	5.390	5.390	8.855	8.855	General Cable 8 1/2%	1982	99 1/2-100 1/2	99 1/2-100 1/2	8.20					
94 1/2	81 1/2	Funding 6 1/2%	1985-87	82 1/2	84 1/2	5.555	5.555	8.550	8.550	International Utilities 8 1/2%	1987	99 1/2-100 1/2	99 1/2-100 1/2	8.00					
66 1/2	54 1/2	British Transport 3 1/2%	1978-88	55 1/2	56 1/2	6.100	6.100	7.820	7.820	Kleinwort Benson 8 1/2%	1987	98 1/2-99 1/2	98 1/2-99 1/2	7.79					
86 1/2	71 1/2	Funding 6 1/2%	1978-88	55 1/2	56 1/2	6.100	6.100	7.820	7.820	Motorola 8 1/2%	1987	98 1/2-99 1/2	98 1/2-99 1/2	8.11					
111 1/2	94 1/2	Treasury 9 1/2%	1990-95	48	48 1/2	5.965	5.965	7.955	7.955	N. American Rockwell 8 1/2%	1987	97-8	97-8	8.02					
58	46 1/2	British Gas 9 1/2%	1990-95	48	48 1/2	5.965	5.965	7.955	7.955	Queenland Alumina 8 1/2%	1987	99-100	99-100	8.26					
89 1/2	75 1/2	Treasury 6 1/2%	1995-98	76 1/2	77 1/2	5.775	5.775	9.130	9.130	Williams & Glynn 8 1/2%	1987	99 1/2-100 1/2	99 1/2-100 1/2	8.00					
43 1/2	36 1/2	Treasury 5 1/2%	2008-12	62 1/2	63 1/2	5.685	5.685	9.070	9.070	Inter-American Devel. Bank (DM) 6 1/2%	1987	98 1/2-99 1/2	98 1/2-99 1/2	6.44					
30 1/2	26 1/2	War Loan 3 1/2%	after 1952	37 1/2	37 1/2	5.595	5.595	9.355	9.355	Malaysia (DM) 7 1/2%	1987	96 1/2-97 1/2	96 1/2-97 1/2	7.19					
		Consols 2 1/2%		27 1/2	28 1/2	5.585	5.585	9.305	9.305	Slater Walker (LDM) 7 1/2%	1987	98 1/2-99 1/2	98 1/2-99 1/2	7.09					

Prices, 1972		Ordinary stocks		Price, July 5, 1972		Change on week		Yield July 5		Prices, 1972		Ordinary stocks		Price, July 5, 1972		Change on week		Yield July 5	
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
359 1/2	268	Banks, other financial	FI 355	...	4.8			118	89	Breweries, etc.	101 1/2	...	3.3	74.9	58.7	Hoesch	DM 61 1/2	...	5.0
78	57.8	Algemeine Bank	FI 76.3	...	3.0			69	55	Anheuser-Busch	56 1/2	...	1.1	220.3	145 1/2	Hoogoven	FI 77.3	...	5.2
367	257	Amsterdam-Rot	335 1/2	...	3.0			194	148	Basch, Charrington	160 1/2	...	3.1	60	52	Mannesmann	DM 207	...	4.8
45	37 1/2	Aust & NZ Bank	44 1/2	...	2.5			167	106	Bols NV	155 1/2	...	2.3	104.8	65.2	Nippon Steel	Y 59	...	8.5
500	370	Bank of America	460 1/2	...	3.4			210	153	Courage	141 1/2	...	3.0	85.8	68	Thyssen Hueste	DM 72	...	4.9
113 1/2	86 1/2	B of Montreal	92 1/2	...	3.5			210	153	Distillers	205 1/2	...	3.1	34.9	29 1/2	US Steel	52 1/2	...	5.4
116 1/2	84	B of Mexico	P 1	...	2.2			210	153	Distill Seagrams	239 1/2	...	1.8	117.1	85.9	Usinor	Fr 106.4	...	8.5
465	298	B of NS Wales	425 1/2	...	3.0			244	184	Dormund Union	186 1/2	...	3.9	52.2	40	Wendel-Sidolor	Fr 44.1	...	11.1
740	525	B of Scotland	Fr 228.1	...	4.6			343 1/2	238 1/2	Guinness	186 1/2	...	1.2						
2680	2310	B Bruxelles	Fr 228.1	...	4.6			314	234	Heineken	186 1/2	...	1.2						
279.1	220	B de Paris Pays Bas	Fr 228.1	...	4.6			199 1/2	154	Kirin Brewery	190 1/2	...	4.6	185 1/2	132 1/2	Electrical, electronics	DM 166	...	3.0
64 1/2	53 1/2	Bankers Trust	853 1/2	...	5.3			114	88 1/2	Nat Distillers	190 1/2	...	3.3	295	236	ASEA	Kr 248	...	4.0
480	298	Barclays	478 1/2	...	2.0			210	153	Scottish & Newc	239 1/2	...	1.8	558	402	BUC	194 1/2	...	4.0
121 1/2	78	Can Imp Group	100 1/2	...	4.1			210	153	Whitbread 'A'	101 1/2	...	3.6	193	162	Chloride Electric	166 1/2	...	4.0
40 1/2	32	Chase Manhattan	853 1/2	...	3.7			114 1/2	84 1/2	Whitbread 'A'	101 1/2	...	3.6	75 1/2	53 1/2	Comsat	54 1/2	...	0.9
59 1/2	49 1/2	Chemical Bank NY	849 1/2	...	5.7								402	260	Deca	345 1/2	...	2.7	
257	225.2	Commerzbank	DM 225.2	...	3.8								232	169	EMI	171 1/2	...	3.7	
182	148 1/2	Credit Commercial	Fr 432 1/2	...	2.1			346 1/2	279	Assoc Portland	281 1/2	...	3.3	283	181	Electrolux 'B'	Kr 283	...	3.5
440	370	Credit Foncier	Fr 384 1/2	...	2.1			204	178	BBP Industries	182 1/2	...	3.9	295	257	LM Ericsson 'B'	Fr 271	...	2.0
440	369 1/2	Credit Suisse	Fr 384 1/2	...	2.1			246	178	Boise Cascade	512 1/2	...	1.9	70 1/2	46 1/2	General Electric	566 1/2	...	1.0
350	210	Deutsche Bank	DM 310	...	2.9			265	195	Bois Ltd	326 1/2	...	8.8	193	163 1/2	GEC	173 1/2	...	2.4
289	255	Dresdner Bank	DM 261	...	4.1			2760	2130	Cimex Lufage	Fr 255.3	...	5.5	33	26 1/2	Gen Tel & Elec	526 1/2	...	5.7
61 1/2	43 1/2	First Nat City	84 1/2	...	3.5			143	105	Cimenteries Briq	Fr 2600	...	5.0	145	106	Hatch	800 1/2	...	4.6
635	355	Fuji	Y 635	...	0.9			288	155 1/2	Costain	280 1/2	...	2.7	160	127 1/2	Honeywell	Y 131	...	0.9
490	335	Hambros	166 1/2	...	2.5			24900	19050	East China Clays	139 1/2	...	1.9	41 1/2	16	Hoover	152 1/2	...	1.5
208	142	Hill, Samuel	166 1/2	...	2.5			191 1/2	149 1/2	Isalement	176 1/2	...	1.4	402	331 1/2	IBM	8400	...	1.2
17 1/2	14	IOS Mgmt	81 1/2	...	1.8			121 1/2	76 1/2	Lang 'A'	176 1/2	...	1.4	155	103	Int Computers	Fr 79.2	...	2.1
20 1/2	13 1/2	Hongkong & Sh	119 1/2	...	2.2			232	158	Lang 'A'	176 1/2	...	1.4	91	76.2	Machines Bull	Fr 79.2	...	2.1
3830	330	Kleinwort Benson	168 1/2	...	2.2			375	303	Marley	180 1/2	...	4.2	769	507	Matsushita	Y 642	...	1.6
395	184 1/2	Kreditbank	Fr 8690	...	2.0			172	124	Pilkington Bros	329 1/2	...	3.2	855	537	Philips	800 1/2	...	2.5
395	184 1/2	Kreditbank	DM 374	...	3.7			182	136	Redland	135 1/2	...	2.2	162	133	Plessey	146 1/2	...	3.4
457	320	Kundenkredit	Fr 2280	...	4.5			171	138	Rugby Portland	140 1/2	...	2.7	45	33 1/2	RCA	134 1/2	...	2.9
2370	1840	Lloyds	406 1/2	...	6.5			210	250	Tarmac	271 1/2	...	3.3	129	104	Rediffusion	124 1/2	...	3.7
457	320	Lloyds	406 1/2	...	6.5			360	275	Taylor Woodrow	282 1/2	...	2.0	99 1/2	79	Reynolds Parsons	DM 266.6	...	1.0
850	601	Manuf's Hanover	Fr 834 1/2	...	1.8			275	212	Wimpey	245 1/2	...	1.0	5420	3240	Siemens	Y 5000	...	2.6
36 1/2	26 1/2	Mediobanca	L 61990	...	1.4								43 1/2	29 1/2	Sperry Rand	DM 421	...	1.6	
82350	606	Mercantile Credit	210 1/2	...	6.8								173 1/2	117 1/2	Texas Instruments	517 1/2	...	0.5	
293	176	Mercury Secs	490 1/2	...	2.4			173	143	ATV 'A'	162 1/2	...	4.7	552	458	Thomson-Houston	Fr 155	...	4.5
530 1/2	348	Midland	Y 435	...	1.8			57 1/2	45 1/2	CBS	162 1/2	...	2.6	58	45	Thorn Electrical	504 1/2	...	1.2
435	202	Midland	Y 435	...	1.8			200 1/2	202 1/2	Granada 'A'	244 1/2	...	2.5	68 1/2	43	Toshiba	Y 79	...	6.3
205	202	Montagu Trust	280 1/2	...	1.8			225	200	Grand Metropolitan	220 1/2	...	1.2	54	43	Western Union	562 1/2	...	2.2
205	202	Montagu Trust	280 1/2	...	1.8			55 1/2	43 1/2	Holiday Inns	853	...	0.5			Westinghouse	556 1/2	...	1.8
94 1/2	89	Morgan J P	130 1/2	...	2.3			214	600	Lyons 'A'	673 1/2	...	2.4						
94 1/2	89	Nat & Grindlays	130 1/2	...	2.3			246	167	Trust Houses-Forte	244 1/2	...	1.5						
130	2.80	Nat Australia	230 1/2	...	3.2														
130	2.80	Nat Com Grp	459 1/2	...	1.4														
250	176	Nat West	459 1/2	...	1.4														
462	300 1/2	Norsk Creditrbk	5135	...	2.2														
144	120	Royal Canada	61 1/2	...	1.3														
715	608	Schroders	780 1/2	...	3.1			77.1	62.8	Chemicals	FI 71.6	...	0.4	237	182	Engineering, shipbuilding	182 1/2	...	2.6
412	374	Slater Walker Secs	63005	...	5.4			81.5	57.5	ARZO	L 604	...	3.3	215	214	Arcas Copco	DM 231	...	3.2
3135	2910	Soc Gen de Banque	Fr 82735	...	2.5			40.0	33 1/2	ANIC	\$34 1/2	...	3.6	45	25	BSA	30p	...	5.5
2800	2640	Soc Gen de Banque	Fr 82735	...	2.5			163.3	137	BASF	DM 155 1/2	...	5.4	94 1/2	67 1/2	Babcock & Wilcox	82p	...	2.9
407	328	Standard & Chart	508 1/2	...	2.8			152	129.2	Bayer	DM 155 1/2	...	4.8	129	129	John Brown	133p	...	2.6
384	280	Suez	Fr 347	...	11.1			2990	2240	CBSA-GEIGY	Fr 2430	...	1.90	1460	1150	Brown Boveri 'A'	Fr 51250	...	8.0
650	362	Sumitomo	Y 650	...	1.2			593	47	Dupont	\$19 1/2	...	4.0	100 1/2	71 1/2	Brown Boveri 'A'	Fr 51250	...	8.0
4440	3670	Swiss Bank Corp	Fr 53670	...	6.0			310	327	Fisons	375 1/2	...	1.1	49 1/2	49 1/2	Davy Ashmore	57 1/2p	...	5.0
4805	3885	Union Bank Switz	Fr 54380	...	5.5			176.9	146	W R Grace	DM 147	...	4.0	100 1/2	71 1/2	Davy Ashmore	57 1/2p	...	5.0
637 1/2	435	United Discount	440 1/2	...	1.2			305	238	Hoechst	DM 147	...	4.0	100 1/2	71 1/2	Davy Ashmore	57 1/2p	...	5.0
197	214	United Dom Tst	234 1/2	...	12.2			50 1/2	46	Laporte	82p	...	1.2	72	21 1/2	Garland & Wolff	52 1/2	...	4.5
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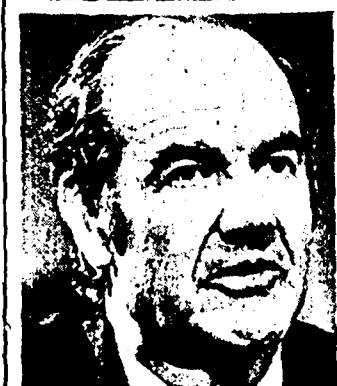
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The sun also rises

Senator McGovern rides high in the Democratic sky, but his nomination at Miami Beach does not mean that he has won all his party to his side, far less that his new kind of populism will win him the White House in November, page 11. The whole Miami Beach story, pages 43 to 49.



Hanoi's choices

For the first time, the Vietnam peace talks are being resumed with a conceivable compromise deal on the horizon, page 13. The media are always too ready to write Saigon off, page 34.



The face of Wales

How the principality is changing in a new industrial world—and is proud of its reviving Welshness, too; a special survey, after page 50.

Boomflation

The world economy is likely to expand comfortably this year, page 16, despite the absurd and growing panoply of exchange controls, page 56, which Europe's finance ministers will discuss next week, page 20. Britain is moving ever nearer to a statutory wage policy, page 62, despite June's happier overseas trade returns, page 59.



Stabbing Willie

The IRA's latest tactics seem calculated to destroy Mr Whitelaw's political credibility with the Tory party, the Dublin government and Ulster's Catholics and Protestants, page 14. How Seamus Twomey stole the Orangemen's thunder on the Twelfth, page 23. The republic still looks for hope in the gloom, page 30.

Private lives

The Younger committee has some 40 proposals for restraining intruders and snoopers, but these don't include the creation of a legal right of privacy, page 25.

Poor Reggie

The Poulson affair is still billowing smoke; Mr Maudling really has no luck, page 26.

Letters

Enoch Powell

SIR—Even if “the country” did wish to call on Mr Powell, the fact remains that he could not (in your words) “get to Downing Street” unless a majority of Conservative MPs are prepared to vote him into the party leadership. Analogies with 1940 are surely misleading when they fail to take into account the highly significant change in the procedure for choosing their leader which the Conservatives made in 1965.

I cannot claim to be very closely in touch with Westminster nowadays, but from what I do hear, I simply cannot imagine a “scenario” which would result in Mr Powell’s election—nor, with respect, do I find it conceivable that Mr Powell should ever be invited to try his hand at forming an administration without such an election having taken place.—Yours faithfully,
EDWARD BOYLE
University of Leeds

SIR—You find that Mr Powell’s chief political failure is flying off at a tangent at problems which you consider peripheral to the nation, and using exaggerated language. I do not think it is an offence to exaggerate the truth, and the important thing is to consider the implication of Mr Powell’s assertions.

Evident in his speech on the race problem are the following important truths:

(1) There are ghettos in many of Britain’s cities. (2) Black people constitute the predominant population in these ghettos. (3) Black people do not like being confined to these ghettos. (4) If they (black people) are not removed from the country and stay in the ghettos, they will fight. And (5) the consequence will be racial violence.

What at least some black people would want to know from Mr Enoch Powell, is whether he thinks that black people will meekly submit to being removed to their countries; and if they resist being removed to their countries, what does Mr Powell think governments should do in overcoming their resistance?

Mr Powell should not evade these questions on the grounds that they seem hypothetical. One is entitled to ask the limits of his strategy for dealing with this problem. If he further avoids the task on the pretext that one need not reveal one’s contingency plans to an enemy, the black people will organise on the assumption that he will stop at nothing, including the gas chamber, in eliminating them from the ghettos.

One might go further: that the authorities in this country, when they come round

to perceive the truth of Mr Powell’s assertions, will sanction his programme for action, because it is based on what is presumably a correct analysis of the problem. Mr Powell cannot blame black people for the existence of ghettos; that he conveys that impression is only part of the process of inflating the truth. This acceptance of the truth of some of his assertions does not imply an acknowledgement of the falsehood, that black people are responsible for the existence of ghettos.—Yours faithfully,
STANLEY NWOSU
London, E17

SIR—One of the better features of your paper in the past was its steadfast refusal to have any truck with racialism. Now even this is in doubt. Your article on Enoch Powell consists of an attempt to sketch a better political tactic for him. Presumably you do not care whether or not this enables him to be more successful in his racial campaign. You say that it is no good dismissing this campaign with moral scorn. How else do you propose to frustrate it? Or do you now approve of it and wish it well?—Yours faithfully,
LONDON, NW2
E. L. PHILLIPS

SIR—It is encouraging to read in your issue of July 8th that after years of misunderstanding, if not malice, you can at last give a glimpse of the great services which Mr Enoch Powell could render to this country if given an opportunity.—Yours faithfully,
LONDON, SW3
E. C. CURTIS

The economy

SIR—Your comment on index-linked wage schemes (July 8th) was timely and interesting, but I doubt the truth of your assertion that “in the end, it all comes down to the simple fact that wage rises must be matched by productivity rises.” You have often pointed out yourself in the past that rising wages vastly increase the relative flow of funds to the central exchequer and thus strengthen the tendency towards greater government involvement in the economy. Most of this is a non-productive or even counter-productive nature for social, political or national reasons. Equally as important as productivity is a willingness on the part of government to keep spending increases in line with the trend in real gross national product.—Yours faithfully,
NICHOLAS LEONARD
Monkstown, Co. Dublin

SIR—For at least the past three years England has been living on takeover bids—the only other activities to help boost the economy being pop music and dock strikes.

Is it surprising that those who sell us their petroleum and the thousand and one other products which we import say “your pounds just aren’t worth what you think they are”—and convert them as quickly as possible into some other currency?—Yours faithfully,
G. S. CHAMBERS
Cannes

Gibraltar

SIR—It is stated in your article of July 1st that “the voters have shown considerable maturity not only in reverting to the more experienced of the two teams, but more particularly in rebuffing the IWP’s distinctly crude attempts to divert attention from its own faults by accusing Sir Joshua Hassan of intending to sell the pass to Spain.”

First, the Integration With Britain party government cleared a deficit of £368,000 left by Sir Joshua’s “more experienced” team. This deficit, according to a Ministry of Housing and Local Government official who was brought over to investigate and report on the financial position of the city council, accounts, was “contrary to law and financially imprudent.”

Secondly, the IWP government raised a dangerously low £700,000 revenue reserve to an all-time record of £1,400,000 during the three years that we were in office. We put aside £300,000 for improvement and developments, and budgeted for a surplus of about £4m to meet a forthcoming wages and salaries review. Over and above this, government expenditure was raised from £3.5m to £5m. This is exclusive of a £10m development programme which, among other things, will provide the people of Gibraltar with over 1,000 new government flats by 1975.

On the commercial side, two new hotels should be fully operational by next summer.

It is therefore incorrect to suggest that the IWP government was diverting attention from its own faults. Our record shows that this is hardly the case.

As to “accusing Sir Joshua of intending to sell the pass to Spain,” what was done was to tell the people that his view on the question of “sovereignty” is very different from that of the IWP. It was my duty to tell the people that there exists a fundamental difference between Sir Joshua and myself on the matter of absolute British sovereignty over Gibraltar, as came to light at a meeting attended by both of us on May 15th.

May I point out that although the IWP was founded only in 1967, we formed a government in 1969, and we were defeated only by about 200 votes after these elections, in which we won seven of the 15 seats being contested.—Yours faithfully,
R. J. PELIZA
Gibraltar

(Leader of the Opposition)

Rebels on the rack

SIR—Before anyone draws conclusions about transferable voting from the case of the Conservative selection for Beaconsfield (Letters, July 8th), it should be established just what system was in use. If Mr John North’s term “at the first ballot” is correct, then the Beaconsfield Conservatives, like the British Parliamentary Labour party or the French electorate, are using the staggered ballot system, not transferable voting as the term is usually used. For good or ill, under normal rules

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of transferable voting, a tie is automatically resolved in favour of the candidate having a larger number of votes at the earliest stage of the count, ie, in this case Mr Bell.
—Yours faithfully,
MICHAEL STEED
Todmorden, Lancs

Gaullism

SIR—Your reviewer writes, apparently with approval, that de Gaulle provided “dramatic nationalist solutions” instead of favouring internationalism or a federal Europe (July 8th).

It is true that de Gaulle favoured an empty rhetoric which might be interpreted in this way, but all his actions, as, for example, his handing over Algeria to a communist government, show him as having been as good an internationalist as anyone. Again he could easily have left the common market but did not do so, and it is interesting to read that Miriam Camps considers that his action of keeping Britain out actually welded the market together into the nascent super state it is now, whereas Britain's admission might have led to its developing into a loose free-trade area.

De Gaulle's supposed nationalism is often used to persuade credulous Britons that nations can continue to exist in the market, and they do not realise that the French have a long history of meaningless attitudinising which contrasts sharply with their actual achievements.—Yours faithfully,
K. T. MOORE
Ilford, Essex

Insurance

SIR—Your article “Where is life assurance going?” (June 24th) begs many questions. In particular there is the supremely important matter that linked assurance can only be provided at the expense of much of the guaranteed protection traditionally provided by life assurance.

The main question I wish to take up, however, is the allegation that there is a growing need for tighter regulation of selling methods. The comparative freedom of operation has always been one of the strengths of British life assurance and is one of the factors that has helped to make it pre-eminent among European countries. The self-policing exercised by the industry itself by mutual agreement and by publicity has usually been successful in keeping extreme manifestations under control. Statutory regulation is inflexible and often less effective.

With regard to direct selling, you must be aware that this is the oldest and still a major method of life assurance promotion among the “traditional” offices and has considerable advantages for the lives assured. A large number of offices, including the London Life (mentioned in the article), does all or a large part of its business by direct representation, whether on commission or otherwise, and it is incorrect to infer that the methods in use by some of the younger office sales forces are new in principle; or that because they are “direct” they are necessarily more

reprehensible than, for instance, some broker sales. All the methods mentioned in the article have been in use for many generations and I see no reason why they should not all continue to have their place.
—Yours faithfully,
A. K. TUDOR
London, EC4 London Life Association Ltd

Hospital insurance

SIR—It is now sadly predictable that you will attack any improvements in the private sector of medical care (June 10th) presumably on doctrinaire political grounds rather than economic ones.

What is now needed is a vigorous effort by a Government devoted to freedom of choice for the individual of all measures to aid an ailing National Health Service and the prevention of state monopoly in any field.

It is sad to see that such restrictive measures are supported in your correspondence columns (June 24th) by a lecturer in social medicine who should be adequately employed in dealing with the mass of problems at his fingertips. In the growing field of social medicine there is a danger that the public confuse it with medical socialism.

Any attempts to aid more and more people to have the advantages of private medical care by their own thrift and foresight deserve our wholesale support. The day when a Conservative Chancellor of the Exchequer gives tax-exemption for medical expenses will show a great step forward in the real needs of health care in our country.—Yours faithfully,
LONDON, W1
WYNDHAM DAVIES

Students

SIR—Mr John Randall (Letters, June 10th) has raised some points which need to be answered.

The deputy-president of the NUS has made no attempt to deny the first point in my earlier letter, that the NUS is concerned to an excessive degree with pursuing overt political ends; it is an accepted fact that at NUS conferences more enthusiasm is invested in political motions than in student or undergraduate affairs. The NUS executive ought to improve its technique in negotiations, since the poor performance on grants last year was due to the self-satisfaction of the NUS at being round the negotiating table with the committee of vice-chancellors.

Finally, I take exception to what Mr Randall calls “NUS grants policy”; in reality this is a rationalisation of his, and his executive's, prejudices. Their actions show that the NUS not only dislikes academic excellence, but also prefers a levelling down rather than a raising up of academic standards. At a time when higher education has expanded far too rapidly, there is a need for greater discrimination in grant awards, and those with good A-levels studying at university clearly should have priority over those at polytechnics and colleges of further education.

When people like Mr Randall subscribe to such inverted academic standards, it is not surprising that many of us in universities have not the slightest confidence in the NUS.—Yours faithfully,
NIGEL SAUL
Oxford

That sea of peace

SIR—Your Cairo correspondent's article on the proposed Mediterranean conference (June 24th) has helped unravel the intricacies of its preliminary diplomatic manoeuvres. Statements coming out of Libya, however, indicate that the “new, and singularly clumsy, formula to define eligibility” could become even more complex than that suggested by your correspondent.

On April 29, 1972, the Tripoli *at-Tahir* radio programme spoke out against Morocco's participation at the conference, citing the alleged presence of foreign bases and forces on Moroccan territory as a violation of the criterion that the conference be confined to those Mediterranean countries “not involved in blocks.” Your correspondent offers the more common interpretation that this criterion bars Italy, Greece and Turkey—because of their Nato membership. Colonel Qaddafi, on the other hand, has told a Greek journalist (A. Stefanopoulou in *Eleftheros Kosmos*, May 21, 1972) that he saw no obstacle to the participation of Italy, Greece and Turkey in the conference, regardless of their military ties. When it is unclear how just one Mediterranean country defines eligibility, it is easy to see how the collective formula can become so confused.—Yours faithfully,
GEORGE S. DRAGNICH
Arlington, Virginia

Bye bye, baby boom

SIR—I have just read Mrs Mona McNec's letter (June 10th). Among other things this seeks to set out to show that Sweden, a large country with a small population, should be the ideal for prosperity and social happiness. Life in Sweden, as I found it during a two-year stay, has certainly not achieved these ideals.

The cost of living is so high that entertainment, other than the cinema, is prohibitively expensive, and to pay for luxuries the average Swedish wife must work. Only, funnily enough, babies and expectant mothers are well catered for by the health service, the rest have to manage somehow! The major shipyards of the country have to be kept open by frequent large injections of Greek or Turkish immigrants, despite local Swedish objections; and the large Scania lorry factory would close tomorrow without its immigrant workers.

I find that a small crowded country, such as El Salvador with its many problems and needs for the future, is, in fact, a far happier country than those that have succeeded in gradually disappearing from the world scene.—Yours faithfully,
SAN SALVADOR, EL SALVADOR
K. R. G. SMITH

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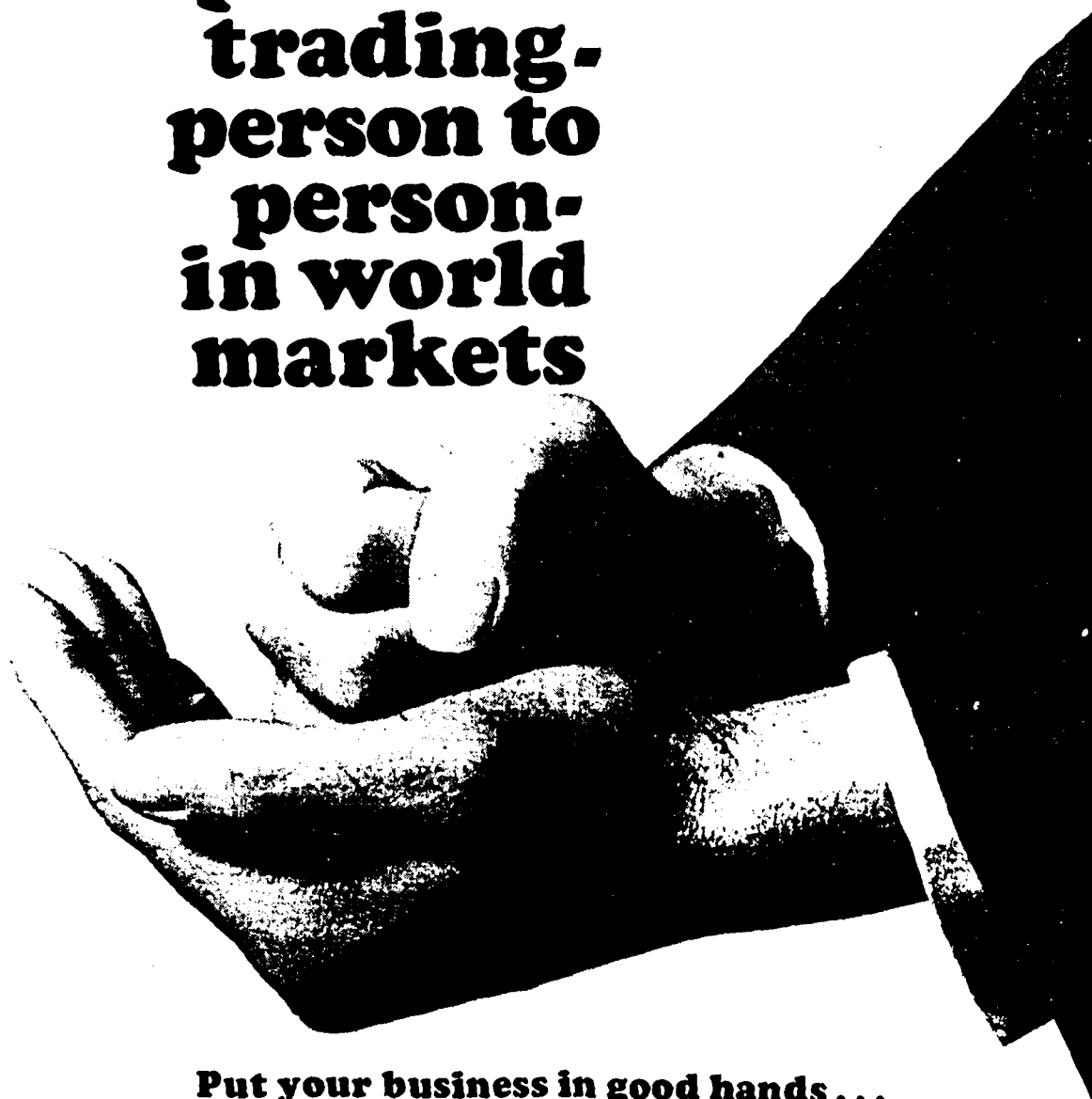


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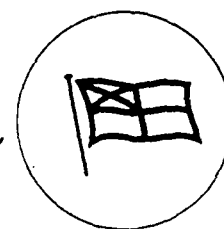
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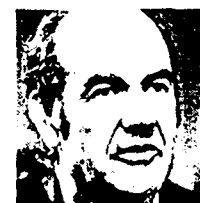


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**The
Economist**

July 15, 1972



The sun also rises

So it is to be McGovern. In the past few weeks it had always seemed most likely that it would be. And at the Democratic party convention in Miami Beach this week it had actually become self-evident that Senator McGovern would be the Democratic candidate for the presidency of the United States in November long before Senator Humphrey and Senator Muskie withdrew, wounded and having wounded, from the fight on Tuesday. But that is all that is self-evident about the proceedings in Miami Beach. The condition of American society, the state of American politics and even the fundamental quality of the man who might be the next president have yet to be decided. Mr McGovern heads the Democratic ticket, but most of America is not quite sure what that really means.

The old powerbrokers of the Democratic party professed to be in no doubt. As they watched practically every minority except that of organised professional politicians combine to give Mr McGovern his victory at the convention on Wednesday, they acted like men watching the inmates take over the asylum. In their desperation to stop Mr McGovern they may have destroyed whatever chance he may ever have had of defeating President Nixon this autumn.

But to such men losing an election is merely tragedy: losing control of their party to a bunch of idealistic amateurs was a calamity. To those amateurs, who turned out, in the end, to be remarkably professional in their organisation on the convention floor, it was a total triumph for the new politics. If that begged the question of whether the new politics was all that new, it did not stop the McGovernites from appearing to be concerned as much, if not more, with fashioning a new party as nominating a presidential candidate. For them victory in November is a target: but it was not, apparently, a goal worth the price of allowing Mayor Daley to sit on equal terms in the same hall.

They might be right in the long run—if they have the stamina which separates the politician from the dilettante. But for the immediate future the truth does

not lie with either extreme in the party, however much the very nature of conventions gives exaggerated importance to such extremes.

Mr McGovern has not lost the election, at least not yet. The old Democratic party is not dead or in ruins, at least not yet. The new politics may prove to be something more lasting than an emotional spasm, and there is room for that in America today. But the name of the game is still politics, and like every other professional Mr McGovern plays the game to win.

Whether he can this time round is problematical, and all the more so now that he has failed to persuade Senator Kennedy to be his running-mate and so has had to make do with the virtually unknown Senator Thomas Eagleton from Missouri, a border state which could help in the strategy. The McGovern forces seem happy with this, although if the election were held now President Nixon would romp home. That could change. Three months ago it did not seem possible that Mr McGovern could even win his party's nomination, and the fact that he went into this week commanding the support of little more than 30 per cent of Democratic voters is not decisive now that he is the nominee.

How long the odds are

He could still win even if many local Democratic leaders take a quiet walk in November, as their Republican counterparts did with Goldwater in 1964. Whether he could do so if Mayor Daley and his like (which includes some of the most powerful leaders of organised labour) were actively hostile is another matter. The pros may want their machine back so badly that they might do just that. Governor Wallace, too, may not have had his last word yet.

But if it would be foolish to write off Mr McGovern's prospects it would not make much more sense to take anything but very long odds on his chances at this stage. His supporters would dispute that. They argue that they have won possession of the Democratic party out in the open because the ordinary Democratic voters turned

away in disgust and despair from the synthetic machine-produced political leaders.

There is some substance in that claim: Americans have as much cause for anxiety at the general quality of their political leadership as most other countries. But politics is never as simple as all that, which is why new politics rarely last or stay new for long. To break out of party rigidities while still retaining the basic brand loyalty on which victory must be built can, of course, be done. But it requires a certain sophistication of approach, and only in times of national crisis can it be achieved without a degree of cynicism which invariably creates its own disillusionment.

There is a mood in America, a dissatisfaction almost with life itself, but it does not seem to have reached anything like crisis point yet. Part of that mood has always been there. Mr McGovern's constituency, in his own words this week, is "the people who have been passed by"—the women, the young, the alienated blue collar workers, the small farmers, the little independent businessmen, plus, of course, the anti-polluter and the anti-war protester. There is a familiarity about that constituency which belies the description of new.

The protest against affluence

But he also has another constituency, which is not only newer but provides his campaign with much of its financial muscle and almost all its intellectual furniture. That is the considerable number of Americans who have not found in those very material possessions that much of the world envies any great emotional or intellectual satisfaction. When they seek deliberately and conscientiously to share that wealth they are among the most attractive people in politics anywhere. But there is an element among them which can be best, if harshly, described as turning towards Mr McGovern rather than buying a third family car. What they are chiefly doing is to shy away from the complex problems of a world in which most families would be happier if they owned just a bicycle. It sometimes seems that what they are protesting about is the difficulty of combining luxury with the simple life.

Europe especially will follow Mr McGovern's campaign both for the presidency and a new kind of Democratic party with sympathy. The party that he and the best of his supporters are attempting to create will be instantly recognisable to moderate and right-wing social democrats. It will not be easy for Mr McGovern and his friends to create a coherent national mass party on a European model, and there are the unresolved dangers of such a party being used to coerce a fissiparous congressional system. Nevertheless, that he can even make the attempt, with at least some hope of success, to bring such a party into existence without being shackled by the conservatism of entrenched trade union leaders or a left wing half wedded to marxism, will be a source of envy among many in the British Labour party, in particular. He will not be without his admirers in the British Tory party, either.

But in his dull, flat, prudish or even slightly priggish personality, there are many echoes of the late Clem

Attlee. Like Attlee, he is as uncharismatic a leader as one could hope, or fear, to find in a generation, and no doubt a fair slice of pragmatism and ruthlessness goes with it, too. But for all his links with American populism, Mr McGovern, like Adlai Stevenson before him, may yet come to regret that Europe does not vote in American presidential elections.

Mr McGovern's quality as a presidential candidate cannot yet be fully determined. In the grinding slog of the primary campaigns he has made a number of mistakes, and even some downright blunders. His policies have not always been well thought out, which hardly makes him unique among politicians. He has to live with such foolishnesses as saying that he would go to Hanoi to "beg" for the release of American prisoners of war. To his followers part of his attractiveness is his willingness to admit errors—an engaging characteristic but not necessarily a winning one.

His commitments on ending the war in Vietnam and withdrawing American forces from Europe, as well as his ill-defined defence policies, will cause apprehension among many of America's allies. But he is no more a bogymen than he is a messiah. That both labels have been hung around his neck by members of his own party will be a handicap, perhaps an insupportable one. He could lose the election on the first and disillusion so many of his supporters if he wins on the second. It would be sensible, and certainly fairer, to judge the quality of much of his programme—particularly his social and economic policies—from what he says from now on rather than from what he has thrown off in the past. Mr Nixon will, of course, not let him off quite as easily as that. Neither will Mr Wallace.

A fresh breeze is blowing

Mr McGovern will probably prove to be a political leader of integrity and stamina but without exceptional political talent. He does not have the look of a Roosevelt or a Kennedy. Nevertheless, among that cross-section of American life which believes that great and critical changes are required to get America moving towards a more just and stable society, he inspires by his very honesty and earnestness. Perhaps it is those two qualities as much as his social democratic policies which have helped to alienate so many of the traditional power centres of the Democratic party. Mr McGovern has blown some much-needed fresh, young air through some murky corridors of his party, and most traditional Democratic voters will thank him for that. Whether or not they will also follow him is what the next three months will be all about.

The Miami Beach story

How Senator McGovern won the nomination, but may have lost his party; the kind of convention it was; the trust-McGovern platform; and where it all leaves Senator Humphrey, Senator Muskie and Governor Wallace, pages 43 to 49.



The ritual becomes more real

The reopened Paris talks could end the Vietnam war in either of two different ways—if North Vietnam really is ready

Even if Mr Nixon, against the odds, did lose in November, he would leave something behind him of his creation: the foreign policy of the United States has begun to show more evidence of planning, of intellectual coherence, of dealing with the world as it is, than it has for 20 years. The fashionable thing to say at the moment is that there is only one flaw on the smooth circle of new relationships Mr Nixon has built up around the world, and that is Vietnam. So it is, give or take a kink or two in such places as India and Egypt. The question is whether the creation of the circle will help to remove the Vietnam problem, or whether Vietnam could destroy the circle. As the Paris peace talks began again this Thursday, two months after North Vietnam's offensive got them called off, it is possible to say, very quietly, that the forces Mr Nixon has brought into play in favour of a settlement may prove too much even for the men in Hanoi.

Of course, the decision is North Vietnam's, and it would be even if the Soviet Union and China were to cut off all their aid to it. Even then, the South Vietnamese army would probably not be capable of destroying the North Vietnamese one, which would be the only conclusive way of removing the power of decision from Le Duan and Truong Chinh and their colleagues. And in fact neither the Soviet Union nor China is going to risk the furious accusations of betrayal that would follow the ending of all their assistance; the Chinese are still sending light arms across the border, and are ready to pump oil into the plastic emergency pipeline the North Vietnamese are trying to lay between the border and Hanoi, and there are still some Russian tanks trundling along the railway through China. What Mr Nixon has done is to give both of North Vietnam's rival patrons an interest in keeping the flow of help just about small enough to persuade the government in Hanoi that it cannot win the war by the means it is using at the moment—a conventional military assault, which may be the only means left to it.

The trick Nixon has pulled off

The trick Mr Nixon has been able to pull off, which neither John Kennedy nor Lyndon Johnson could, is to give both the Russians and the Chinese good reason to believe that they have less to fear from the United States than they have from each other, and at the same time to make them realise that the Vietnam war is an obstacle to what each of them most wants from America. With China that was spelled out explicitly in the statement that ended Mr Nixon's visit to Peking in February: the next stage in an American withdrawal from Taiwan, it said, would have to wait until "tension in the area diminishes." With the Russians it has been done more by a hint and a wink; but Mr Kissinger, in his briefing at the end of Mr Nixon's Moscow trip in May, made

it clear that the American credits the Soviet economy needs so badly were likelier to be forthcoming "as our general relationships improve." This is how the two wings of the circle converge on Hanoi. The mining of North Vietnam's ports, the apparent acceptance by American opinion of the renewed bombing of the north, and now the fact that both Russia and China have been given an interest in a settlement, are all working against North Vietnam's ability to continue the war.

The further price that the people of North Vietnam have had to pay in the course of this should not be ignored. When Anthony Lewis of the New York Times went to North Vietnam in May he saw some of the casualties that the bombers cause by mistake, by carelessness, sometimes by bloody-mindedness. He is right to say that even those who oppose North Vietnam's part in this war should bear in mind the suffering inflicted on people whose only share in the responsibility is to live under a government that has been determined to unite the south to itself by force. The appalling calculus of any war is that it is an attempt to purchase an exemption from future suffering, not only physical, and not only where the war is taking place, at the price of people dying and homes shattered here and now; and neither side of the calculation should ever be forgotten.

If North Vietnam does decide to give way to the pressures that are being applied to it, there are still two quite different courses it could follow. What the Russians would like, if the reports from India after President Podgorny passed through there last month are correct, is something along the lines of the ceasefire Mr Nixon proposed on May 8th, when he announced the blockade of North Vietnam. Mr Nixon has three things to offer the North Vietnamese, if they take him up on what he said then: he could end the mining, he could call off his bombers, and he could agree to withdraw the 39,000 American troops who are still scheduled to stay in South Vietnam. And North Vietnam too has three cards to play: in ascending order of military, but not political, importance they are the return of its American prisoners, a withdrawal from South Vietnam without a promise not to come back, and a supervised ceasefire that would put it in violation of an international agreement if it renewed the offensive next year. It may be that the secret negotiations of the coming weeks between Henry Kissinger and Le Duc Tho will be about who can get most for least in a bargain over these half-dozen marketable items.

What the North Vietnamese must be hoping, of course, is that getting the American prisoners back before election day is important enough to Mr Nixon to make him pay the top price. It is doubtful whether it is, although he might agree to a straight exchange of the prisoners for the withdrawal of those last 39,000 American troops by, say, early next year; the help South Vietnam needs from

then on might just adequately be provided from the Seventh Fleet, and the air bases in Thailand, and a few thousand American ex-servicemen hired by the Saigon government. But in present circumstances he is likelier to hold out for the formal, supervised ceasefire he called for in May, or at least for the observed and unmistakable withdrawal of North Vietnam's troops from the few parts of the south they still occupy.

The real issue: who shall rule in Saigon?

That is why this particular line of bargaining is so unattractive to the North Vietnamese, and why they may prefer the other negotiating course open to them. After this year's failure a supervised ceasefire, even a publicly conducted withdrawal, would make it pretty hard for them to renew the attack next year against American air power backing a much cockier South Vietnamese army. Even the return of the prisoners in exchange for the removal of the remaining American troops would cost them their last effective means of using American public opinion to put pressure on the man in the White House. So they may turn to the alternative, which is a settlement of the real issue of the war: who rules in Saigon.

It would be pleasant if North Vietnam were to accept what the Pope recommended on Sunday, free and secret elections throughout Vietnam. That is what President Thieu has proposed in the south. The trouble is that the northern government has never shown the slightest willingness to risk a normal election, let alone tolerate a real opposition with its own press and access to the electorate. The only real room for compromise here lies somewhere between Mr Thieu's offer—that he would resign a month before an election supervised by a commission that included the National Liberation Front—and the communist demand for the replacement not only of Mr Thieu but also of his whole "machine of oppression and constraint," which could mean most of the present system of administration, by a so-called coalition that would not even be committed to a date for calling an election. In practical terms, given the way

the war has gone in the past two months, that means either a compromise about how long before the election Mr Thieu would resign, or his agreement to take a few NLF people into his government before the election.

It has long been clear that the forces the NLF represents should have a place in the postwar political system of South Vietnam: either a place in its government, or a duly guaranteed right to act as a legitimate opposition without risk of persecution. The better, because more democratic, way of deciding which of the two it should be is by an election. The probability is that in such an election the communists in Vietnam, like the communists in Greece after 1949, would find themselves with a fairly small minority of the actual votes, but in a position to join other groups in an opposition that counted for something. But if Mr Nixon and Mr Thieu want to give North Vietnam something more face-saving, they might agree to include some of its southern friends in the government now. That is a far cry from the imposed coalition—the one preceded by an American expulsion of Mr Thieu and all his supporters—which Mr Nixon has quite rightly refused to consider. So long as the communists got none of the big jobs, and certainly nothing that gave them command over the guns, it might not be a wholly implausible means of blurring the issue. It might prevent North Vietnam tempting Mr McGovern with an invitation to Hanoi.

Quite possibly the North Vietnamese have gone back to Paris to negotiate about none of these things. They may just be hoping to make the most of America's election year, by throwing up suggestion after suggestion somewhere between what Mr McGovern would jump at and Mr Nixon would want to reject, in the hope that Mr Nixon can be jostled into making a mistake, or that they will find themselves with President McGovern in January. But Mr Nixon has not proved a man easy to jostle; and the decision he took on May 8th is steadily giving North Vietnam less time, and fewer resources, to jostle with. For the first time, the Paris peace talks are not necessarily just a ritual.



Stabbing at Willie

Mr Willie Whitelaw made a brave try, and he has not finished yet, but the stark and simple realities of life in Northern Ireland have reasserted themselves against him

The IRA, having disposed of Stormont and set off the para-military reaction by the UDA which now divorces the Northern Ireland Protestants from much of political opinion in the rest of the United Kingdom, is now starting a classic demolition job on the reputation of Mr Willie Whitelaw. While the British news media and public hang hopefully around promises of the on-again, off-again truce (or non-truce), the IRA has undermined Mr Whitelaw's credibility all round. This is a standard tactic: if any British politician begins to generate trust and attachment among Irish Catholics, he must be brought down. The IRA first blew the gaff

on the talks Mr Whitelaw had with its representatives last Friday: thus damaging him with the Conservative party (see page 24) and also with the Irish prime minister, Mr Jack Lynch (see page 30). That it damaged him still further with the Ulster Protestants is just as true, but of lesser importance. Then the IRA, on Wednesday night, offered to turn the truce on again, if Mr Whitelaw would give further guarantees of his good faith: the imputation to the Catholic community was that he could never be really trusted. The imputation to the Protestants was, of course, that he would sell them out to the IRA again.

That was Mr Whitelaw's dilemma on Thursday, and it is on how he resolves it, if he can, that the next stage of the political battle over Ulster will develop. It still is primarily a political battle, for all the talk of civil war, for the gun remains ancillary to the IRA's primary objective: to destroy the will of the British Government and British opinion to allow the Ulster Protestants to stay inside the United Kingdom. Naturally, the more signs there are of British hesitation on that score, the more the Protestants are tempted to turn away from Britain to set up their own little state. Although the Protestant extremists may suppose that this will save them from being handed over to Dublin, it is more likely to lead to their eventual destruction in a purely Irish battle. Mr Whitelaw was the one British politician who could just hope to stretch between Protestants and Catholics and between Mr Heath and Mr Lynch. That is why he is now the IRA's main target. If he cannot pick up the pieces again quickly the sense of hopelessness will spread in Britain and the drift towards a real civil war in Ulster will go on. For the IRA such a civil war would, of course, be the most conclusive of ways to get British opinion to wash its hands of Ireland altogether. The Heath Government now has to examine its policy and what it wants to achieve.

The first question that has to be asked is: should the British troops be pulled out? There are two reasons given by those who suggest this. The first is that the British public, its politicians and its newspapers now see no possibility of anything but a continued breakdown of society in Northern Ireland and wish to extract British soldiers before they start being killed by gunmen on both sides. It is a persuasive but despairing argument, and one that would be nationally self-destructive. It would mean that the British public was prepared to abandon responsibility for part of the United Kingdom and for the lives of the ordinary people who actually live there, and who have lived there, in the belief that they were full citizens of the United Kingdom, obeying its laws and paying its taxes and fighting in its wars. It is legitimate to ask if the army is being required to take on an impossible task, accepting unreasonable casualties in support of a bankrupt policy. Some people are no longer asking but asserting that this is so. But it would be something new, even in Britain's long retreat into itself, if this were to be the policy adopted by its governing party. Northern Ireland is not India or Cyprus or Aden. Until a very short time ago it was hardly questioned in the United Kingdom that Belfast was as manifestly part of the country as Glasgow or Liverpool were. However much that has changed, and is changing, the political and moral obligations remain to try to go on giving the ordinary people of Ulster the sort of protection that the state and its armed forces would be bound to try to give them anywhere else in the country.

A threat, and a delusion

The other reason for suggesting a pull-out, or a time limit after which a pull-out would begin, is to use the threat (so the argument runs) to bring the people of Ulster and, indeed, of all Ireland to what is called

their senses. This, too, is meant to sound persuasive, at least to English ears: the withdrawal of the civilising order must bring the lesser breeds to better behaviour. But this is mere delusion. The world, far less Ireland, does not work that way. There are very few people in Ireland who still confidently think they have any answer to the crisis of Northern Ireland which does not have bloodletting in it, but those who think in Belfast or Londonderry that the withdrawal of troops would prompt anything but open sectarian war are fewest of all; in London, naturally, it can look different. However, nothing is inconceivable. One day, perhaps, British ministers, driven distracted by Ulster, might bring themselves to take such a way out, persuaded that the moral responsibility would lie with the Irish and no one else, certainly not with them. But that day is still some time off: it is not just Mr Whitelaw but the remainder of the United Kingdom that has no option but to soldier on. What cannot be shirked is that the men who have to do the soldiering are likely to become increasingly dissatisfied if they do not think the political policy is credible.

The cost of repression

So the second question to be asked now is whether Mr Whitelaw's initiative can be continued or not. There is undeniably a military alternative: the intensification of operations against the IRA and its closest sympathisers beyond anything seen in Northern Ireland yet, including the suppression of the strongholds in the Bogside and Creggan. This is what a majority of Protestant opinion probably wants today, especially if the army would take the job on and not the UDA. But this does not seem likely to come about. Any intensification would be bound to throw much of the Catholic population back into the IRA's hands. It might even drag Mr Lynch's army, small as it is, into the reckoning. It would certainly be bought at a frightening price in relations, not just with the republic, but with the rest of western Europe and with the United States. So Mr Whitelaw knows in his bones that he has no option but to go on with what he has been doing. He cannot be expected to speed conciliation up, but he dare not slow it down either. When the Provisional IRA (or that part of it responsible for the breakdown) ended the truce, it ended it in the most damaging manner it could. Its excuse that the army sided with the UDA in stopping the rehousing of Catholic families is a bit of hard lying. They were no friends of pacification, of live-and-let-live, who organised the Catholic demo that the army stopped. Either the IRA is out of control (so that it is not exactly profitable for a British minister to talk to it for some time to come) or it engineered the whole business to discredit Mr Whitelaw in London and shake the faith of the Catholic population which had been impressed by his sincerity.

If this is what the IRA does want, it follows that it would be wrong to confirm its success by throwing all the machinery of the initiative into reverse. The appeal not to by Mr Ivan Cooper (although a Protestant, a significant member of the Social Democratic and Labour

party) was meant to show Mr Whitelaw that he still had friends, even if only rather lonely ones. Mr Whitelaw may also have a genuine sympathiser in Mr John Hume, who worked hard for the truce and who may be prepared in the end to accept reforms from the British that he rejected from the Unionists. So Mr Whitelaw will be right to go to the limit to try to hold the Catholic trust he has won. He is also not the man to knuckle under to the displeasure of the Tory ditchdiggers. As it turned out on Monday things went tolerably well for him with the party in the Commons, although he is already being made to pay for the slip of not emphasising that he only met the IRA because the shooting had stopped, precisely within the terms he had always laid down. It is understandable that Mr Whitelaw should be seething at the boneheadedness of most of what the Ulster Unionist MPs have been braying about him. Still, he has got to live with the Protestants, too, if he can: how he sets about it is another matter.

The last of the moderates

It is still true that the Protestants have more to lose than anyone in a civil war, for the very reason that they have the bulk of the businesses and shops and factory jobs in Ulster. The Protestant moderates' remaining hold on a sense of moderation is prompted by self-interest—once, that is, they are persuaded that their life is not going to be overturned altogether. That is to say, they would like a plebiscite to confirm the border, they would prefer to be protected by the army than by the UDA thugs, and their work depends on retaining a connection with Britain instead of going off with Mr Craig's fantasies of independence. This is not much to bank on at the moment, but it is a political base of sorts, and Mr Whitelaw and his advisers have under-

estimated how important this part of the community is, even if it has figured less prominently than others in the briefs of Whitehall civil servants.

Before Mr Whitelaw can have any confidence on building anything much up again there are more days to be lived through. They may go terribly wrong; indeed, they are likely to go terribly wrong. Neither community has been ready to give an inch of trust or charity or anything else to the other. The Catholics have refused to live peaceably beside the Protestants: their barricades, mental and physical, have not come down. The Protestants have done their best to disrupt any understanding between Mr Whitelaw and the Catholics: that, rather than self-defence, was their purpose in putting their barricades up. There can be two views on the desirability of direct rule when it came, but now that it has come there can be no going back on it. Both sets of extremists would like the British to disengage. The UDA would like it because it believes it can settle the score in Northern Ireland and re-establish a Protestant state there: if Britain does not accept it then the state will survive alone. The IRA would like the British out because it counts on the disengagement setting off the decisive fight for all Ireland. Because it is the extremists who want Britain out, and no one else, it would be wrong for Britain to go. It is only Britain that may still be able to rally enough moderates to give compromise a chance one day. But it is now a slimmer chance than it ever was. It is still true, as it was on the morrow of internment, on the morrow of bloody Sunday, on the morrow of direct rule, that Northern Ireland is more likely to win through only to the peace of exhaustion, not invention. That is just to state the obvious. What has chiefly happened in Northern Ireland this week is that we are back to the obvious, in all its starkness, again.



The world is a market

The world's economic prospect is for good growth, bad inflation and silly decisions at international conferences which fortunately will not really matter

There are three salient points about the world economy just now:

(1) Prospects for growth are bright, but prospects for inflation appalling.

(2) Almost all countries are trying to distort their exchange rates by ever-increasing exchange controls, which fortunately will not work.

(3) We are at the stage when most international economic conferences will temporarily produce either nil results or else slightly pernicious results. This applies to meetings of the IMF, of Groups of the Ten or the Twenty, monthly assemblies of central bankers, special Smithsonian conferences, councils of ministers to discuss proposals from the once-brilliant Brussels commission, Unotad, Stockholm environment conferences and Gatt. One reason is there has been an unusually long period without any decisive figures of really major international

economic stature on the world scene (the last ones were Jean Monnet, John Kennedy, the Hallstein Brussels commission, and possibly Per Jacobsson). Another is that institutional decay has begun to compound this blight of dominant personalities, so that modern international economic conferences are gatherings of different species of liberals who do not quite know what they want and who (more important) often no longer have the machinery to translate any agreed purposes into domestic decision-taking even if they did know. Also, it has become clear that last year's brief injection into the conference circuit of the Texan horse trader, Mr John Connally, has not revived the system but disrupted it, because more finance ministers and central bankers have become practised in resentfully shouting "no."

The Economist has no idea what can be done to mitigate this third problem. Probably it can only be

solved gradually, by osmosis. Meanwhile, the British Government should politely turn up at international economic conferences, but not expend great nervous energy on them. There is a virtue in pleasing people by agreeing to compromise versions for trying to keep snakes in tunnels (see page 20), provided you do not impose distorting controls to try to keep on fooling yourselves that even compromise schemes will last. The key to current economic wisdom, and even to making money, is to realise that for the next two years the world economy will be mainly ruled by market forces, not by non-decisions at inter-governmental conferences.

America leads the boom

By far the most important of these market forces at present is that the United States, which still provides half the free world's output, is again expanding its economy at 5½-6 per cent a year. This almost ensures an upturn of world boom in 1972-73. Despite its looming economic growth, America is holding down its inflation rate to 3½-4 per cent a year—which sounds bad enough, but is well below cost inflation in most other industrial countries (especially slow-growing ones). America's statutory incomes policy is therefore working reasonably well—as, contrary to prejudice, most statutory incomes policies now do. This relatively slower rate of inflation will probably cause an improvement in America's balance of payments in 1973. So far, however, the devaluation of the dollar in August, 1971, has been followed by a year of shocking balance of payments experience, as also befell Britain in the first year after devaluation in 1967. The continuing outflow of dollars from America has helped (a) to increase the internal money supply very sharply in all European countries, (b) to make Europeans less willing to hold dollars.

Soon after Europe and Japan have rigidified their new exchange and other controls, in order to check an inflow of American dollars, there might therefore be a stop to the inflow. Controls designed to counter a liquidity surplus and dispel threats of upvaluation might then become a creator of liquidity famines and devaluation crises instead. At one time in the 1960s, it would have seemed right to be very worried about this. Nobody should underestimate the capacity of central bankers to respond to distorting forces by imposing controls which are designed to hold whole financial systems by main strength in their previous distorted positions, even when the distorting forces have turned round 180 degrees. After last August the Bank of England imposed new controls to discourage dollars coming into the country, at the same time as maintaining longer-standing controls to prevent them going out. But experience since 1967 has shown that market forces are now strong enough to make these exchange controls surprisingly ineffective, as well as obviously absurd.

Since 1967, whenever there has been a clear need for a move in an exchange rate, that exchange rate has moved. Huge swings in the tide of international liquidity, such as occurred at Penn Central time, have been absorbed without fuss in the fortunately unregulated private liquidity market for Eurodollars. And world

economic growth has gone forward at the pace that was to be expected from the internal supply-and-demand situations in main industrial countries. For 1972-73 this supply-and-demand situation points to rather large free world economic growth, stemming from expansion in America, even though there may be a lot of apparent international financial crises (while swiftly changing international monetary forces beat up against the barriers of artificially fixed exchange rates and other controls). Although these zerebas of controls are no longer a cause of tragedy, they are a silly nuisance. In the late 1940s major economic miracles were chalked up by Dr Erhard's Germany and other European countries that dared to "dash for freedom"—to defy conventional opinion, to sweep away all internal rationing and other controls, to rely on a market economy. A rather similar advantage—especially in financial businesses—would accrue to any country now which abolished all its exchange controls while resting on a floating exchange rate. Britain, with its floating pound, has a unique opportunity to do this. But the present intention is that the opportunity should be missed.

Numeraires and the needy

Two other international financial reforms are desirable. First, as exchange rates are going to change frequently in future, there is a need for a general "numeraire," so that debtors and creditors and those fixing long-term contracts can be protected. Since the dollar floated last year, and sterling is floating this year, prices quoted in dollars or sterling will no longer suffice. It would be quite easy to draw up such a numeraire by creating an entirely new unit (called the "crown" or the "Smithsonian" or something); by stating its value in all the main currencies on the day of its establishment; and then announcing its varying value daily in terms of the weighted average movement of those main international currencies on the exchanges. There is no need to wait for an international conference to agree on this. If a number of big private organisations in the City, with a lot of international contracts to fix up, were to announce the option for their clients to state prices in terms of such a new numeraire, announced daily by themselves, that would do.

The other need in international monetary reform is to aid the poorer countries. With reasonably flexible exchange rates, developed countries should now be able to strike out for the highest growth rates that their productive capacities will allow, without being worried by balance of payments constraints while they are still falling short of full employment. The same is not true for poorer countries who lack adequate exporting industries at any feasible exchange rate. There is urgent need for a link between economic aid for developable poor countries and special drawing rights in the IMF.

Apart from these issues, the international economic outlook for 1972-73 seems set unusually fair. But "catch 1972" is that the internal economic outlook will continue to be set stormy for any country that does not control its cost inflation by bringing trade-union-bargained wages under control.



The holes in Europe

The point at issue in Europe next week will not be when to hold a summit, but whether Europe knows how to cope when the edges of its national politics start to fray

Don't tell Europe's worthy statesmen, but it does not really matter whether they decide at their two much-heralded meetings next week to hold a European summit meeting in October or not. So long as the summit is not lost sight of altogether, and so long as the members of the new common market can bring themselves either to agree or to disagree about it in an easy and undogmatic manner, that will be enough. Four things will matter in the informal meeting which Mr Anthony Barber holds for his fellow finance ministers of the common market on Monday and Tuesday, and the same four things will matter at the meeting of the ten foreign ministers to be held in Brussels on Wednesday.

Whither Pompidou?

The behaviour of France at these meetings will give the first sign of how President Pompidou proposes to play his European policy after the change of prime ministers which he made last week. For the appointment of M. Messmer, a straight gaullist, begs the obvious question: has M. Pompidou lost his way? To which the only clear answer so far seems to be: well, yes, President Pompidou has lost his way, but only sort of. Certainly M. Pompidou is not the electoral superman that he was last December, when, within six months, he had turned de Gaulle's European policy on its head and taken Britain into Europe, and had spoken "for Europe" to President Nixon in the Azores.

The horrid things which have happened to President Pompidou since then were bound to unsettle Europe. His political grip on France has been loosened; and a man in fear of his job rarely makes an effective partner. What M. Pompidou has always worked for in France is to be independent of the gaullists who helped to put him in power, and at the same time to rely on their keeping enough seats in the national assembly in next year's elections to be able to form a viable government securely under his command. First the gaullist party early this year, then the handsome prime minister himself, M. Chaban-Delmas, then the party again, have been accused of scandals which have marked the face of the entire government. Then M. Pompidou fell foul of his own ill-judged referendum on British entry.

It is important to understand what happened at that referendum, and how M. Pompidou is in danger of misinterpreting its results. When it became apparent that the referendum would not be a notable triumph, M. Pompidou found himself relying on the gaullist machine to get out the vote for what was supposed to be a personal success. When the rest of France, encouraged by the pro-European Socialists, saw that the affair was becoming more of a gaullist ramp than a vote about Europe, many of them preferred to spend a healthy Sunday out fishing rather than trailing off to the polls.

The president will be wrong if he infers from this that Europe is something Frenchmen do not care about. If he starts to hamper the progress of Europe he will discover his mistake.

M. Pompidou is a cautious and canny man, and what next week may show is which way he is laying off his political bets. Because he is a less independent prime minister, M. Messmer's presence at the Hotel Matignon hands the president even more power in making foreign policy than he had already. If M. Pompidou uses this power to cut up rough in Brussels next week or later, it means that he sees the gaullists as his only reliable source of future power. If he plays hard to get, perhaps forcing the summit to be postponed but still leaving all doors open, it means that M. Pompidou may be up to a very subtle game indeed. This would consist of letting the gaullists lose a fairly spectacular number of seats under M. Messmer at the elections next year, all flags flying, whereupon the dominant personality in French government under M. Pompidou could well become the Independent Republican, M. Giscard d'Estaing.

Whither Brandt?

The other place where every reply to the European question is a soggy one is west Germany. Herr Brandt approaches an election in December with his government in more uncertain shape than for a long time (see page 29). At his meeting last week with the French president Herr Brandt agreed to limit the agenda of a summit to a short list of subjects, which France likes, but which is going to be hard for the more ambitious smaller countries of the present common market to accept. He did this because he wants the meeting to take place before the German election to remind his electorate that he is just as good a west European as his rival Herr Barzel. A short agenda is no bad thing; but only the coming week may show whether Herr Brandt really thinks that he can get much electorally from a European summit which does not set out to achieve very much.

Whither Heath?

Which leaves Britain the only one of the big three in Europe able to take the kind of unwavering straight line on European policy which its Prime Minister would by nature be inclined to take. The snag here is that Mr Heath, under advice from Sir Christopher Soames in Paris, is being unusually cautious about doing anything which might press President Pompidou further back into the breast of every French politician. At least wait, is the command in Whitehall, until we are actually in. The outcome so far has been a set of British proposals on the summit which rightly get words like "regional policy"

Action Indonesia



Rice harvest

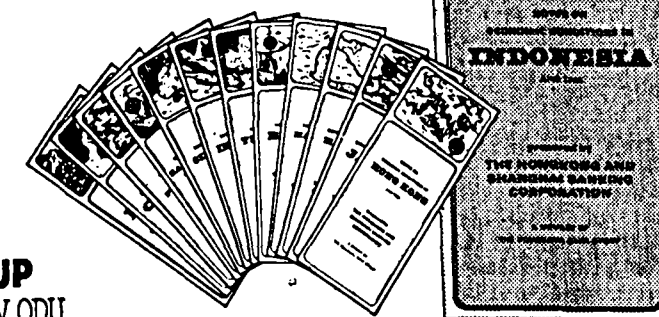
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on to the order paper, but which in their modesty reassure the Germans and French that nothing too much is to be asked of them financially, anyway not just yet.

Whither monetary union?

The fourth important indication which may be gleaned from next week's meetings is whether and how soon Europe will recognise that its attempt to achieve closer monetary union has to be adjusted to the economic facts of life. On international monetary reform, which is the chief item on Mr Barber's agenda next week,

differences will continue to exist but they will not be very striking (see the box below). On monetary union, however, the fundamental recognition has yet to be made that, national sovereignty being what it is, full economic union in Europe is still a long way off. That being the case, the various countries' rates of growth and inflation in Europe will differ. And so the first scheme for monetary union, the "snake in the tunnel," will need to be made more resilient if it is to survive. The reptile should go into temporary hibernation whenever the monetary weather gets too cold.

The money-go-round comes to London

The monetary question facing Mr Barber and his common market colleagues in London next week divides into two: (1) how to reform the international monetary system as a whole; and (2) how to conduct the related but separate affair of whether, and how, Europe can walk along the road to economic and monetary union.

World money reform

The first problem is what to do with the huge dollar balances which the world's central banks, notably the Japanese and German ones, have accumulated. Official world foreign exchange reserves now approach \$85 billion, of which the great bulk is in dollars. The United States no longer undertakes even in theory to convert these dollars into gold. The first thoughts put forward by Mr Barber himself in Washington last autumn were that dollar and sterling reserves should be funded by an issue of special drawing rights (SDRs) or some other form of internationally backed monetary obligation. Thinking in Europe still runs that way, except that the French and, more particularly, the Germans now feel that the best way to get SDRs off to a bad start as the world's new reserve coin would be to issue too many of them. The Germans therefore propose that it may be better to "consolidate" existing balances by simply freezing them in a series of bilateral agreements.

It is now generally conceded, even by France, that a thumping rise in the gold price to enable the United States to meet its existing dollar obligations will get no one very far—although France might, for old times' sake and to enrich itself, join someone else's campaign to raise the price of gold at least by a bit.

As for fresh reserves to be acquired in the future, the Germans and British would both like a system which would limit the amount of official foreign exchange that may be held in dollars. Under this sort of plan the Americans would agree to convert fresh dollar

balances above a certain amount into a mix of gold, SDRs and asset positions in the International Monetary Fund. If one could peg the price of gold this would ensure that its role in such transactions progressively diminished. SDRs, perhaps backed by packages of the world's major currencies, would tend to take gold's place as the chief asset into which surplus foreign exchange reserves might be convertible.

Europe's own plans

Monetary reform in the world at large gets mixed up with Europe's own plans for monetary union the moment the system of foreign exchange parities comes under discussion. Should the system be one of fixed parities? The universal answer among governments in Europe is yes. But how easy should it be to change parities, or to float for a while? Fairly easy and quite often, was the surprisingly enlightened answer of British officials long before the pound was unpegged last month. In Europe the Italians openly support this British view. The French see the point of it, but fear that an irresolute general practice of easy changes of parity would sink the plans for monetary union (the so-called *snake in the tunnel*) in Europe and with it the system of common farm prices. (In fact, as this paper recommended last week, so long as economic policies remain national preserves a disciplined version of the British solution might be the most practical way of saving the scheme for closer European parities and the common farm prices as well. This would mean limited floating for a limited time whenever necessary.) The Germans are wide open to the British view, but want the Smithsonian rates of exchange for the moment because a further rise in the value of the mark would not help Herr Brandt win his election in December.

Countries which control their economies by money supply, instead of fiscal policies, find that control constantly threatened by too many

dollars washing around outside official reserves. How to deal with this problem has been the biggest bone of contention in Europe for over a year. But it is also the aspect of monetary affairs on which the Europeans, notably the Germans and French, show most signs of a possible meeting of minds.

It is now generally recognised that a jungle of differing capital controls inside Europe will mother other controls and soon begin to damage everyone; although that jungle is becoming ever denser at present. So the Germans are now studying France's double exchange market, though the French, knowing how close this precious brainchild of theirs came to disaster last year, will now admit privately that the system of splitting the market in capital transactions off from trade transactions will probably not transfer easily to either Britain or Germany. In return, France is no longer root and branch against the former German idea of a jointly managed float of European currencies or a block against others.

The first snag in a joint float is that as a newcomer to Europe Britain has far less of its trade in Europe than do all the rest of its common market partners. If Europe's currencies tended to float up against the dollar this would either be expensive for Britain's terms of non-European trade, or it would cause sterling to be an expensive drag for its partners.

The second snag to a joint European float is that it would invite Japan, unless the yen were allowed to float freely as well, to rig the market in favour of its exporters.

The third snag is that a joint float might well require larger powers and larger funds for a European federal reserve bank than any of Europe's three biggest nations would like to see.

Lastly, there are various similarly snag-ridden ideas, so far mostly academic, for relating Europe's individual currencies to some new European unit of exchange, which would act as a medium for international investment to offset the dollar, and which would act as Europe's monetary numeraire against currencies like the dollar and the yen.

If you're not metric-minded, where will your exports go?

Countries already metric or changing now: 131*			The others: 10	
Afghanistan	Ghana	Niger		
Albania	Gibraltar	Nigeria		
Algeria	Greece	Norway		
Andorra	Guatemala	Oman		
Arab Republic of	Guinea	Pakistan		
Egypt	Guyana	Panama		
Argentina	Haiti	Paraguay		
Australia	Honduras	Peru		
Austria	Hong Kong	Philippines		
Bahrain	Hungary	Poland		
Belgium	Iceland	Portugal		
Bermuda	India	Qatar		
Bolivia	Indonesia	Romania		
Botswana	Iran	Rwanda		
Brazil	Iraq	San Marino		
Bulgaria	Ireland (Republic)	Saudi Arabia		
Burundi	Israel	Senegal		
Cambodia	Italy	Singapore		
Cameroon	Ivory Coast	Somalia		
Canada	Japan	South Africa		
Central African	Jordan	Spain		
Republic	Kenya	Sri Lanka		
Chad	Korea	(formerly Ceylon)		
Chile	Kuwait	Sudan		
China (People's	Laos	Swaziland		
Republic)	Lebanon	Sweden		
Colombia	Lesotho	Switzerland		
Congo (Republic)	Libya	Syria		
Costa Rica	Liechtenstein	Tanzania		
Cuba	Luxembourg	Thailand		
Cyprus	Malagasy Republic	Togo		
Czechoslovakia	Malawi	Trinidad & Tobago		
Dahomey	Malaysia	Tunisia		
Denmark	Maldives (Republic)	Turkey		
Dominican Republic	Mali	Uganda		
East Germany	Malta GC	USSR		
Ecuador	Mauritania	United Arab		
El Salvador	Mauritius	Emirates		
Equatorial Guinea	Mexico	United Kingdom		
Ethiopia	Monaco	Upper Volta		
Fiji	Mongolian	Uruguay		
Finland	People's Republic	Venezuela		
Formosa	Morocco	Vietnam		
France	Nepal	Western Samoa		
Gabon	Netherlands	Yugoslavia		
Germany	New Zealand	Zaire		
(Federal Republic)	Nicaragua	Zambia		
USA. Proposals for going metric are now before Congress			Barbados	
			Burma	
			Gambia	
			Jamaica	
			Liberia	
			Nauru	
			Sierra Leone	
			Tonga	
			Yemen Arab Republic	
			Yemen People's Democratic Republic	

Clearly, opportunities for exporters are many times greater when those exports are manufactured in metric.

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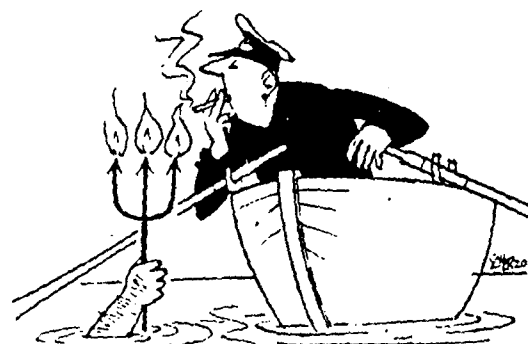
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*Not including dependent territories of the UK.

THEY LAUGHED
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From the Evening Standard January 1968

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They laughed even more when we said we'd be using natural gas to supply nearly 15% of Britain's energy requirements by 1975. 'Impossible', they said.

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GAS-THE NATURAL FUEL

BRITAIN

Twomey steals the Orangemen's thunder

FROM OUR SPECIAL CORRESPONDENT

Traditionally July 12th, the day Good King Billy routed the papists at the battle of the Boyne in 1690, is the day of the Orangemen. This year it was not. It rained throughout the seven-mile march through Belfast to Edenderry (not this time to Finaghy, as it is too close to the IRA enclave in Andersonstown for comfort). The turnout was down and many marchers drifted home long before the speeches were over. But, more significantly, the IRA Provisionals stole the thunder of the Lambeg drums when their leader in Belfast, Mr Seamus Twomey, hinted at a press conference on Wednesday night that the ceasefire, called off on Sunday, might be renewed—but only with the acceptance of humiliating terms by the British Government. By demanding strong guarantees, “witnessed by neutral observers,” from Mr William Whitelaw that in effect the IRA forces could regroup during a ceasefire without hindrance from the army, Mr Twomey’s aim seemed plain: to discredit Mr Whitelaw and his policies.

Mr Twomey chose his moment well, just at the time that the Protestant Orange men were furling the banners that symbolise their determination that the British Government shall never make any deal over their heads. Despite the rain, there was all the usual pageantry associated with Northern Ireland's peculiar institution—the Orange Order. Flutes, accordions and drums blasted out such lilting Orange tunes as “Dolly’s Brae” and “Derry’s Walls.” The white gloves, the orange and scarlet sashes, the ceremonial swords were all sported again. The multi-coloured banners were a perambulating museum of Protestant folklore. The Ulster flags outnumbered Union Jacks among the onlookers and in the windows of Protestant homes. This reflects the

growing doubt in Orange minds about a United Kingdom which seems neither to care about nor to understand their point of view. There was a more isolationist, self-reliant atmosphere among the Orangemen this year, for they have not recovered from the shock of the loss of Stormont four months ago.

Loyalists sat on their stools in the rain along the route even in middle-class Belfast. Contingents from the south got a particular cheer. So did the well-groomed men of the B-Specials lodge, who marched with military precision. But there were no contingents from Dublin or Limerick on parade, because, claimed the Grand Master of the Belfast Orange Lodge, of intimidation in the republic. Ulster's prominent politicians were conspicuous by their absence, though Mr John Taylor spoke in his usual style at Aghnacloy, as did Mr William Craig at Ballymena. The hooded zealots of the Ulster Defence Association kept away from the Belfast march as well, though they put in an appearance at Portadown, where it was calculated there were more soldiers on guard than Orangemen on parade. It was said the UDA had stayed behind in the Protestant districts to defend them from any possible IRA attacks. But the shootings only started up again in Belfast after the marchers had returned.

Helicopters droned overhead, one carrying Mr William Whitelaw on a tour of inspection. But the army kept in the background. None the less those extra 1,600 soldiers who were flown into Ulster early this week to put the total garrison strength up to some 16,800 were needed for the massive security operation which began in Belfast on Tuesday night when the city centre became a virtual no-go area for motorists. Many streets were shut off by barbed wire. Checkpoints were



July 12th: rain stopped affray?

frequent, manned by military police in flak jackets. Watchful soldiers knelt at street corners with their rifles at the ready. Others stood in doorways and on the rooftops. Troop carriers roamed the city.

As explosions steadily knocked out buildings in the centre of Londonderry, Protestants got angry with the authorities. The army calculated that in the first three days since the ceasefire ended there were 694 shooting incidents in the province, 23 explosions and a death toll of 10 civilians and one soldier.

Still more barricades—or barriers as the army prefers to call them—have been going up (as the map on page 24 shows). At the weekend, the UDA erected one in east Belfast and another on Monday in the Irish Street estate of Londonderry. There, the men of the IRA strengthened their barriers in the Bogside. Then, on the eve of the Twelfth, IRA barriers went up in the Catholic area of Belfast. The rain will quickly wash away the ashes of the Protestant bonfires. But their barricades remain.

It will close the list of applicants in about November, announce the contractors in early 1973, and expects them to be broadcasting early in 1974—the original target of late 1973 is beginning to slip. Still suffering from criticism of the way the last batch of television franchises was granted, the authority has issued a formidable exam paper for applicants. Their answers will not, unfortunately, be given in public but contractors' programme intentions will be published when they are ready to start broadcasting. That should provide a rather late-in-the-day disincentive to exaggerate their good intentions at the application stage; the IBA believes that immediate publication would put early applicants at an unfair disadvantage.

The 1972 Sound Broadcasting Act, and the IBA acting under it, do lay down parameters within which the contractors must operate. Advertising time is limited to nine minutes in any hour (as against a television limit of seven minutes and a present television average of six). The contractors must provide some sort of national as well as local news service. They are not bound to use all or any of the output of the second London-based company, to be devoted exclusively to news and current affairs, but applicants would obviously be less than tactful if they said they intended to eschew its products altogether. The crucial question for the news station is on finance. The IBA has not yet decided whether companies should pay a tariff according to their means and the amount of the news station's output they use, or whether (an advantage not enjoyed by Independent Television News) the station should be entitled to the revenue from advertising sold specially in association with the news. Nor is the IBA yet able to say what arrangement it has made about needle time with the Musicians' Union.

Once under way, the IBA hopes to let contracts at a rate of one a month. With a Treasury loan restricted to £2m, it needs the rental from the first stations to set up the later ones. In the end, it hopes to be extracting a two-tier rental from contractors. The secondary rental is to be pumped back into the system to "enhance" the quality of broadcasting by, say, commissioning special programmes, and will be scooped off the top of contractors' profits. That, of course, supposes that their profits reach whatever threshold the IBA considers appropriate; and if profits are high the Exchequer has a right under the act to its spoonful of cream, too.

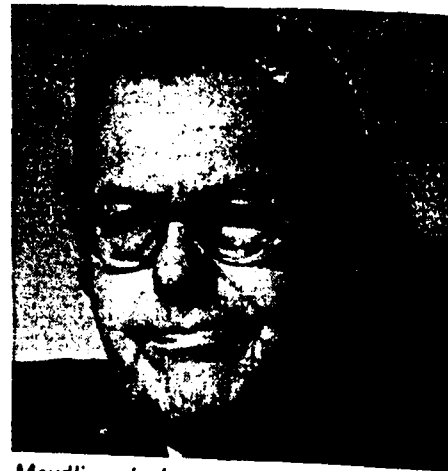
Poulson

Name-dropping

The easiest way for any government to react to allegations of corruption in public life, however inflated or groundless they may be, is to appoint a judicial inquiry. So it had been predicted all week that Mr Heath would appoint an inquiry on Thursday after Mr John Poulson, the architect against whom bankruptcy proceedings have temporarily been adjourned, had been so liberal in his name-dropping under cross-examination. The predictions were premature; on Thursday Mr Heath told the Commons he was awaiting the Official Receiver's report and would make a statement next week.

The Civil Service Department is now conducting its own inquiry into the involvement of a senior civil servant in the Scottish Office (and the Royal Institute of British Architects is conducting its own on Mr Poulson). But Liberal MPs, led by Mr Jeremy Thorpe, who raised the matter in the Commons a week ago, and Mr David Steel, who made a shrill speech at the weekend, pressed for a special inquiry because Mr Poulson also named MPs of the two big political parties as his associates.

The biggest fish that Mr Poulson has named is poor Mr Reginald Maudling, whose run of bad luck must end one day. The connection Mr Maudling is said to have had with Mr Poulson ended well before his taking office in 1970. The worst that can be said of the Home Secretary, who added to his misfortunes by fracturing a rib at the weekend, is that he was unlucky in his choice of friends in opposition, and that has been said of Mr Maudling before. Nothing much has really been said against any other MP; but it is natural that the Liberals, who have



Maudling: luck must turn

been pressing for registration of all MPs' interests, should seize on the slimmest of opportunities. And Mr Thorpe appears to have found one advantage in having a very small parliamentary party: it should be possible to know what every little Liberal is up to all of the time.

Traffic

Jam tomorrow

A threat that London's traffic congestion is going to get much worse was made by the Greater London Council on Thursday. It asked Londoners how far they are willing to accept restrictions on car use, hinting that they may need to accept new forms of restriction. Among the possible measures is a supplementary car licence for cars in congested areas, a new tax on private car parks, tougher enforcement of traffic regulations, traffic-free precincts and the issue to which all politicians like to turn a blind eye—road-pricing—which the GLC has never mooted publicly before. The ideas are put to Londoners in a discussion paper, "Traffic and the Environment."

The GLC believes it is reaching the limit of its ingenuity in squeezing more capacity out of the existing road system, although the linking of traffic lights in inner London to a central computer is about to add 10 per cent to capacity. This adds one more unsung victory to the successes of the traffic managers, who have so far managed to improve speeds despite traffic increases.

The least controversial measures to ease congestion would probably be extra parking controls. But they would be frustrating to the motorist, and would be less efficient than more radical forms of control. The main disadvantage of parking controls is that they restrict cars only while they are parked, while the moving car takes up 12 times as much road space. Surely the person who parks his car most of the day, instead of moving on every hour, should be encouraged?

Logically, the fairest way of tackling the problem would be road-pricing, which would involve putting a black box on everyone's car and metering it, like a telephone. The charges could be varied almost street to street, according to the level of congestion and the time of day. It would enable more cars and buses to be fitted in, at higher speeds, but at an extra cost to the motorist. It would give the buses an advantage. But oh, the complications.



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THE WORLD

International Report

Brandt's luck runs out, but things may not get any worse

"Last week I wrote a great speech for my constituents—all about how the economy is coming right and you've never had it so good. The only snag is that I will now not be able to deliver it. Our economic policy has just resigned." That was how a young Social Democratic deputy saw the final departure from government a week ago of Germany's economic supremo, Professor Karl Schiller. Matters have not improved since then for Herr Willy Brandt's coalition government, or for the Social Democratic party that he leads. And they must now face elections this year.

The day Herr Helmut Schmidt moved over from the defence ministry to take Herr Schiller's place at economics and finance, one of the junior ministers he left behind at his old ministry was eased out by his successor. Herr Günther Wetzel retaliated by leaving the party after 25 years' membership, giving as his reason that the SPD has failed to keep a tight enough rein on its radical, mostly youthful, left wing. And soon after Herr Schmidt arrived at his new agency its most gifted state secretary, might Johann Baptiste Schoellhorn, also quit it, mostly out of loyalty to Herr Schiller.

Such obvious unrest in his party could scarcely have come at a worse time for Herr Brandt. He has already lost control of the Bundestag as a result of the steady erosion of support among members of the small Free Democratic party, upon whose votes his coalition has depended for its parliamentary majorities. The one constant factor during the three years Herr Brandt has been in power has been the rigid parliamentary discipline that his whips have been able to exert on the Social Democrats, and this is now fast disappearing. It is not so much

the parliamentary ill-discipline itself which matters at this late stage; the Bundestag is now in recess and is expected to reconvene in September only for Herr Brandt to arrange the complicated preliminaries necessary to call the general election which is now planned for early December. But the sight of such disarray among Herr Brandt's troops will not send them into the forthcoming electoral battle with much confidence of success.

The issues raised by Herr Schiller's resignation may prove as awkward as its timing when an autumn campaign gets under way. Herr Brandt's personal popularity in Germany is higher now than it was when he became chancellor in 1969. But that popularity is based in part on the mixture of honesty and affability with which Herr Brandt has kept his coalition cabinet together. Now that the cabinet has such a tattered look, Herr Brandt's affability may easily be called weakness by his opponents. Herr Rainer Barzel (who came to London as a potential federal chancellor this week) and Herr Franz-Josef Strauss. The chancellor's popularity has also been earned by a generally popular foreign policy—but foreign policies rarely win elections. What Herr Brandt has to prove, if he is to retain power in December, is that SPD economics, Schiller-style, really have been good for the average German.

The professor himself might have been just capable of such a feat. He was certainly an important vote winner for the Social Democrats in 1969. Herr Schiller had an air of mastery over economic policy which Herr Schmidt—in spite of once having been the professor's pupil—cannot claim. Certainly the lilywhite laissez-faire liberalism to which he held fast, opposing controls, sitting upon many

of his party's ambitions for social reform, allowing the mark to appreciate in value, had lost Herr Schiller popularity. Certainly Herr Schiller has failed to prevent Germany from importing a little bit—although by British standards not much—of the rest of the world's inflation. But the fact remains that the German economy is coming right in time for the election, and inflation is momentarily at bay, largely because Herr Schiller refused to reflate when that was the soft option pressed upon him a year ago by friend and foe.

This little economic history will be the nub of the election campaign. If Herr Schiller was right about the economy, why has he gone? Why has Herr Brandt lost half a dozen other members of his government in the past year? What happened to all Herr Brandt's promises of social reform? Even if, as is generally assumed, Herr Schmidt's appointment is an insurance against a takeover by the SPD's radical left wing, will Herr Brandt have the guts to stick by him any longer than he stuck by Herr Schiller? Not to put too fine a point on it, the Christian Democrats mean to imply by such questions that Herr Brandt, nice chap and Nobel prizewinner though he may be, is soft: soft with his cabinet and party wild men at home, soft in his negotiations with Russia and east Germany, soft about keeping President



Schmidt lost his best man

Pompidou up to the mark on European integration.

The obvious response of the Social Democrats to all this will be to emphasise the stature of Herr Brandt as against the inconsistent, even untrustworthy, political record of Herr Barzel, whose skill as a debater on television in fact tends to mark him as a man too slick for his own good. The economy is now in the most popular and able hands left at Herr Brandt's disposal. And, by the standards of other countries, it is doing very well. The party means to publicise its plans for earlier pensions when the Bundes-tag reassembles in September as the first instalment of the social reforms which were always planned for the second half of Herr Brandt's truncated first term as chancellor. The summer holiday and the Munich Olympics are upon Germany, with £750m of tax surcharges in the process of being handed back to the electorate as promised by Herr Schiller. Father Christmas may have retired to Hamburg, but he has left quite a few of his presents behind.

Ireland

It's made Jack flinch

FROM OUR DUBLIN CORRESPONDENT

The initial reaction in the Irish republic to the renewal of fighting in Northern Ireland was one of dismay, mingled with fear that sectarian warfare, once started, might soon spread south over the border. Now, however, cautious hopes are being expressed that a new ceasefire can be negotiated if Mr Whitelaw plays his cards as astutely as he has done up to now.

This hope is based on two beliefs. The first is that the abrupt ending of the ceasefire was a local decision by Belfast IRA leaders who had opposed the original truce. The Lenadoon incident, which started off the new violence, is believed in Dublin to have been used by the Belfast IRA as an excuse to renew the fighting without the approval of the Dublin command, which supported the decision only in order to avoid a public split.

The second reason for hoping for a new ceasefire is the apparent wish of the IRA leaders in the republic to play it cool. After the initial threat from Mr Sean MacStiofain, that the fighting would be renewed with the utmost ferocity, Dublin's republican leaders are talking in calmer language

and have clearly not ruled out the possibility of a new truce. Mr Ruairi O'Bradaigh, the leader of the Provisionals' political wing, said during the week that he wanted to see a renegotiation of the truce—provided the British Government was "realistic" about it, which he explained as meaning that they should stop supporting the Protestant extremists and honour the guarantees which accompanied the original ceasefire. The Dublin IRA leadership has been concentrating on the political manoeuvres which it believes will win it a seat at the conference table. It regards last Friday's secret talks with Mr Whitelaw as important in this context and certain to increase its own status in both parts of Ireland.

Mr Lynch's government is avoiding any public stance which might stir things up at this critical time of Orange marches. But it was shaken badly both by the resumption of the fighting in the north and by the disclosure that Mr Whitelaw had met IRA leaders. It would not worry so much about the talks taking place if they were to bring a settlement nearer, and more especially if they could be kept secret. But it is feared that what has emerged will lend respectability to the IRA in the north and make it more difficult for Mr Lynch to toughen his attitude toward them in the south.

Sunday's incident at the Curragh military camp, where 16 republican prisoners were on hunger strike, came close to causing a riot. Soldiers and police were stoned for an hour by Sinn Féin demonstrators and pelted with petrol bombs and tear gas. Further demonstrations to win political status for the republican prisoners and to

protest against the special courts are planned; next time casualties may not be avoided. This, or the death of a hunger striker, would make Mr Lynch's stand against the IRA more unpopular.

France

Marchais through the looking glass

FROM OUR PARIS CORRESPONDENT

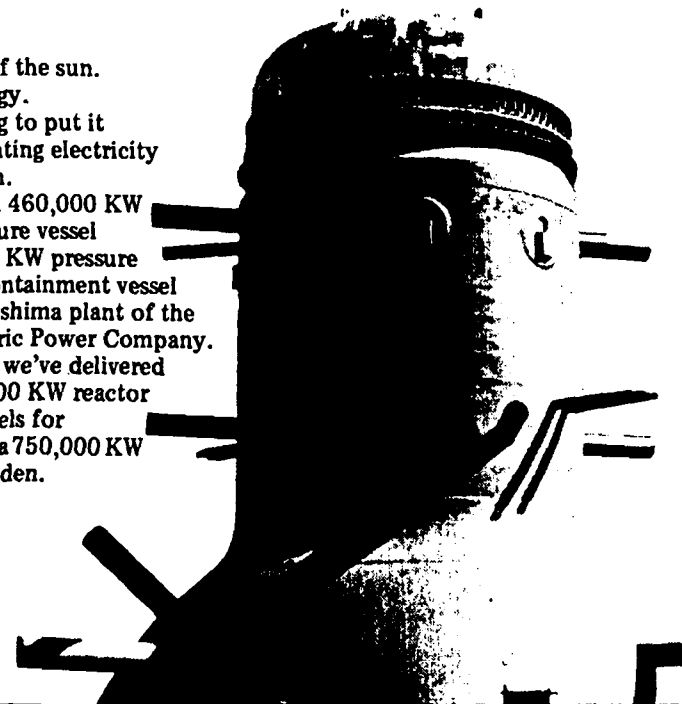
This was reassurance week in French politics. M. Pierre Messmer's new government was displaying to a still slightly bewildered public its three faces: gaullist—in the shape of M. Messmer himself and the new minister of posts, his friend M. Hubert Germain—to comfort the palaeogaullists; unchanged—all the major ministries except agriculture, planning and education remain in the same hands; and reformist—with M. Edgar Faure, heading a new super-ministry of social affairs, to convince the man in the street that M. Chaban-Delmas's *nouvelle société* has not gone out of the window with its author.

Meanwhile on the left, the Communist and Socialist leaders, in separate party meetings, were reassuring the party faithful and the public that their recent political manoeuvres would indeed lead to change, but change for the better. M. François Mitterrand had the hardest task. His agreement with the Communist party on a programme of government met surprisingly little criticism from his Socialist friends. What did upset them was his newer electoral agreement with the dissidents of the Radical party, under which the two groups would stand down for each

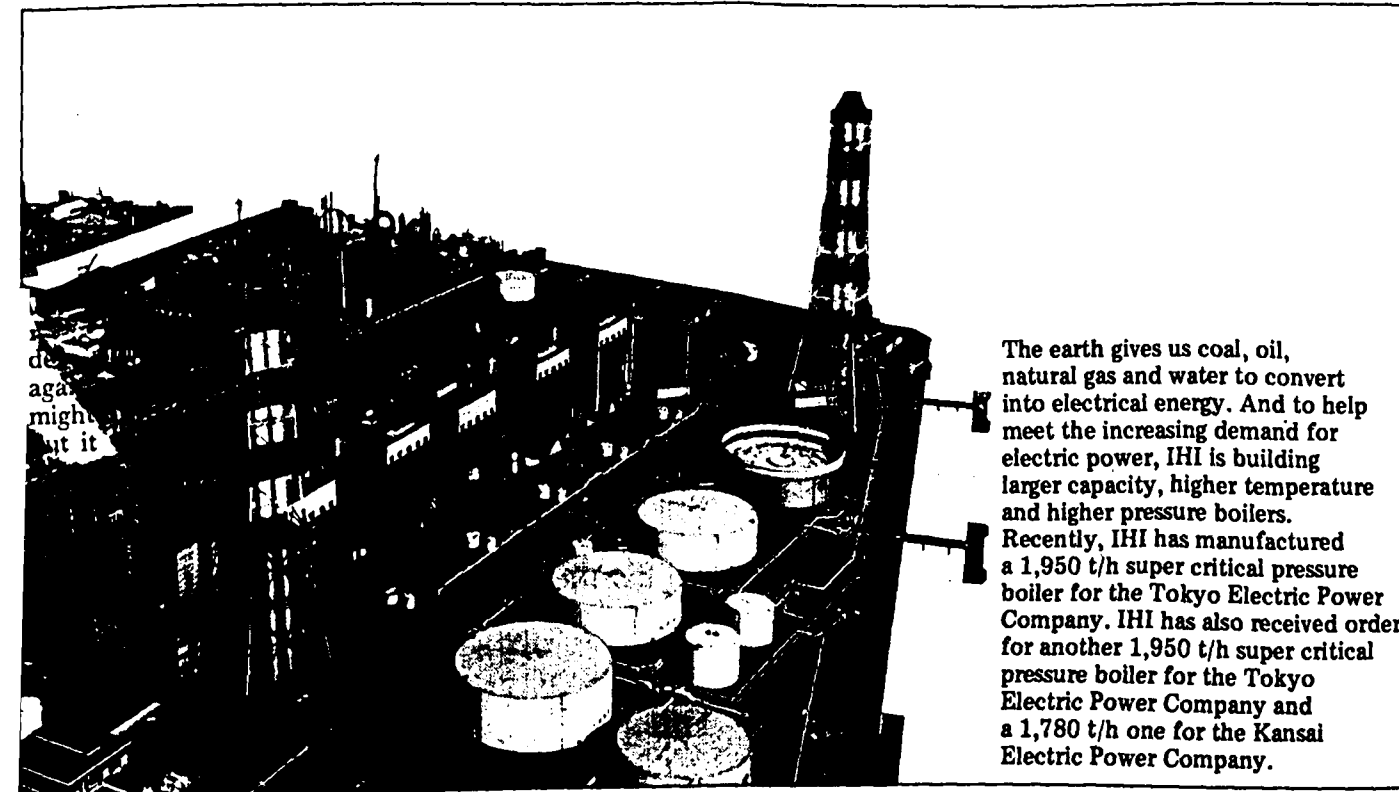


No holds barred at the Curragh last Sunday

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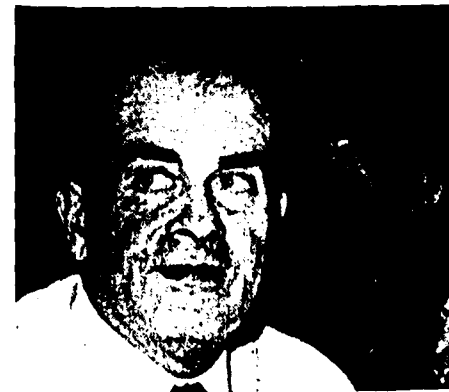
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Marchais didn't even choke

other's candidates in the first round of next spring's parliamentary elections.

M. Mitterrand had agreed to leave these Radicals unopposed in 49 constituencies, in return for the corresponding courtesy elsewhere. Much of his party thought 49 seats to be a sight too many; and the left suspected that some of these Radicals, once elected with Socialist votes, would be quite ready to bolt back to the centre again—a thought that may offer some needed reassurance to M. Jean-Jacques Servan-Schreïber, who, though he controls the majority of the Radical party (as opposed to its parliamentarians), is beginning to look suspiciously like the Cheshire cat.

For M. Georges Marchais life was easier. His Communist militants put on the expected show of total agreement with their de facto general secretary's argument that the Communist-Socialist pact was the first step toward the best of all socialist worlds. His main effort was reserved for sceptics outside who might fear it would only lead to the worst of all stalinist ones.

A Communist-Socialist government, he declared, would indeed refuse to rejoin Nato and would adopt a strictly defensive military strategy directed against all possible comers, *tous*, as he might have said but didn't, *azimuts*. But it "would not call in-question, at the present stage, France's membership of the Atlantic alliance." He did not even choke over the words.

His thoughts on liberty were even more reassuring. The government would guarantee freedom of speech and of the press. Plurality of parties is "one of our democratic traditions," he said, and the parties would be entitled to operate freely, provided they kept short of armed violence. All, his own by implication included, must accept the verdict of the ballot box. The trade unions and "democratic" parties—M. Marchais did not elucidate whether these were included in

"all"—would be able to express their views on radio and television "in proportion to their influence."

As for the promised nationalisation of all finance and many major industrial firms, this would not mean everything would be nationalised: the firms concerned employ about 2½m of France's 15m employees. And it would "absolutely not" mean *étatisation*: the firms would be controlled by elected worker representatives and consumers, as well as government appointees.

True, M. Marchais affirmed, the Communist party did not regard this "advanced democracy" as ideal: it was a step toward socialism, in which all major means of production would be publicly owned, and political power would be exercised by the working class. Nevertheless M. Marchais had provided a fair basis for his closing appeal, before the Internationale—promptly followed by La Marseillaise—to virtually all classes of French society to join in the good work. All he has to do now is persuade these classes that this is not merely an invitation to let themselves be swallowed whole.

France and Israel

Switching planes

Mr Moshe Dayan has once again raised the charge that the French government is breaking the embargo it imposed after the June, 1967, war on making arms available to the Arab-Israeli conflict. Before Libya became Egypt's federal partner, France agreed to sell it 110 Mirage aircraft; about 40 are believed to have been delivered and the Israelis claim that most of these have been transferred to Egyptian airfields. If true, this is of political not military significance: Egypt could add a good many Mirages to its air force without eroding Israel's overwhelming air superiority. But it would raise awkward questions for France, which is under constant fire from Israel since General de Gaulle, the end of the Algerian war and Israel's pre-emptive strike in 1967 brought the "special relationship" between the two countries to an end.

M. Chaban-Delmas is on record as saying that if the aircraft supplied to Libya should subsequently change their destination, the rest of the order would come under the embargo. His successor as prime minister, M. Pierre Messmer, has been welcomed by the Israelis as an old friend. As minister of

defence he played a major part in arranging the flow of French arms which, until the relationship went sour and the Americans took over as providers, formed the bulk of Israel's weaponry. But the Israelis, knowing as well as everyone else does that it is the French president not his prime minister who makes policy, do not expect great things. For the present they are waiting for an answer from the French foreign ministry to a question, put several weeks ago, on the whereabouts of those Libyan planes.

Israel

Promised land

FROM OUR ISRAEL CORRESPONDENT

There is a chance that the Israeli government will allow a small group of Arab refugees to return to their former homes. But this decision, if it is taken, should arouse no general hopes. The Greek Catholic Arab refugees from the two Galilee villages, Baram and Ikrit, did not flee from their homes during the 1948 Arab-Israeli war; a few days after the war ended they were told to leave by the Israeli army, but were told that they would be allowed to return soon. A quarter of a century later some of these temporary evacuees are making a determined effort to get the Israelis to redeem their promise.

The two villages are very close to the Lebanese frontier and immediately after the 1948 war the area was declared a closed military zone. The 1,200 evacuees were moved into temporary homes nearby. A large share of their most fertile land, the fruit orchards and olive groves that they and their ancestors had tilled for centuries, was handed over to new Jewish settlements in the area. These are the settlements which now shoulder the brunt of the new tension in this frontier region.

As the years wore on and their promised return never materialised, some of the Arab evacuees accepted the compensation and new homes urged upon them by the Israeli government. By far the greater number did not. According to Mr Toledano, Mrs Meir's adviser on Arab affairs, 60 per cent of Ikrit's 104 landowners have settled with the authorities but only 8 per cent of Baram's 155 landowners have done likewise. In 1952 Israel's supreme court upheld the claim filed by a group of evacuees that they had the right to return, but made such return provisional on a permit from the

military governor. Such a permit was never granted. And five months after the court's decision, the houses in both villages were mysteriously blown up, although the two churches were untouched.

Last month the area ceased to be a closed military zone and about three weeks ago a group of Greek Catholic Arabs returned to Ikrit and Baram to start repairs on their abandoned churches. They were encouraged by Bishop Yusuf Raya who had been negotiating with the government on their behalf. Three months before, Mrs Meir had personally taken over the whole issue but she was away in Vienna when the villagers made their bid. They were told that they would not be allowed to take up residence in either village and police were sent to prevent them doing so.

Last week Mr Allon, the deputy prime minister, and Mr Toledano at last outlined a solution to be put before the government. In substance this says that those evacuees who want to return will be allowed to do so and will receive compensation for the rebuilding of their houses. They will also be paid something for their land that has been taken over by Jewish settlements; any land that has not been taken over will be handed back. Those who choose to stay where they are will be indemnified for their lost homes and property and for their 24 years as temporary evacuees.

Palestinians

Deadly sequence

It may never be established who planted the bomb that last weekend killed Ghassan Kanafani, the spokesman and one of the most effective leaders of the Popular Front for the Liberation of Palestine. In the absence of proof to the contrary, most Arabs inevitably believed it was an Israeli agent. The front was responsible for the massacre at Lydda airport on May 30th, and the murder of Kanafani, who acknowledged the responsibility and defended it, could have been, though it may not have been, a straight act of reprisal, or as straight as any undercover, unacknowledged action can be.

His murder has brought the guerrilla movement together into a single call for vengeance. This could have been predicted: Kanafani, a popular man and writer of distinction, was one of the few unifying forces within the movement and was admired even by those who violently disagreed with his



Kanafani: force for unity

views on the limits, or lack of limits, to terrorism. And some people within the guerrilla movement are arguing that the Israelis did, indeed, predict this reaction. According to this argument, the Israelis deliberately set off a further chain reaction of violence in order that they, or the Lebanese for them, could bring the chain to an end by driving the guerrillas out of southern Lebanon.

Planned or not, the consequences of Kanafani's assassination could work out along these lines. Another sequence of revenge and retaliation may stretch ahead. And nobody can tell how many more totally innocent outsiders will join the Puerto Ricans at Lydda and the Lebanese villagers in Hasbaya in paying with their lives for the fact that Israelis and Palestinians claim with equal passion the same patch of land.

Vietnam

The ship that didn't sink

FROM OUR SAIGON CORRESPONDENT

By almost any reckoning, North Vietnam has suffered a good deal more severely than the south, both militarily and politically, from the communist offensive now in its sixteenth week. This is not what a good part of the world's press was forecasting as correspondents poured into Saigon in April to report the death throes of South Vietnam. In one cable the editor of a London daily asked his man in Saigon for a story on the plight of the capital "with Red forces closing in from all sides," and specified that the story must be serious "but perhaps cynical to match the mood of a nation facing defeat." An American news magazine gave its assessment in a front-page headline: "The specter of defeat."

Knocking South Vietnam has

become a tradition among some of the news media, but recent events suggest that they might do well to heed the admonition from Brigadier Gerard's connections: "You can knock our horse when he's beaten." For, after an all-out attack by Hanoi, South Vietnam went back to the Paris peace talks this week not to negotiate the terms of its surrender but to see whether the North Vietnamese might now be ready to call it quits. Saigon's troops have not yet retaken Quang Tri, but the communist drives on Kontum and An Loc have been repulsed and most of South Vietnam has returned to a state of remarkable normalcy.

Why did South Vietnam survive when the odds against it seemed so great? Was it saved by American bombing, or by the tactical errors of the enemy? Or can the much-maligned South Vietnamese army be credited with stemming the assault? The answer is a combination of all of these, and of other less obvious factors.

Without American air support the outcome would certainly have been different. The B-52 strikes were a decisive element in the successful defence of Kontum, An Loc and even Hue. The bombing of North Vietnam has not yet had much effect on the offensive, but it has impaired Hanoi's ability to continue the attack.

But success depended on whether the South Vietnamese army could fight well. It did. True, there was the case of the 3rd division, which crumbled under strong pressure in Quang Tri, and the 22nd division which performed poorly in Kontum and Binh Dinh. But no one ever rated these units as being among Saigon's best. The troops who were expected to fight well did so, and, more significantly, the local territorial forces stood their ground. On the whole, "Vietnamisation" proved successful.

Tactical errors on the battlefield by North Vietnamese commanders—including their incompetent use of tanks—played into the hands of Saigon. But the most crucial error on Hanoi's part was its decision to open the offensive with an attack across the demilitarised zone. By showing so blatantly that this was a North Vietnamese invasion, the Hanoi politburo threw away much of the support it might otherwise have received both in the international arena and among the peasantry in the south. The invasion consolidated South Vietnam's developing nationalism. It strengthened the position of President Thieu, and effectively silenced those in the south who

COURTAULDS

Highlights from the 1971/72 Annual Report and from the Review at the AGM on Wednesday, 12th July 1972, by the Chairman, Lord Kearton, OBE, FRS.

From the Report

	1972	1971
World Sales to third parties	£681,488,000	£659,583,000
Sales to United Kingdom customers	£406,191,000	£403,260,000
Exports	£124,065,000	£113,618,000
Profit before tax	£45,567,000	£42,066,000
Profit for Ordinary Shareholders after tax	£36,471,000	£23,718,000
Dividends paid	£18,747,000	£18,747,000
Earnings per 25p share	13.519p	8.792p
Dividends per 25p share	6.875p	6.875p
Investment in new buildings and machinery	£41,705,000	£72,028,000
Net cash resources	£34,800,000	£13,700,000

From the Chairman's Review

Courtaulds is very much a British Company and an important element of the industrial base of the country. UK manufacturing produces 77.8% of external sales.

The very competitive home market for fibres and textiles has shown little growth for several years, while imports have increased steadily. Courtaulds sales increase from UK production has been export led, the Queen's Award for exports has been won for the fifth year in succession, and the Group is now one of the biggest fibre and textile exporters in the world.

As a result of recent capital expenditure the Group now has new and efficient manufacturing plant, placing it in the forefront internationally. As technology progresses this can be kept up to date from internal cash resources.

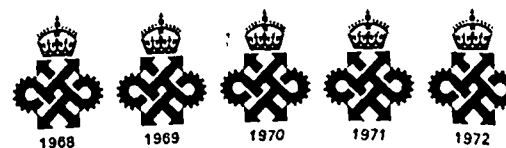
Return on total capital employed improved in the last year from 10.88% to 11.46%. The return on shareholders' equity amounted to 14.74%.

Profits were rather better than most of the Group's international competitors.

While a date cannot be firmly predicted for the upturn from the present depressed conditions in fibres and in many textiles, this upturn when it comes can be financed from internal resources and will have a beneficial effect on profits.

Unaudited figures for trading in the current year indicate that pre-tax profits for the six months to September are likely to be 10%–15% better than in the equivalent period last year. As the outlook has been unsettled by the recent floating of the pound and the intimated changeover to VAT, it will not be until November when the first half-year results are announced that an opinion on the second half can be expressed.

The Directors nevertheless have very much in mind an increase in dividends distributed next year, aiming to restore, after a three-year period of unchanged dividends, the firmly upward trend of the previous seven years.



The Resolutions for the adoption of the Directors' Report and the Accounts for the re-election of Directors, and for the payment of the final dividend on 20th July were carried at the Annual General Meeting held on 12th July, 1972. Copies of the full Statement and of the Annual Report can be obtained from The Secretary, Courtaulds Ltd., 18 Hanover Square, London W1A 2BB.



General with an eye on Quang Tri

had been talking about peace and neutralism.

The South Vietnamese have astonishing resilience after so many years of war. And their country now has a functioning political and administrative structure which has no intention of making way for the communists. In human and material terms, South Vietnam's losses in the offensive have been considerable. But that is nothing new. And even the prospect of a further communist drive nearer the date of the American presidential elections is viewed with equanimity. As they see it, the South Vietnamese have less to fear from Hanoi than from the election of Senator George McGovern.

China and Europe

A French first

The highest tribute the Chinese can offer a foreign guest is an audience with Mao Tse-tung. Since Mao's interview with his old friend, the late Edgar Snow, 18 months ago, this privilege has been restricted to heads of government, only seven of them at that. But on Monday the Chinese demonstrated that their relationship with France is still a special one by ushering the French foreign minister into Mao's Forbidden City home. M. Schumann reported that during their hour and a half's conversation (half an hour longer than Mr Nixon's) the 78-year-old leader revealed an astonishing memory for names and figures and appeared alert, vigorous and tough. Once again the only Chinese official

present, apart from Chou En-lai and the interpreter, was Wang Hai-jung, the mystery woman, recently promoted to assistant foreign minister, who is rumoured to be Mao's niece.

M. Schumann's visit confirmed an observation brought home from Peking by a British minister, Mr Antony Royle, two months ago—that the Chinese are turning a more and more amiable face towards Europe. France remains a favoured friend because de Gaulle broke the recognition barrier in 1964 and because the Chinese regard French views about national independence as similar to their own. But over the last several years the Chinese have come to feel that it is not France alone but the common market—and particularly an enlarged common market—which poses the strongest challenge to the superpowers in Europe.

The Chinese finally overcame their uncertainty about the common market a year ago; significantly the Heath-Pompidou meeting in May, 1971, brought forth their first direct endorsement of European unity. Since then both the EEC and Britain have joined France in China's good graces and Sir Alec Douglas-Home will follow M. Schumann to Peking next autumn. But now the Chinese seem to be worried about a different European movement—the prospect of a Soviet-sponsored security conference. The Chinese have yet to say a public word about the conference. But they indicated to M. Schumann this week that they will take a dim view of any European detente which leaves the Russians free to reinforce their 44 divisions on China's northern border.

Japan

Jobs for the boys

FROM A CORRESPONDENT IN TOKYO

The "new politics" in Japan has begun with a heavy dose of the old. The new prime minister, Mr Kakuei Tanaka has assigned all the important cabinet and party posts either to members of his own faction of the ruling Liberal Democratic party, or to other faction leaders who helped most in getting him elected. Thus, the foreign ministry has gone to Mr Masayoshi Ohira, who threw his support to Mr Tanaka after having trailed behind on the first ballot. The trade ministry has gone to Mr Yasuhiro Nakasone, the ambitious former defence chief who dropped out of the race in favour of Mr Tanaka. And two of the prime minister's own supporters, Mr Ueki

and Mr Kimura, took over the finance and construction portfolios, where they will be in a position to select beneficiaries for the expansionary budget that Mr Tanaka is expected to propose by the autumn. Mr Takeo Miki, another defeated candidate who lent his support to Mr Tanaka, received only an honorary post as minister without portfolio because the shift of his block of votes to Mr Tanaka was riddled with defections.

What was new and different about Mr Tanaka's cabinet-making was the short shrift given to his main opponent, Mr Fukuda. After Mr Fukuda himself reportedly turned down a cabinet post—offered in accordance with the long-standing practice of doling out ministerial jobs to all factions of the party—two of his supporters who had been designated postal minister and economic planning chief suddenly refused to serve. To avoid delaying the investiture ceremony, in which the emperor participates, an embarrassed Mr Tanaka had to assume these other portfolios as well as his own. Mr Fukuda then moved to re-group the anti-Tanaka forces into a single faction. But on Wednesday Mr Fukuda and Mr Tanaka had something of a reconciliation and the two Fukuda supporters agreed to accept their appointments.

All this politicking in Tokyo was overshadowed by the first top-level reaction to Mr Tanaka's election from Peking. On Sunday night Mr Chou En-lai declared that Mr Tanaka's initial remarks in favour of an early normalisation of relations with Peking "merit a welcome." Mr Tanaka welcomed this welcome the next day. But neither he nor his foreign minister has indicated whether they are prepared to accept Chou's controversial conditions—which he reiterated to the French this week—in return for a rapprochement with Peking. Even Mr Tanaka's supporters acknowledge that the party is a long way from a consensus on China policy. But no one would be surprised if the prime minister were to gear his approaches to China so as to produce some sign of success just before the forthcoming election.

Mr Tanaka's other big pre-election goal is to reflate the economy and, as the former trade minister, he clearly feels more confident (see page 69) in this sphere. He is well aware that the Liberal Democratic party will continue to prosper only if the economy does. But he also thinks that a high growth rate of 8-10 per cent should

be used to pay for more social overheads, including anti-pollution measures.

The solutions Mr Tanaka has proposed for Japan's other problems, including its highly embarrassing trade surplus, are neither very radical—he advocates increasing imports of raw materials—nor very new. But what impresses people who are impressed with Mr Tanaka is not so much his answers to problems as his willingness to try to do something about them.

Pakistan

Rawalpindi ratifies as Karachi burns

FROM A SPECIAL CORRESPONDENT

Rawalpindi

While language riots in Karachi were dramatising Pakistan's internal divisions, the national assembly met in Rawalpindi this week to debate the Simla agreement with India. The argument within the assembly was not between parties but between romantics and realists. Romantics like Mumtaz Daultana, a Muslim League leader, insisted that there is no reason for Pakistan to make any concessions to India. They clung to the myth that the Pakistan army was not defeated last December but was sabotaged by drunken generals. The realists admitted that the Simla summit was less favourable to Pakistan than the discredited Tashkent summit of 1966 but it was the best, they claimed, that a defeated nation could expect. The realists prevailed late on Thursday when the assembly voted overwhelmingly for ratification.

Under Indian law, the Simla agreement does not require approval by the legislature, so it now automatically goes into effect. But there is still considerable disagreement in Pakistan about the obligations which flow from it. Even within Mr Bhutto's People's party, high-placed politicians are arguing that the accord does not prevent Pakistan from giving help to freedom fighters in Indian Kashmir. And the law minister told the assembly that it does not compel him to withdraw the Kashmir issue from the United Nations. Other difficulties may still crop up over the demarcation of the ceasefire line in Kashmir since each side has accused the other of intrusions.

Although Mr Bhutto did not ask the assembly for a mandate to recognise Bangladesh, his own party has authorised him to do so whenever he thinks it appropriate, and the main



Man in a cleft stick

opposition group, the National Awami party, is urging him to offer recognition immediately. But tricky issues like Sheikh Mujib's plan to hold war crimes trials, and the unsettled future of Biharis in the east and Bengalis in the west could delay an understanding indefinitely. And the longer the delay in the return of Pakistan's war prisoners—which depends on such an understanding—the more difficult it will be for Mr Bhutto to persuade militants in the Punjab to accept the implications of the Simla agreement.

In his own home province of Sind, Mr Bhutto is under pressure from militants of a different kind. At least 40 per cent of the 14m people in Sind are Urdu-speaking migrants from India or settlers from other provinces of Pakistan. Like migrants everywhere, they have been more enterprising and hence more successful economically. In a belated effort to assert the rights of local Sindhis, the provincial legislature passed a bill on July 7th making Sindhi the only official language of the province. Urdu-speakers immediately went out in the streets against the bill. More than 100 people are thought to have died in riots which raged for five days before the army went into Karachi to enforce a round-the-clock curfew.

Mr Bhutto is caught in a cleft stick. He cannot afford to antagonise his own people nor can he risk compromising his position as a national leader by giving in to provincial pressures.

In an effort to calm down passions which had been aggravated by rivalries among his own party leaders who run the province, Mr Bhutto suspended the bill and called a meeting of representatives of both groups. Some agreement will no doubt be worked out. But Mr Bhutto's own political strength may be eroded in the process.

Sudan

Peace, but not yet plenty

FROM A CORRESPONDENT

Juba

A line of Russian helicopters, with their giant rotors tethered to the ground, stands beside the runway at Juba airport. From time to time one flies off carrying visiting bigwigs or generals out into the bush. But the immobility of the others symbolises much of what is happening in the southern Sudan three months after the end of the civil war.

The peace agreement reached at Addis Ababa in March is, miraculously, working. The ceasefire holds; the rebel Anya-Nya forces are coming out from the mountains and the bush into collection centres; recruitment of these rebels into the national army and other public services has started; and the provisional government for the southern region is in existence. Goodwill abounds, and the long years of persistent and vicious guerrilla warfare appear to have been forgotten. But it is early days yet.

The Addis Ababa settlement in essence was a victory for those southerners who felt that the three southern provinces must stay associated with Sudan over the outright secessionists. And in the north it was a victory for those who realised the impossibility of winning the war and suppressing the rebellion, and were prepared to eat humble pie by treating the guerrillas as military and political equals. The success of the agreement now depends on three things. First, the guerrilla forces must be absorbed or disbanded quickly and completely. Second, the provisional regional government must show itself to be a credible body. And, third, economic activity must begin again in the south as quickly as possible to bring work for those southerners who fled during the eight years of fighting and are now returning from neighbouring countries or emerging from the bush. On all three points there is a long way to go.

The military provisions of the ceasefire are complicated, and offer a number of points at which things could go wrong. All Anya-Nya forces have been ordered to come out of the bush and to gather in collection centres. This process is going well; at Malek in Upper Nile, for instance, well over a thousand Anya-Nya are congregated. The important thing is that, at this stage, the rebel soldiers keep their

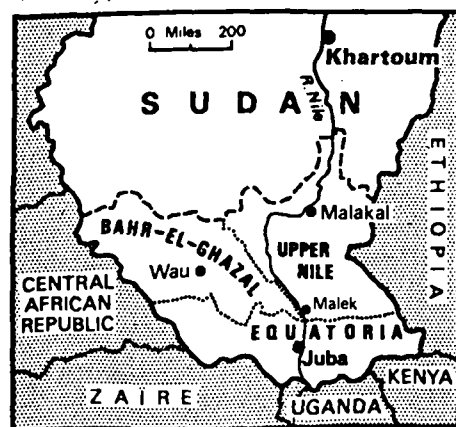
weapons and stay under their own officers.

The next, and much more difficult, stage is that a committee of officers from both sides visits the collection camps in order to recruit Anya-Nya for the army, police and other public services. This process has been completed in Bahr-el-Ghazal province, and is now under way in Equatoria. The potential trouble lies in the fact that the figures for active rebel strength were seriously underestimated at the Addis Ababa negotiations.

At Addis, Major-General Joseph Lagu, the Anya-Nya commander, agreed that he had about 6,000 weapons, and therefore about 6,000 men actually under arms. But with the usual guerrilla ratio of two men to each weapon, and with other men growing and collecting food, General Lagu now estimates the minimum figure for combatants to be 15,000. His deputies at Anya-Nya headquarters talk of a total of 21,000 men collected under their command awaiting the recruiting teams.

The military provisions of the Addis settlement stipulate that 6,000 southerners will be recruited into the national army, 2,000 from each southern province. In Bahr-el-Ghazal things have not been too difficult: a little over 4,000 Anya-Nya have presented themselves to the recruiting team, and most have been offered jobs of one sort or another. But in Equatoria there are going to be a lot of disgruntled ex-guerrillas who are not taken into uniformed government service.

The next stage will be for training teams from the national army to come into the collection camps to get the Anya-Nya recruits into army uniform, and presumably to standardise their weapons. This again could be a critical point, because it will involve a change of discipline and the relinquishing of existing arsenals. Lastly, there will be the day, after a few weeks of training,



when the former Anya-Nya soldiers are moved into units with their northern brothers.

The second essential for the success of the peace agreement is the credibility of the southern regional government. The Provisional Higher Executive Council under Sudan's vice-president, Abel Alier, is now functioning in Juba. It contains almost all elements of the southern political spectrum, from rebels who were in the bush or exile to men who served in various Khartoum governments. Mr Alier himself was a minister in General Numeiry's government from the time of the general's takeover in 1969 until the peace was reached. All these differences, which were at their fiercest between some of the emigré factions, have been submerged while the portfolios have been handed out and the council gets down to work. But the sheer size of the task of re-establishing civilian rule over this vast area of a quarter of a million square miles would daunt an efficient and well-equipped government—and the council so far has neither equipment nor efficiency. What the south needs as much as anything is secretaries, filing cabinets, telephones and transport.

The third vital need is economic regeneration and help for returning refugees. The south is desperately poor, but so is the north of the Sudan. The cost of a minimum programme for resettlement, relief, and reconstruction is estimated by the government at £50m. On July 6th the UN High Commissioner for Refugees appealed for \$22m for the resettlement of Sudanese refugees. But there is no hope of more than a dribble of cash from the north. The British gift of £200,000 as emergency aid seems staggeringly inadequate when set against the need, particularly as Britain bears more than a little responsibility for the existence of the southern problem in the first place.

But it can be argued that the seriousness of the emergency itself is not yet acute: refugees are returning only slowly from across the borders. Most seem to be either harvesting their current crops before moving, or are waiting to see if the peace settlement does stick. What is really wanted is transport, to get the simple things—like roofing materials and blankets—that are needed immediately to the right place.

The goodwill to make the peace agreement work is there, but it is going to be a close-run thing. One factor is clear, however: President Numeiry is

deeply committed to making the settlement a success. Most of his remaining prestige depends on it. Since last July's attempted coup and the break with the communists that it brought, relations with Sudan's Arab neighbours have descended to rock bottom. The business community inside Sudan cannot forgive him for the nationalisation which has shattered its fortunes, and the traditional parties in the north, particularly the rump of Umma-Ansar, are still alienated from him. So General Numeiry vitally needs a success in the south. By the same token, if he were to be overthrown there would be a real danger of the settlement collapsing.

Philippines

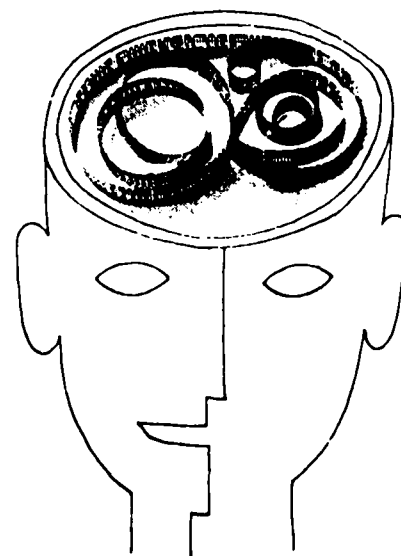
Same old script

FROM A CORRESPONDENT

When times are bad and prospects worse, every Philippine president has recourse to a time-tested ritual war dance. He calls out the constabulary and mounts an offensive against the Huks. It has been done so often that all Filipinos know the script. The stage directions call for loud alarms to be sounded in the form of maximum newspaper and television publicity, a presidential call to the nation to remain calm and resolute, cameramen rushing to constabulary camps and air force headquarters, choppers whirling demoniacally about Manila and then a day or two later, the headlined claims that up to a dozen Huk commanders have been slain by the doughty warriors from town.

Such willing suspension of disbelief has been taxed so often that it has now reached the limits of credibility. So both sides have been tarring up the scenario. The Huks have disguised themselves as the New People's Army and have been giving themselves a new image, a new professionally trained leadership (two junior army officers debunked with assorted weapons and are said to have drilled the raggle taggle outlaw bands in the hills into a formidable 3,000 strong striking force), a maoist ideology as replacement for the rather mouldy reformist programme they had had for two decades, and above all a new armoury consisting of smuggled rifles delivered directly from the depots in Saigon or from the American bases right there on Luzon.

The government for its part has fed the media the kind of mind-boggling story that the Spanish governors in



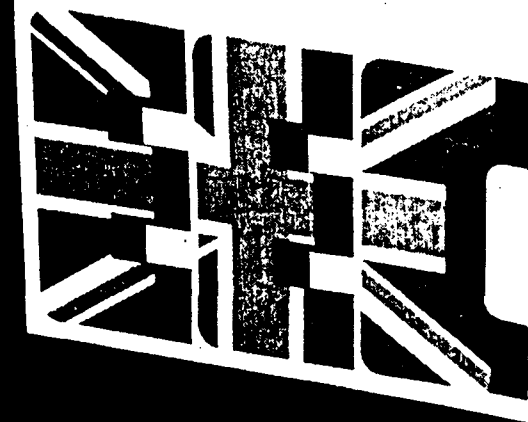
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the islands told their troops whenever Drake loomed up on their horizons. It seemed that the Philippine security forces had apprehended a vessel carrying guns with Chinese markings for use by the rebels. A crewman was rumoured to have revealed at gunpoint that it was one of Kim Il Sung's forays. But, predictably, the gunrunning vessel turned out to be Filipino-owned and locally financed and the guns with Chinese markings turned out to be those familiar and well-beloved American rifles.

Development

It's lopsided

The publication of yet another set of statistics showing that the gap between the rich and the poor nations of the world is steadily widening can hardly be considered news. Yet it is a fair bet that the latest figures, published this week by the United Nations Department of Economic and Social Affairs, will only be found boring in the developed world. Just for the record, the main findings boil down to the fact that between 1960 and 1970 the income per head of the developed world increased by 43 per cent, whereas that of the underdeveloped world increased by only 27 per cent. But since rich and poor did not start at the same level in 1960 the gap between them in absolute terms is enormously greater than 16 per cent.

That this is an undesirable situation is denied by almost no one. But, to judge by the action—or rather, inaction—of the richer countries over the past decade, it is a situation they are happy to tolerate. Another lot of statistics published this week—this time by the Organisation for Economic Co-operation and Development—showed that official aid given in 1971 by the world's 16 richest nations to the underdeveloped countries increased from 0.34 to 0.35 per cent of gross national product. In other words, the official flow has only just got half-way towards reaching the UN's target of 0.7 per cent of gnp during the second development decade, and there is no prospect of it getting the whole way for years to come.

It is true that net flows from the 16 rich countries increased in 1971 from 0.80 to 0.82 per cent of gnp and that they should rise to 1 per cent by 1975. But the commercial investment that now provides the bulk of what is euphemistically termed "aid," although of great value in some respects, does

next to nothing to help the development of the infrastructure of poor countries. Official aid, for all its faults, remains essential for this purpose.

Although Britain's official aid figure of 0.41 per cent of gnp is better than some countries, Britain remains one of the very few that left this year's UN

Conference in Chile on Trade and Development without having adopted 0.7 per cent as a target at which to aim. At a time when Britain is about to enter the common market—supposedly, in part, to make it more outward looking—this record is exceedingly hard to defend.

The reign of good king meat

FROM OUR EAST EUROPE CORRESPONDENT

Mr Gierk's most urgent task when he took over from Mr Gomulka 18 months ago was to reorganise Poland's sadly dilapidated agriculture. Farming is the key to any significant economic recovery: food products constitute one of Poland's major exports and a third of its labour force is employed on the land. The new leader's first act was to import 2.5m tons of grain, mostly for livestock fattening. His second was to raise substantially the prices paid to farmers for livestock. The Polish press at the time welcomed these measures as proof that "once more in Poland, meat is king."

Since then the Gierk administration has done a lot more to ease the farmer's lot. The old system of obligatory deliveries has been scrapped. A free health service, formerly available only to the industrial workers, has been extended to rural areas. Farmers now get higher prices for grain, meat and milk. They can buy tractors and other farming implements on favourable five-year credit terms, and get income tax relief on farm improvements.

The results of these policies can now be seen. Stock cattle production is up, and in 1971 the production of hogs was over 22 per cent higher than in 1970. There has been a less impressive showing on dairy products. Dairy cattle figures show a slight reduction, and, despite a dairy cow population of around 7m, milk is sometimes difficult to find in the shops.

Sporadic attempts at agricultural collectivisation finally collapsed in

Poland in 1956 and today 83 per cent of all agricultural land is still in private hands. Nearly 5½m people work on private farms, compared with 580,000 on state and collective farms. In communist countries, however, private farming has both its virtues and its weaknesses. Its strength is undoubtedly in the incentive provided by land tenure and reaping the rewards of one's own labour. Its weakness is best seen from the air. Northern, central and western Poland look like a patchwork-quilt of sometime ludicrously small and patently uneconomic strips. However, land inheritance laws have recently been altered to primogeniture to prevent further division and small private plots are being gradually absorbed into the larger state farms where mechanisation is more feasible.

Not that this fate is likely yet to overcome true men of the soil like Wawryniec Meusz, who has a flourishing 40-acre holding 30 miles west of Wrocław. As a young man of 20 he was obliged to trek nearly 500 miles from his home east of Lvov in territory annexed by the Soviet Union.

After 27 years, Mr Meusz has built up his farm with the aid of his 71-year-old mother, his wife and his daughter and his son. Mr Meusz and his family are almost certainly better off financially than the 800 workers in the neighbouring state farm. There have been no union hours for the Meusz family and it shows on their faces. But they have had the satisfaction of working their own land.



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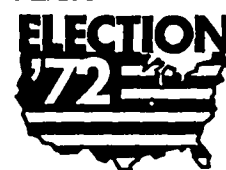
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AMERICAN SURVEY

Democrats in Miami



The McGoverns—and the banners of change



Leader of a divided party

Miami Beach

Conclusive victory on the first night, when the formal choice of nominee comes only on the third, does not often come the way of a presidential candidate in a disputed convention. Senator George McGovern achieved it, and the following day, Tuesday, saw the withdrawal of Senator Hubert Humphrey and Senator Edmund Muskie from the contest. Thus Wednesday night brought a mere ratification of what had been settled. On the first roll call, Mr McGovern got 1,865 votes, well in excess of the required 1,509.

To suppose that the swiftness of his victory expressed any overwhelming Democratic consensus in Mr McGovern's favour would, of course, be wrong. On the contrary, it was forced on him by the desperation of his enemies. By ordinary standards the matter would have been virtually settled last month when Mr McGovern defeated Mr Humphrey in the California primary election and went on to sweep the board in New York. But at that point his opponents got together and unseated 151 of the McGovern delegates from California (see page 48). His decisive battle therefore had to be fought on the report of the credentials committee and once the convention voted to re-seat his California delegates, power in the national party was

demonstrably his.

People with power bases of their own can, however, choose in varying degrees whether they will back him up, stand aloof, or continue to treat him as an enemy. The list of potentates unreconciled to Mr McGovern at the beginning of the week was unusually imposing, and it is not clear that the course of the convention has done much to win them round. Most of the Democratic state governors and two-thirds of the Democratic Congressmen were on record to the effect that Mr McGovern's nomination would bring all-round disaster in November.

Mayor Daley of Chicago, the chief surviving exemplar of the old-fashioned city political boss, stayed away from Miami Beach and refused to respond to Mr McGovern's attempt at a compromise on the seating of his part of the Illinois delegation. The result was that the Daley delegates were kept out and a rival liberal delegation from Chicago, even less legitimately selected than they, was seated in their place. The contrast with the Chicago convention four years ago, when Mr Daley dominated the proceedings, could not have been made more stark. But none of this is good news for Mr McGovern, who will desperately need to carry Mayor Daley's

county against President Nixon.

Next on the list of the unreconciled come Mr George Meany and the management of the giant trade union federation. Mr McGovern is the first Democratic presidential candidate in memory to be nominated against their outright opposition. Organised labour came very close to saving the day for Mr Humphrey against Mr Nixon in 1968. Mr McGovern is going to need its help badly. Some of these old-style holders of power and influence are disgruntled at seeing themselves brushed aside. Some are genuinely alarmed by Mr McGovern's position on defence or the Vietnam war or public assistance or school busing. Nearly all are turned off and even infuriated by the style and outward character of his active supporters, their age, clothes, sex, race, language, personal habits and view of society constituting, as they do, the antithesis of what a serious political body is usually supposed to look like.

How is it, then, that the seasoned practitioners of Democratic politics let themselves be out-talked, out-maneuvred and in the end totally out-gunned by this bunch of underdogs? There was the old trouble that, as has been said, "you cannot stop somebody with nobody." Mr Humphrey was strong enough to kill off Senator Muskie but not competent, for various familiar reasons, to take his place as the potential unifying figure. The standard-bearers of the status quo were repeatedly ludicrously late in their efforts to save themselves. Moreover, they were genuinely feeble when it came to what local political machines

are supposed to be good at—getting out the vote, packing the caucuses and imposing authority on the county and state conventions.

Mr McGovern, after the long way he has come, would not be human if he did not believe by now that he leads a movement with its own sources of momentum. But he must also know that he owes his victory not to that alone, but also to the failure of the opposing forces at their own game. All the same, he is now going to need all the help he can get, and this week he showed willingness to go some way to meet those forces. It was Mayor Daley's friends, not his, who defeated the attempt to seat the Daley delegation with half votes, insisting on all or nothing. When the party's platform was debated on Tuesday night (in the longest session a Democratic national convention has ever known), Mr McGovern's floor managers saw to it that not only all the amendments offered by the faction allied with Governor George Wallace of Alabama were beaten back, but also all the liberal amendments which would have antagonised the angry old guard even further.

One of the surprises of the convention, at least for the old professionals with their set view of the impulsiveness and unreliability of youths and females, must have been how amenable the mass of McGovern delegates were to the discipline needed to keep them from adopting statements which they were inclined to believe in but were told would be politically disadvantageous. Mr McGovern will have to calculate many times how far he can take this restraint in the interest of compromise and party unity. He has sticking points of his own. Even on one of these, however, the Vietnam war, he gave a bit of ground this week when he said he would keep a residual force in southeast Asia (not in Vietnam, but in Thailand and at sea) until the release of the American prisoners in North Vietnam was assured.

At the end, some delegations committed to support Mr McGovern, such as those of Massachusetts and Wisconsin, showed uneasiness when they began to take in the significance of what their chosen leader had said. A few of his delegates threatened to withhold their votes. But it was too late for such gestures to have any effect and the rollcall showed none. Beyond a point, if Mr Meany and Mayor Daley and the rest will come no way to meet him, Mr McGovern will have no recourse but to give up conciliating them and



Meany and his men: they have the money too

seek to isolate them. The summer campaign, which has demonstrated within limits the force of Mr McGovern's new sources of political strength, has also demonstrated the tendency to attrition in some of the old sources which failed Mr Humphrey and Mr Muskie. The nominee may have to leave Mr Daley stranded like a whale on a beach, while the new men see what they can do. He may look for local labour support, circumventing Mr Meany to the extent that that is possible.

Presumably he was exploring one such bypass early this week when he talked of Mr Leonard Woodcock, the head of the automobile workers' union, as a possible vice presidential candidate. Democratic presidential candidates have long been spared uncertainties about organised labour and big-city support. Mr McGovern will try to offset them by exploiting another uncertainty, the unprecedented number of new young voters waiting to be registered and organised.

One rueful delegate was quoted on Monday as having reached the conclusion that Senator Muskie, whom he had come to Miami Beach to support, was "a figment of the imagination." The judgment is neither so harsh nor so hostile as it sounds: a need was manifest for a unifying figure who would be calm, strong and reassuring, and Mr Muskie was conscripted by a large consensus of the party establishment for a role which, as it turned out, did not quite suit him.

Senator McGovern exists all right, and he knows exactly who and what he is. But he does also have another existence as a figment, indeed several figments, of the imagination of his followers. There are some things about the real Mr McGovern which the other Democratic party potentates do not like. He has always gone his own way too much for the liking of the club, he has often shown a baffling indifference to the opinions of his peers, and some-

thing about his manner strikes them as self-righteous. No doubt these characteristics are in some way connected with his ability, triumphantly demonstrated, to exploit and mobilise the mood of revulsion against conventional politics. His followers think him different from other politicians.

Believing this, they naturally appoint him leader of their multifarious causes, and since it is their devoted effort that has carried him to national leadership, he cannot altogether reject the roles they thrust upon him. But it is these roles, more than any idiosyncrasies of the real Mr McGovern, that cause his peers and the other old potentates to view him with alarm as a radical leader and the natural enemy of the respectable political establishment. In a way, the more wholeheartedly he throws himself into the role of leader to his followers, the more solid are the obstacles in the way of piecing a recognisable Democratic party together again.

Some of his supporters believe that what the party needs is not to be pieced together but to be taken over by new people, radically reconstructed, and launched on a new path: and if this aim conflicts with getting the Presidency in November, then the Presidency must come second.

For some people this is all very well. For Mr McGovern, however, who is now the presidential candidate of his party, the case is different. He is a practising politician seeking the power to conduct the country's affairs. Party affairs, beyond the extent to which they need attention if they are to help him on the road to power, have always exercised the most limited fascination for him. What is more, if he were to lose badly in November he would then have little say left over the party's future course. Between now and November he will have many delicate choices to make. If, in making them, he puts the Presidency second, that will be a surprise.

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Just trust George

The McGovernite chairman of a state delegation nodded his approval. "Of course the abortion laws have got to be changed," he told his delegates on Tuesday afternoon. "But the question is, do you care more about getting this into the platform than putting George into the White House?" They agreed that they preferred having George in the White House.

This scene was repeated in a score of state caucuses for McGovern delegates in the hours before the opening of the debate on the Democratic party platform, its statement of policy. Some of the delegates were unyielding.

Others said that they preferred not to vote against their convictions, but would if there appeared to be a serious risk that minority reports which would embarrass Mr McGovern in the election campaign would otherwise be carried in the convention. But it was thanks to Mr Wallace's delegates and those of some of their other opponents that the McGovern organisation succeeded in voting down a series of liberal minority reports that would have been a gift to the Republicans.

Abortion was a particularly difficult issue. An overwhelming majority of the McGovern delegates probably advocate more liberal abortion laws. And it is certainly true that there is substantial public support for this position.

Yet after the nasty shock administered to Mr McGovern in the Nebraska primary, when Mr Humphrey's men organised a highly effective smear campaign against him in the Roman Catholic precincts of Omaha, Mr McGovern's lieutenants have worked diligently to defuse this issue. It is, they say, not a question for the federal government but for the states and therefore it is a quite inappropriate issue for a plank in a national party's platform.

After a sharp little debate in the convention the McGovern strategy triumphed, but not before there had been a painful scene between two leading members of the women's political caucus, Representative Bella Abzug of

Not all that different after all

The 1972 Democratic national convention is an improvement on the last one in 1968, however one looks at it, but it is not as different as one had been led to expect. Miami Beach's notoriously nasty summer climate has been kind. The resort hotels on Collins Avenue with their spacious cool lounges absorb the candidates and their staffs, the newspapermen and the television crews, who outnumber the delegates, and all the hangers-on of both more easily than did the skyscrapers on Michigan Avenue in Chicago. The convention centre is only just down the road on the edge of a not unpleasant residential district, instead of being in the middle of stockyards.

The specially built chain fence is draped here and there with hibiscus plants. The policemen who are lined up behind it are spaced out generously (although there are busloads of tougher types there in the background). The demonstrators outside are good-humoured and being treated in a good-humoured way. In spite of advance predictions, the security arrangements on the inside are not objectionable.

Those who forecast that at this convention the proceedings would be convulsed on the floor instead of off it have been proved wrong. Inside are the same old delays in getting started, the same old religious invocations, the same old music, the same old welcoming speeches from local heroes seeking nationwide glory, the same old difficulty in keeping the

aisles clear and the delegates concentrated on their business. But perhaps it was wise not to alienate the party's traditionalists still further this year by reforming the superficialities, however boring, as well as the fundamentals.

The reforms have not, in fact, done anything to speed up the proceedings—rather the reverse. When rollcall votes are taken, it is easier to name the states in the good old alphabetical order than in the random sequence decided by lot that is now required, beginning this year with California and ending with Oklahoma. By the time that chairmen of delegations have learned when their turn comes, the convention will be over and in 1976 it will all be different again.

Then this year each delegate must be polled by his chairman on every vote and marked off on a tally sheet which must be sent up to the platform for record purposes. This seems to have presented particular difficulties to the chairman of the large Ohio delegation, never ready when called. In practice, however, the floor managers for the various presidential candidates were making sure that their delegates knew how to vote. Even the independent young McGovernites seem to have admitted that when the final showdown comes, it is best to have trained professionals in command.

Much has been made of the inexperience of this year's delegates; fewer than a fifth of them had ever been to a national convention before. But they

had fought their way there, up from the grassroots or, more often, the political science seminars, gaining plenty of sophistication in the process. They had no desire to see their party shamed by a repetition of 1968's disruption on the floor or off it—nor was there any excuse for that. This year's chairman, Mr Larry O'Brien, was even-tempered, broad minded and also, most importantly, efficient. There has been no need for protests outside the hall (with one important exception) because all the various groups that make up the party have been represented within it.

True, some of the older groups do not feel that they have been fairly represented, notably the party's office holders and the trade unions. Other famous Democrats also missed the McGovern bandwagon and are either sulking in their home-town tents, like Mayor Daley of Chicago, or sitting rather sadly in the galleries, like Mr Averill Harriman, one of the party's great financial backers. There are very few Congressmen or Senators around in Miami Beach nor are state governors as prominent as usual.

Whether the Democratic party can survive without allowing these people their traditional importance is probably going to be demonstrated during the coming election campaign. Meanwhile the floor of the convention hall gives the impression that the party is being taken over by the women although they only make up 38 per cent of the delegates. This is not really as large a group as it should be, according to the new guidelines based on the pro-

New York—a woman with a political style curiously similar to that of the late Bessie Braddock—and the actress Miss Shirley MacLaine. After Miss MacLaine, who is a strong advocate of reforming the abortion laws, had attempted to swing votes against the minority report favouring a clear party statement on the issue, Mrs Abzug, who was seated in the body of the hall, jumped to her feet and, with the aid of her very considerable lungs, denounced Miss MacLaine in biting language.

But Miss MacLaine, who obviously did not enjoy her part, succeeded in her task and the minority report went down to defeat. It was the same on policy for poor people. Mr McGovern

has already got himself into so much trouble on this issue that he would have been grievously embarrassed by the adoption of the minority report favouring the National Welfare Rights' Organisation's demand for \$6,500 a year for a poor family of four. "Now, now, now" as the claque of demonstrators in the gallery chanted.

The soft-spoken president of the Wisconsin Farmers' Union put the issue to the delegates with uncomfortable clarity: there were many small farmers in his state who only earned that much in a year. What would they say if sums of this sort were to be guaranteed to many people who did not work at all? Some of the delegates must have winced at the thought of what

Vice President Agnew would do to them on such an issue. But once again it was the Wallace men who came to the rescue, even though large numbers of McGovern delegates voted against their own friends.

However, for much of Tuesday night there was little drama and a great deal of tedium. After the introduction to the debate by Professor Richard Neustadt, the chairman of the platform committee, there was a series of short statements on the more important elements of the platform by members of the committee. As these speeches were only summaries of documents the convention already had before it, large numbers of delegates drifted off into the coffee bars and others gossiped with

portion of each group in the party in each state—but four years ago only 13 per cent of the delegates were female. At the next convention in 1976 a woman must be the "chair-person."

There are 151 Spanish-speaking delegates, three times as many as in 1968, and 450 blacks, twice as many as four years ago. Some with moustaches and business suits, some with beards and dashikis, they vary as much in appearance as they do in their aims. Negroes can hardly be regarded as a homogeneous political group in America any longer. And finally there are the young people—according to a computer, 13 per cent of delegates are under 25 and another 20 per cent are under 35 years old.

In the old days a trip to the convention was a reward for faithful political service, but an expensive one both in hotel bills and contributions to party funds. This time few of the delegates are rich and some of the young ones are making do with sleeping bags and food parcels from home; few have been subsidised by state party funds, more by parents.

Nevertheless the delegates still come from the better-off sections of the community. The group which is still not represented proportionately at the convention is that of the poor people and it is they who have been responsible for the only real protests this week.

The National Welfare Rights organisation had been meeting in Miami Beach. Joined by several other Negro and anti-war groups, it invaded a meeting of the arrangements committee to demand 750 seats on the floor of the convention; the figure was based on the proportion of poor in the population.

The demand was given serious consideration but was refused on the ground that the floor was overcrowded already; moreover the poor people had not been elected as delegates. They did gain some access to the gallery and staged a small protest there and others

in the streets. But the comparative orderliness with which the leaders put their demands and the discipline of their followers suggest that by the time the next convention comes round the poor people may have gained the special recognition that they want.

Like other groups of non-delegates they had a hotel headquarters. So did the Yippies, the Youth International party, even though they want no part of the establishment and were sleeping in tents in Flamingo Park, by the rather reluctant courtesy of the town's civic authorities. There the Yippies skinny-dipped, made music and chatted happily with the old folk who usually play in the park. Why the Yippies came at all, no one quite knows. Certainly it was not to make trouble, as they did in Chicago in 1968.

This year's convention can well do without that particular type of colour but it lacks colour in other ways as well. Apart from the gaily striped official Democratic hostesses, the pretty Pepsi-Cola girls, a few dresses exhorting everyone to vote in red, white and blue, there is little of the gay hoop-la of earlier conventions: only an occasional straw hat, a good many leaflets and posters, but none of the bright young people in costumes publicising their favourite candidate. They have other things to do this time.

They are on delegations which have been sitting at the convention hall right through the night and have been lobbied by presidential and more recently vice-presidential candidates, and advocates of special causes right through the day. In the intervals they attend workshops on how to run an election campaign. All this suggests that they are determined to go on working for Senator McGovern right into November and to prove wrong the sour old pros who have been prophesying that the young enthusiasts will get bored with politics now that they have nominated their candidate.

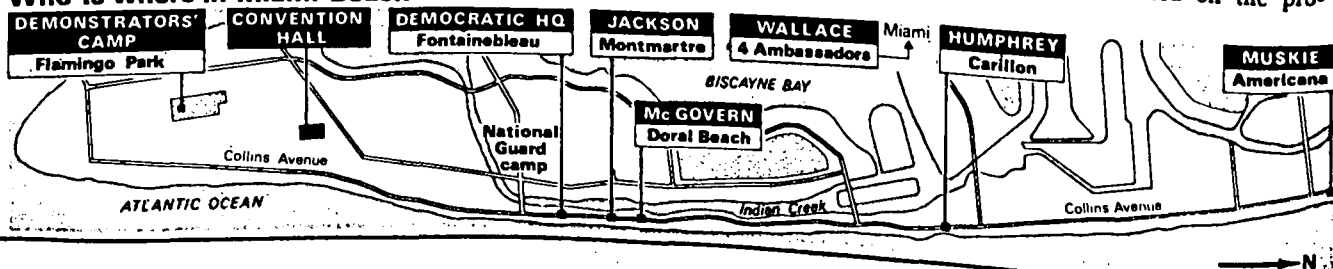


The Pot party convenes too

In any case there would have been little point in fancy costumes this year since the half-hour long processions through the hall that used to celebrate the putting into nomination of each presidential candidate are no longer allowed. Fifteen minutes is now the limit for nominating speeches and expressions of enthusiasm, allowing time only for a few banners, fewer balloons and comparatively little shouting. As a result, the only part of the convention that moved really speedily was the nomination of the final five presidential candidates.

States and dependencies were still allowed a little time for self-congratulation as they cast their votes—Guam "where America's day begins" Colorado "which fully supports the United Farm Workers' boycott of lettuce." But even when Illinois put Senator McGovern over the 1,509 majority, the cheers were soon checked to allow the rest of the votes to be counted.

Who is where in Miami Beach



friends.

But ultimately the interminable ritual came to an end. The chairman came forward to announce that the Governor of Alabama was now with them and was to propose the first of the minority reports. But the little dark-haired man in the wheelchair had nothing new to say, only his routine stump speech. It earned some cheers from his acolytes and a few outbursts of booing and that was that. Mr Wallace was wheeled off and his minority platform was thrown out with a series of thunderous "noes," without the convention being troubled by even a single rollcall vote.

All that remained of the evening—and there was a lot as the convention sat for almost 12 hours—was spent by the McGovern floor leaders defeating their own supporters' minority platform without incurring their serious displeasure. And on this they had a fair degree of success, though on the following day there were still some angry rumblings from some members of the women's political caucus. But even here it was only a minority who were indignant; the majority was prepared to trust George McGovern.

Just before the delegates streamed out into the muggy morning sunshine the McGovern forces managed to stage an impressive little coup. In an endeavour to mend their fences with the Jews they persuaded the convention to strengthen the statement on defence policy with an amendment making it clear that a major naval force would be maintained in the Mediterranean "to deter the Soviet Union from putting unbearable pressure on Israel." All in all it was a remarkable night's work. Mr McGovern's managers had succeeded in pushing through a liberal policy platform, expressed in moderate terms, and had managed to defeat some of their own supporters' attempts to strengthen it, without damaging the fundamental unity of their movement.

Two ways to lose

Senator Hubert Humphrey ended his 12-year quest for the Presidency not with a bang, or a whimper, but with tears. The tears came from his staff, but they were not far away from Senator Humphrey's eyes either. Through Monday night's fights on the credentials he had added up the figures and on Tuesday morning they still came to the same total: his candidacy was dead. Shortly after noon he walked into the inappropriately named Eldorado Room of his hotel to bury

As California goes . . .

For the Democrats this week the question of credentials—that is, which of rival delegates or delegations shall cast their state's votes—provided the turning-point of their convention, just as it did for the Republicans in 1952, when the Eisenhower forces ousted Senator Robert Taft's southern block. The two most controversial of the credentials committee's numerous decisions—to exclude Mayor Daley and 58 other delegates from the party organisation in Illinois and to split the California delegation between Senator McGovern, the winner, and other contenders—had been contested in the courts.

But late last week the Supreme Court, hastily reconvened, decided in effect, by 6 to 3, not to interfere with the credentials committee's work and to leave the final decision to the convention. For a century and a half, the opinion argued, delegates to party conventions have decided such questions for themselves and the practice should certainly not be changed in haste. About a dozen appeals to the convention from the committee's decisions—mainly on the score that state parties had ignored the party's new guidelines designed to increase the numbers of women, members of minorities and the young—were scheduled to be decided on the convention floor. The committee had already settled another dozen or so disputes, in one case seating the largely black "loyalists" (loyal to the national party) from Mississippi, not the whites chosen by the state organisation.

Two hotly disputed procedural questions fell to Mr Lawrence O'Brien, the convention's temporary chairman, to decide: who was eligible to vote and what was to constitute a majority? The anti-McGovernites wanted the whole California delegation—the 120 which belonged unquestionably to Mr McGovern as well as the disputed 151—to stand aside when California's case came up. More important, they insisted that a majority must be 1,509, just over half the total delegate votes—3,016. At that time the McGovern men were not absolutely certain that

they could muster so many.

Mr O'Brien ruled that Mr McGovern's Californians could vote and that a majority would be defined as over half of those entitled to vote on any particular case before the convention. On the Californian issue it would be 1,433, since the 151 anti-McGovern delegates could not take part. Both decisions pleased the Senator's aides but they still felt that they must prevent an appeal from Mr O'Brien's ruling on the majority on a case involving South Carolina. The anti-McGovern forces from California would be able to vote on it and it was to be considered first.

The McGovernites out-foxed the opposition on the challenge to South Carolina's delegation, where women were said to be underrepresented. But it was decided in a way which strong advocates of Women's Lib will find it hard to forgive. If the case had been settled by a majority of less than 1,509 a vote would have been demanded on whether this was acceptable and Mr McGovern might have lost. Instead well-drilled McGovern delegations were instructed to swallow their liberal convictions and defeat the challenge resoundingly; the vote was 1,555 to 1,429. In fact, Mr McGovern won back the whole Californian delegation by 1,618 to 1,238.

The debate on the Californian issue was for the most part good-humoured. The convention's decision to exclude Mayor Daley and his cohorts was not. It was taken after Senator McGovern's men had struggled all night to persuade the powerful mayor to share the convention votes of McGovern delegates who had been seated. In the early hours of the morning Mr Daley told Mr Frank Manckiewicz, Mr McGovern's chief lieutenant, what he could do with his compromise. This was a mistake on the part of the former maker of Presidents, as he lost by 1,487 to 1,371. On the floor Mr McGovern's managers had continued to seek a compromise but many of the delegates had not forgotten the blood on Chicago's streets in 1968.



Ribicoff, O'Brien, McGovern: all we want is a simple majority

it before press and television.

"We bow out now with the spirit of friendship and of understanding, as a good Democrat, but above all, hopefully, as a good citizen and a good family. Thank you very much." That was how it ended, but there was nothing in it for Senator McGovern to thank him for. Senator Humphrey merely released his delegates: the spirit of friendship and understanding did not extend to advising them to vote for, or support, Senator McGovern. Well, at least Mr Humphrey did not upset his sponsors among organised labour.

The original front-runner fell out less than two hours later and in a manner which only added to the Muskie enigma. Senator Muskie's statement withdrawing from the race lasted just four minutes, but it was the most impressive thing that he has done since he countered President Nixon with a superb television performance on the eve of the mid-term elections nearly two years ago. His support for Senator McGovern was not only complete but it was also generous. That might not signify as much as it sounded, but it was in striking contrast to Senator Humphrey's sentimental meanness, one of those few occasions, perhaps, in which Senator Muskie's words created the effect he intended.

Senator Muskie was back to his Sunday best. On that day he had appeared on the special edition of "Meet The Press" and upstaged all the other candidates, including Senator McGovern. But the next day, instead of showing the sense and statesmanship of Tuesday, he embarked on an absurd little exercise of trying to get all the candidates into an air-conditioned room to solve the credential problems of California and Illinois. Who could ever have seriously expected Senator McGovern to agree to that at this new-style convention—especially when he knew that he had the votes to get his way?

Rarely can the American political system have better demonstrated its supreme achievement of putting men under great stress before determining whether they are fit for the highest offices than in the case of Senator Muskie. An attractive man, in ideas and words too, when not under strain, Senator Muskie proved indecisive at moments of crisis. Through the early primary elections and again just week in Miami Beach he showed just what he was: a fine Senator but no President. It is a good thing for the country to find out—in both respects.

Wallace the Democrat



The Wallaces: where now?

All Governor George Wallace of Alabama ever wanted out of the 1972 Democratic presidential campaign was to be treated as a respectable Democratic candidate; it took a would-be assassin's bullets to put him within reach of his goal. Twice before, in 1964 and in 1968, he had gone out to win voters and had some success in doing so, only to be shunted aside at the party conventions and treated like something that had hung too long in the sun.

But after the attempt on his life, his hospital room became a place of political pilgrimage for Democratic presidential candidates and leaders, each of whom seemed to feel that Mr Wallace would make a better friend than an enemy. Even Senator George McGovern felt called upon, when speaking at Miami Beach to such conservative groups as the Texas delegation, to point to his earlier visit to Mr Wallace and to remark on the similarity of their goals.

When he was discharged from hospital on the eve of the party's nominating convention, Mr Wallace boarded an aircraft ordinarily used to ferry wounded from Vietnam and flew first to Montgomery, the capital of Alabama. At Montgomery, he was lifted down the ramp of the aircraft in his wheelchair and addressed a crowd of about 4,000 Alabamians who had come to bid him welcome home. His voice was thin and his fatigue was obvious as he went through his campaign litany of charging the Democratic party with being unresponsive to the "average people of America"—those who "are

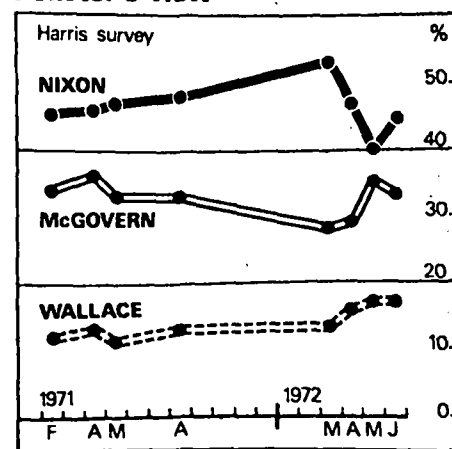
sick and tired of high taxes and foreign aid to countries that spit on us and want to see us lose in Vietnam." The party, Mr Wallace said, could only beat President Nixon if it gave attention to "the decent, honest, law-abiding citizens" who are noticed "only on election day and tax-paying day."

In Miami Beach, he broke with tradition by coming to address the convention before nomination. He came to speak about some of the planks in the party platform. He had substitute plans to offer, particularly one calling for an end to moving children to school in buses to further racial integration and another urging what the Supreme Court had already struck down—compulsory prayer in state schools. His appearance was greeted with applause, wild from his supporters, polite from his political adversaries. His voice had returned and he was full of his old fire, despite the embarrassment of being manhandled in his wheelchair up to the speaker's platform.

"I am here because I want to help the Democratic party," Mr Wallace said. "I want it again to become the party of the average citizen and not the party of the intellectual pseudo-snobbery." But after he had been taken away, all of his proposed amendments were shouted down in a voice vote. His liberal opponents were far too strong. Mr Wallace has left open the question whether he would now go on again to form a third party, as he did in 1968.

Should Mr Wallace choose such a course in 1972, would he take more votes from President Nixon than he would from Senator McGovern? Such speculation seems academic. Mr Wallace, faced with formidable physical handicaps and a drop in financial support is unlikely to bolt his party just now.

Pollster's view





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Cash on Hand and Due from Banks	\$125,311,119
U.S. Government Securities, Direct and Guaranteed	45,083,406
State, Municipal and Other Public Securities	59,169,090
Other Marketable Securities	1,408,308
Loans and Discounts	178,690,569
Customers' Liability on Acceptances	11,940,935
Other Assets	21,879,118
	<u>\$443,482,545</u>

LIABILITIES

Deposits	\$398,446,959
Acceptances: Less Amount in Portfolio	12,389,930
Other Liabilities	5,860,372
Capital	8,000,000
Surplus	18,785,284
	<u>\$443,482,545</u>

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THE ECONOMIST JULY 15, 1972

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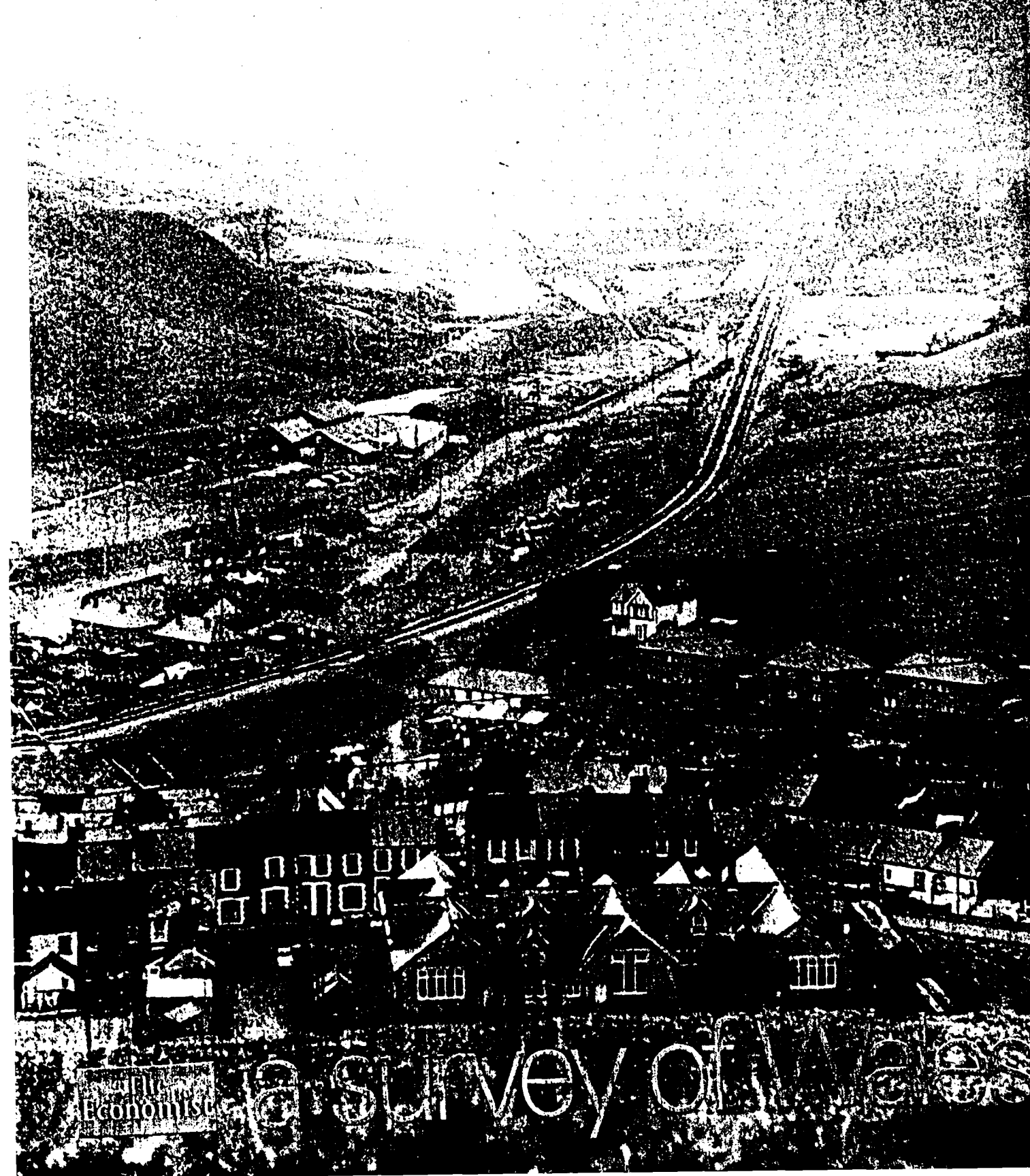
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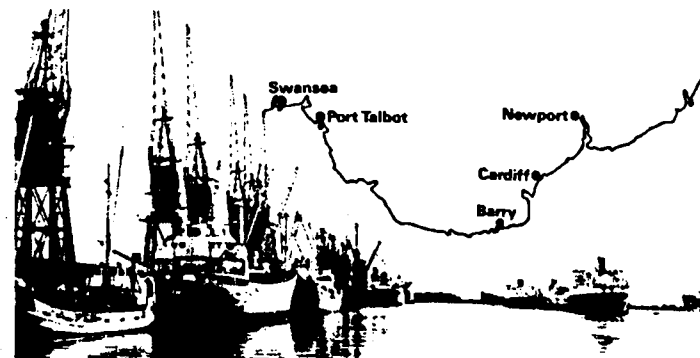
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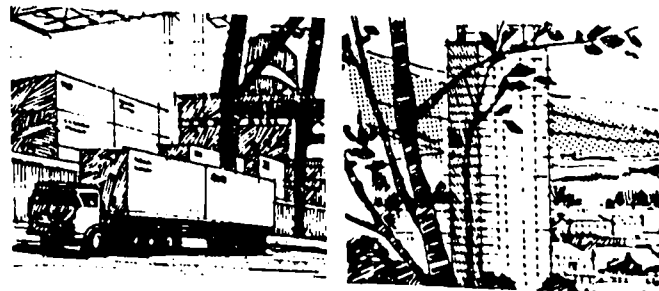
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Expecting to win

At the moment it's not bad being a Welshman, says Wales's hero Barry John: "Because we haven't lost to England since 1963 and now the Welsh just expect to win." But in Wales today the current mood of confidence can be put down to something more than just the success of its rugby team. Wales, like the rest of Britain, has experienced the pains of economic recession: the new firms with their new jobs have stopped coming in any great number and, as every Welshman knows, the coal industry is due for another bout of contraction and the steel industry for a shake-out of labour. But, once that is said, Wales, with an unemployment rate of 5 per cent, has fared comparatively better—or, as one realist put it, "less worse"—than any other of Britain's development areas.

Confidence is infectious and at the moment there is undeniably a feeling of moderate optimism in Wales. It is particularly noticeable among the business community and civil servants in Cardiff, the Welsh capital. One reason for this is that now more than ever before Welshmen are running their own affairs. The age-old resentment of the shadowy English bureaucrat in Whitehall who felt he knew better than the Celts what was good for them is fast dying, because more often than not his job is now being

done by a Welshman in Cardiff. The Welsh Office, established only seven years ago, has not all the powers or the authority of the Scottish Office. But it has substantial responsibilities in its own right, including primary and secondary education and health and welfare services, and an opportunity as well as a willingness to speak up and have its voice heard on other matters.

Decentralisation has not been confined to administration. Wales, with a population of only 2.75m, now has its own opera company, an independent television company, its own development corporation, tourist board and arts council. Soon it will have its own national bank and, if some influential enthusiasts have their way, might yet have its own elected council.

The other reason for confidence is that regional policy—itsself, paradoxically, the product of strong central government which some Welshmen resent—has, for all its faults, worked remarkably well in Wales. From being an area almost entirely dependent on two basic industries, coal and steel, industrial South Wales, where three-quarters of the population lives, has become an area where about half the workforce is employed in a variety of manufacturing industries. Most of the manufacturing firms—over 400 of them, in fact—have come to Wales since the war, lured by development

area incentives and the lavish provision of government-built factories on new industrial estates.

Wales was perhaps lucky that its time of greatest need, when employment in the coal industry was falling fast in the 1960s, coincided with a period when industries in the Midlands and the south east were feeling foot-loose and, if not exactly fancy free, ready to expand. In the past 10 years the number of workers in the coal industry in South Wales has more than halved from over 100,000 to around 40,000. This had repercussions in related industries and services, notably in the ports which were created by the coal trade. But, even here, after a period of stagnation, the ports have diversified their traffic so successfully that today, in contrast to very many other British ports, they make a good profit. The comparative bloodlessness of this drastic change in the structure of the Welsh economy, left Wales better placed to face the past two years of recession than any other ageing industrial area in Britain in need of special assistance.

As in the nineteenth century, Wales is still economically tied to England—a fact of geography about which most Welshmen are quite realistic but which makes nonsense of many of the claims about self-sufficiency put forward by the Welsh nationalists. Geographically and economically Wales divides into three. South Wales's natural ties are with the south-west of England and the Midlands; mid Wales also looks to the Midlands and North Wales again to the Midlands and to Merseyside. Between the main population belt on the southern coalfield and the only other substantial settlements in the north around Wrexham and the Dee estuary is an expanse of mountainous, sparsely-inhabited land with only a handful of small towns, poorly served by road and rail. It is easier to drive from Cardiff to London or Birmingham, for instance, than to Newtown in mid Wales. But few Welshmen now bother even to mention the possibility of a north-south trunk road, for the glaring truth is that there would not be the commercial traffic to use it.

Wales as a separate economic entity makes hardly any sense. But there is a need for more home-grown initiative to build up existing industries—a need which earlier regional policies, by encouraging only the newcomers rather than resident firms, failed to recognise. It is not enough, as practically every Welshman will tell an

English visitor at great length, to rest content with the idea of attracting branch factories from the prosperous industries of the Midlands.

It is important that young men like Barry John, who, having retired from rugby football at the age of 27 and at the height of his fame, works for a finance company in a bustling part of downtown Cardiff, should feel confident that they can make a future for themselves in Wales. In the past the

The other kind of nationalism

Many Welshmen today will describe themselves as "nationalists with a small n." By which they mean that they are all for preserving Wales's different identity, but not for cutting its strong and, in fact, unbreakable ties with England. When it comes to being different the Welsh have a lot going for them, besides a fanatical passion for rugby football. To start with, they are a Celtic people with very separate origins from their Anglo-Saxon neighbours and, despite the upheavals of the nineteenth century and the large emigrations from the coalfield in the 1920s and 1930s, they have managed to retain their language and traditions to an extent—at least as far as the language is concerned—that the Scots and the Irish have not. In fact, the industrial revolution, far from destroying their culture, kept the Welsh in Wales. At a time when cheap American farm products led to an agricultural slump in Europe and forced poor farmers in Scotland and Ireland to emigrate to America or England, their Welsh counterparts moved instead to the coalfield, transferring their lively folk culture, strengthened by a religious revival, to the mining villages.

The depression in the 1930s temporarily drained some of the Welsh vigour. But today nationhood is as strong a force as ever. A good number of the votes which the nationalists pick up in by-elections are more an expression of this "differentness" than any wish for literal political independence. In such an atmosphere it is important that Wales should be run as much as seems sensible from Cardiff rather than Whitehall.

Unlike Scotland, which has had a Scottish Office at St Andrew's House in Edinburgh since 1939, the transfer of administration from Whitehall to Cardiff has been comparatively recent. The present Welsh Office has its

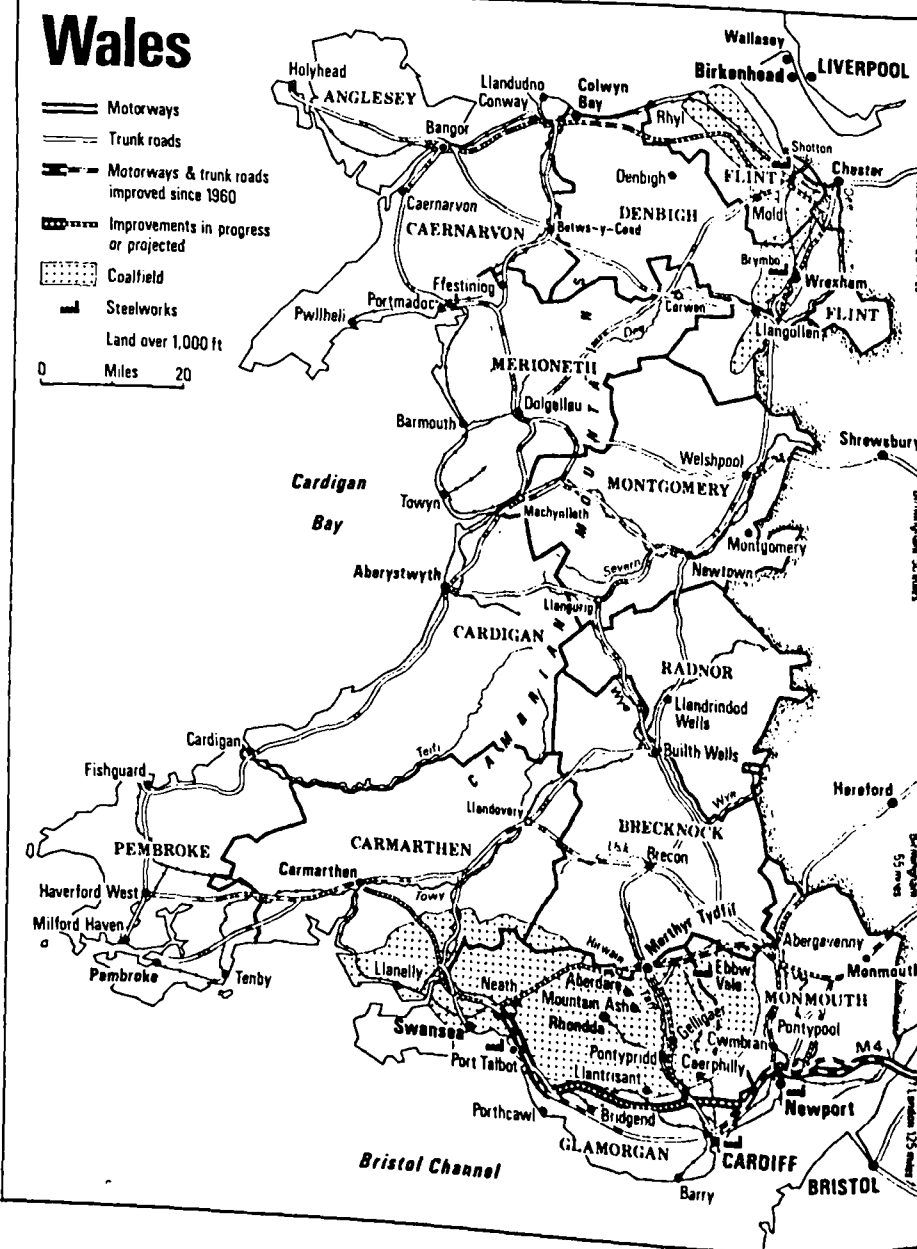
great problem was that Wales's brightest sons left for England or abroad because home could not offer them the same job opportunities.

Even today Welsh millionaires in Wales can be counted on the fingers of one hand, while the number of Welsh teachers in English schools and universities is legion. But the drift away from Wales has been checked. The Welsh want to keep it that way. And the chances are that they will.

origins in the Welsh Office of the Ministry of Housing and Local Government that was set up in 1951. By 1958 a minister of state for Wales had also

been appointed. But it was left to the Labour government—with its strong Welsh representation—to set up a separate Welsh Office in Cardiff with a small political branch in London and to give Wales its own minister in the cabinet.

Since October, 1964, when it had a staff of 255, the Welsh Office has expanded rapidly. Its original brief was confined to housing and local government, town and country planning, water, sewerage and a few other subsidiary matters. But in 1965 its responsibilities were enlarged to include roads and by 1968 there were 550 men and women on its payroll. The next big step was taken in April, 1969, when it took over responsibility for health and welfare services and minor matters such as financing the new tourist board and listing ancient monuments.



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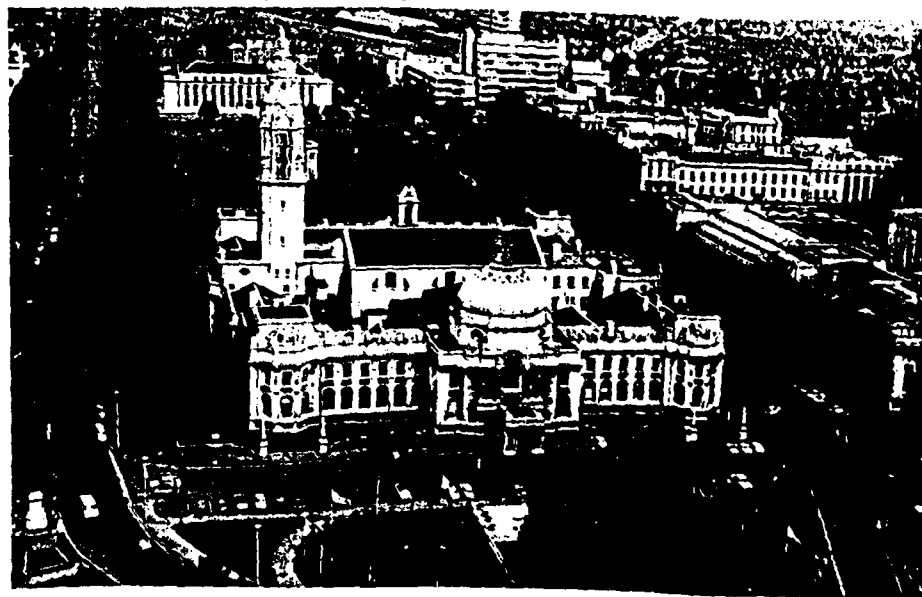
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It was then also given a shared responsibility for agriculture with the Ministry of Agriculture (an unusual state of affairs which many Welshmen feel would be more sensibly resolved by handing the whole lot over to the Welsh Office). Primary and secondary education came under its wing in 1970—though this did not satisfy the National Union of Teachers, which argued that higher education should be included in the package—and in 1971 it took over child care responsibilities from the Home Office.

Now it has a staff of 930 people. All of them, apart from the two dozen or so that run the London branch, are based in Cardiff in a complex of elegantly planned buildings and spacious cherry-tree-filled gardens—often called Welsh Washington. The ques-

tion now is where should the handing-over of responsibilities stop and, more controversial still, how far can administrative devolution go without producing some form of parliamentary devolution as well? That point has also, of course, been made by the Scots who, with their own separate system of law, Home Office responsibilities, full control of agriculture and separate universities are still several laps ahead of the Welsh. Wales does have the Welsh Council—the successor of the Welsh Economic Council which was created in 1965 to advise the Secretary of State. It undertakes studies with specialised panels and sub-committees. But its members are nominated, not elected, and its powers are purely advisory. So, some Welshmen argue, it has no teeth.



Welsh Washington

Devolution has certainly helped to boost Cardiff's position as the capital of Wales—a status it officially acquired only in 1956. Cardiff has not always been accorded the respect that such a status would normally imply. The Labour government's proposals on local government reform would, for instance, have put Cardiff under the administration of East Glamorgan—an area of 1m people which includes many of the old mining valleys whose interests are often in direct conflict with those of Cardiff—and left the city's council with virtually nothing more than the powers of a parish council. More sensibly, the present government's solution is to cut East Glamorgan into two, linking Cardiff to its commuter belt in the Vale of Glamorgan within a local government area of about 400,000 people.

Although Cardiff is easily the biggest town in Wales, it has a population of only 284,000—140,000 fewer than nearby Bristol—though a recent Buchanan study estimated its population would grow to over 400,000 by the end of the century, with most of the increase in employment coming in the service sector. Its smallness explains why Cardiff does not have many of the amenities such as concert halls, orchestras, a repertory company and the like which can be found in larger English towns. Cardiff council has, however, ambitious plans for the redevelopment of a 300-acre area in the centre of town. The scheme, conceived in partnership with a private developer and estimated to cost £48m at 1968 prices, includes offices, a public library, a market, an arts centre, a concert hall and other places for entertainment.

And it is in Cardiff that the spanking new Sports Centre for Wales has opened.

There is certainly quite a lot of Cardiff—outside the impressive Cathays Park where the administrative offices, university buildings, law courts and museum sit grandly together—that is ripe for redevelopment. Cardiff could also do with better roads to steer cars out of the city centre, for even out of rush-hours the traffic is frustratingly congested. Nearly all the slums, including those in Tiger Bay, have gone. But office development has lagged. The Cardiff council put a freeze on office development while the Buchanan study was being undertaken and businessmen still complain of the high rents that the resulting scarcity of office space has created.

Cardiff grew on the coal trade. Commerce and banking have now changed its grimy image. But, in no real sense, is it an industrial city. It was not given development area status and it therefore failed to attract new firms in the 1960s. In 1969 Cardiff eventually got intermediate area status. But this has made little impact as yet, because of the general slack in the economy. And, indeed, recently several firms have moved out: Dialoy which employed 400 people making metal castings has, for example, moved six miles over the hill to Caerphilly in the development area.

Moreover, the opening of the Severn bridge linking Cardiff closely with Bristol and the south west has not been an unmixed blessing. On balance it has helped Cardiff. But some large companies operating in both towns felt that with such speedy communications they needed to keep only one office open. More often than not it was the Cardiff one that went. The Co-operative Wholesale Society, Stewarts and Lloyds, and the CEB all pulled out of Cardiff. The government's dispersal policy, however, is helping the city. Before long both the Inland Revenue and the Ministry of Defence will have large offices there, employing around 4,300 people between them, and in 1974 British Rail will open its western headquarters there, bringing another 2,000 jobs. With the motorway ending on its outskirts—its extension to Swansea is due to be completed by 1978—and with the developing airport nearby at Rhose, Cardiff's future as an administrative and business centre looks assured.

This survey was written by
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Lloyd George knew my father

When it comes to politics, Welshmen are not as other men. There is a peculiar religious fervour and emotional pitch about their fanatical interest in politics that sets them apart from Englishmen. Although numerous jokes are made at their expense, politicians in Wales are still accorded a kind of respect and importance that has eluded English MPs. And Wales breeds almost as many politicians who take themselves off to English constituencies as it breeds teachers who take themselves off to English schools. That may happen, as one MP suggested, because Welshmen have a passion for public speaking: "Every village has its own eisteddfod [a singing and poetry reciting competition]," he said, "and little Johnny has to get up and recite. By the time little Johnny is 17, he is much more able to stand on a soapbox or in the pulpit than his English counterpart."

That is true. But the tumultuous and bleakly romantic history of Welsh politics since the miners first got the vote in 1885 provides, perhaps, an even better explanation. The Celts are a radical people. There is no landed gentry to speak of in Wales and it has not the feudal traditions that breed Conservatism in rural England. Wales was originally a Liberal stronghold. But in 1900 Keir Hardie, the first Labour MP, was elected for Merthyr Tydfil and then the depression in the 1920s really sealed the fate of the Liberals and produced its own fervent brand of Welsh socialism. By 1929, Labour returned 25 of the 35 Welsh MPs—and most of those 25 were miners.

Labour today is still very much the

ruling party, with the Conservatives holding only seven seats (Mr Peter Thomas, the Tory Secretary of State for Wales, has an English constituency) and the Liberals one. Prominent politicians such as Mr James Callaghan, Mr Michael Foot and the lively Mr Leo Abse represent Welsh urban constituencies and they make quite sure that Wales is never forgotten in Whitehall. But these three MPs are not typical of the parochial approach associated with the Welsh Labour party. Far from being the party of the radicals it has become the party of the status quo: "Put a donkey up for Labour in the valleys," the saying goes "and they'd vote it in." Valley local government is entirely in the hands of the Labour party and membership of the party is traditionally—though not, of course, officially—a prerequisite for a decent job. This entrenched image has made many of the young turn away from socialism not, of course, to Conservatism, but to what seems now the only logical alternative to a self-respecting Welshman—the Welsh Nationalist Party, Plaid Cymru.

Its success in recent years has been remarkable. But it can be explained in terms of disillusion with the Labour party in Wales allied to a strong feeling that Westminster in the past has not paid enough attention to Wales. As yet the nationalists have sent only one MP, their president, Mr Gwynfor Evans from Carmarthen, to Westminster and he was elected in a by-election and then thrown out at the general election, when the voters actually started thinking serious politics.

More recently, the near-success of

Mr Emrys Roberts, the popular Plaid candidate in Merthyr's by-election in April, got the Welsh Labour party, which had sent down all the big-wigs to support its candidate, into quite a dither. The citizens of Merthyr had already shown a disturbing lack of respect for the party when at the general election they voted in the 84-year-old Mr S. O. Davies, the last of the old mining MPs, as an independent instead of the official Labour candidate.

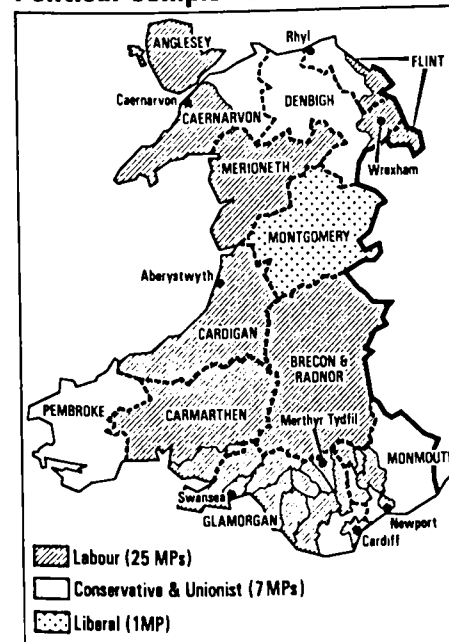
Some of the younger Labour MPs now admit, if only privately, that the nationalist resurgence can do their party nothing but good if it can jolt it out of its present lethargy. There is, in fact, a strong nationalist element in the party already. Mr Elystan Morgan, for example, stood as a nationalist candidate in four elections. Other politicians are also edging that way. MPs like Mr Tom Ellis and Mr Gwynfor Jones (who took Carmarthen from Mr Gwynfor Evans) frequently hint at their nationalist sympathies.

All this amuses the nationalists, who take a certain malicious delight in pointing out that their new standing has forced the Labour party to change its mind and its policies. The most obvious change of heart occurred when the Welsh Parliamentary Labour Party came out in favour of an elected Welsh council, going so far as to propose it in an amendment to the Local Government Bill. Even Mr George Thomas, who opposed the idea when he was Secretary of State for Wales, now has had to change his mind.

Support for an elected Welsh council is widespread in the Welsh establishment, especially, of course, among its most Welsh elements. The Crowther commission heard evidence in its favour from several organisations including the Welsh Regional Council of Labour—but not the Welsh Parliamentary Labour Party—and many individuals. Inevitably, views differ on what the powers of such a council and what its relationship to the Welsh Office, to local government authorities and to Westminster should be.

There are many in Wales who would be quite willing to see an elected council if it would keep people happy, but only so long as its real powers were few and did not extend to such matters as economic planning. There are others who argue precisely the opposite in saying that such a council must have strong powers if it is to attract representatives of a suitable calibre. They do not want yet another talking shop. The nominated Welsh Council was so torn on the issue that it put

Political complexion



forward two opposing schemes in its evidence to the Crowther commission. The second model proposed an elected council with powers over health, education, transport and economic planning.

That the debate about an elected

council still waxes so loud and long is taken by the nationalists as a feather in their cap. Having started as a party concerned almost exclusively with the Welsh language and culture, Plaid Cymru has now attracted some bright young radicals, such as its national chairman, Dr Phyl Williams, a teacher at the University of Wales at Aberystwyth who originally joined as "a left-wing refugee from Labour party conservatism." Many of its candidates at the last election were teachers, doctors and professional people. Some eminent lawyers worked on its proposals for a Welsh constitution put before the Crowther commission.

The nationalist party has even gone as far as to claim that Wales could survive as an independent economic unit—a claim which the Treasury refuted last September when it published a special Welsh budget showing that the principality had an estimated overall deficit of £182m in 1968-69. But the Welsh nationalists represent a new spirit of self-awareness in Wales. With the Labour party out of power—a time when Plaid Cymru's fortunes might be expected to ebb—it is significant that Plaid Cymru attracts as much support at it does.

Counter-mining

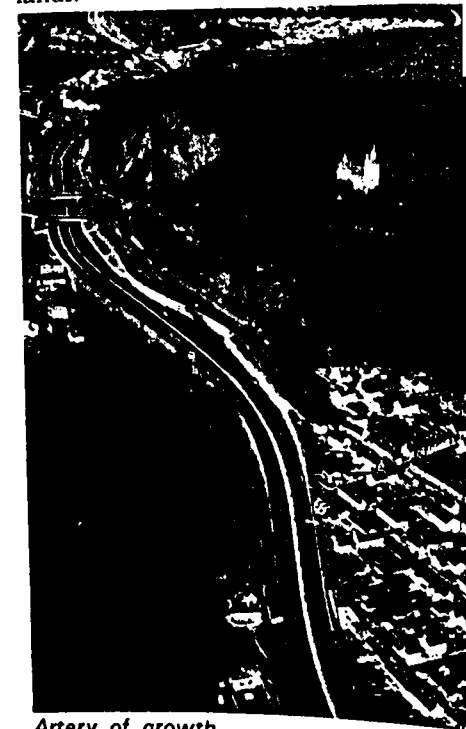
Tradition has it that at the turn of the century no bed in the Rhondda valley was ever cold: as one man got up to go to the pit another came off shift to sleep. Today the Rhondda does not look all that different than it did then when, with a population around 170,000 and nearly 200 coalpits, it was the most densely mined area in the world. Fourteen continuous miles of miners' cottages hastily thrown up by such large landowners as the Marquis of Bute still stretch along the narrow valleys. Hill sheep still scavenge for tit-bits in the streets. But now, of course, most of the collieries are derelict and in the Rhondda only three, employing about 3,000 men between them, are operating. The slag-heaps and the houses are still there, but only 90,000 people now live in the Rhondda. The older men and women stay put, generally in cottages which they own rather than rent and on which plainly they often lavish a good deal of care. But the younger people are still leaving the Rhondda and the Taff and the Tawe and the other valleys of the coalfield.

As the coalpits closed, so the valley communities lost their only reason for existence. New jobs had to be found for the colliers and, if possible, for their wives and daughters too. No one can deny the humane sense of such a policy. But where government policy towards South Wales is open to criticism is the manner in which it was applied. In the immediate postwar years, much of the effort was directed, sometimes wastefully, at trying to get new industries to settle in the valleys themselves. That policy was not a complete failure. Hoover, for instance, opened a factory in Merthyr Tydfil in 1948 to provide about 500 jobs. Today Hoover makes all its washing machines there, employs 3,400 people and in general might be said to keep Merthyr alive.

But, at best, this policy achieved only a partial success. The valleys were, simply, not attractive enough. To start with, they have very little land available for industrial development. "The only bit of flat land in most valleys is the rugby pitch," said one frustrated planner, "and that's sacrosanct."

Moreover, as the coal was sent down to the ports by rail, the valleys are served by only narrow, winding roads. Nor did a history of strong left-wing politics and memories of the depression, help. Above all, the valleys were, and in many places are still, full of industrial scars of the worst kind—huge and ugly coal tips, derelict collieries, open-cast workings and the like—and companies, which had to bring in a skeleton staff from outside to retrain a workforce skilled only in mining coal, had difficulty in persuading their skilled employees and, perhaps more crucially, their wives to come and settle down among the tawdry relics of a dying industry.

The valleys enjoyed special development area status, but most incoming firms preferred to settle in the industrial estates in the development area in the Plain of Glamorgan near the valley-mouths. Government-built estates at such places as Bridgend (where about 6,000 people are now employed), Waterton (which will eventually employ around 10,000) and Llantrisant are within commuting distance for most valley dwellers and are served by better roads. Some old towns like Caerphilly at the mouth of the Rhymney valley did manage—with the help of some progressive planning—to expand and attract new investment. Some expansion also went on at the heads of the valleys, for instance at the industrial estate at Hirwain, which can use the three-lane Heads of the Valleys road that provides good access to the Midlands.



Artery of growth



Peter Thomas



George Thomas



Gwynfor Evans

But, in all, the jam of grants and incentives for new firms was spread too widely. Now, not before time, the philosophy has changed. The Welsh Office and the Department of Trade are plainly thinking in terms of concentrating future development near the valley mouths and on the south coastal plain around Swansea, Cardiff, Newport and Port Talbot. This strategy makes even more sense now that the M4, connecting South Wales with Severnside and London, is open.

Understandably, this shift in policy, however sensible it appears to the outsider, has caused considerable resentment among the local authorities in the valleys, which depend on industry for much of their rates. They fear, with good reason, that a workforce served with bad public transport and bad roads will tire of commuting and will continue to drift away from the valleys to settle near their jobs.

Such fears have really come into the open in the present public inquiry into the projected new town at Llantrisant, the linchpin of current strategy. South Wales's other new town, Cwmbran, was built soon after the war. It has been reasonably successful and now houses about 41,000 people. But Llantrisant new town—conveniently sited between Cardiff and Bridgend—will be much bigger. It is hoped that its population will be 94,000 by 1991 and between 130,000 and 145,000 by 2001. And, what is more, it is expected—and, indeed, planned—that most of the immigrants to Llantrisant will come from the valleys—from, in fact, the Rhondda, Aberdare, Mountain Ash, Galligae and Merthyr.

At first, commuters will, no doubt, come down from the valleys to Llantrisant. But, as a recent study of public transport in the Rhondda by the Department of Employment has indicated, the difficulties a community not accustomed to commuting encounters when its members have to journey for over an hour each way to work are so great that, in the end, the commuters are likely to leave the valleys for good.

The planners argue that as people will be leaving the valleys anyway it is far better to arrest the drift at Llantrisant than somewhere in England. They also point out that Llantrisant, which already has an industrial estate and now houses the Royal Mint—hence the endearing nickname “the hole with the mint in the middle”—is well placed to attract new firms to Wales. The countryside is charming; the M4 will be just over the hill; and Cardiff, with all its banking and commercial facili-



The heart of the problem

ties, is conveniently close at hand. The men of Cardiff fear, however, that Llantrisant's growth could take place at the expense of Cardiff itself.

There are some bright patches in the gloomy tale of the valleys. A strong and influential lobby is at work in Wales which believes it is essential that the valleys, with their unique way of life and their powerful community traditions, should not be allowed to die at the hands of that impersonal thing called progress. A good many influential Welshmen have what sometimes seems an almost fanatical affection for the valleys in which so many of them were born and grew up. With a high rate of owner-occupation—as much as 65 per cent in the Rhondda—there is definitely an incentive to stay. Schools in the valleys are of a high standard, and a smaller population does at least present some opportunity to improve the housing to standards that are more in keeping with the twentieth century. There is, in fact, no reason why, so long as the efforts to reclaim and rehabilitate the land are maintained, the valleys should not become perfectly pleasant places in which to live.

Since 1966, when the local coal tip slipped and smothered the village schoolchildren of Aberfan, just south of Merthyr, a great deal has been done to move dangerous and ugly tips. Some people argue that nothing short of an Aberfan disaster would have jolted the authorities into attacking the enormous problem they had been ignoring for so long on their own doorsteps. A Derelict Land Unit (DLU) was set up at the Welsh Office to distribute the vastly increased grants that were made available to councils who wished to clear their tips. An authority can get 85 per cent of the cost of doing so and may also get some of the other 15 per cent

in the form of a rate support grant. Last year the DLU handed out £1.4m. Spending such sums of money is well worth while. Once the tips are removed, danger goes and, moreover, valuable space is won for development and, no less important, the area becomes more attractive for its habitants and for their present and prospective employers.

The local authorities in Monmouthshire have been particularly active and far-sighted in making use of the grants available to them through the DLU. They set up a joint committee, representing 11 valley authorities and covering about a third of the coalfield. It has funds big enough to employ its own independent team of experts on land reclamation. Two years ago Mr Alun Rogers, the former chief planning officer of Caerphilly who was placed in charge of this team, conducted a survey of the area and identified over 5,000 acres of derelict land. Already, 1,200 acres have been cleared and sown with grass which, fertilised with broiler manure, takes root remarkably fast. Eventually, reclaimed land will be the site of schools, factories, rugby pitches and the like. Some of these new facilities are already beginning to appear. But the task is formidable. To clear the Number 9 pit site at Tredegar—formerly a positive moonscape of tips and hollows stretching over 240 acres—cost £180,000 and involved removing 1.8m cubic yards of tip material. That tip has now provided 43 acres for housing, 40 acres for industrial sites and a large area of pleasant open space. At that rate of striking, Mr Rogers believes that places like the Rhondda could become desirable residential areas 25 years from now.

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are happy, not merely content, to live, it is necessary that there should be some sources of local employment, in manufacturing industries as well as the service trades. The question is: How much? Plainly, much of future capital spending will have to be concentrated upon the growth points at the mouths of the valleys. But all that really implies is a shift in emphasis. The valleys will not become deserted overnight. There will be a slow seepage of people away from them. But it will be

Northern niche

In Cardiff, it is easy to forget that industrial North Wales exists. This is not really surprising. Although the two areas share many of the same problems, the industrial belts in north and south Wales are geographically so divided that the north is much better understood in the context of the Merseyside and the north Midlands than it is in a specifically Welsh one. Three-quarters of the industry in the six counties of North Wales is concentrated in a narrow strip along Deeside in Flintshire and in the Wrexham area of Denbighshire. Like South Wales, this is, traditionally, an area of heavy industry which is now trying to broaden its industrial base.

The decline of the older industries hit Wrexham particularly hard. In 1951, 20 per cent of its workforce was employed in coal. Today this figure is around 4 per cent. The big cutbacks started in the late 1950s and in 1962 unemployment was high enough for the area to be designated a development area. Since then, a good number of new industries have settled in Wrexham, but as many of them—such as Fibreglass and Firestone, the latest big newcomers—are capital intensive, this has not been enough to soak up surplus labour. Today, despite the initial impression of prosperity which Wrexham presents, the unemployment rate is still about 7 per cent.

Although the coal, lead and brick industries on which the area grew have declined dramatically, the other heavy industry, steel, is still by far the largest employer in North Wales. Shotton steelworks on Deeside employ 13,000, while the smaller mill at Brymbo near Wrexham employs 2,000. Such dependence on a single industry makes local officials, particularly in Flintshire, nervous. As in South Wales they are well aware that it is only a matter of time before the British Steel Corpora-

a lengthy process in which it should be possible to reconcile what appear to be two contradictory aims but which, in fact, are not. The first of these is to give the people of South Wales new estates in which to live and work where the economic and social return on the investment outlays is high—that is outside the valleys. The second accepts the inevitable. It is to remove the sores of industrial dereliction in the valleys to make them 'decent places in which a good number of people can still live.

tion has to shed more labour. But, in addition, there have been disturbing rumours that the corporation is thinking of closing down the steelmaking end of the Shotton works (while keeping the profitable rolling mills open). This would put around 6,000 men out of work—and many others employed in subcontracting industries. Flintshire officials estimate that if this happened all at once it would raise the unemployment rate on Deeside from 3.9 per cent to 15.5 per cent.

Deeside has far fewer new industries than Wrexham. So it would find it desperately difficult to absorb such a surplus of labour. But because of its proximity to Merseyside, many Deeside workers who cannot find work near home do commute to factories in the Wirral and on Merseyside. This explains why the current unemployment rate in Deeside is so low. It also explains why, until the Government's latest measures, Deeside was denied development area status. Englishmen from across the border have also been attracted by the glorious countryside and lower house prices to settle over

the border in Wales and still commute to their jobs. In the past 10 years a third of the population growth in Wales has been in Flintshire and in a town like Buckley, near the border, 75 per cent of the workforce go out of Wales to work.

But Flintshire has no wish to become just another dormitory area and this determination has in the past divided opinions on the real benefits of building a barrage and a bridge across the Dee estuary, linking the area much more closely to Liverpool. But now that Deeside has been made an intermediate development area, it is becoming more widely accepted that the barrage, far from draining the area of growth, would help Deeside to expand industrially.

The Flintshire County Council has already set aside 400 acres for new industrial estates, some of which is ready to let. But it cannot do much more until Whitehall decides to go ahead with the Dee barrage. The betting, certainly on Deeside and Merseyside, is that eventually it will.

The coastal stretch from Prestatyn, with its holiday camps, west to Llandudno with its plush hotels is the oldest, most established tourist area of Wales. Summer business is good. Rhyl, with only 23,000 residents, attracts some 100,000 visitors (most of them Merseyside daytrippers) a week in the peak season and earns about £4m a year from them. Llandudno probably earns double that, whereas Abergelty, with as many beds but all in caravans and chalets, gets the low-spending stayers. But employment is highly seasonal. Plainly a barrage would help not simply the small industrial towns of north-east Wales, but its seaside resorts as well.



Here comes Liverpool

Moving west

British industrialists, it is said, are much happier moving east to west than south to north. Wales's recent history seems to prove this point. All of Wales is now a development area, but so is Northern Ireland, Scotland and the north east of England. Although Scotland, with its ready supply of women workers, beat everyone to the post when it attracted most of the American computer and electronics investment which came to Britain, Wales has been reasonably successful in attracting home-bred investment from the Midlands and the south east.

Even so, not enough jobs have been created. It is true that the number of job opportunities in Wales has risen since the war but this growth has taken place entirely in the female sector and the number of jobs available for men during that period actually went down by a thumping 66,000. Welshmen are not now leaving Wales at anything like the rate they did in the mid 1950s but this can be partially explained by the lack of jobs throughout the rest of Britain.

With a population working largely in heavy industry or on the land, pre-war Wales had no tradition of women going out to work. This fact, taken with a high percentage of elderly and self-employed people, accounts for Wales's low activity rate, which at 56.2 per cent compares with 62.1 per cent in Britain as a whole. What is more, the increase that has occurred so far in female employment has come about almost by accident. Firms employing women were left very much to their own devices at a time when the task at hand was to reduce unemployment rather than to add to the workforce. In the early days, indeed, the Board of Trade actually specified that its advance factories were for firms employing men.

What sort of industry has Wales managed to attract to replace the old heavy industries? It is quite a hotch-potch. There are plenty of metalworking and engineering firms which can use coal and steel. Several big firms make car or aircraft components, including Ford, British Leyland, Borg-Warner-Kenfig, Girling Brakes and Hawker-Siddeley. But there has also been an influx of chemical companies (BP Chemicals at Baglan Bay, Monsanto at Newport and ICI at Pontypool). In general, however, Wales has gained what one observer called "mid-

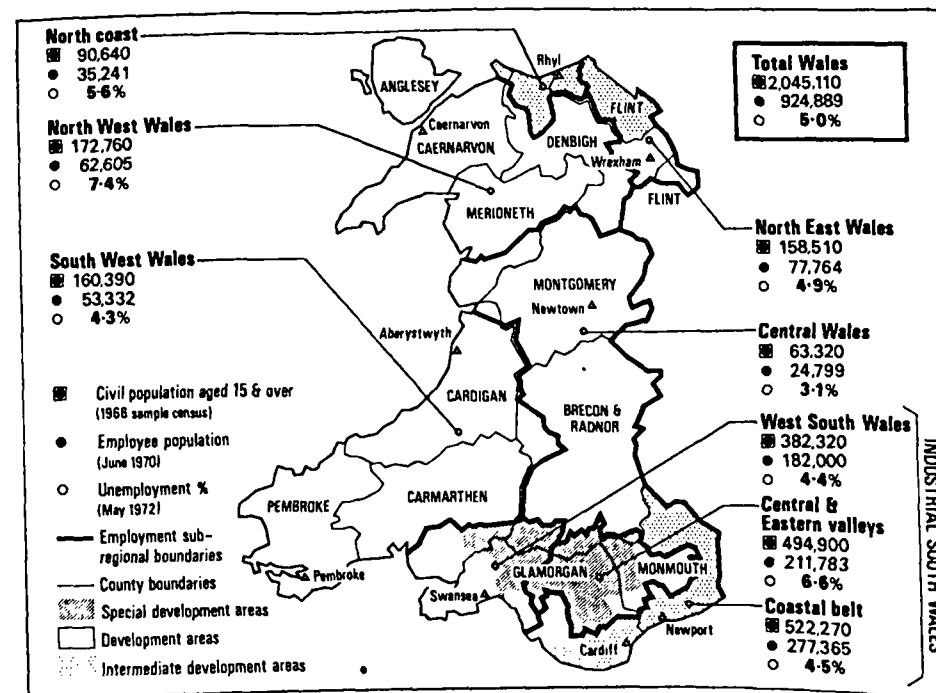
twentieth century industries" and not many of the newer technologies. Nor, inevitably, have all the new arrivals, attracted in the first instance by capital grants, been labour intensive.

Several impressively large American and British companies have set up shop, but Wales's problem is still that it is a country of small firms. Only 16 firms employ more than 3,000 people each and there are not all that many firms employing more than 200 people. Moreover, Wales has encouraged practically any firm that was willing to come, ranging from the mythical factory in the Rhondda where 50 women make doll's eyes to capital intensive plants like oil refineries which, once they are in production, employ only a handful of maintenance workers.

People are beginning to realise that, with other development areas competing for custom, the way Wales should sell itself lies in its proximity to the more prosperous parts of England—and western Europe. Its factories are, perhaps unavoidably, often branches of firms based in England or abroad and, equally unavoidably, decisions on their future are taken outside the principality. But once the economy revives more indigenous companies may be encouraged by the Government's new development measures, which offer assistance to established firms as well as to newcomers to expand. This could be a crucial development, for in a recession when companies are forced

to rationalise it is the branch outfits that go first, as Wales has bitterly learned in the past 18 months. Teddington Aircraft, for instance, recently shut down its factory in Merthyr leaving 1,000 people without jobs. British Aluminium, suffering from the worldwide aluminium slump, is completely closing its Newport factory at a cost of 400 jobs and half of its factory near Neath, reducing its workforce from 1,130 to around 700. At Neath itself, 430 jobs are disappearing, for the factory of High Duty Alloys, which was taken over by a Swiss company last year, is being closed down. This series of painful experiences explains the jubilation when a firm such as Parke Davis, the large American pharmaceuticals company, decides to move its British headquarters from London to Pontypool.

The Development Corporation for Wales, which since 1958 has promoted Wales as a likely spot for companies to take root, has helped not only to attract such firms but has helped them to settle down. It has done a thankless job well. But, like Wales itself, the development corporation may well have to alter its tactics, so as to attract not all and sundry but firms which can take specific advantage of what Wales has to offer—coal, steel, good ports and so on. The corporation realises that it can no longer look simply to Britain to provide the new plants and the new jobs. In comparison with Scotland, Wales has been slow in wooing American and European investment. Indeed, at the moment only about 100 of the 3,000



companies in Wales are foreign owned. Plainly, that number should be expanded if possible. With entry into the common market just around the corner, the Welsh have some reason to believe that it will, for Wales is that much closer to Europe than any other development region in Britain.

Sir Julian Hodge is one of Wales's few home-grown millionaires, and since the war has built up a financial empire, including a merchant bank, in Cardiff. He hopes that the new National Bank of Wales, opening this year, will help to attract foreign investment. At the moment, all the clearing banks in Wales are simply branches of the London-based ones. Although these

Giants of another age

For all the efforts to diversify the Welsh economy, the two giant nationalised industries of coal and steel, employing between them 113,000 people (or one Welshman in every six), are still by far the biggest employers. That is not a statistic which lets Welshman sleep happily in their beds at night. How much smaller, they ask themselves, will the coal industry become and how many fewer people will the steel industry employ?

In the 18 months up to the coal strike in February, the South Wales coalfield experienced a period of surprisingly good fortune. Not a pit had been closed since July, 1970; for the first six months of the financial year 1971-72 the coalfield was actually paying its way; demand was good; and the coal board even launched a recruiting campaign for youngsters whose slogan "there's a career in coal" must have rung hollow in many older ears.

The coal strike, however, put an end to this optimism. Since then no more pits have been closed—at the moment there are 50 operating in South Wales—but the mines are no longer recruiting labour and, more than ever before, the Welsh colliers are wondering whether high cost Welsh coal is being priced out of the market. As many industrial contracts last for a couple of years it is still difficult to assess the full effect of the coal strike and the 7½ per cent increase in the price in coal which it produced. But the writing is there on the wall for all to see. Since 1970 the British Steel Corporation (BSC) has been importing annually 500,000 tons of coal from abroad at competitive prices. The National Coal Board hopes that the BSC will soon reverse this policy; but

banks have been expanding their operations in Wales, there has been pressure from influential quarters—including the Welsh Council on which Sir Julian sits—for the establishment of a Cardiff-based bank with branches elsewhere in the principality on the lines of American regional banks. Scotland, with its own banks, is well ahead in this particular game. It shares many of Wales's problems and by developing strong international links through its banks has attracted a good number of foreign firms. But the National Bank of Wales will have another but equally important task to perform. It will have to encourage domestically-generated capital to be more enterprising locally.

the BSC is confidently contracting up to the end of this year for coal from the United States.

The South Wales coalfield now produces 12m tons of coal a year and employs 42,000 people. Most observers would be surprised if there were more than 25,000 men there by 1982. The coalfield does have the advantage of specialised coals. The power stations still rely heavily on coking coal, as the coal strike showed, and Wales, as well as producing this, is the only area in Europe mining anthracite. Specialisation should help the coalfield, but special coals can be costly to mine. About a third of the coal mined in South Wales is thrown away. Such a high rate of wastage and the complex

geological formation of the coalfield help to explain why in South Wales the productivity rate per man shift is no more than 30 cwt, compared with a national average of close to 45 cwt. Today, the pits in South Wales are producing as much coal as they did before the strike. But a couple are in jeopardy and before long will no doubt go out of business, and more colliers will be unemployed.

The question facing the Welsh steel industry is only slightly less harsh: can it go on employing as many men as it does unless the Government, sceptical as it is about the prospects for steel, decides to site in Wales the one new integrated steelworks that it appears to believe it can justify? In economic terms, Wales has perhaps more to offer—including a deep-water port for ore-carriers at Port Talbot, plenty of land and plenty of skill—than other development areas. But, elsewhere in Britain, the social need for the direct and indirect multiplier effects that a new capital project such as a steelworks can produce is just as pressing. No British region is so heavily dependent on steel as Wales. But the present workforce of about 70,000 men will have to be reduced quite substantially, by perhaps as many as 20,000 employees.

The prospects are already ominous. In January the British Steel Corporation announced it would shut the Newport Tube Works down at the end of this year, putting 1,120 men out of work. Shortly before, Guest, Keen and Nettlefold had said it would be



Where do all the steelworkers go?

U.S. cutting tool technology in Wales

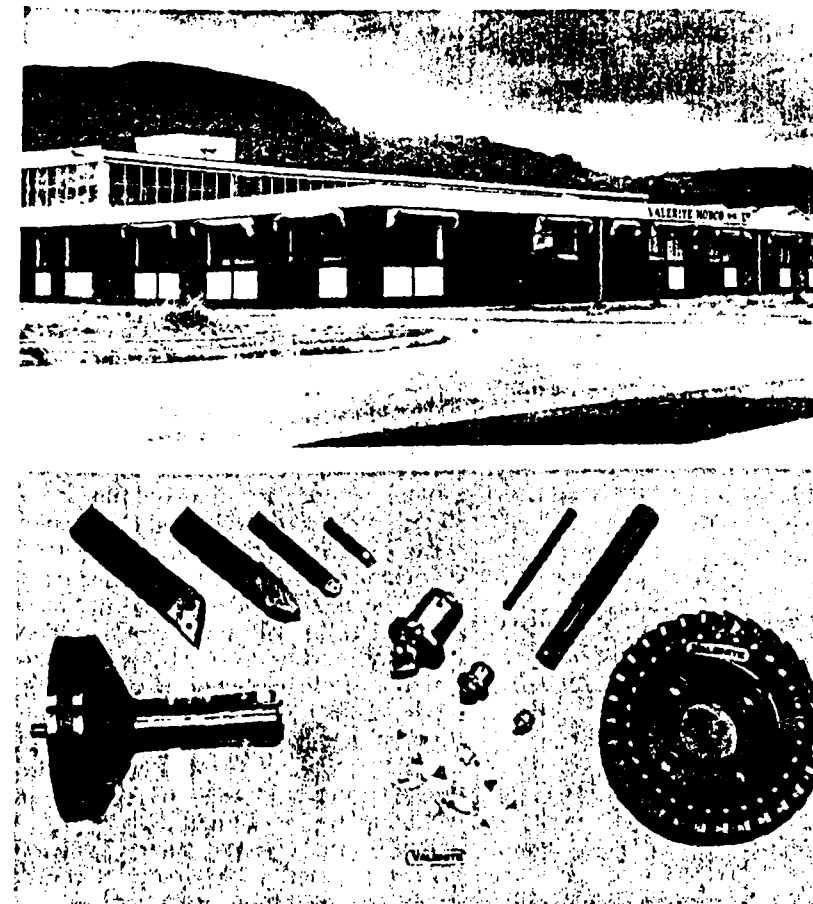
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closing its engineering works at nearby Cwmbrn which employs 1,000 people. And no one at the moment is willing to guess quite what will happen to the steelmaking end of Shotton steelworks and the East Moors steelworks at Cardiff, which employs over 5,000 men making steel billets. Of even greater concern is the fate of the Ebbw Vale works built to provide employment in the 1930s and still employing 9,000 people. The BSC has already indicated that, while it is prepared to keep the Ebbw Vale rolling mills in being, it must close down the blast furnaces and the billet works. This will nearly halve the labour force at Ebbw Vale. The BSC has not said when this

act of surgery will take place.

Much of the tinplate and sheet-steel capacity of Wales will, of course, survive. Much of it is modern. But neither the BSC nor the Government can run away from the fact for long that the Welsh steelworks, like their counterparts elsewhere in Britain, employ too many people. As far as employment is concerned, steel as well as coal in Wales has to be seen as a contracting industry. Once it is, then more openly than before it will be recognised that the future—in employment as much as productivity—lies in those industries which can use the steel and the coal that Wales will go on producing.

On the waterfront



Ten years ago, the ports of South Wales were in just as bad a mess as the industry, coal, that had created them. As coal exports fell so did their profits until by the late 1950s they were heavily in debt. Nine years and £35m worth of capital investment later, the formerly coal-dependent ports of Swansea, Barry, Port Talbot, Cardiff and Newport were handling 21m tons of trade a year—only half the tonnage they exported in 1913—but they also managed to make a profit of over £1m. It is quite an extraordinary transformation. Coal, a mere 1.4m tons of it, is still exported from Swansea and Barry and some is imported at Cardiff and Newport. But the old coal hoists have been swept aside to make way for the handling of other specialised bulk

cargoes such as iron and steel, timber, cars, oil and petrochemicals and fruit. Port Talbot's new deep tidal harbour alone cost £18m to build but it can now take 100,000 ton ore-carriers and provision has been made for another jetty which could take carriers of up to 175,000 tons. By 1974 it will handle all the ore for both the Port Talbot steelworks and those at Llanwern (which is currently supplied through Newport). This should save money for the steel corporation and it is hoped that Newport—which recently has had to turn away traffic—will be able to cover the gap by attracting more bulk cargoes such as timber and cars.

This success story is one in the eye for the Jonahs who until quite recently were saying that South Wales had too

many ports. The little ones like Penarth, Briton Ferry, Llanelly and Barry Port certainly had to go, as did many of the older, unprofitable docks, while some larger docks, like those in Cardiff, have to adjust themselves still further to a new pattern of trade. The Cardiff docks depend heavily on the local steelworks and if they were to close or the ore they import were to be rerouted through Port Talbot, these docks would suffer, at least temporarily. But Cardiff already handles other cargoes, including large quantities of fruit, timber and cars.

Fruit has also brought prosperity to Barry, which now handles all of the banana traffic for Geest Industries (which import over half the bananas eaten in Britain). Swansea has a regular export trade in petrochemicals from the nearby BP refinery at Llandarcy, but as BP now gets its feed stocks by pipeline from Milford Haven, Swansea no longer imports very much crude oil. In 1969 Swansea also became the British terminal for a ferry service to Cork, which, however badly the tourist trade has been hit recently, is still doing well on freight.

But Swansea is not merely a port. With a population of 170,000 it comes second in size to Cardiff and is the service area for the whole of south-west Wales. Its shipping centre, rebuilt after the blitz, is thriving. The heavy and extractive industries which in the 1930s employed 45 per cent of the workers, have given way since the war to manufacturing industries. Now nearly a third of Swansea's workers work in manufacturing firms on industrial estates such as Fforestfach.

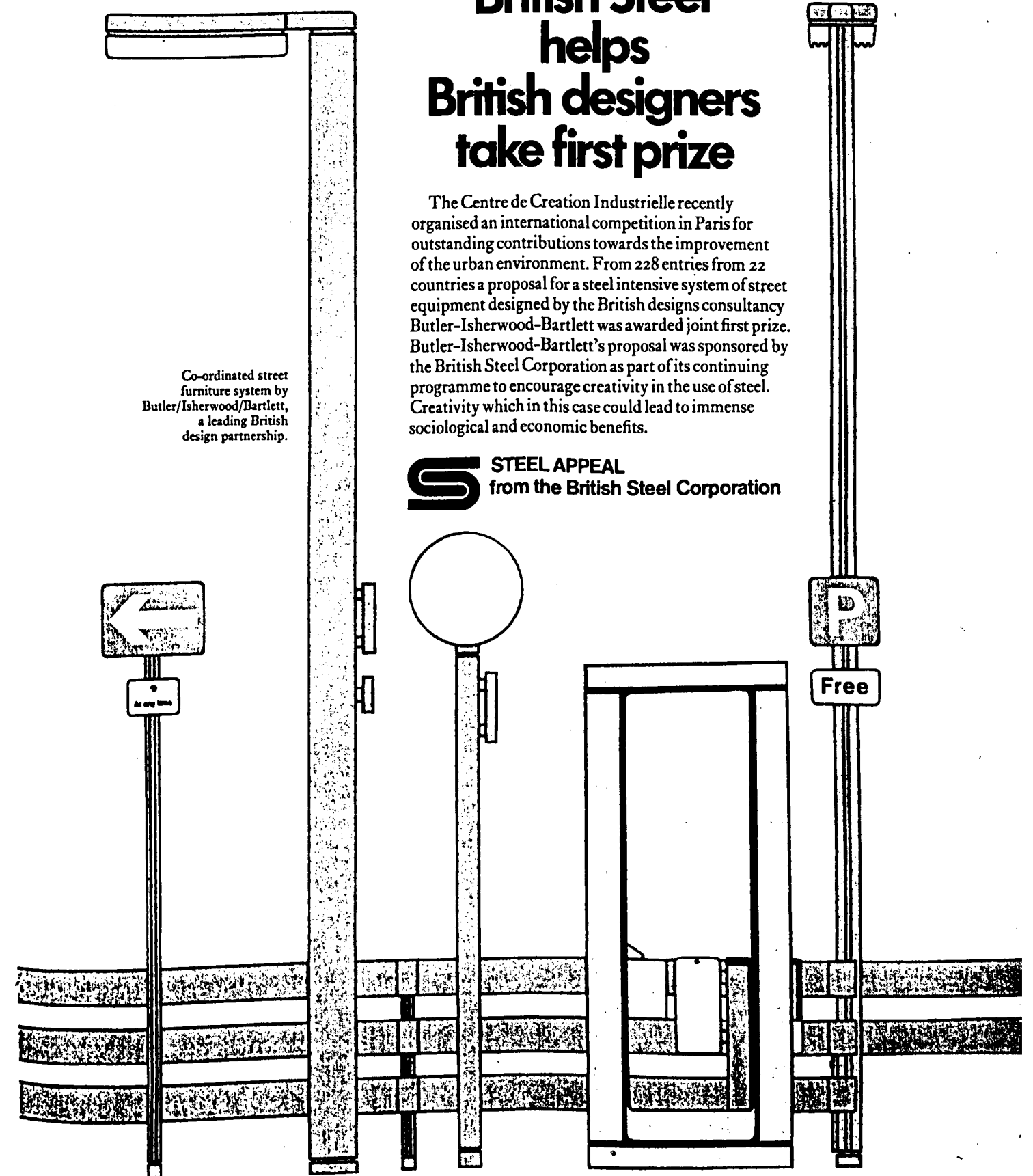
The managerial philosophy which has transformed the ports of South Wales has been specialisation, especially in the handling of bulk cargoes. South Wales, in other words, has not really tried to compete when it comes to the handling of container traffic. The reason why the 1,500 dockers of South Wales did not join the recent national blacking of containers for more than a few hours one Friday afternoon was quite simple: except for a small traffic at Newport, they do not have to handle them. Newport's deep sea container terminal is in fact heavily underutilised and used largely for steel.

Some of the ports, too, are obvious sites for what are called Maritime Industrial Development Areas (Midas). Bulk carriers have so reduced the costs of seaborne freight that it makes much more sense than before for those industries which have to import vast quantities of raw materials to get down to the waterfront. The

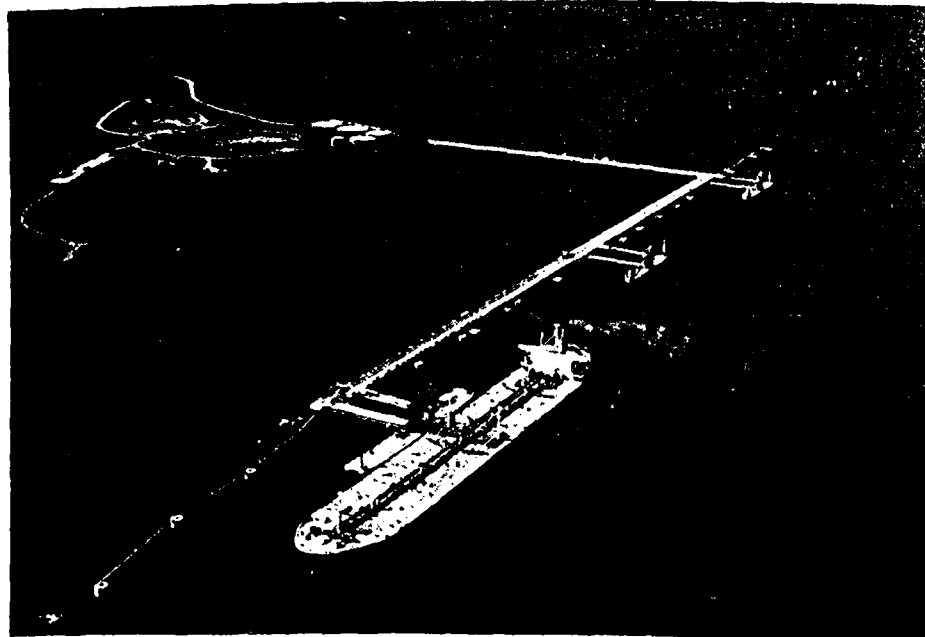
British Steel helps British designers take first prize

The Centre de Creation Industrielle recently organised an international competition in Paris for outstanding contributions towards the improvement of the urban environment. From 228 entries from 22 countries a proposal for a steel intensive system of street equipment designed by the British designs consultancy Butler-Isherwood-Bartlett was awarded joint first prize. Butler-Isherwood-Bartlett's proposal was sponsored by the British Steel Corporation as part of its continuing programme to encourage creativity in the use of steel. Creativity which in this case could lead to immense sociological and economic benefits.

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Co-ordinated street furniture system by Butler-Isherwood-Bartlett, a leading British design partnership.



Milford Haven: superport for supertankers

Severn estuary, which—if Milford Haven is included—carries cargoes second only in volume to the Thames, has several suitable Midas sites.

But no Midas scheme is possible without substantial aid from the Government. So far, the Government has not, understandably enough, shown itself willing to get too deeply committed to such costly projects. But, if it ever does—and ports like Rotterdam have proved just how profitable such investment can be—then South Wales, no less than the east coast of Scotland, has geography on its side.

Nelson described Milford Haven as one of the finest harbours in the world. That is still true. And within the last 12 years this superb anchorage has been transformed so that now it is the most highly concentrated area of oil refining in Britain. Last year it handled a traffic of 43m tons and by 1980 it might well be handling 80m tons. This transformation was brought about by supertankers which, weighing anything up to 250,000 tons deadweight when loaded, could not use any other harbours on the south west coast. Gulf, Esso, Texaco and BP all ship crude oil into Milford Haven. The first three of them have built refineries on the spot, while BP has a terminal at Milford Haven which pipes the oil to a refinery 70 miles away at Llandarcy. Amoco has now joined in and is now spending £20m on a refinery which should come on stream next year.

The trouble with Milford Haven is that it is so far west. As the companies with refineries there ship out much of

their finished or semi-finished products this is not as great a drawback as it might seem. And, as far as the domestic traffic in oil products is concerned, a consortium of Esso, Texaco and Gulf is in the process of curing Milford Haven's apparent isolation by laying the "three Ms" pipeline linking it to the Midlands and Merseyside. That pipeline and the refineries at Milford will have even more going for them if,

as many believe, oil and natural gas strikes are made in the Irish Sea.

The Milford Haven Conservancy Board, set up in 1958 to handle navigation in the haven and establish some system of pollution control, believes that there is still room for further expansion of the existing refineries and, indeed, for one or two more without any encroachment on the national park that is already established in Pembrokeshire. Between 1967 and 1970 the board spent £7.5m to deepen the Milford Haven harbour, so as to enable 275,000-ton tankers to unload their cargoes. But that is probably sufficient for foreseeable developments.

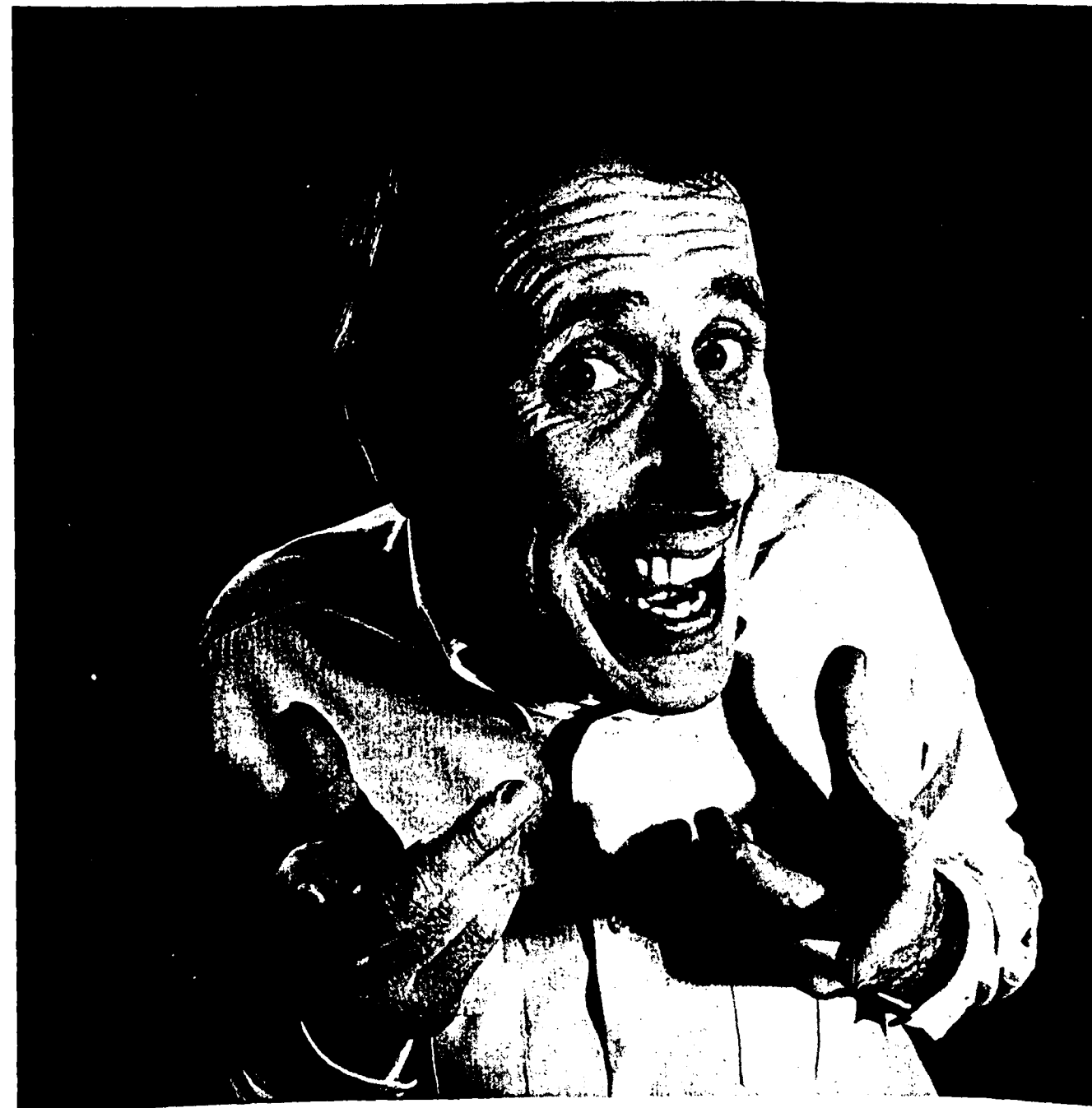
Although the oil companies contribute a hefty sum in rates, all this activity has not brought much visible wealth to Pembrokeshire. Refineries require only a small skilled staff and so, apart from their period of construction, they have not generated much employment. Local people are more inclined to point to the danger of oil spills than to the advantages of further industrial development. A different tune may be heard if the Irish Sea does become another North Sea. Once the American oil men start spending dollars in local shops and restaurants, it is surprising how quickly attitudes can change. They have changed in Aberdeen. They could change in Milford Haven.

In yonder green valley

The Englishman's historical stereotype of the Welshman was of a small, dark thieving Taffy who scratched a living by farming in the hills and by making periodic sheep-stealing raids across Offa's Dyke. Many Herefordshire barns today still have the thin slits in the walls, loopholes dating back to the time when the farmers were forced to defend themselves. Even now, nine-tenths of Wales is still a glorious and unspoiled countryside of mountains and hills. Some of the land in the south is farmed quite profitably, but elsewhere only heavy doses of government subsidies keep the farmers going. But, of course, the average Welshman today is no longer a country shepherd. Three-quarters of the population live in the industrial south east and another sixth in the industrial north. The population in rural Wales is still declining as jobs in agriculture and traditional rural industries such as slate-quarrying disappear.

Not very much notice was taken of

this drift away from the land until the mid 1960s. But in 1966 mid Wales was eventually given development area status. It was then recognised that there is a point beyond which depopulation must not go if an area is to remain alive. If it is to be efficient, farming, which is still the main occupation of rural Welshmen, requires reasonable services from local towns. These towns in their turn cannot provide a decent range of shopping and recreational facilities unless money is flowing in. Towns in rural Wales are tiny by ordinary British standards. The largest town in mid Wales, which covers an area of 8,000 square miles, is Aberystwyth and its population only just tops 10,000 people. For a time it was thought that the best way of checking the decline in the population would be to build a new town in mid Wales—confusingly enough at Newtown in Montgomeryshire. This idea was watered down, though not entirely abandoned, in 1966 and the emphasis



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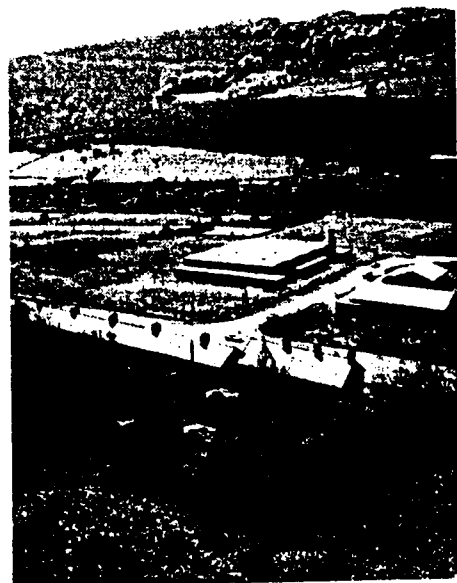
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For Businessmen

The
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was put instead on schemes designed to boost the economies of existing towns by introducing new industries and rejuvenating traditional ones.

At first sight, this appears to be a thankless and difficult task. Communications in rural Wales are notoriously bad—the only advantage being that most of the winding mountain roads are almost empty. But the Mid Wales Industrial Development Association, a self-help body set up in 1958 by representatives of five county councils to try and attract industry into the area, has proved that the task is not entirely hopeless. Some 60 firms providing 3,500 jobs, it claims, have settled in the area since then. Many arrived after mid Wales became a development area.

At Newtown itself, which is better placed than most mid Wales towns in being within comparatively easy access of the Midlands, the Mid Wales Development Corporation was set up in 1966 and given special powers under the New Towns Act to build factories and homes for a projected population of about 11,000 people by 1980. Industrial estates covering 70 acres have been planned and already 14 factories and over 200 houses have been built. All but two of the smaller factories have been filled without much difficulty. Most of the new arrivals are small firms which have moved all their operations to Newtown.

This is not a grandiose scheme and if it continues to be successful could provide a model for developments at other rural centres and the development corporation has designated Bala,

Aberystwyth, Brecon, Llandrindod Wells, Rhayader and Welshpool as suitable cases for treatment. No government is ever likely to grant special powers under the New Towns Act quite that freely; but it is worth remembering that rural Wales, with its small population, has a disproportionately high number of highly vocal MPs. The claim that the last government kept the central Wales railway line open because it went through five marginal constituencies is not without substance.

There are some areas, however, where it is difficult to imagine any of that precious light industry ever being lured. Blaenau Ffestiniog in Merionethshire, for instance, boomed in the days of slate and had a population of 15,000. Now its population is down to around 7,000 and jobs are scarce. It is too remote to make economic sense for a manufacturing company to come

and settle down, well away from its suppliers and its markets. It is in areas such as this that the dilemma occurs when a mining company like Rio Tinto-Zinc decides to explore for minerals. The conservationists and the ramblers immediately get up in arms. But for the local council it brings the promise of higher rates and, if not many jobs, some of that magic spin off that any injection of capital into an area is supposed to bring. In May the Snowdonia National Park housed the annual meeting of the National Park Planning Authorities. Under the banner of "People in the Park," these authorities asked an eminently sensible question: Should national parks be simply wildernesses, to which the urban rich can retreat at weekends, or should they also be places in which people actually live and work? Wales, as well as the Scottish Highlands, would like to know the answer.

Taffy was a farmer

When in 1955 a dissident group of Carmarthenshire farmers broke away from the National Farmers' Union and formed their own Farmers' Union of Wales, it was yet another sign that Welsh farmers did not feel that their peculiar problems were receiving enough attention from the English-based NFU. Even before that break-away occurred, many Welshmen were demanding a bigger say in government decisions on Welsh agriculture. Their demands have been partially satisfied in the sense that responsibility for Welsh agriculture is now shared between the Welsh Office and the Ministry of Agriculture.

Just how different is Welsh farming is illustrated by the fact that over half of the whole land area of Wales (56 per cent of it to be precise) is eligible for hill farming subsidies. Of the 4m acres actively farmed, some in Pembrokeshire, Carmarthenshire, Monmouthshire and the Vale of Glamorgan are lush and rolling and suited to raising dairy and fat cattle and fat sheep. A far larger area, however, consists of high moorland and mountains, in areas like Caernarvonshire, Merionethshire, Denbighshire and Cardiganshire, where the soil is thin and the rainfall heavy. In these areas it is a struggle in winter to keep the hill sheep and cattle alive and the farmers are forced to rear store cattle and sheep which are then sold to be fattened on lush pastures usually in the Midlands and the east of England. In all, over 80

per cent of Welsh farm income is derived from dairying and livestock. The number of dairy herds is falling but the actual number of cows and quantity of milk produced is going up, and while the average size of dairy herds in Wales still lags far behind that in England, there are now many profitable modern milking parlours.

Welsh farms also differ dramatically from English ones in their size. The family farm is still the pillar of all that is Welsh. The old system of inheritance broke the farms down into small holdings. Although their number has fallen by about 20,000 in the past 20 years, of the 35,300 holdings that remain, 51 per cent of them, covering only 18 per cent of the land acreage, do not normally provide full-time employment for one man and are generally farmed part time. A further 28 per cent, covering 30 per cent of the acreage, are farmed full time but provide employment for only one or two men.

Where such hill farms are concerned, the obvious policy for any government to pursue should be first to encourage mergers among small farms so as to form economic units and, second, to encourage where possible a co-operative approach to marketing. The Labour government's answer on the first score was to propose a Rural Development Board. The board was intended to introduce some kind of rationale into the haphazard system of land sales and to arrest rural de-



Penned in

population by creating more economic farms. But it was not sold to the farmers that way and when they discovered that the projected board would have powers to stop a farmer selling his land if amalgamation with a neighbouring farm was deemed better, they protested vigorously. A public inquiry was held and the idea finally received its death blow when the Tory party promised that it would get rid of the board if it came to power.

The present Government's approach is very different. Besides the obvious fact that by entering the common market it is adopting a policy of creating a strong market and high prices for agricultural products rather than giving direct subsidies to the farmers, it has dropped any idea of forcing compulsory mergers on the farmers. It hopes, however, to encourage voluntary ones by continuing to offer, under the terms of the 1967 Agriculture Act, special lump sums to outgoing smallholders and 50 per cent grants to help to cover the costs of amalgamation.

Co-operative marketing in Wales is still very much in its infancy, but, none too soon, it has begun to catch on in the last 10 years. Now 10 per cent of Welsh livestock is marketed co-operatively, dairy products being separately catered for by the Milk Marketing Board. Besides reducing costs for farmers, the co-operative bodies—such as the Brecon and Radnor Suckle Calf

Association—do give the farmers a much clearer idea of what size and quality of animal they should produce and the buyers a greater certainty that their purchases will be of reasonable standard.

Countries with well established systems of co-operative marketing, like Denmark, developed them because their farms were heavily dependent on exports and, plainly, if the Welsh farmers are to export much to the common market, co-operative marketing will become even more important to them. The common market is still, naturally enough, a matter of contention among many Welsh farmers, not least when it comes to such matters as

the price of store animals which form such a large proportion of the cattle and sheep marketed in Wales. The up-to-date dairy farmer is expected to fare reasonably under common market conditions, although those who have relied heavily on imported cereals will have to produce more animal foodstuffs themselves. And now that the hill farmers have been reassured by the Government that their interests will be respected when Britain joins the common market, they too are less restive than they were. But, plainly, the low incomes of these small farmers will remain at the heart of the problem of Welsh agriculture for many years to come.

We'll keep a welcome

Tourism in Wales is an important growth industry. It could help more, perhaps, than anything else to keep rural Wales alive. But it is also something about which Welshmen feel very ambivalent. At one minute they welcome tourism as the panacea for all rural ills and at the next they criticise it as, at best, a provider of unstable, low paid service jobs and, at worst, a despoiler of the countryside. The truth is that most of the older Welsh farmers are interested simply in farming and have traditionally regarded giving service to leisure-seeking Englishmen as being beneath their dignity. But, today, economic necessity had led many of them to stop harping on about their self-respect and to hang out their bed-and-breakfast signs.

But although the Wales Tourist Board offers grants to encourage country people to take in holiday-makers, its main efforts are directed not so much towards attracting a larger number of tourists as towards attracting bigger spending holidaymakers. Wales, unlike Scotland which with its fishing, shooting and skiing has rather an upper crust tag, suffers from a tripper image. The shoals of caravanners, weekenders and day-trippers from Merseyside and the Midlands who flock into Wales in the summer are not heavy spenders. The average Welsh visitor comes for a nine-day stay and spends £20 a head during that time. Over half the 400,000 tourist beds available in Wales are in caravans which, as hotel customers spend at least four times as much as a caravanner, does not help matters. Caravanners contribute only 15 per cent of Wales's income from tourism. What is more, the caravans have so

ruined certain parts of the Welsh coast, particularly the coast in the north stretching from Prestatyn and Rhyl to Colwyn Bay, that choosy tourists simply stay away. Elsewhere they can, however, find plenty of quiet enjoyment where the potential for sailing, fishing, pony trekking, walking and other outdoor sports as well as sight-seeing is enormous. Here Wales's great deficiency has been a lack of good hotels. But now the hotel incentive scheme started under the Development of Tourism Act has gone a long way to help to remedy the situation.

The board is also putting a lot of emphasis on special tourism projects, towards which the government allocated £200,000 in the last financial year. These can involve the opening of little mountain railways, pony trekking centres, of which there are now 70, and so on. The tourist board shelled out £175,000 in grants last year and is committed to paying out more than £273,000 next year to cover up to 49 per cent of the cost of such projects. Although the grants are not meant to cover new accommodation, this can be included if it forms part of a wider scheme and this year the board has helped to finance a new entrant into the dictionary of tourist jargon—a "chattel" development.

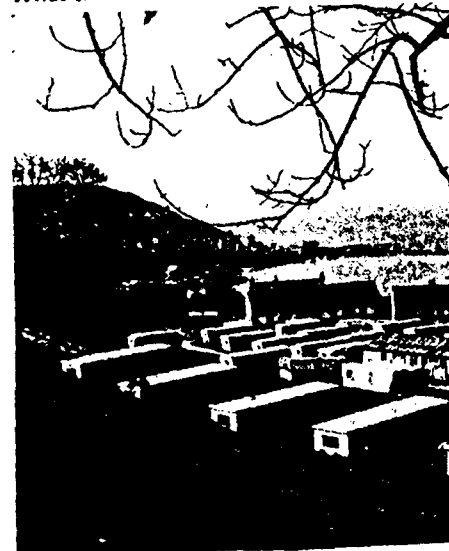
The optimistic chairman of the board expects Wales to earn £140m from tourists this year. Among European countries, Wales is beaten only by Switzerland and Austria in its income per head from tourists, and as tourist income doubled in the decade up to 1970 he has some grounds for his optimism. What is more, public taste seems to be going Wales's way: the "activity holiday" and the touring

holiday are now luring many young families whose counterparts 20 years ago would have headed off with buckets and spades to Eastbourne.

Another development in Wales closely tied in with tourism is the wave of middle class prospectors, mostly drawn from the Midlands and the south of England, who are buying and renovating Welsh cottages and turning them into their second home for weekends and summer holidays. There are plenty of shepherd's cottages up for grabs in north west Wales, mid Wales and the south west. And in out-of-the-way spots, where otherwise the cottages would be derelict, this on the face of it can do nothing but good. However, in some areas the locals are already grumbling that the new vogue has pushed house prices up way beyond their means. But if the Welsh want the wealthier tourists to come, they cannot afford to be too sniffy about the new breed of cottagers who pay their rates like the next man.



What the brochures show . . .



and what the tourists see

Battle of words

In the last century "the way to advancement in Wales was to deny your culture and become anglicised. Today the reverse is the case." That comment by a Welsh academic is undoubtedly true. But what do the Welsh mean by their culture? They certainly mean a vigorous folk tradition of choral singing—which explains why Wales supplies large chunks of the choruses and soloists at both Covent Garden and Sadler's Wells as well as running a first rate opera company—and a love of poetry and sermonising. But above all their culture is embodied in the language. Today only a quarter of the population still speak Welsh, but the "language issue" is the hottest topic debated in Wales and the source of countless frictions.

If a culture cannot survive without its language, efforts to keep the language alive are likely to command a great deal of sympathy. But the fervour of the protagonists—to wit, at its most extreme, the Welsh Language Society—has only served to antagonise most Welshmen. And the implication that just by speaking Welsh one man is somehow a better Welshman than his non-Welsh-speaking neighbour makes most Welshmen see red. Welsh is no longer just the language of the rural peasantry. It has been taken up by the urban intelligentsia to the point where it has a certain snobbish cachet among educated middle class people. Anyone who now fears that the Welsh language is in danger of extinction has just not reckoned with the power of the Welsh establishment.

The language controversy really comes to the boil in education and broadcasting. The Welsh, like the Scots, have always had a keener interest in education than the English. That has something to do with the nonconformist love of self-improvement. And education was, of course, the way out of the pit, if only into teaching and preaching. The Welsh universities were built on the pennies of the poor and a much higher proportion of working-class children in Wales go on to higher education than elsewhere in Britain. Cardiganshire, a county of small farmers, sends 137 young people out of every 1,000 aged 18 to university. The national average in Britain is 72. At a parent-teacher association meeting in Cardiganshire there will be standing room only and such is the parents' interest in their local schools that at Brynccroes in Caernarvonshire,

where depopulation had forced a school to close, rebellious parents took it over and ran it for a spell.

With such a lively approach to education in Wales, it is hardly surprising that more teaching of the Welsh language and other subjects through the medium of Welsh causes such a stir. Successive governments have encouraged local education authorities to provide for children who wish to learn through Welsh and, no doubt, the Welsh Office, now that it is responsible for education, will make sure that things will stay that way. There are now 23,330 places in 39 bilingual schools, 4,600 more than there were in 1968. Many parents, particularly in Welsh-speaking areas like Merioneth, are well satisfied with this trend and, so long as the children start early enough, there is no evidence that learning bilingually hinders their normal pace of advancement.

But when parents feel that their children are being forced Welsh, tempers do get high. Teachers nowadays often find it impossible to get employment without speaking Welsh. In some counties learning Welsh is compulsory in primary schools, though learning other subjects through the medium of Welsh remains optional, while in Cardiganshire Welsh lessons are compulsory in secondary schools up to GCE Ordinary Level. Some parents in Cardiganshire objected on principle to this lack of choice and 500 of them—not a number to be sniffed at—complained to the Secretary of State and in effect asked him to take the unprecedented step of forcing an education authority to change its policy. But Mr Peter Thomas has made it plain that he does not feel that such a step is justified and the Welsh Office plainly hopes that the issue will fizzle out when a bilingual school opens in Aberystwyth, leaving the present school for the use of monoglot English speakers. In the meantime the Cardiganshire parents have doggedly taken their case to the ombudsman and parents in other counties are awaiting the outcome.

The language debate is just as controversial in the universities. The University of Wales has colleges dispersed over the country at Cardiff, Swansea, Bangor, Lampeter and Aberystwyth. Of these Cardiff and Swansea are comparatively anglicised and the most keenly Welsh is Aberystwyth. Before the war all these colleges were very

small and had a high intake of Welsh-speakers. Now half their intake is made up of English students. The Welsh speakers have dwindled to a small minority and, feeling swamped, they have tended to become defensive in their attitudes. For them Welsh has become the rallying point—the flag of resistance, if not of rebellion.

At Aberystwyth itself, teaching in Welsh has been taken so far that some academics believe it has affected the quality of instruction. Good scholars have been known to leave because either they have disapproved of teaching their subject in Welsh or because, as non-Welsh speakers or non-Welshmen, they felt that their chances of promotion were slight. And there is no doubt that Welsh-speaking students are given preference in admission to Aberystwyth.

Sir Goronwy Daniel, vice-chancellor at Aberystwyth, justifies the emphasis on Welsh on the grounds that cultural diversity is important and that "the shattered remnants of the Celtic culture are worth maintaining." Aberystwyth now has special halls of residence for Welsh speakers and Sir Goronwy claims that in establishing them the college is simply meeting a very real demand. But the language lobby is now demanding not only another hall of residence—and the biggest and smartest one at that—at Aberystwyth but also the creation of a special all-Welsh-speaking college. Students organised a sit-in on the subject last Christmas term; but on this point Sir Goronwy is not prepared to give way.

The Welsh broadcasting services come in for an even bigger hammering than the universities from all sides in the language debate. BBC Wales and the commercial HTV both produce around seven hours a week of television programmes in Welsh, often at peak viewing hours. But even though their programmes are not broadcast at the same hours, many non-linguists resent not being able to receive their favourite programmes in English. In the past they could easily do that by switching over to BBC South West or North West. But the introduction of new television sets with UHF 625 lines has put a stop to this and non-Welsh speakers are now in open revolt—a situation which the BBC annual report coolly referred to as "mixed reaction in some quarters."

Nobody envies the BBC. For while its Welsh service is sometimes accused of rabid nationalism, the Welsh Language Society has staged demos outside its Cardiff headquarters to complain

that not enough Welsh programmes are produced and to demand that an all-Welsh station should be set up. So loud were its demands that the Broadcasting Council—which decides BBC policy in Wales—actually went to the length of costing the project for a separate station. It estimated that such a station would cost over £38m to build and nearly £19m a year to run—more than enough to demonstrate how ill-considered the proposal was.

The sad fact remains that the language, far from uniting Welshmen, is proving a dramatically divisive factor in their lives. Certain jobs—in teaching,

the civil service, the arts and broadcasting, for instance—are much more difficult to land if the applicant cannot speak Welsh. A bright 17-year-old in Montgomeryshire, where Welsh is little used, told this correspondent that rather than spend his year between school and university studying abroad, as he wanted to do, he was staying on at school to learn Welsh, because, he added, "otherwise I might not be able to get a good job." Wales has difficulty enough persuading such bright sparks to stay and work in the principality. To create yet another disincentive is plain folly.

Another kind of conspiracy

One thing the Welsh never tire of discussing is Wales. "Wales is not a country," chuckled one Welshman over his drink, "it's a conspiracy." Today the Welsh feel that they are more the masters of their own destiny than at any time probably since Owen Glendower. But the realists among them readily admit that for many years to come this happy state of affairs turns on Whitehall's continuing generosity in the shape of development area status for Wales. Wales cannot turn its back on England, and the men who formulate strategies and ponder tactics in Cardiff would not pretend for a second that it could.

But there is among the so-called "Welsh Welsh," those fervent nationalists and linguists who wear their leeks and daffodils with a difference a deep-seated resentment of the English. "The Welsh suffer from the Celtic curse of having very long memories," one clergyman explained. There have been times when Whitehall behaved towards Wales in a manner that was both arrogant and at times high handed. The ban on Welsh speaking in schools which near killed the language is one obvious example. But this is all history and to react to it by becoming inward-looking and concentrating on the parish pump helps nobody.

The antics of this exuberant minority—their sit-ins, bomb scares, refusals to pay television licences and so on—infuriate the silent majority of Welshmen who feel victims of the conspiracy. These antics tarnish Wales's image not only in England but abroad. The language, the rallying point of the "Welsh Welsh," is in fact safe. It will not disappear as Cornish did and Gaelic might. "I feel that if you are so convinced of the merits of Welshness, you

should try to enthuse outsiders with it, not force it down their throats," said the same clergyman. But the Welsh Welsh do not yet have enough self confidence to realise that Welsh need not be forced to survive.

Landing the Welsh with an elected council—in which most of them, in truth, are not a bit interested—might do little or no harm and would certainly provide another outlet for the Welsh instinct for political disputation and wheeling and dealing. But, with too many powers, it might easily create an artificial barrier between Wales and England which would benefit neither. Most Welshmen would no doubt agree that Wales's real future lies in remaining England's closest but, perhaps because of this very closeness, its sturdily distinctive neighbour.



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Books

Father of the revolution?

DR KINSEY AND THE INSTITUTE FOR SEX RESEARCH

By Wardell D. Pomeroy.
Nelson. 491 pages. £4.20.

Did the permissive society start in 1948 with the publication of the Kinsey report on the sexual behaviour of the human male? Dr Alfred Kinsey, who has been dead since 1956, is half-forgotten now that bare nipples are haute couture and on the cinema screen copulation is the cliché that sunset used to be. But this stolid book, written by one of Dr Kinsey's devoted and self-effacing assistants at the Institute for Sex Research at Indiana university, should do a great deal to restore to Kinsey his deserved reputation. It was Kinsey, after all, who made Americans face the simple truth that sexual activity goes on regardless of cultural and religious prohibitions against it.

Some of the charm of this book comes from its flat mid-western accent. With little art or criticism, the author tells what he knows about Kinsey and his work. The facts of his early life are riveting: the Eagle Scout, the church-goer, the serious postgraduate ecological student who pursued gall wasps, the young assistant professor who married the only girl he ever dated, "the one in a million who was as fascinated by insects as he was." Kinsey was a square and therefore, arguably, a bit of a voyeur. But he was also ambitious, serene, sincere and brilliant. These qualities led him into the career he never intended—making the first extensive collection of data on American sexual habits.

In 1938 Indiana university invited Kinsey (who was by then an agnostic biology professor) to co-ordinate an interdisciplinary course on marriage. When Kinsey found how eager the students were to discuss (privately) the facts of their own sexual careers, he became determined "to prove to the world some day that any subject may be a profitable field for scientific research if zealously pursued and handled with objective scholarship." He began to collect what he called "the histories" of as many people as



Kinsey: scientific study?

he could—homosexuals and prostitutes as well as those with more conventional sexual records—and when forced by the university, because of growing controversy, to choose between the marriage course and the research, he unhesitatingly chose the research. In 1940 he got his first grant from the Rockefeller Foundation. He had no problems of financial support until the enormous furore following the publication in 1953 of his second volume, on the sexuality of the human female, caused the foundation (then under Mr Dean Rusk) to back away.

The Kinsey team disdained the methods and attitudes of psychoanalysis. They claimed that basic facts about sexual behaviour were what should be studied, not the feelings and motives of the people involved. In order to get at these facts, Kinsey forbade blacks, women, Jews, or anyone with a strange name to work among his interviewers. Only a bland white middle-American male, he believed, could get straight honest answers from absolutely anyone to questions like: "Have you ever had sexual relations with animals?"

Kinsey was unprepared for the storm that greeted the publication of the first volume on male sexuality. The statistic that shocked the public most was that claiming that 50 per cent of married American men had committed adultery. The book became a bestseller even though it was in fact 804 pages of charts, tables and scientific prose. It was the butt of endless jokes. None the less, Kinsey persisted and brought out the second volume in 1953. Then,

the author suggests, Kinsey stung by the criticism, not only the public but from the academic world, that his health gave way and died three years later.

There are three main criticisms of Kinsey's work, none of which is dispelled by this book. One is that his statistical sampling methods were inadequate. In general, he took the data he could get—much of it from prisoners, psychologists and students. The scientific sample which might have justified the sweeping titles "Sexual Behaviour in the Human Male/Female" had not been taken. Then, hostile to psychoanalysis, he and his team discarded the disturbance they might be faced with their questions (although Pomeroy remembers one man who became sick when his interview revealed the extent of his homosexuality then there was the pretence of objectivity. Dr Kinsey claimed to be objective in his attitude towards sexual behaviour, but his statements on a questionnaire reveal an overwhelming prejudice in favour of sexual freedom and abhorrence of prohibitions against it.

But all such criticism measured against Kinsey's achievement. Without his work, the research of Drs Masters and Johnson on the physiology of sex could never have been done. They, too (in spite of their all-American surnames), have been ridiculed. But whoever chooses to mock must remember that, before Kinsey's work was first published, intercourse before marriage carried a criminal penalty in half of the states of America and private homosexuality did so in nearly every state. Kinsey often said that if the sex laws were enforced half of the population would be in gaol. It is largely to his credit that many of these laws no longer exist.

Imperial England

AN IMPERIAL WAR AND THE BRITISH WORKING CLASS

By Richard Price.
Routledge and Kegan Paul. 256 pages. £3.50.

THE PEERS, THE PARTIES AND THE PEOPLE

By Neal Blewett.
Macmillan. 560 pages. £9.50.

DECISION BY DEFAULT

By Peter Dennis.
Routledge and Kegan Paul. 256 pages. £3.25.

These three books make an interesting group than the disparate subject matter might suggest.

sight suggest; and criticism legitimately can adopt a stance or point of vantage which takes such opportunities into account.

Authors may announce their own fixed terms of reference; but the validity of those terms is itself a concern of criticism. It is one thing for Mr Price to announce that his study is intended only to determine working-class attitudes to imperialism "through the prism of the Boer war" and that the problems of the origins of the war and its impact upon subsequent events "will all be ignored." It is quite another thing to accept that an event as complicated as a war and phenomena as fugitive as "opinion" are susceptible to such restrictedly prismatic interpretation.

The reasons why there was a war in South Africa in 1899-1902 have to do with the attempt to operate a policy designed to rescue Britain from what were alleged to be the consequences of the failures in the Disraeli-Gladstone era. This policy, "imperialism," proposed that the only way of ensuring British survival into the twentieth century as a great power and a successful society was to mobilise the human and economic resources provided by the colonies; and that success or failure in achieving this end would depend upon success or failure in crucial and pivotal South Africa; and hence the need to destroy Kruger's republic.

The question of "imperialism" thus subsumes the great issues as to what sort of power and what sort of society the British people wanted themselves to be. What was the relationship between success as a society and success as a power? In turn, it raises the question of what groups or classes possessed prerogatives and credentials entitling them to make decisions either way. Superficially, Mr Price's book is an analytical investigation of working-class responses to the Boer war. In reality, it is an explanation of why the "progressive" forces of society failed to mobilise working-class enthusiasm against imperialism. Superficially, Mr Blewett's book is a piece of straightforward quantitative psephology. In reality, it is a contribution towards the argument that the "progressive" forces of society—Liberalism and Labour—established convincingly in 1910, as contrasted with the confused state of affairs in 1906, electoral prerogatives and historical credentials for making the decision against the imperialist thesis. Superficially, Mr Dennis's book is about conscription in relation to the

debate about strategic deployment of the British army between the two wars. In reality, it is a study of the consequences of the facts that, first, the "imperialists" were indeed correct in their argument that unless the British could mobilise the human and economic resources of their empire they would cease to be a great power in the twentieth century; and second, that the "progressive" forces delineated and analysed by Messrs Price and Blewett were, in terms of prerogatives and credentials, justified in rejecting the "imperialist" argument on the grounds that, whether in the form of the old, strictly imperial, form of 1899, or the new "balance of power" form of 1914, it was irrelevant to the real needs of the British people. These needs were, in Mr Blewett's words, better represented by "the Radical drive to reform the structures of political power and the social reformer's desire to redress the economic imbalance."

In this perspective, because he deals with consequences rather than causes, Mr Dennis's book is the least controversial. There is, as it were, no grinding of axes heard between the lines. Britain, in rapid decline as a power, had an appropriately wriggling and evasive military policy. It postulated defending an empire beyond British resources to defend, which in any case had been, since the failure to make the old imperial policy a reality in South Africa, not worth defending; and it shrank away from the post-South African "imperialist" recourse of making a weight again in the European balance of power, which had been adopted in 1914 with what were generally agreed to be disastrous effects. At the last moment, in 1939, under intolerable German pressure, Britain made a final lurch towards reasserting its old status as a great power.

With Messrs Price and Blewett the problem is more complicated. The premises sketched here are not admitted. Does this matter centrally? Both books, certainly, are competent and workmanlike enough to stand with monographic assurance. Mr Price perhaps makes too much of a claim to be a fearless challenger of academic orthodoxy. No one, since Henry Pelling wrote on the subject of the working class and imperialism (writing only very glancingly noticed by Mr Price) is going to assert that the working classes were in any general sense jingoistic or imperialist in sentiment. He makes, also, too much of "methodology." But for all his 23 tables Mr Price is con-

fessedly impressionistic in the end: "Lacking as we do any adequate direct evidence it is, in the final analysis, fruitless to try to establish that the working classes were either for or against imperialism." Where objection might be made is to Mr Price's unargued implication that the working classes certainly ought to have been against imperialism.

Unionism stands in much the same position in Mr Blewett's book as imperialism in Mr Price's. The implied and unargued assumption with Mr Blewett is likewise one of rationalist historicism, on "progressive" ideology, with radicalism and Labour bearing credentials and prerogatives which, in an undistorted or "natural" political and electoral system, would be translated into legitimate power to fulfil the tasks of progress and reform appointed by history. Unionist hegemony between 1886 and 1900 was "negatively sustained" by "Liberal deviation" rather than "positively" by clear democratic support. Thus Liberals were "prevented" from establishing a hold on electors who might otherwise have supported them. The point about the election of January, 1910, was that this old distorted system was revealed as having been superseded by a new and presumably undistorted system in which "socio-economic factors" were the determinants: Liberalism, unable to adapt sufficiently quickly to these new circumstances, handed the torch of progress on to its ideological successor, Labour. Mr Blewett's book is useful because of its psephology. It, and Mr Price's book also, would be better if it subjected its premises to the same analytical criticism it applies to its electoral statistics. That means, among other things, being able to make connections between the elections of 1910 and the military debates of the 1930s.

Tin god

PATÍÑO: THE TIN KING
By Charles F. Geddes.
Hale. 416 pages. £3.50.

Simon I. Patiño was a hard worker who struck it lucky by stumbling across the world's richest vein of tin in Bolivia in 1899. He became the wealthiest Latin American industrialist before the first world war. He did all the things industrialists did in those days: built railroads, bailed out his government and moved the heart of his empire out of Bolivia and on to the New York Stock Exchange. But wealth hardly

inspired him to flights of imagination.

Sr Patiño subsequently spread his tin business around the world, with smelters in Europe and mines in Malaysia; he was the founder of the important international tin agreement. But the interest in his life-history lies in what he failed to do. When the Bolivian government nationalised the tin mines the indictment was a harsh one: little of the great wealth that Sr Patiño has extracted from the rich Bolivian mines had worked through to the country's benefit. Most had been filtered off into foreign banks; the present Patiño business is still massive, family-dominated—and with activities entirely outside Bolivia.

Sr Patiño was undoubtedly patriotic about his native land. He gave Bolivia its first two warplanes and supported the government through the Chaco war, at a time when the depression was making a large dent in his profits. But he was seldom there. From 1914 until his death in 1947 he lived mainly in America and Europe. He was no great spender; he lived a quiet life in Paris, keeping a tight control on his mines but not much of an eye on the future.

Mr Geddes, who has worked for the Patiño business much of his life, is as kind to the "Tin King" as possible—too kind to create an enjoyable read. Even so, one can read quite enough between the lines to understand the causes of the recent spate of nationalisation of so much Latin American investment. That makes this book of interest to anyone in the metals industry or indeed to students of Latin American history. Sr Patiño's mine was in fact nationalised 20 years ago: but that, in turn, says a good deal about Sr Patiño.



Patiño: absentee patriot

Horrible conspiracies

THE POPISH PLOT
By John Kenyon.
Heinemann. 312 pages. £3.75.

Restoration England was a credal society, one which believed in the need for a religious establishment. After 1662 that establishment was emphatically Anglican—episcopal, monarchical and Protestant. The church had regained the support of the propertied classes as a guarantee of the traditional ordering of society. English Protestantism was not simply a religion; it stood for a whole way of life which had been built up under the Tudors and early Stuarts.

Such was the investment in the Protestant Ascendancy that any attempt to disturb it was bound to provoke a savage response from the community at large. To rule acceptably, Charles II had to respect the prejudices of his people. Foolishly, he did not. By the late 1670s the monarchy faced a crisis which in severity recalled the events of 1640 and 1641.

Professor Kenyon's study of the "Popish Plot" of 1678 takes a look at the way in which the unscrupulous trade of informing, libelling, and lying converted a deteriorating political climate into a near-revolutionary frenzy. He explores unfamiliar terrain: the twilight world of petty crime, the secret recesses of Roman Catholic organisation, the nightmare imaginings of ultra-Protestantism—all are successfully mapped out. In particular, he gives us a more complete reconstruction of Restoration recusancy than we have yet been given.

Understandably, he concentrates on the arch-villain, Titus Oates. He traces the repercussions of his "discoveries," conducting us through a maze of intrigues, trials, imprisonments and executions. It is neither an edifying nor a diverting tale. The dwelling on wearisome detail, much of it gross invention by Oates and company, makes for dull reading. Not even the colourfulness of the *dramatis personae*, nor the gems extracted from the "State Trials," serve to enliven the narrative.

More should surely have been said of the opposition's record of criticism throughout the 1670s, when the court was repeatedly attacked for harbouring arbitrary and popish designs. After all, some sort of popish plot was suspected before Oates came along. Whatever his version lacked in veracity it more than supplied in credibility, for it exactly fitted the prevailing stereotype of Protestant fear.



Oates: reaping as he sowed

The community's reaction is more crucial than Professor Kenyon indicates. Arguably, this is what made the plot, and endowed it with plausibility. The politics of self-preservation, and the reformation ideology on which they rested, explain the ferocity with which the "evidence" was pursued.

Technology of consumption

NEW COMMODITIES AND CONSUMER BEHAVIOUR

By D. S. Ironmonger.
Cambridge University Press. 200 pages. £6.

The standard theory of consumer demand supposes that a consumer maximises utility; that this is a function of the bundle of goods which he consumes; and that the collection of alternative bundles which he could buy is limited, given the prices of the goods, by the amount he can spend. Nothing is said about what causes goods to confer utility, so very little comes of the theory to explain or predict actual consumer behaviour. Indeed it was once reduced to the proposition that goods are goods, which is true but unhelpful.

A natural development of the theory, notably in the hands of Professor Lancaster, is to say that goods have the capacity of meeting wants and that it is the structure of wants which is given. Each good may then contribute towards the satisfaction of several wants and more of one of them may be bought when it becomes cheaper both because the wants it

meets are now satisfied more fully at the expense of other wants and because it has become a more efficient way of satisfying some of the wants already met. Thus the consumer is viewed as manufacturing want satisfaction by the input of a collection of goods just as the producers manufacture goods by means of inputs of labour, materials and so on. Consumption, as well as production, has a technology.

The intellectual charm of all this is that the theory can cope with new goods (or improvements of existing ones). They provide a new collection of want-satisfying qualities, thus constituting a change in the available "technology" of consumption. How much they are bought will depend on their prices, the collection of qualities they possess, and the structure of wants. Some very elegant theorising has been done along these lines. Yet while it represents an improvement in one sense, it has not actually generated any more useful propositions about consumer behaviour.

It now turns out that in his Cambridge thesis, presented in 1961, Dr Ironmonger was among the first to invent this new theory. The present book merely adds one chapter to that thesis and (inexcusably) refrains from any discussion of the contributions by Professor Lancaster and others which all appeared after it was finished. Perhaps the main difference in the theory is Dr Ironmonger's strong assumption that a consumer's wants are all satiable and priority-ordered. This enables him to use a linear-programming approach to produce more propositions but, even so, none of them is directly testable or intuitively very illuminating.

While his theorising about the demands for new commodities generated no directly testable propositions, it did lead Dr Ironmonger to study their quantitative importance in the growth of consumption between the wars. Using simple statistical measures he classified commodities into new, established and outmoded. The 50 out of 113 which he classified as "new" accounted for just below a fifth of total consumption at the beginning of the period and a third at the end. Such changes, he suggests, have as much to do with the spread of knowledge about the want-satisfying capacities of new goods as with the changes in prices, incomes and population to which the standard theory of consumer demand exclusively directs attention.

True life story

HOAX

By Stephen Fay, Lewis Chester and Magnus Linklater.
Deutsch. 317 pages. £2.75.

A team from the Sunday Times has won the race to tell the full story of Mr Clifford Irving's gigantic confidence trick, his supposed autobiography of America's most mysterious man, Mr Howard Hughes. This almost incredible tale cannot help but make fascinating reading, even though the "astounding revelations" promised on the jacket fail to materialise. What the authors have done—and it is a good deal—is to fill in the gaps and shadowy places in the disjointed newspaper accounts of the time. In particular they make clear the discreditable part played by Mr Stanley Meyer. He was a self-appointed literary agent for the true memoirs of Mr Noah Dietrich, a long-time associate of Mr Hughes. Mr Meyer first alerted the Hughes organisation to the existence of this manuscript, which it wanted to kill as it had killed many other books about its master, and then showed it (and the transcripts on which it was based) to Mr Irving.

The book is extremely charitable to the McGraw-Hill publishing company and to Life magazine. Both refused to believe that they had been hoaxed until the proof was rammed down their throats by three revelations: that the H. R. Hughes who had endorsed their cheques was in fact a woman; that certain passages in the Irving manuscript were identical with those written earlier by Mr Dietrich's ghost-writer; and that Mr Irving's account of his journeyings to see Mr Hughes were, at one point at least, flatly contradicted by geography. (This was the contribution of the United States Postal Inspection Service.)

New York, N.Y.

Dear Mr. McGraw-

The facts placed before me, I find astonishing. I do not understand why it is not possible for your publishing house to possess a complete and accurate record of all the lives and Mr Clifford Irving and Mr. Dietrich, for the publication of my autobiography. I am sure that you will be able to do this.

A take that fooled McGraw-Hill

But in defence of Life and McGraw-Hill it must be said that Mr Hughes was the ideal subject for a hoax. Rich and powerful beyond the wildest dreams, he had an obsession about his privacy. Courts and states called in vain for him to appear in person and the wildest rumours circulated: he might be dying, he might be dead, since only a few bodyguards ever saw him. The Irvings counted on the hermit never to emerge and on his legendary eccentricity. Even when Mr Hughes denounced the hoax on the telephone, the wisecracks smiled and said that that was just what they had expected from Mr Hughes.

Poets at war

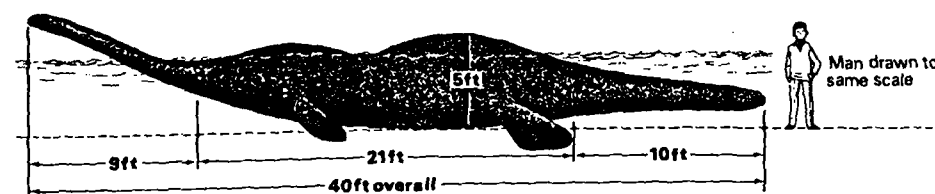
OUT OF BATTLE

By Jon Silkin.
Oxford University Press. 376 pages. £5.

This new study stems from a commemorative exhibition in honour of Isaac Rosenberg held at the University of Leeds as long ago as 1959. Mr Silkin was much involved in the preparation of this, and his enthusiasm for Rosenberg's poetry comes across strongly in the chapter devoted to him. There is no special pleading, however, in what is a remarkably comprehensive book. It considers the characteristic work (not forgetting their letters) of some dozen poets who were on active service during the 1914-18 war, but it sets this group in a larger context.

This is an approach that Mr Jon Silkin shows to be well worth adopting. He is as much interested in scrutinising the emotional and intellectual stances of these war poets as in analysing the literary techniques by which their attitudes found expression. He is, needless to say, a perspicacious and subtle reader. His own achievement as a poet would guarantee that. He is also a troubled observer of man's inhumanity to man. He does not isolate these poets of 50 years ago from contemporary life, but reckons that the best of them exhibit a force and complexity in their use of language that should make them significant to present-day writers dissatisfied with the Eliot-Pound tradition.

One of the most interesting poets included in this group is David Jones, seldom associated with it because his "In Parenthesis" was published so long after the actual experiences which fertilised his imagination. Charles Sorley and Ivor Gurney, whose names do not figure so regularly in anthologies of war poetry as those of Edward Thomas or Herbert Read, are given



Loch Ness monster: an average of the apparitions

sympathetic attention. As might be expected, Sassoon, Owen and Rosenberg remain the major triumvirate, but the way in which Mr Silkin both distinguishes and interrelates the poets means that the book in its totality gives a coherent impression of a remarkable corpus of poems. It is not always easy reading, but it repays attention.

Giant swimmers

LOCH NESS MONSTER

By Tim Dinsdale.
Routledge and Kegan Paul. 172 pages. £2.50 cloth, £1.25 paperback.

THE SEARCH FOR MORAG

By Elizabeth Montgomery Campbell.
Tom Stacey. 192 pages. £1.90.

People living on or near the shores of Loch Ness and Loch Morar see the monsters that occupy both of the lakes more regularly than they would like most people to know. Admitting that you have seen the snake-like head or the humpy back break surface invites either corny jokes about your drinking habits or, what can be even worse, the attentions of the little bands of investigators who year after year patiently watch and wait along the shores and fill in the long hours between collating the reports of other people's sightings.

Mr Tim Dinsdale's beat is the length and breadth of Loch Ness, where on his first visit in 1960 he saw and photographed something curious in the water and where, although he has been going now to Loch Ness for 11 years, he has never seen anything since. His account, and his explanation of the research techniques that he pioneered, has been revised and updated in time for the start of his twelfth season. It includes his cruellest disappointment last autumn, when he missed seeing the monster's head emerging 10 feet above a tremendous commotion in the water because the sun was in his eyes.

Where Loch Ness is black and peaty, Loch Morar is crystal clear and it is here that Mrs Elizabeth Montgomery Campbell has done most of her investigating. Like many others, her interest was sparked off by Mr Dinsdale's transparent integrity, and the

Loch Morar team owes much to his methods. The list of monster sightings that have been collected at the Loch Morar investigation station since 1970 is as impressive as anything reported from Loch Ness and, because the water is clearer, includes accounts of big beasts seen basking on the lake bottom by startled fishermen.

Evidence for the presence in both lakes of something bigger than a big eel continues to accumulate, but it is still secondhand hearsay. When all the sightings have been gathered, listed and the last drop of corroborative detail wrung from them, they do not add up in either case to a full-length book. Dedicated monster watchers may not mind, but those merely mildly curious may find both books over-padded and disappointingly slight.

Short list

Nor Shall My Sword by F. R. Leavis (Chatto and Windus, £2.50). Dr Leavis subtitles this desirable collection of his lectures "Discourses on Pluralism, Compassion and Social Hope." They include the famous Richmond lecture of 1962, which brought the serried ranks of Lord Snow's supporters on to his back, and he plainly still feels the wounds; the explanatory postscript added for the original publication and the post-postscript added for the American edition are both included. The other lectures, of at least equal vigour, were given from 1966 to 1971, in universities ranging from Cornell to York; the dedication, rather charmingly, is "to the York students, who gave me a new Blake with clean margins to write in."

The Mature Society by Dennis Gabor (Secker and Warburg, £2.75). This is a careful attempt to present a reasonable sketch of how the western technological world might change for the better. Professor Gabor, a Hungarian-born scientist who came to England in 1934, is a Nobel laureate best known for his invention of holography, the technique for recreating in three dimensions the image of a solid object. Now he has turned his fine mind to questions of society. He believes the major problem is finding goals to work

and hope for in an affluent, secure society and suggests that all production workers have a chance, in middle life, to retrain for a service occupation which would bring them into personal contact with people. He also advocates the encouragement of nonconformism such as communal life and the education and preparation of all people for the use of leisure. There are a lot of utopias about; but Professor Gabor's is unusually down-to-earth and well argued.

Scientific Research in British Universities and Colleges, Volumes I-III (HMSO, £6.50, £6 and £5.50). If you want the expert on concrete structures, organ transplants, dead-beat position servomechanisms, toys for handicapped children, earthquakes in Iceland, education in Jamaica, the psychological effects of obesity, lattice defects in quenched alloys or the implications of Gödel's theorem, this is where to look. Four separate research groups on mapping, six on evaporation techniques, one on scuba diving, four on cats, one on horseradish, two on spelling and two on phenylketonuria, with their universities, addresses and telephones. One of the most useful references put out by the Department of Education and Science.

Algeria	Madagascar
Botswana	Malawi
Burundi	Mali
Cameroon	Mauritania
Central African Republic	Morocco
Chad	Niger
Congo (Brazzaville)	Nigeria
Dahomey	Rhodesia
Egypt	Rwanda
Equatorial Guinea	Senegal
Gambia	Sierra Leone
Ghana	South Africa
Guinea	Sudan
Ivory Coast	Swaziland
Kenya	Tanzania
Lesotho	Togo
Libya	Tunisia
	Upper Volta
	Zaire
	Zambia
	Angola
	Guinea-Bissau
	Mozambique

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Business Brief

Keeping money out

In most of the third week since sterling floated on June 23rd, the pound has remained remarkably stable at around \$2.44. The main reason for this relative "strength" is that London is one of the few world financial centres into which a holder of dollars can switch his money and still hope to show a return. Your alternatives if you are a "currency speculator"—whether semi-mythical gnome or wary and weighty company treasurer—are:

(a) To put money at positive interest rates into countries where currencies, although nominally at "fixed exchange rates," are clearly more likely to go down than to go up (such as the dollar or the lira); or

(b) To try to get into currencies whose exchange rates are clearly more likely to go up than to go down (such as the D-mark or the yen or the Swiss franc), but in that case you have to climb a barricade of exchange controls to get into them.

Once upon a time, the main purpose of exchange controls was to lock resident funds in to the currencies of weak countries. Now, in a crazy reversal of roles, their main purpose is to lock foreign funds out of the currencies of strong countries. Many of these controls were imposed when President Nixon first floated the dollar down last August, and many of the stronger countries did not want their currencies to float up too much. Some were re-imposed last February, when it became clear that the "Smithsonian" exchange rates fixed in December were not going to last. Now they have been intensified again.

Three weak sisters

Admittedly, the three weakest countries—Britain, Italy, the United States—still impose controls against capital outflows. In Britain these controls were perversely strengthened when the pound was floated.

Italy has decided to try to maintain an overvalued exchange

rate for the lira, and its intensification of exchange controls is therefore more logical. It is a severe intensification, designed to make it no longer worthwhile to climb the Alps with a suitcase full of lira banknotes. By banning the conversion into foreign exchange (or fully convertible "capital" accounts at Italian banks) of lira banknotes presented by foreign banks, the Bank of Italy has in effect created a separate, unofficial market in banknotes abroad in which the lira will be left to find its own level.

Barricades by the strong

Most of the exchange controls being strengthened today, however, are designed to prevent dollars or lire (or possibly pounds) coming into strong countries: thus increasing their internal money supply, and undermining their domestic economic policies, as well as obliging their central banks to hold currencies that they do not want.

The most dirigiste of these systems of exchange controls consists of flat directives, which simply outlaw certain exchange transactions. This is the policy followed by Japan. Less illiberal are various market mechanisms which change the cost calculations of exchange transactions. The most market-oriented of exchange controls are those operated by France, which splits its exchange markets in two.

Until early May the French government ruled that the official or "commercial" franc could be used only for actual imports and exports of goods, a few related invisibles, and current payments by, or in favour of, governments and public bodies. It has since broadened its rules so that most other commercial transactions (including merchanting trade and payments for services like insurance and transport) can be covered at this rate. But all other transactions—capital trans-

fers, remittances abroad by foreign workers, travel and the exchange of banknotes—must take place through the market for financial francs, now on balance between 5% and 6% more expensive than commercial francs.

Most other continental countries, as the table opposite shows, have settled for hybrid systems, with Germany (at least before Herr Schiller gave way to Herr Schmidt) moving only reluctantly. But the pacesetter in breaking normal liberal banking rules during the past two weeks has been Switzerland, which has been ready to try almost anything and everything. A simple man's guide through the labyrinth will give some idea of just how tight its controls have become.

Swiss francs

Assume you want to swap some suspect dollars into a nice, safe, Swiss franc investment. What would be your choices? Your first thought might be to put your money on deposit in a Swiss bank. You will no longer find this easy.

First, you will have to find a bank ready and able to take your dollars, to convert them into francs and to place them in a freely convertible Swiss franc deposit. The bank must comply with a whole range of interlocking and overlapping requirements—to limit such conversions, to meet a 50% reserve requirement on increases in its net foreign liabilities (over July 31, 1971), to balance at the end of each day its net foreign exchange position. Still,

The exchange control armoury	Austria	Belgium-Lux	Germany	Japan	Holland	Switzerland
No interest on non-resident deposits			•	•		•
Negative interest on non-resident deposits						•
Special reserve requirements on increases in banks' foreign liabilities	•		•	•	•	•
Flat ceiling on banks' net external positions (or 100% reserve requirements)			•		•	•
Specific restrictions on banks' foreign borrowing, repatriation of foreign assets, or conversion into domestic currency of funds borrowed abroad	•	•			•	
Restrictions on the crediting to freely-convertible accounts of funds converted from foreign currency	•				•	•
Limitations on non-resident purchases of:						
Money market paper				•	•	•
Bonds				•	•	•
Quoted shares				•	•	•
Unquoted shares or bonds				•	•	•
Property				•	•	•
Measures to discourage non-bank borrowing abroad (or repatriation of foreign assets)			•	•	•	•
Special restrictions against advance payments for exports			•		•	
Rules to ensure conversion into foreign exchange of loans raised by non-residents on the domestic capital market				•	•	•

*In Belgium such deals must go through the free exchange market (which is similar to, but much narrower than, that of France); in the Netherlands non-residents are not allowed to buy guilder bonds from residents except with the proceeds from non-residents' sales of such bonds to residents (in separate exchange market pool).

How Germany's cash deposit scheme works

Suppose a German company needs to borrow to finance a DM 100m investment. These are the cost calculations it would have to make in deciding where to go for the money.

Choice (1)

Domestic borrowing when the interest rate is 8%:
 Amount that has to be borrowed DM 100m
 Amount that has to be repaid DM 108m
 Effective cost of the DM 100m needed 8%

Choice (2)

Foreign borrowing when the interest rate is 6% and no cash deposit is required:

Amount that has to be borrowed \$31m (DM 100m)
 Amount that has to be repaid: \$33m (DM 106m) if exchange rates remain unchanged
 Effective cost of the DM 100m needed 6%
 if the DM is revalued to DM 3=\$1 \$33m (DM 98½m)
 Effective cost of the DM 100m needed Negative

Choice (3)

Foreign borrowing when the interest rate is 6% and a 50% cash deposit is required:

Amount that has to be borrowed (to meet both the company's requirements and the deposit) \$62m (DM 200m)

Amount that has to be repaid:
 if exchange rates remain unchanged \$66m (DM 212m)
 Effective cost of the DM 100m invested 12%
 if the DM is revalued to DM 3=\$1 \$66m (DM 198m)
 Effective cost of the DM 100m invested Negative

if the bank can immediately reinvest the money you are offering in a matching foreign asset, it may accept it.

But it is at this stage that the new controls bite home. Until the end of June you would simply have had to be willing to forgo any interest return on your deposit (as you would still on accounts with German, Dutch or Belgian banks). Now you will have to be ready to pay, in advance, a commission of 2% a quarter for the privilege of depositing your money with the Swiss.

Too much? If you want to get into Switzerland, you haven't many other choices within the rules. The Swiss have now banned foreign investments (directly or through a third party); not only in money market instruments, but also in Swiss (or Swiss franc-denominated) bonds, in shares, mortgages and real estate. True, you might still raise a loan on the Swiss capital market. But, unless the proceeds were being used to finance purchases of Swiss goods or services, they would have to be converted immediately into foreign exchange. And the Swiss are considering banning issues outright.

Marks and yen

The clamps against would-be foreign investors in Frankfurt were tightened this week. Banks and credit institutions have now been asked not to sell claims against residents' shares in

mutual funds and real estate, or foreign bonds held in their portfolios to non-residents. Nor are they to help arrange (or guarantee) foreign credits of over DM 500,000 for residents.

There is one glaring loophole remaining in Japan's otherwise formidable defences. The foreigner can still purchase yen to buy quoted shares on the Japanese stock market—although he must now produce documentary proof that he

genuinely intends to go through with the deal. This access to the Tokyo market is one of the curious anomalies that has resulted from the long American-Japanese battle over trade and capital flows.

Borrowing abroad

Strong currencies cannot be saved from upvaluing merely by dampening the enthusiasm of would-be foreign investors. Inflows of foreign exchange can also be initiated by residents who find foreign borrowing (or the repatriation of foreign assets) cheaper or easier than raising loans at home.

The banks in strong currency countries can be discouraged from such activities relatively easily. Moreover, reserve requirements (or preferential swap facilities) will increase their incentive to offset increases even in resident deposits with increases in foreign assets. The tougher nut is the non-bank borrower.

Japan and Switzerland have simply slapped straight ceilings or bans on foreign borrowing by companies or individuals. Germany has chosen to discourage such borrowing by increasing its effective cost. As the inset shows, the effect of a 50% cash deposit requirement under the Bardepot scheme is to double the true interest cost of a foreign loan (provided the D-mark is not

upvalued against the currency borrowed before repayment.

None of this, of course, does anything to prevent a massive swing in the leads and lags of normal commercial payments. This can produce an enormous inflow of foreign exchange into a strong currency. The lynchpin of Tokyo's controls is its tightening of the rules on advance payments for Japanese exports.

Will they last?

Can floods of money really be held back by devices of this kind? The answer is that exchange controls are a holding operation, and not necessarily the best sort at that. Modern money managers have enormous sums and sophistication at their disposal. Once they are convinced that a currency is in real trouble—and not simply going through a temporary bad patch—they can normally bulldoze through the most elaborate exchange barriers. When the Bank of Japan tried to pretend last August that it would not upvalue the yen, it was overwhelmed because some \$4 billion flooded into Tokyo in two weeks.

But until he expects a definitive shift in exchange rates in the immediate future, the average banker or corporation treasurer will not gamble expensively. It is this prudence before the brink on which exchange controls depend.

The impact of special reserve requirements

When commercial banks' resources increase because:

• Banks actively seek foreign funds to expand domestic lending

• Banks merely accept (passively) an increase in foreign deposits

• Banks repatriate foreign assets

• Inflows of foreign funds into non-bank sectors lead to increases in resident deposits

And the banks must meet reserve requirements on:

Gross foreign liabilities
 Reduces banks' incentive to borrow abroad (by increasing the effective cost of the foreign funds)

No effect*

No effect*

No effect*

Net foreign liabilities

Reduces banks' incentive to borrow abroad (by increasing the effective cost of the foreign funds)

Increases banks' incentive to match foreign liabilities with foreign investments

Discourages repatriation

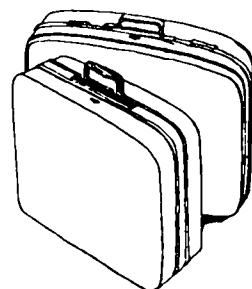
Increases banks' incentive to use funds to increase foreign assets (against unchanged foreign liabilities), thus reducing reserves required

*What the reserve requirements will not do can be effected through special "swap" facilities. The central bank can sell spot dollars to the commercial banks and buy them back at rates sufficiently favourable to offset any interest rate differential in favour of employing funds at home (rather than abroad). The central bank bears the cost of purchasing dollars forward at a rate more expensive than the rate at which it sold the dollars to the banks (a price that may be worth it as the manoeuvre can, temporarily, reduce embarrassingly large reserves). The German, Swiss, Dutch and French authorities have all at times offered swap facilities to their banks at preferential rates.

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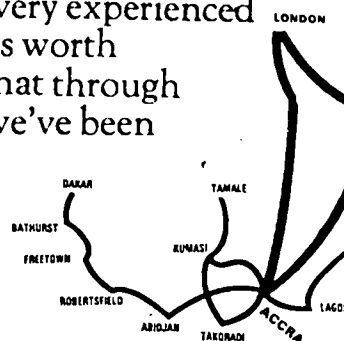
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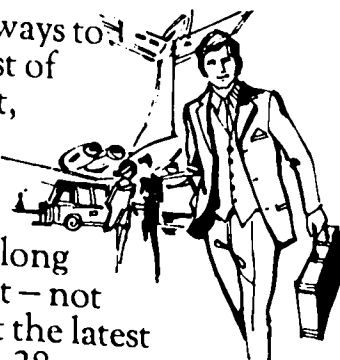
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BUSINESS

It's a trade surplus again

The pound thrived on the good trade figures for June. But they may be only a flash in the pan

Until midday on Thursday the pound had been floating serenely for several days close to, or a little above, \$2.44. Then came the trade figures for June. Showing a surplus of £15m, they were surprisingly good, especially coming after a deficit in May of £42m, which had contributed to the pre-float run on sterling. Naturally enough, the pound rose. Thursday's closing rate was \$2.4540, devalued by only about 6 per cent below its old Smithsonian rate of \$2.60½.

Another reason why the pound strengthened on Thursday was that pressures against the dollar were building up again. It was down at its floor against every major European currency. While central banks were not intervening too heavily in spot markets to support the dollar, they were very active in forward markets, which are the more sensitive barometers. And, indeed, despite the good trade news, it is significant that 3-months' sterling is still at a 3½ per cent discount against the dollar.

For there can be no assurance that the jump in exports in June, to £798m, was more than a fluke. In the second quarter as a whole, trade was still in deficit. And it remains dispiriting that the volume of exports has grown no more than the volume of imports since 1967: each has risen by 35 per cent. The advantages of the 1967 devaluation on overseas trading have been destroyed by a massive wage inflation unmatched by productivity gains.

It is true, as the table shows, that the quarterly trade deficit is covered by other current earnings. But Sir Cyril Kleinwort, chairman of the Committee on Invisible Exports, has just reported that Britain's share of world invisible trade fell from nearly 15 per cent in 1964 to around 11½ per cent in 1969 (the latest year for which there are world figures). His committee foresees only slight growth in the present surplus on private invisibles in 1972 and 1973. The vulnerable earnings are those from shipping and travel. Shipping is in a worldwide slump; and the enormous expansion in Britain's tourist trade, triggered by the 1967 devaluation which resulted in a favourable swing of over £100m in the travel account, now seems to be fizzling out.

Last year 7.1m foreign visitors came to Britain, only 7½ per cent more than the year before: this increase was no better than the long-term average around the

Balance of payments

Monthly averages, seasonally adjusted, £m	1967		1971		1972	
	average	3rd qtr	4th qtr	1st qtr	2nd qtr	
Visible trade						
Exports	427	774	760	740	766	
Imports	473	715	735	779	792	
Visible balance	-46	+59	+25	-39	-26	
Invisibles						
Govt services and transfers	-39	-47	-45	-50		
Interest, profits, dividends	+32	+47	+38	+41		
Shipping	-1	-6	-1	-7		
Civil aviation	+2	+5	+3	+3		NA
Travel	-3	+6	+6	+3		
Other services†	+33	+58	+58	+63		
Private transfers	-4	-4	-4	-4		
Invisible balance	+21	+59	+56	+49	+50*	

*Official estimate. †Insurance, banking, merchanting, brokerage, etc.

world. This year could prove better than last (arrivals in January-May were up by 15 per cent), partly because the major western economies are in better shape, partly because sterling's float might make Britain's prices marginally more attractive. But there are limits to further expansion: London, the main tourist magnet, is already suffering from an incipient tourist backlash. The tourist boards have been moderately successful in their efforts to spread foreigners to other parts of Britain, and encourage them to come in the off-season; but not as successful as the British package holiday industry in persuading their clients to take off-season holidays abroad. Britain will be lucky to keep its tourist account out of the red in future.

Earnings from invisibles, therefore, cannot be relied on to pay for a trade gap which could well return in the short term, as the effect of the devalued pound shows up first adversely on imports. June's import bill, down by £10m to £783m, because earlier returns had been swollen by the effects of the recovery from strikes and the arrival of several large aircraft, included only a week of the float.

So some people, including some officials in Whitehall, still see the possibility of an exchange rate as low as \$2.20. They say that the floating pound will sink quickly to that level unless Mr Heath's Government hurries to enforce a statutory incomes policy. It might have hurried to enforce one if the trade union bosses on Wednesday

had said a straight no to Mr Heath's invitation to join a working party to plan an anti-inflation strategy. Instead, the union leaders said a sort of yes (see page 62), and so there are to be yet more talks. Cynics may say that the best policy for Britain now might be to wait until these talks break down, or until any "agreement" emerging from them is broken, or until there is a dock

strike or general strike or the next big inflationary wage award; then to watch the pound fall to about \$2.20, and announce that it is to be pegged at that undervalued rate; and then to introduce a statutory incomes policy only after that. For, despite latest trade indications, Britain may badly need an undervalued pound for a while, and certainly cannot afford an overvalued one.

On the comeback trail

The bus, the Cinderella of public transport, is potentially a cheaper and faster form of travel than the railways

Few comparisons have ever been done to see whether the popular myth that trains are cheaper than buses is true. But some up-to-date estimates, by Mr Edward Smith, will appear in the September issue of the *Journal of Transport Economics and Policy*. He shows that, although figures vary enormously from city to city round the world, the average rail car in peak service requires nearly seven staff, whereas buses average only 3.8. Hamburg achieves the unusually low ratio of 2.5 staff per rail car, but even lower figures have been achieved for buses, notably in Atlanta, Georgia. The train needs an enormous back-up staff of ticket collectors and purveyors, station cleaners, signal operators and so on. The traffic staff alone can lose almost all the advantage of having just one driver for an eight-coach train.

Buses have other cost advantages too. British buses cost about £10,000 each, whereas rail cars are over £40,000. The rail car is heavier. This increases fuel costs, and also means that enormous stopping distances are required, which undermines the reputation railways have for a higher passenger capacity than buses. Finally, the buses' ability to share road investment costs with other road users leads to a much lower cost to be attributed to infrastructure. Trains intrinsically require more expensive track supervision than roads. London Transport pays over £10m a year in signal maintenance for the underground alone, whereas maintaining road traffic signals for the whole of London costs only £600,000.

Converting railway tracks into motorways for express buses would be surprisingly cheap. According to the Railway Conversion League, actual conversions by some local authorities have cost as little as one-sixth of normal motorway building. A leading transport consultant firm in the United States, Alan M. Voorhees, in advising Tyneside, has just advocated a rail system, costing £65m. When British Rail wants over £400m to modernise its south-east commuter service in this

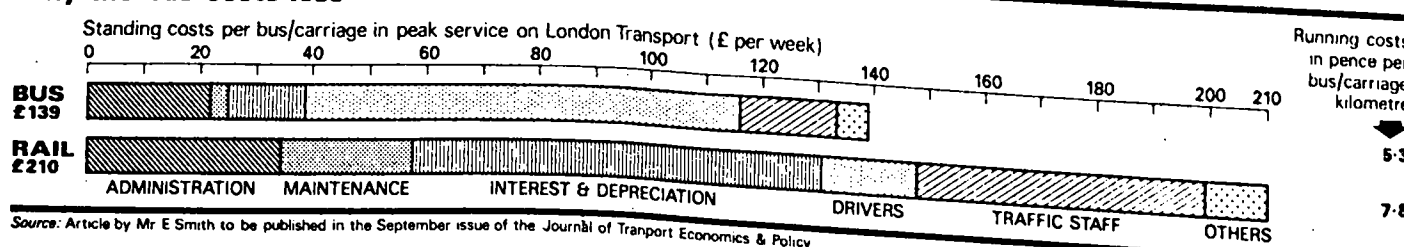
decade, converting railways to roads for buses might save a lot of money.

The Tyneside proposal typifies how the system is biased towards railways and against buses. The final choice involved an economic comparison of a £7m bus solution, using existing roads, and the rail rapid transit. Voorhees suggested a net operating benefit on the railways (in lower staff and so on) of £1.3m a year plus other measurable benefits of £5m a year. Against this is set loan charges on Tyneside's quarter share in the capital cost, amounting to £2m a year, producing a satisfactory net return on Tyneside's £18m investment. But what about the Government's three-quarters of the cost of the venture, which it is likely to put up?

Public transport convention must now be shocked by yet another heresy. Most operators would agree that having to provide one labour force for the morning peak and another for the evening is a major cause of high fares (though for political reasons they tend to attack the congestion caused by the motorist). What they fear is the obvious solution. If the licensing system for buses was loosened—the Government intends to introduce legislation that would start this—a new flexibility could be introduced, which would overcome the high labour cost caused by the peak. The local garage could keep a bus, which would be driven by one of the mechanics twice a day.

Ironically, it was one of the Voorhees consultants who told the House of Commons that impersonality was one of the biggest problems of public transport. Locally responsive bus services, run by local people and using express roads, would be the best means of overcoming this. Typical of what small operators can do is the experience in the new town of Reston, a dormitory of Washington, DC. The local bus operators refused to provide a commuter service, so the residents did it themselves and it has expanded rapidly.

Why the bus costs less



A Lloyd's for gilt-edged jobbers?

There is an urgent need for new machinery in the gilt-edged market

The decision by one firm of jobbers, Smith Brothers, to give up jobbing in the gilt-edged market only 14 weeks after going in, and of another, Pike and Bryant, to stop after 12 years of specialisation there, highlights a major organisational crisis in the City of London. Britain's £25 billion a year market in gilt-edged is the second largest in the world. It no longer has a market mechanism adequate for its task.

Some people blame this inadequacy on the new system of monetary control that was sensibly introduced in 1971. The policy of the authorities is now to let the market find its own level. Instead of supporting a falling market to keep it "orderly," as in the old days, support will only be provided when it suits the government's monetary policy. The Bank of England intervened temporarily (but only temporarily), after the speculation against sterling. The theory is to control the money supply and let market forces ration the available credit through the structure of interest rates.

But market forces can only work properly when there is a market; and the market is made by the jobbers, who are prepared to quote prices and deal. Because the government broker no longer supports prices, they fall sharply when sentiment turns bearish, so jobbers must be very nimble indeed. Until February, the new rules were baptised in a strong bull market, but in the past few months gilt-edged prices have fallen faster than at any time since the war. The Financial Times 20-year government stock index fell from its January high of 91 to below 75 in June, before the recent recovery to over 78.

There are now only three main jobbers in the market, capitalised overall at less than £50m, while turnover averages over £100m a day. In America, the jobbing function is done by a group of 20 dealers recognised by the Federal Reserve. They are vast banks such as First National City Bank and Chase Manhattan, and brokers, such as Salomon Brothers and First Boston. They have dealing departments that will quote bid and offer prices, and they manage the government's new issues: not on a tap basis, as with gilt issues in Britain, but on a subscription basis, as with debenture issues here. The backing that these operators can give to the American Treasury bond market is far greater than can be provided by the jobbers in Britain. Yet the amount of active trading in the American Treasury bond market is much smaller than in the British one.

One answer in Britain would be not to have so large a gilt-edged market. *The Economist* has often argued that the government should raise some of the money it needs on "national income equities" (with dividends that would rise as money national income rises), instead of all on fixed-interest terms. This would also make sales of government securities—and thus monetary management—much easier at times of inflation, which is when monetary management is most needed. But there are no signs that the authorities will accept this idea, and so



Government broker Daniell: unsupporting

solutions must be found within the traditional gilt market itself.

There are three ways in which the gilt market could be changed to solve the problem, and enable large deals to go through without wrecking prices. One would be a return to the old system of support from the government broker. This would be quite wrong. Such support often ran directly contrary to the government's monetary policy: falling gilt prices often coincide with a squeeze. The Bank of England, recognising this danger, happily allowed its recent special gilt-repurchase facility with the banks—designed to help them through a difficult period of squeezed liquidity caused by the run on sterling—to elapse on schedule this week.

Another approach would be to abandon the jobbers for all large deals, as sometimes happens with equities, and to resort to private placing instead. This would also be bad. Prices would be set by the smallest deals; and one of the prime requirements of a proper market, information, would be even harder to get. The third possibility is to reinforce the jobbers so that they have adequate reserves to quote prices for even the largest deals that may be contemplated.

The American model is an obvious one, but it would be better to avoid having the resources for jobbers provided by banks. There is an obvious conflict of interest between a jobber and the principals in the market. In America, a bank is not allowed to use its own jobbing department to conduct its own deals. The conflict of interest would be much more serious in Britain with its (proportionately) larger, and much more active, market—particularly as the pension funds and life assurance companies are very important here, while they hardly hold Treasury bonds at all in America.

The solution which we suggest is for the jobbers to be backed by consortia prepared to share the risk, as are the underwriting consortia at Lloyd's. The consortia could include both individuals and companies, like property companies; but should avoid domination by the banks and all big buyers and sellers of gilts.

BUSINESS

Britain

No meant yes, but will actually mean nothing, so let's legislate

At Wednesday's meeting of the Trades Union Congress's economic committee, a group led by Mr Scanlon and Mr Briginshaw wanted to refuse point blank to talk to Mr Heath unless he did the impossible and suspended the Industrial Relations Act. Mr Jack Jones then introduced a compromise resolution that they would deign to talk to the Prime Minister through the usual machinery of Neddy. Some of the union leaders wanted this to be presented as a snub to Mr Heath; but the Prime Minister chose, and under pressure a majority of the TUC agreed, to regard it as an acceptance of his request for joint talks with the unions and the Confederation of British Industry. These are therefore to go ahead next week. They probably will not reach an agreement. Even if they do, the TUC certainly will not keep it. The only real questions at issue are (a) how pitifully long this farce of pretended conversations will continue before a statutory policy is enforced; and (b) what sort of statutory policy it will be. It is difficult to see the proposed conciliation machinery between the TUC and CBI as any serious aid to anti-inflationary policy whatever.

The Prime Minister has already had an assurance from the CBI that it will extend its price restraint policy for another three months. But Mr Heath left the impression on the CBI on Monday that he will require some real progress, not merely pious sentiments, in his talks with the unions. Otherwise it is only a matter of days and weeks before there is some sort of statutory policy.

It may not be a very effective policy. Mr Heath is keeping his options open, but ministers have been floating ideas about how a mixed statutory-cum-voluntary policy might be operated. At the centre would be a "voluntary deal" based on cost-of-living links and a threshold agreement, using set norms. The wages norm would probably be higher than that for prices. A Prices and Incomes Board would be resurrected under another name to arbitrate on special cases, probably compulsorily. Ministers are screwing up their courage to leave dividends out of a freeze, because of the damaging impact of controls on the supply of equity capital; and to continue with their much modified procedure for raising council rents. But, as a sweetener to the unions,

vague promises to curb property speculation will be offered.

The crucial questions are "what sanctions?" and "what rules for the arbitration body?" The Government does not seem to have decided about sanctions, but tax surcharges on workers' national insurance contributions, once the norm is illegally exceeded, are the only ones that make sense. There do not seem to be any new ideas about new rules for the arbitrating body either. Here the Government might be wise to take a leaf from an American book: a clause in the Crippling Strikes Prevention Bill, now before Congress, and applying to America's transport industries. It would require an arbitration board to choose either the union's demand or the employer's offer, but not split the difference in any way. Unions and employers would thus compete to make their offer look the more reasonable; even the miners, faced by a 6 per cent norm, would be unlikely to put in a 25 per cent claim, because then the arbitrator would be certain to choose the employers' figure.

Strikes

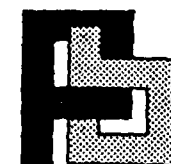
Hauliers fight back

Road haulage firms began to fight back this week. Some 120 of them told their men to drive into depots whether they were picketed or not. The employees themselves have formed a Warehousemen and Drivers' Action Group, and the men at the Chobham Farm container depot have already sought its help. Some of them have been allocated to new jobs, which they now say are menial ones, to make way for the dockers the depot agreed to take on. WADAG is also threatening to ask lorry drivers to boycott ports from Monday unless the dockers withdraw their pickets. So the docks now face a possible standstill from two fronts.

This will make the conciliatory gestures of the committee under Lord



CBI's team, helping with inquiries



Compagnie Financière de Paris et des Pays-Bas.

The General Meeting of Stockholders approved the accounts of the fiscal year 1971, the hundredth year of the Company which was founded in January 1872.

• **The report of the Board underlines the outstanding facts of the fiscal year:**

• The conclusion of an agreement with the Compagnie Financière de Suez: PARIBAS acquired 80% of the capital of the Banque de l'Union Parisienne against cession of its participation in the Crédit Industriel et Commercial. The group, which already possesses a substantial interest in the Crédit du Nord, is thus in a position to develop its activities in the field of commercial banking thanks to a network of some 700 branches in France.

• A considerable increase in the results of banking operations in France (an increase in profit of 39%) as well as abroad (for foreign subsidiaries in Belgium, Holland, and Switzerland, an increase of net profit respectively of 15%, 35% and 22%).

• Development of interventions in the international market: The Bank acted as manager or co-manager for 30 issues, totalling 616.2 million dollars, or 17% of total issues.

• New interest: in the banking and financial field, the PARIBAS group acquired an interest in the Credit Martiniquais and, in Gabon, founded both an investment company and a banking subsidiary, the Banque de Paris et des Pays-Bas; in the industrial field, the group notably created the Compagnie de Gestion d'Investissements Internationaux COGEI (an international investments management company).

Total assets of the group went from F.17,337 millions to F.26,695 millions, incorporating the Banque de l'Union Parisienne and its group into the accounts. The consolidated results amount of F.159 n (against F.130.4 millions) for the portic accruing to the Financière. The banking financial activity in France as well as at accounts for nearly 55% of these results; portfolio income for 45%.

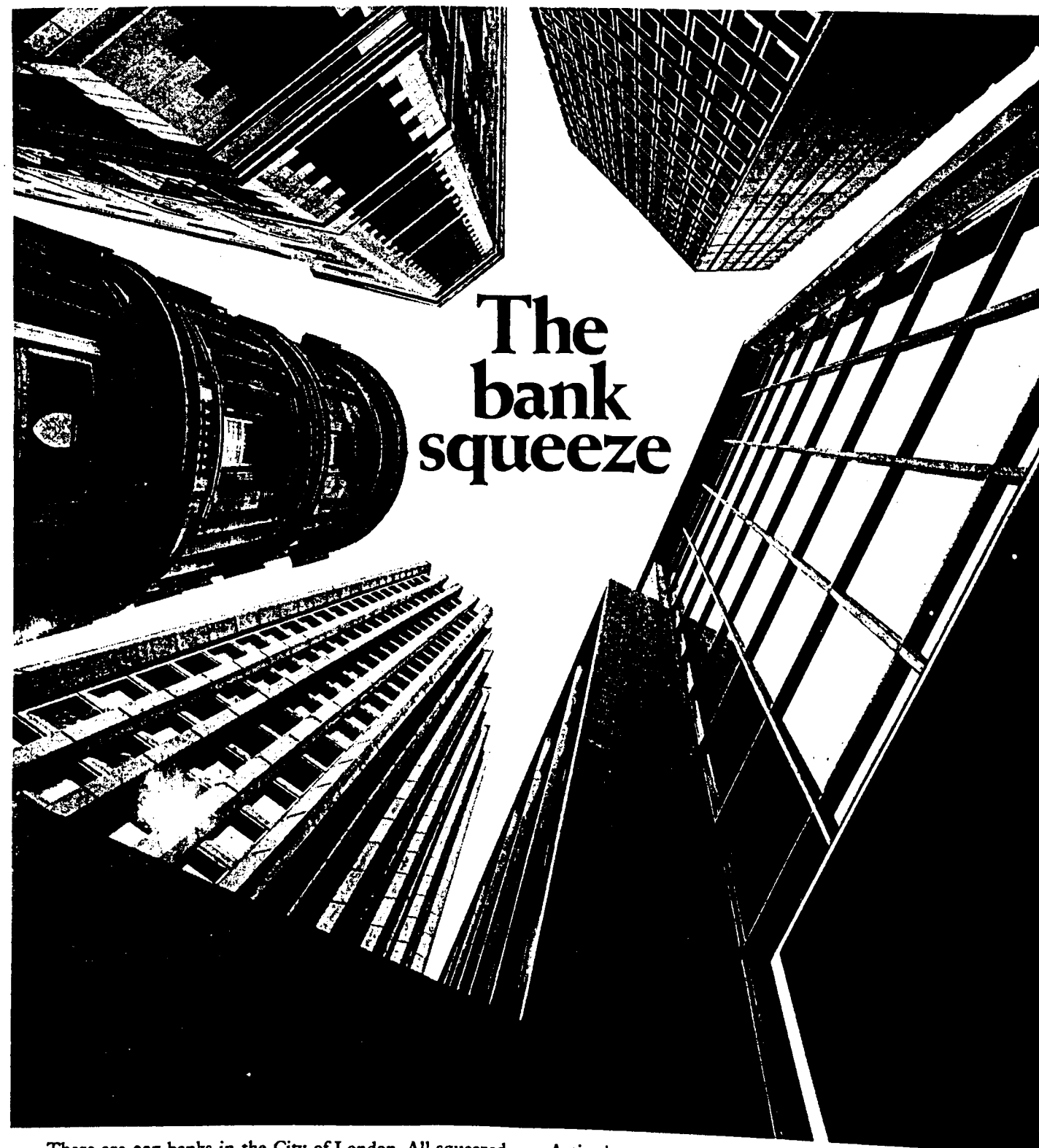
The company's Board has decided attribute one bonus share paying dividend of 1 January, 1972 for every five shares and in his address the Chairman indicated current outlook for the 1972 fiscal year allow to maintain a dividend of F.9 on increased capital.

The estimated value per share of the Compagnie Financière de Paris et des Pays-Bas is F.400 (without taking into account any goodwill).

Salient Figures	in thousands of Francs	
	Fiscal year 1970	Fiscal year 1971
Paribas Group (Consolidated)		
Balance sheet total	17,337,000	26,695,000
Net earnings	130,424	159,000
Net earnings per share	F 16.05	F 19.88
Compagnie Financière		
Capital resources	2,119,575	2,119,575
Net earnings	78,658	98,000
Distributed	69,041	85,000
Dividend per share	F 8.50	F 10.00



Copies of the full report (in English) will be from July 24 and may be obtained from the Department, Hill Samuel & Co. Ltd., 100 Waterloo London E.C.2, and also at the Banque de Paris et des Pays-Bas, 80 Cheapside, London E.C.2.



The bank squeeze

There are 227 banks in the City of London. All squeezed into one square mile. Big banks, medium-sized banks, small banks. British banks, European banks, American banks and Oriental banks. Old ones with long traditions, new ones with short traditions.

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Container workers strike back . . . building workers strike selectively . . . with slogans that mislead

Aldington and Mr Jack Jones, the dockers' official leader whose incompetence is at the root of much of the trouble, all the more difficult, especially as there is still no sign that Mr Jones is ready to accept the inevitability of a decline in dockers' jobs.

The growing concern of the hauliers could also help to revive confidence in the rule of law. Sir John Donaldson, the president of the National Industrial Relations Court, said on Monday that the pickets were in breach of their contracts. This means the port employers were, too, for not disciplining them.

The militants seem to be driving some of their own business away. This week there were only 50 ships in the London enclosed docks, the lowest figure for a long time, though at this season the traffic should be building up. The big ships seem to be unloading on the continent, where cargoes are reshipped to the smaller British ports, especially the small east coast ports that do not use registered dockers—and which are doing a booming trade.

The building industry has been hit for the past three weeks by a series of selective strikes called by the new Union of Construction and Allied Trades and Technicians. Ostensibly, the strikes are in pursuit of the union's breathtaking 70 per cent pay demand. But the main cause is inter-union politics.

UCATT came into being in January—from a series of mergers of painters', woodworkers' and other building craft unions. It now has a membership of 270,000, making it number nine in the Trades Union Congress line-up. The majority of the rest of the million building workers in the country are not in any union, but quite a few belong to Mr Jones's Transport and General Workers' Union. Both unions are fighting hard to recruit new

members, and militants within UCATT have been pressing for strikes.

The employers have offered 25 per cent spread over 18 months. UCATT reckons, however, that the offer is meaningless since, in the past, national agreements have borne no relation to the fat pay packets actually dished out on building sites. UCATT wants a deal so worded that it will guarantee specified rises at every building site.

Vat

Untidy edges

The Government cleared up some of the loose ends of the value-added tax during the report stage of the Finance Bill this week. There are two problems for charities: in their general operations they will be "exempt," but will therefore bear Vat on their purchases; while in their trading activities, such as Christmas card shops, they will be treated as ordinary traders. On the second point, the Government said on Tuesday that it will ensure that each shop or local branch will be treated separately, so as to qualify for exemption if the turnover is below £5,000. Above that level, a trading charity will pay Vat to avoid unfair competition. Tax on general operations of charities is expected to be £1.4m a year, but special arrangements may be provided where the burden exceeds the purchase tax and Set now ending.

On Tuesday, too, the art market was reassured that the clause concerned with secondhand goods will be applied in order to charge dealers on their mark-up only (and auctioneers on their commissions). This clause was originally put in to take care of the difficulties of art dealers and used car dealers, so there should be no surprise. But the announcement will put a stop



to campaigning by the art dealers based on the false assumption that the Government intended to charge the full value of each sale, thus causing multiple taxation and the end of the London art market.

Television rental is to be relieved where the television being rented has suffered purchase tax when bought. Capital write-off is about one-third of the rental charge, and the Government is to allow three years' worth of this—allocated so as to prevent disruption of trade, mainly in the first year. The cost of this concession is large: £30m in 1973-4 and £10m-15m in 1974-5. The concession will not apply to other hired goods. Car-hire firms will continue to be double-taxed on cars bought under Vat as well as purchase tax; Vat on purchases of business cars will not be allowed as a rebate, and the hire charges will bear Vat on top.

Drugs

Not to merge

To the Government's surprise, as much as everybody else's, the Monopolies Commission has rejected* both Beecham's and Boots's bid for Glaxo. The commission's "finely balanced" decision turns on the likely effect of either merger on research and development in the British pharmaceutical industry and not on the wider grounds of the "public interest" or the international competitiveness of a larger company. Logically, the Government has accepted the decision. The commission accepted that in the long term there could be some advantage from increased size, especially in the inter-

*Report on the proposed merger of Beecham and Glaxo, and Boots and Glaxo. The Monopolies Commission. HMSO, 73p.

national markets. But it took the view that each of the three companies was large enough on its own to maintain an adequate research and development effort.

This is a much easier decision to accept when considering the Boots' bid. As the commission points out, there is little industrial logic in this merger and it could act against the public interest by tying up not only potential retail outlets but also a strong wholesale chain. And the commission believes that Boots is big enough to support a considerably larger research and development department than now. The report makes it clear, too, that the logic of merging Beechams (which has developed a good new antibiotic), with Glaxo, which is much stronger in international marketing especially in the United States, is outweighed by the same argument.

Meanwhile the drugs industry has risen to the bait held out by Labour's policy proposals, published last week, by issuing a sharp little statement attacking the plan for state control. Nationalisation, the industry says, would lead to the departure of the foreign-owned subsidiaries now active in Britain and the loss of their exports. State-run drugs industries, it claims, tend to be poor at research and the discovery of new products.

The Government already has wide powers over prices paid by the National Health Service to drug manufacturers. Companies can be called on to disclose costs and prices and, where necessary, either prices can be fixed by the Government or the companies can be compelled to allow other firms to manufacture drugs at a price the Government is prepared to pay.

Labour and the City Worries

Drugs are not the only thing on the nationalisation shopping list. And the City faces a far greater interference in its affairs should Labour be returned than anything it suffered in 1964-70.

A Labour study group is now investigating (a) nationalisation of motor insurance; (b) regional state-owned building societies; (c) an investment board into which financial institutions must channel funds.

The nationalisation of motor insurance would be a more damaging blow than a state scheme competing with the existing industry, and more sweeping than the other alternative that has been suggested: the South African system, whereby only selected companies may write third party motor insurance, and then under tight regulation, while other companies are free, in theory, to compete with them for other motor risks (collision, theft and fire). Once a state motor insurance company had come into being, it would soon want to get into other business.

The state-owned building societies would, apparently, have powers to operate as lawyers (for house conveyancing) and estate agents. These advantages might indeed swell the stream of applications, but how far they would be met might hinge in practice on how much the government was prepared to lend the societies itself.

The investment board idea harks back to the bad old days before Mr Harold Wilson reassured the insurance companies in 1963 that no state interference with their investment policies was intended.

Air fares

Half price—if you booked in May

It has become a bit easier to foresee the future shape of the air fares system. The proposals issued on Wednesday by the Civil Aviation Authority are that, instead of charter flying being limited to real or fictitious clubs, a travel organiser should be entitled to book his passengers on to an airline at charter rates provided he has a batch of 40 or more (and their passport numbers please, no fiddling). They must also have been booked three months in advance for round trips only; or, as an alternative idea, two months in advance with the facility available for both round and one-way trips. This system would apply to the North Atlantic and certain other inter-continental routes.

These proposals will now be thrashed around by airlines and governments. Argument will still centre on what length of advance period is appropriate. The American Civil Aeronautics Board is believed to favour a six-month wait period, with a 25 per cent down-payment. Everybody wants to be satisfied that the British proposals will not lead to switching by scheduled passengers to the new-style charters.

The British argument is that studies show that only 2-4 per cent of business passengers book more than two months ahead, and only 10 per cent more than one month; even in these cases there are heavy cancellations and alterations before the time of flight. So there should be no danger of the businessman ceasing to pay, as he now does, for two seats when he only sits in one.

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And even though we'll admit that has to add up to a lot of phones, we'd like to take this opportunity to remind you that General Telephone is only our first name.

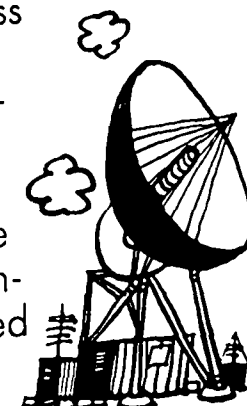
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equipment for telephone exchanges.

And it certainly covers the people who specialize in solving the problem of easy access to computer-stored



information: GTE Information Systems.

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And GTE Lenkurt, another one of our companies that specializes in the manufacture and installation, all over the world, of microwave, multiplex, carrier, and coaxial transmission systems for video, voice, and data telecommunications.

That should give you a brief idea of what we're doing when we're not gulping down all those coins.

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GTE

GENERAL TELEPHONE & ELECTRONICS

Key indicators: British economy

Overseas trade

Trade surplus in June of £15m thanks to a 6 per cent jump in exports and a 1 per cent drop in imports.

Output

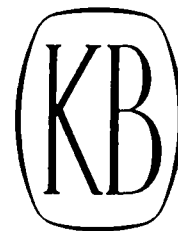
Industrial production up in May in most sectors, with particularly sharp increases in gas and electricity, chemicals and engineering.

Employment

Total numbers employed fell again in the fourth quarter, down 444,000 in a year.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	May	131.2	+2.9	+15.6	+4.6
employment*	April	88.8	nil	-1.0	-4.3
productivity*	April	143.8	+0.9	+3.3	+7.0
Export trade*†	June	157	+6	+11	-1
Eng'g orders on hand*	December	114	nil	-2½	-9
Retail trade*	May	114.8	+0.4	+2.4	+3.3
Unemployment*	June	159.1	-3.5	-9.8	+10.7
Average earnings*	April	200.6	+2.3	+4.1	+11.5
Retail prices	May	156.9	+0.5	+1.8	+6.1
Export prices	April	150	nil	+1½	+7½
Import prices	April	135	nil	nil	+3

Export trade, retail trade, engineering order books: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 0.5 per cent. *Seasonally adjusted 1961. †Provisional



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BALANCE-SHEET TOTAL

£ 1,088,703,485 - 22.4% more than in 1971

(in million BF)	1960	1970	1971	1972
Balance-sheet total	18,890	84,461	102,270	125,201
Capital and reserves	920	3,968	4,258	4,590
Outside means	15,241	73,144	89,469	111,074
Profit	80	492	581	661
No. of staff members	3,371	6,151	6,646	7,111
No. of branches	317	573	613	650

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BUSINESS

International

Rippon's paper tiger

Brussels

Negotiations are now almost complete to create by 1978 an industrial free trade area between the enlarged European Economic Community and the remaining European Free Trade Association countries (Austria, Sweden, Finland, Switzerland, Portugal and Iceland). But at the last moment, and with incredible ill-timing, Mr Geoffrey Rippon, Britain's chief negotiator, has managed to upset both Britain's new EEC partners and its old Efta trading allies by a sudden attempt to secure increased protection for Britain's paper industry from the Swedes and Finns.

The issue at stake is not a trivial Brussels squabble. Paper earns 17 per cent of Swedish and 41 per cent of Finnish exports, as well as a substantial slice of Austria's. These countries are understandably furious at what they consider a stab in the back. The Danes and the Norwegians resent an unexpected attack on their fellow Scandinavians, and are fearful of the effect that this could have on their own referendum campaigns for EEC

entry. None of the Six has shown any sympathy for the British request for a last-minute change of the rules.

Paper is a sensitive product for which the Six have already demanded an especially long transition period. Tariffs against Efta members will not be finally removed till 1983, although they will go by 1977 for most industrial trade. At present, Swedish and Finnish paper enters the British market duty-free under the Efta convention. The Six have asked Britain to raise its tariff to 4 per cent by 1977, when the EEC tariff will have been reduced from its present 12 to 8 per cent: both tariffs would then be gradually phased out over the next seven years. Britain would, however, be allowed to grant its Efta suppliers a duty-free quota to cover existing trade. The 4 per cent duty on imports over and above the quota would merely be a precaution against trade deflection.

Only a few months ago Britain was castigating the EEC for being too protectionist against Scandinavia. Then, under heavy pressure from Britain's declining and largely inefficient paper industry, Mr Rippon suddenly asked that the British tariff should be raised to 8 per cent by 1977, the same level as the Six. He has now made it quite clear to the Swedes and the Finns that the British Government will have no hesitation about reducing the tariff-free quota, when it deems that this is necessary to protect the British papermaking industry. The Swedes and the Finns could live easily with a 4 per cent duty and a guaranteed duty-free quota to cover existing trade, but the combination of an 8 per cent duty and a reduced quota would wreak havoc with their industries. Mr Rippon's demand runs directly counter to the pledge made by both Britain and the Six that the

enlargement of the EEC would not lead to the re-erection of trade barriers painstakingly dismantled over the 14 years of Efta partnership.

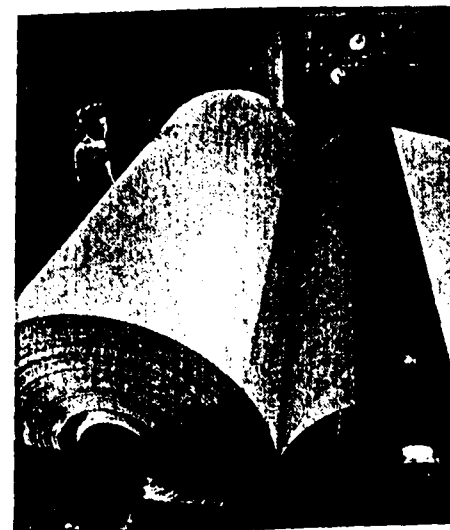
Mr Rippon's undiplomatic tactics have been resented almost as much as the protectionist substance of what he is seeking. Instead of raising the issue when the commission made its original proposals about paper, Britain sent off diplomatic notes to the various governments concerned only at the end of last week. This bypassed both the Efta co-ordinating machinery in Geneva and the system of consultations between the Six and the four new members in Brussels. These tactics have backfired. At their meeting in Brussels earlier this week, the Six listened politely to Mr Rippon but refused to modify their agreed position. They fixed the date for the signature of all the Efta agreements for the end of next week, thus reducing Mr Rippon's margin for manoeuvre. If the Swedes refuse to give Mr Rippon what he wants, is he really going to refuse to sign? Mr Edward Heath should take a hand to stop this protectionist and political move that could jeopardise the creation of an industrial free trade area throughout most of western Europe, a goal which Britain has always insisted is one of the preconditions of the enlargement itself.

Japan

Tanaka's for growth

Tokyo

Given the caterpillar crawl of Japanese consensus politics, it is premature to expect specific new policies to emerge from the first pronouncements of Mr Katuei Tanaka, the new prime minister. One point, however, seems certain: even more than his predecessor, Mr Eisaku Sato, he will be a true believer in that peculiar Japanese fervour to prevent any upvaluation of the yen. The link with his party's financial backbone,

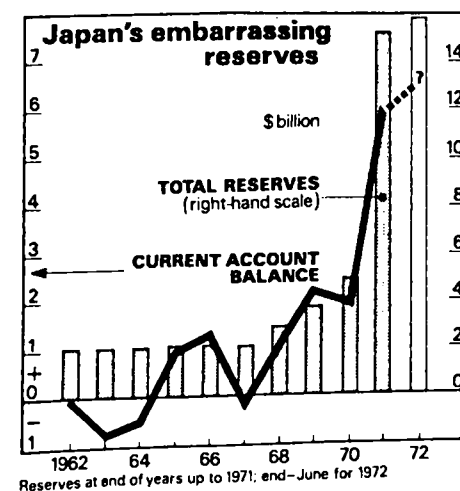


Is it worth a paper-break?

Japan's major exporters, will also preclude any swift departures from the inert foreign trade policies of Mr Sato's regime. When he was minister of trade and industry, Mr Tanaka was, however, an ardent economic expansionist. He will probably plump for a more aggressive use of the country's swollen exchange reserves to buy imports of strategic raw materials and to increase investment abroad, coupled with stronger reflation at home.

Ahead of the American-Japanese trade talks which reopen later this month, finance ministry officials have leaked ambitious proposals to cut \$1 billion off this year's embarrassing trade surplus with the United States, forecast at \$3 billion. This would be done by purchasing an extra \$300m of enriched uranium and \$700m in aircraft and foodstuffs from the United States. But the Americans may call this a one-time fob-off, and press on with protectionism against Japanese imports.

As an avowed fiscal activist, Mr Tanaka is in favour of major tax cuts to boost consumer spending and business investment, as well as substantial increases in government spending to try to get things moving even more quickly than they already are. This is precisely the domestic medicine called for in the report on Japan just issued by the Organisation for Economic Co-operation and Development. But fiscal measures take time to bite and the OECD suggests there will still be considerable slack in the Japanese economy into early 1973 and a surplus on current account for 1972 even larger than last year's record \$5.9 billion. Even during this "recession" year of 1972, Japan's growth is on course to double its real income every 10 years; but the Tanaka government will regard that as not fast enough.



Mid-west for Peking?

United States and Russia Travelling salesman

The grand Nixon tours are paying off. Russia is to buy \$750m of American wheat and corn over the next three years, in the biggest single commodity deal ever arranged. The announcement comes just at the time when this year's American harvest is beginning to look like a bumper crop which could have added embarrassingly to the western world's surplus. It also came conveniently with Russia's recognition that its massive agricultural plan in the Ukraine has failed badly. In the past the Russians have tried to bridge the gap by buying from Canada: after Mr Pierre Trudeau's visit to Russia in 1971 Canada won a contract for 3.5m tons (\$235m) which is still being shipped. But an extremely severe winter in Russia's wheat growing belt this year means that this autumn's harvest will fall short of needs even with Canadian imports.

There are still plenty of details to be worked out. Although Russia has agreed to buy \$200m of wheat in the next year, the credit facilities for a further \$500m have yet to be made. The United States has insisted that the loan should be made at a commercial rate with interest around 6½ per cent, and that Russia should not be given better terms than America's usual customers. There is also the problem of how the two countries should share the shipping contracts; in the past the American seamen's unions have insisted that such shipments should be largely carried in American vessels.

The much more tricky political problem, however, is for the United States to ensure that all the grain does

in fact go to Russia. In past deals with Canada, Soviet ships full of grain have turned round in mid-Atlantic and made directly for Cuba. Russia also likes to export wheat to its east European allies even though this might cause a domestic deficit. Any attempts by east European countries to buy bulk grains from the capitalist world have always been fiercely resisted by the Kremlin, but America may now find that much of the wheat shipped to Russian ports ends up (perhaps with an extra 5 per cent added to the price) among the satellites. But since the deal will increase America's agricultural exports by 17 per cent over the next few years, the State Department is likely to turn a blind eye.

No connection has yet been drawn between the wheat deal and the mysterious sale of \$1.8m of Russian gold to the United States in May, which was made public this week. It is the first such sale in two years. But the grain transaction with Russia opens the way for important American sales to communist China. Last year the Canadians shipped 2.5m tons of grain for export to China, a trade which was always criticised by the Americans. But the mid-west could soon be harvesting for the Peking government. Boeing has been given permission to sell \$150m worth of aircraft to China for the first time. Mr Nixon's trips begin to look like those of the super-salesman.

Hongkong

Dollar to dollar

After some initial dithering, Hongkong has done the inevitable: it has cut its old link with sterling and tied its dollar to America's. The move has been

These securities having been sold, this announcement appears as a matter of record only.



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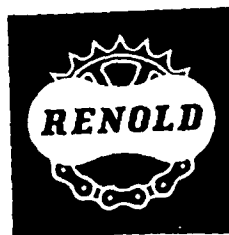
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RENOLD LIMITED

quality power transmission products

Statement by the Chairman, Sir Thomas Robson, M.B.E.

The 42nd Annual General Meeting of Renold Limited will be held on 3rd August at Renold House, Wythenshawe, Manchester. The following is the circulated statement by the Chairman, Sir Thomas Robson, M.B.E.

GENERAL

Manufacturing and trading activities deteriorated in nearly all countries in 1971/2. Most advanced economies in recent years have been subjected to progressively restrictive policies designed to curb the cost/price spiral. Yet even with these restrictions which, aggravated further by stagnation of investment in plant and machinery and a run down in stocks, brought increasing unemployment, inflationary pressures have continued. In addition, the international monetary crisis immediately exacerbated the position and further weakened the prospects of steady growth in world markets. In these conditions, general loss of confidence in economic growth was inevitable. Despite these difficult international trading conditions, the Renold Group came through the year reasonably well. The impact on the United Kingdom companies was more noticeable in the second half of the year where, besides the lower level of demand, profits were also substantially affected by disruptions in production as a consequence of the cuts in electricity supplies following the miners' strike.

In this difficult year the Group has intensified its efforts to improve still further its technical and production efficiencies and to introduce new and improved products. In addition, faced with reduced demand, we have taken the opportunity of increasing our world-wide stocks of finished products in order to locate them closer to the point of sale and make them more readily available for the time when demand increases. This also enabled us to maintain our production programmes for longer than would otherwise have been possible and to reduce the labour force by natural wastage rather than redundancy.

The Group is in very good shape to take advantage of improvements in the economy and this year with the Annual Report we are including a leaflet which illustrates its world-wide manufacturing, sales and service facilities. The Renold international organisation is the largest group in the world of companies devoted exclusively to the manufacture and marketing of high quality power transmission and mechanical handling products.

GROUP TRADING RESULTS

The Group profit on trading for the year was £8,515,000 compared with £9,672,000 last year: this shows a reduction of 12% — both the profits of the United Kingdom companies and those of the overseas companies being affected equally. In arriving at the Group profit on trading, there has been a reduction of £283,000 for additional depreciation arising from the revaluation of properties and equipment. This has been offset by an increase of £115,000 resulting from the stock increase valued on the new basis of full manufacturing overheads. These revaluations are referred to below.

TAXATION

Taxation absorbs £2,976,000 compared with £3,544,000 which was provided last year but this year United Kingdom Corporation Tax is considerably reduced due to the benefit of accelerated taxation allowances which have become available following the re-disposition of properties within the Group. In addition to the normal transfer to Deferred Taxation it has been necessary to make a corresponding transfer in respect of these special allowances and this amount of £1,264,000 is shown as a separate item in the taxation charge.

GROUP NET PROFIT

The Group profit after taxation was £4,180,000 compared with £4,777,000 last year. This represents a decrease of 12% and has the effect of reducing the earnings per £1 ordinary stock from 21.8 pence to

19.1 pence but if the benefit of accelerated taxation allowances on United Kingdom properties is not deferred the earnings per £1 ordinary stock become 25.0 pence.

DIVIDEND

The Directors are recommending a final ordinary dividend of 8.5 pence per £1 unit. This dividend, together with the interim dividend of 4.5 pence, makes a total of 13.0 pence the same as last year.

FINANCE

Whilst I indicated last year that consideration was being given to a funding operation, our expansion expenditure was curtailed in view of the current economic conditions, and the liquidity problems which we expected did not arise. We now regard our resources as being adequate to meet our present plans and any addition to permanent finance, a matter which is under constant review, will depend upon the Group's need and market conditions.

REVALUATIONS

As I mentioned in my Statement last year, in conformity with the practice of revaluing assets from time to time which we have followed for many years, we have again examined the valuation of the fixed assets of our home and overseas companies and have adjusted the values in the accounts accordingly. The surplus of £3,723,000 which has been transferred to reserves has resulted in the increased depreciation charge of £283,000 already mentioned.

At the same time we have examined the basis of valuation of manufactured saleable product stocks which for some years comprised materials, labour and certain factory overheads. It has been concluded that manufacturing stocks and those in the course of manufacture should be valued on a basis which includes full manufacturing overheads in order to ensure that the matching of cost and revenue takes place in the year in which revenue arises rather than in the year in which cost is incurred. This basis of valuation which follows the recently published draft recommendation of the accountancy bodies, would prevent any undue distortion of profits which might result from material changes in products are manufactured primarily for sales from stock.

The change in the basis of valuation of stocks has resulted in an uplift in valuation at the 29th March 1971, of £3,607,000 which has been transferred to reserves and in the main is not subject to taxation. In arriving at the amounts transferred to reserves, allowances have been made, amounting to £860,000 for fixed assets and £278,000 for stock, for the possible effects of rationalisation of product and manufacture. The international currency agreement reached in December 1971 has also affected the valuation of certain overseas current assets with the result that an amount of £168,000 has been charged against reserves — rates. In addition, the re-alignment of currencies reduced the Group profit on trading by £68,000 in respect of net losses relating to the settlement of trading indebtedness of our overseas companies for which in certain cases forward exchange cover was not available. This treatment of these items continues the accounting practice which we have followed in previous years.

SALES

Group sales for the year 1971/2 (excluding sales within the Group) which amounted to £53,297,000 showed little change from last year in value but of course this represented an appreciable decrease in volume. At home, the slowing down in demand which began to appear at the end of 1970/1 continued throughout the year and, consequently, the year as a whole was generally a poor one reaching its nadir by the end of the calendar year. Direct exports from the United Kingdom, amounting to £13,683,000, were similar in value to those of last year.

Group Results

	This Year £	Last Year £
Sales	53,297,000	53,142,000
Profit on Trading for the Year	8,515,000	9,672,000
Profit attributable to Renold Limited	4,130,000	4,721,000
Dividends	2,828,000	2,824,000
Ordinary Stock		
Dividend per unit of £1	13.0p	13.0p
Earnings per unit of £1	19.1p	21.8p

(see below)

Earnings per unit of £1 expressed on the basis of not deferring the benefit of exceptional accelerated taxation allowances on U.K. properties are 25.0 pence in the year 1971/2.

Sales by overseas companies of both United Kingdom and overseas manufactured products were maintained despite the generally downward market trend in business activity and the world-wide effects of the international monetary crisis.

In conjunction with many other companies we gave an undertaking to the Confederation of British Industry supporting their initiative on voluntary price restraint.

PRODUCTION

The manufacturing problem was to maintain efficiency while reducing production from the high levels which prevailed at the end of 1970/1, and was made no easier by the downward trend which accelerated as the year progressed. Moreover, the full effect of cost increases only came in the second half of the year when the reducing volume of activity made them difficult to absorb. Because of the policy of increasing stocks and allowing labour reduction by natural wastage, the only significant redundancy which occurred was at our machine tool factory.

DEVELOPMENT

Research and development in new and improved products have continued strongly and the opportunity has been taken during overall production slow-down to concentrate on new and improved products in the fields of precision chain, worm gears, geared motors, speed variators, sprag clutches, Manesty tableting machines and Parkinson milling machines.

All this interesting, and we expect rewarding, development will enable us to meet the demands likely to expand for products which will in every way be leaders in their particular fields.

ORGANISATION

The final stage of operational integration in the power transmission activities of the Group will shortly be completed. The Holroyd and Crofts Division will be reorganised as the Gear Division with the existing operating companies (i.e. John Holroyd, Crofts Engineers and Carter Gears) becoming establishments of Renold Limited. Products and their marketing arrangements will remain unchanged.

At the same time, the foundry activities of the separate companies will be combined in a new subsidiary, Holcroft Castings and Forgings Limited, which will also be administered within the Gear Division.

EXPANSION PLANS

Our expanded capacity is now estimated to be adequate to meet the likely level of demand which is expected in the near future. Some expansion plans previously authorised have been cancelled in consequence and will be reviewed at a later date. Therefore our plans are more concerned with further modernisation and improvement than with further increased capacity. At Crofts, Bradford, we have completed an extensive and modern warehouse for power transmission products which will considerably improve our ability to supply catalogue products from stock. At Milnrow we are building a new factory separating

Manesty machine manufacture from Holroyd gear making and we are now proceeding with a scheme which will modernise the whole factory and improve the appearance of the surrounding land. This site adjoins the new M62 motorway and we hope that when our scheme is finished and landscaped it will prove to be a noteworthy example of what can be achieved in the older mill towns of Lancashire.

In France the new conveyor chain factory near Lille has been completed whilst in Germany the extension and modernisation of the chain factory at Einbeck is providing not only increased capacity but improved facilities. In New Zealand, through the acquisition of D. A. Wilkie Limited, a small gear manufacturer, we are now better able to support our sales effort in that area. As a further example of our policy of expanding our sales and warehousing facilities throughout the world, we have satisfactorily completed the acquisition of P. J. Starkey & Co. (Pty.) Limited in Cape Town.

Our expansion and modernisation plans are well within our financial resources and we shall also seize every other opportunity in the future for expansion in the right fields and the right places.

OVERSEAS COMPANIES

Whilst the profit on trading of overseas companies of £2,508,000 showed a reduction (£2,823,000 in 1970), the results were nevertheless gratifying, particularly since they were achieved in a year when the economies of the countries involved were hampered seriously by demand restrictions.

All our selling companies continued to perform well and maintained their contribution to the Group profit on trading. In particular sales of United Kingdom manufactured products increased significantly in Holland, Germany, Austria, Spain and the USA. Results in Scandinavia were less satisfactory.

Our manufacturing companies overseas had a reasonably satisfactory year despite difficult trading conditions.

In France the general level of economic activity slowed down, particularly in investment in capital goods although expansion of consumer goods sales was, and still is, at a satisfactory level.

In Germany the economy moved into a state of recession after the boom of recent years. Government measures such as the revaluation of the Deutsche Mark, high interest rates, coupled with import restrictions introduced by the US Government, affected adversely the volume of German exports. This, together with a stagnation of investment in capital goods, depressed the 1971 results.

In Australia and Canada both our Subsidiary Companies experienced very difficult trading conditions, aggravated by low capital investment and a degree of inflation.

In South Africa the economy showed less buoyancy and this was reflected in our results. Towards the end of the year strict import control measures were introduced but the substantial stocks held by our South African Subsidiary Company, together with our local manufacturing facilities, have insulated us from the worst effects of these measures.

PERSONNEL

During a very difficult period we have done everything possible to maintain employment and full-time working. This has undoubtedly cost a little in terms of some under-employment of our work force and equipment and in the financing of stocks but it has not only sustained confidence and morale but has enabled us to maintain a well-balanced organisation adequately staffed and ready to perform even more effectively as demand and activity improve.

Joint consultation and established negotiating procedures have operated well during the year. These well tried and long established methods of ensuring good labour relationships have stood the test of time and we shall do all we can to see that they continue within the framework of new legislation.

Despite lower levels of demand for labour, we continue to follow our established training policies. We know that in the future we shall need the new talent they help to create.

DIRECTORATE AND GENERAL MANAGEMENT

As already announced, I have indicated my wish to retire from the chairmanship of the Board and from my directorship after the Annual General Meeting in August 1972. I am glad to say that it is the intention of the Board to elect Mr. L. J. Tolley as its Chairman and to appoint Mr. C. A. Percival to succeed Mr. Tolley as Group Managing Director. Mr. Tolley became Managing Director of the Company in 1962 and has been Group Managing Director since 1966. Since joining the Company in 1938, as a graduate from Manchester University, Mr. Percival has held various executive positions in all Divisions of the Company and for the past four years has held the position of Holroyd and Crofts Divisional Managing Director. All these changes will take effect on 21st August 1972.

As you will already know, Mr. J. P. Halpin, having reached the normal retirement age, retired on the 1st May 1972, from executive office. He remains on the Board. Mr. Halpin's career with Renold Limited began in 1956 and has been primarily in the field of finance and overseas

subsidiaries. In recent years he has been Deputy Group Managing Director, Group Finance Director and for some time he was also Overseas Divisional Managing Director. Mr. Halpin has been succeeded by Mr. E. B. Jackson as Group Finance General Manager.

GROUP PROSPECTS

Most governments now appear to be committed to reflation of their economies through fiscal and monetary inducements to spending and investment. If economies react in the way intended and it proves possible to maintain a more rapid rate of expansion, then our future is very bright indeed.

However, caution needs to be exercised whilst countries have their present labour problems and their inevitable consequence: inflation. Prosperity will not be achieved until it is accepted by all involved that unrealistic wage increases result in higher prices, inflation and sacrifice of jobs, and that every work stoppage destroys a little more of our ability to compete internationally. As long as these realities are not accepted, management is diverted from its main tasks of improving productivity and reducing costs. Because of this atmosphere, there is, in this country, a disillusionment with manufacture and an increased propensity to import rather than to expand, even by manufacturers themselves.

We do not share the view that the so-called labour shakeout is the reflection of increased efficiency in the United Kingdom. Efficiency and increased productivity stem substantially from capital investment and technical improvement. There has been all too little of either in this country in recent years and the scale of investment will continue to be restricted until industry is satisfied that such investment will be adequately rewarded. Renold, with its international operations and its penetration of overseas markets, is strongly placed to withstand the stress of the current economic conditions in the United Kingdom. For our continued prosperity and growth, however, we depend upon confident and successful customers and a growing economy. There is a long way to go before such conditions are provided in this country.

The financial measures announced by the Government in its Budget cannot but help—but they will take time in coming to fruition. The indications are that the first half of our current year will still be difficult. However, when recovery does take place, we are well prepared to take every advantage which can be exploited through the benefits of an increasingly wide range of transmission products and through our world-wide organisation. Recent international currency movements should benefit the large proportion of our business which is conducted overseas.

As will be seen from my foregoing statement on behalf of the Board this is the last occasion on which I shall have the privilege of reporting to shareholders. I want, therefore, to add a personal note. During my chairmanship I have enjoyed the loyal support of my co-directors and of the members of the management team. We have all worked well together. The progress made by the Group in recent years is reflected in the tabulated summary of past results which accompanies the accounts. Those results are due to the hard work and combined efforts of many at home and overseas. I am most grateful to them for the enterprise and determination with which they have faced difficulties and seized opportunities for advancement of the Group's interests. The Board has adopted unanimously my suggestion that Mr. Tolley should succeed me as Chairman and that Mr. Percival should then take his place as Group Managing Director. The successful development of the Group as shown in the summary of past results is due in no small measure to Mr. Tolley's initiative and leadership and the Board's recognition of this by expression of their intention to appoint him to the chair augurs well for the continuing success of the Group's affairs. To him and to Mr. Percival and to the Company I extend my warmest good wishes for the days which lie ahead. They and our other colleagues have already laid a strong foundation for the future and I look forward with confidence to the prospects of continued progress under their leadership.



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described as temporary. It may well be—if sterling is repegged or if everyone else floats too. But over the years the sterling link has come to mean little more than trouble. The Basle guarantees are worth keeping still, but not the window-dressing.

More than half of Hongkong's exports now go to North America and other major outlets, such as Japan, with strong dollar ties. Only 14 per cent went to Britain last year. More to the point, Hongkong would have had little to gain from following sterling's open-ended devaluation. A wide range of the colony's exports are already bumping against quota ceilings. Moreover, the impact of a sizeable devaluation on imports could have been perverse, and certainly socially undesirable. More than half of Hongkong's food supplies come from China, and Peking was determined that there should be no reduction in its foreign exchange earnings from the colony. By constantly devaluing the Hongkong dollar against the Chinese renminbi as the pound floated down, China threatened to push up the colony's cost of living. So, after doing the sums, the colonial secretariat plumped for a compromise, a rate of \$5.65, a devaluation of its old middle rate against the American dollar of just over 1 per cent, and, weighted by the colony's trade, hardly a devaluation at all.

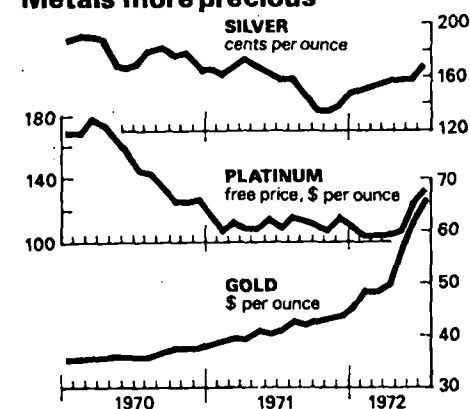
There has been a price tag on the latest sterling episode. The colony's official sterling assets have lost value; moreover, over HK\$300m will have to be paid to the commercial banks which the government promised in 1967 to insure against any future devaluation of the pound. However, the colony's idle reserves have been almost embarrassingly large for a long time. So these costs will not bite too hard, infuriating though they may be. The stock market probably judged it right. After an extremely brief pause on the heels of Britain's decision to change the sterling area rules, it bounded out of sight once again.

Precious metals

Betting against science

The Ford Motor company will fit its American models with platinum catalysts after 1975 to cut down exhaust pollution. Each exhaust pipe will contain one-tenth of an ounce of platinum which will make the hydrocarbon and carbon monoxide fumes less noxious.

Metals more precious



The total order will run around 500,000 oz a year and completely reverses the outlook for platinum. In the past three years the metal's price has dwindled from a high of £75 an ounce down to under £40 as stocks piled up and the production at Rustenburg, in South Africa, the world's major mine, was cut back. But the order from Ford alone will rapidly clear the backlog of platinum supplies and allow the Rustenburg mine to boost its production back to 1m oz a year and continue expansion plans that could take output up to 1.5m oz by 1975, as well as making Lonrho's new platinum mine profitable.

The deal with Ford covers only 60 per cent of Ford's production. If this is increased, or if General Motors also decides that the platinum catalyst is the most effective way of controlling exhaust, the future would be brighter still. And as each catalyst only lasts for 50,000 miles there could be massive replacement orders. In the past few months, as the deal came into focus, the share price of Potgietersrust Platinums, the major shareholders in the Rustenburg mine, soared by 180 per cent, and the free market price of the metal by 27 per cent.

But the future is not as assured as it seems. The motor manufacturers and the big chemical companies are working flat out to find a cheaper catalyst than platinum. In the hope of discovering one, Ford has given itself a complete escape clause from its present contract. Two years ago an announcement by Imperial Chemical Industries that it had found a substitute catalyst sent the platinum price reeling: 30 per cent of the metal mined is used in a chemical process to make nitric acid. So a speculator in platinum or platinum shares is pitting himself against a single scientific discovery.

A safer investment (especially after the recent spectacular rise in platinum) is silver, which at 170 cents an ounce

is still 33 per cent beneath its 1968 high, although there has been a substantial price improvement already this year. Silver still remains primarily a speculative commodity, its main industrial use being for camera films, but many investors who have bought silver over the years of steep decline have either sold out in disgust or are now determined to hold on for a better price. The floating of sterling will certainly help, as does the increasing fashion for commemorative coins and medals. However, even the most bullish brokers do not see the silver price rising above \$2 over the next few years, despite a heavy drop in stocks.

The duller of the precious metals in the past few weeks has been gold, which has failed to react to the present currency unrest, easing back 3 per cent from its recent high of \$67 an ounce. More seriously, the latest quarterly results from South Africa's leading gold mines show that increased running costs have cut deeply into profits that should be better with a gold price which is 60 per cent up on a year ago. Gold shares on the London stock exchange have been correspondingly weak. The fact that mine profits are down shows that most of the recent rise in the gold price has come from a withdrawal of South Africa from the gold market. This means that when South Africa does begin selling again the free market price is likely to drop sharply.

Swiss restrictions

Old lady gnomes

Normally, central bankers wield exchange restrictions only to control the speculative rabble in the exchange markets (ie, the big business houses of the world), not to inconvenience fellow members of their own club. But the Swiss have now decided that their new negative interest charges on increases in the Swiss franc bank accounts of non-residents should apply to the accounts of foreign central banks as well. The commission charge (of 2 per cent a quarter) will apply only to accounts held at Swiss commercial banks, not to those held with the Swiss National Bank. But the National Bank has made it quite clear to the other central banks that it does not wish to see any further increases in their existing accounts, nor will it entertain applications for new ones, unless these can be justified as essential to the smooth financing of current account trans-

BMW

With world sales totalling 166,354 cars and 18,898 motorcycles, BMW can look back on one of the most successful years in the Company's history. Demand continued to exceed production capacity and extended delivery dates at home and abroad could not be avoided. The three-litre six-cylinder models have been particularly successful, together with cars in the two-door four-cylinder range, and car sales rose by 4.7%. Renewed world interest in motorcycles brought an increase in sales of 53.1% over 1970.

Total turnover rose by 10.6% to DM 1,907 million, of which 40.8% was accounted for by foreign sales, but 1971 was again marked by heavy increases in both personnel and material costs. These could only partly be countered by intensive rationalisation and severe cuts in administrative overheads so that price increases proved unavoidable. Earnings were reduced by 5.9% to DM 32.2 million; in BMW's long-term interest, the sum of DM 5 million transferred to the reserves must be regarded as too low.

The fifty-second AGM of Bayerische Motoren Werke AG, held in Munich on July 7 1972, voted a dividend of DM 6 per DM 50 share on the share capital of DM 200 million, equivalent to an unchanged 12%, and DM 3 per DM 50 share on the DM 50 million issued in July last year.

Production

All BMW factories operated under the heaviest pressure throughout 1971. Production of cars rose by 2.2% to 164,701 units and of motorcycles by 52.8% to 18,772 units.

While every effort was made to increase production still further, particular attention was paid to continual improvement of BMW's quality standards.

Sales and Service

The EEC has developed into one huge domestic market, accounting for no less than 71.6% of BMW car production in 1971. Total car sales abroad increased by 11.9%, while 75% of motorcycle

Strong demand continues to outpace production

production was exported to fifty-six countries.

BMW exports are handled by 139 importers and 2,785 dealers. Additions to this network are based on criteria of quality rather than quantity.

Investment

A total of DM 153.6 million was invested in fixed assets, somewhat less than the figure originally planned. On the one hand BMW concentrated on further automation and rationalisation of production, on the other the new test centre north of Munich was completed, one of the most modern in Europe.

Research and Development

Car construction is increasingly influenced by worldwide safety requirements. While BMW continues to keep pace with passive safety regulations on the American pattern, its leadership in the area of active safety will be maintained and extended.

Motor Sport

The continuing flow of successes in rallies and on motor racing circuits around the world confirms the performance potential and advanced engineering of BMW products.

Outlook

Orders, production and sales at BMW in the first quarter of 1972 were all higher than in 1971 and above the average for the car industry as a whole.

Recent capital increases and further careful use of long-term finance have provided a sound base for the realisation of the Company's corporate objectives.

BMW can look towards the future with confidence.

We shall be more than pleased to give you further information about BMW and its performance in 1971. Please write to

**Bayerische Motoren Werke AG,
Hauptabteilung Finanzen,
D-8000 München 40, Postfach 400240,
Germany.**



**Bayerische
Motoren Werke
Aktiengesellschaft Munich**

actions with Switzerland.

The Swiss have long been trying, less than successfully, to save the franc from being catapulted into the role of reserve currency. The National Bank began checking on the deposits of foreign banks with Swiss commercial banks at the beginning of March, after the Union Bank of Switzerland revealed that about 20 central banks, some of them members of the inner Group of Ten, had accounted for most of the \$1.2m increase in its time deposits in 1971. The Swiss authorities clearly did not like the implication of what they discovered then—or since. Besides raising the spectre of future reserve-currency-role tribulations, the growth in such deposits, by leading to recycling of funds through the Euro-dollar market, could raise immediate problems of multiple counting of central bank reserves and bank credit.

The final straw may have been an inadvertent backlash of Britain's decision to scrap the sterling area when it floated the pound last month. As in 1967, more than one ex-colonial country apparently decided to move money out of sterling even after the horse had plainly bolted; as they had built up big sterling holdings last year, several could afford to satisfy their pique without jeopardising the minimum balances they must hold to keep their Basle guarantees. Some of this money from overseas sterling area central banks apparently wound up in Swiss francs.

Euro-unions

Workers of Europe unite

The International Confederation of Free Trade Unions met in London this week, for its tenth congress since it split from the communist-dominated World Federation of Trade Unions in 1949. The ICFTU devotes most of its energy to passing empty resolutions and encouraging trade unions in developing countries. Since the American unions pulled out, it has had little real power.

However, the European branch, the ECFTU, has become important. It is the focal point for trade union relations with the European Economic Community, with an elaborate organisation in Brussels and a clique of committees covering various industries. It had been assumed that unions from Britain and the other new members would join ECFTU. But at a



Vic's listened to in Europe

meeting in Geneva last month Mr Vic Feather, of Britain's Trade Union Congress, argued that it would be "inward-looking" to confine the new union group to EEC unions alone.

As the TUC will be easily the largest and most powerful national union group, the others agreed; and plans are now being made to include Swedish, Finnish, Austrian and Swiss unions. This sounds broad-minded, but is pointless; 90 per cent of ECFTU's work will be within the common market.

Meanwhile, individual industrial unions are trying to get European multinational bargaining off the ground. Car union bosses have now jointly approached Ford for talks. Wages will not be on the agenda yet, but everything else will be. Nestlé and Dunlop/Pirelli have already had a glimpse of the future.

European unions are split three ways between christian democrats, socialists and communists. The christians are moving closer to the socialists, and may soon be included in the new ECFTU group; but the communists will not easily reach a permanent alliance with the others.

Key indicators: world commodity prices

Jack frost

A sudden but major frost in Parana, Brazil, the heart of the coffee-growing world, has pushed coffee prices up £10 a ton in the past week to around £405. The damage to the 1973 crop has not yet been assessed, but a similar frost in 1969 permanently weakened Brazil's position as the world's leading producer. The frost will hurt high grade arabica coffees, and increase the trend towards cheaper African robustas.

	Index 1963=100		Percentage change on	
	July 5	July 12	one month	one year
All items	130.9	131.2*	+ 0.4	+10.8
Food	144.4	144.5*	+ 0.2	+10.2
Fibres	102.5	101.7*	- 3.1	+20.6
Metals	180.2	184.2	+ 4.5	- 9.2
Misc	117.7	116.8*	+ 0.7	+12.2

*provisional

Comecon

Moscow's tune

The deliberations of the Comecon council in Moscow this week centred largely on the programme drawn up in Bucharest a year ago. This bears all the marks of the centralist economic thinking currently recovering favour in Moscow. It clashes sharply with the hopes of Hungary and Poland to allow economic forces greater freedom in determining the allocation of resources.

The Hungarians and Poles want to turn the present Comecon bookkeeping unit, the transferable rouble, into a real currency that the members could use among themselves. The Russians say that this would cause enormous problems. Comecon members all use quite different systems of costing and pricing; even the small move to let Poles and east Germans travel to each other's countries has already led to swarms of Poles descending on the well-stocked shops in east Germany. The prospect of the rouble being made convertible into hard outside currency is even further off, despite optimistic recent talk in Japan about possible rouble-yen convertibility. Yugoslavia's balance of payments problems have helped to make the Russians less keen than ever to allow their economy to be buffeted by the external forces of convertible currency exchange.

The Russians can claim they have the same access to western lenders as Yugoslavia, without being members of either the World Bank or the International Monetary Fund or having to face the perils of convertibility. There are mounting signs that Russia and the United States are approaching agreement on their disputed lend-lease debt. The Hungarian National Bank, has already demonstrated, with a \$50m Eurobond issue, how east European countries can borrow long-term money



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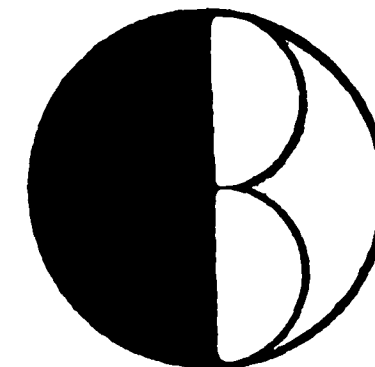
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(Incorporated in the Republic of South Africa)

Quotation on the Paris Bourse

The Board of Barlow Rand Limited announces that a listing has been granted for the Company's 84 million shares on the Paris Bourse.

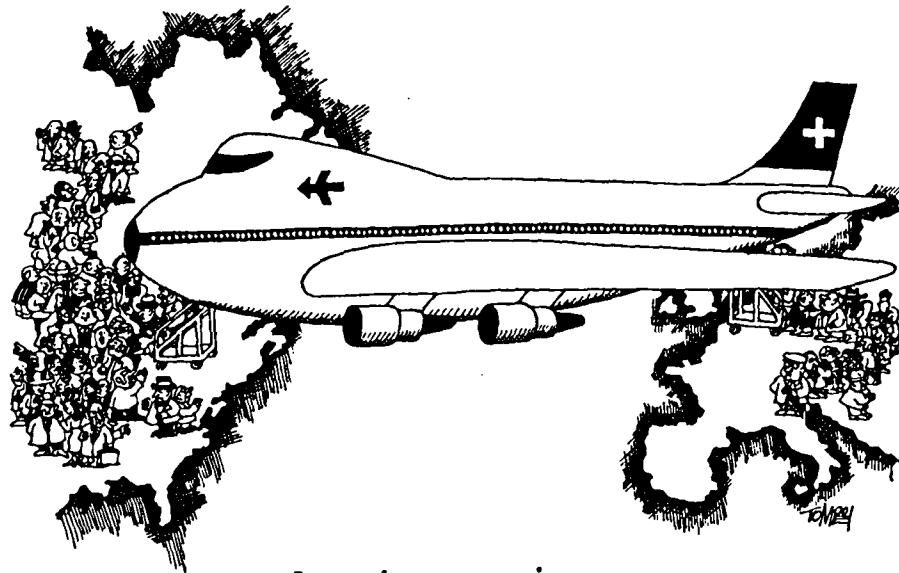
Barlow Rand shares are already quoted on the London, Johannesburg, Brussels and Antwerp Stock Exchanges.

The introduction to the Paris Bourse was arranged by Credit Lyonnais, Paris, in conjunction with Laurence, Prust & Co., London.

Copies of the Report and Accounts in English or French are available from:

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(Thy wish was father, Harry, to that thought.)
Shakespeare, Henry IV.



As the native Swiss air transportation company that it is, Swissair here publishes an unretouched profit-and-loss statement for the first Jumbo year.

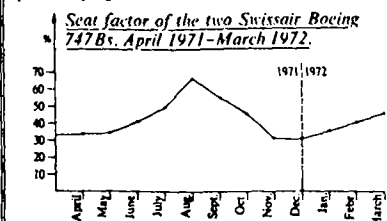
ALMOST everything about the Jumbos was known before they arrived, because Swissair prepared for it all very carefully: the pilots had trained on the big bird, and felt it flew marvelously. The passenger buildings had been enlarged to meet the expected onrush; the maintenance technicians knew every nut and bolt of the Boeing 747B; the chefs were ready to provide larger quantities of meals; the hostesses had grown used to finding their way about the huge passenger compartments; and the financial wizards had made available the funds for the juicy bills to come from manufacturers and maintenance services.

Meticulous analysis on the basis of hypothetical North Atlantic flights with the 747B offered promise of successful operations. But would our passengers really accept the new aircraft to the expected degree?

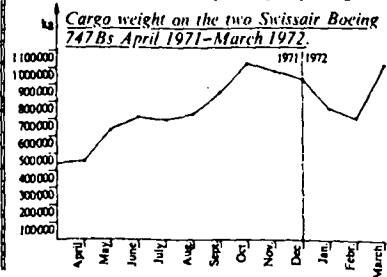
Well, scarcely were the first two Swissair Jumbos in service before most people desired to fly with them. (Because the 747Bs are so splendidly large and comfortable and one never feels cramped? Because the service is so pleasant, the food so good, the entertainment program so varied? Or simply because it's smart to fly by Jumbo?)

At all events, in the introductory phase it proved possible to avoid any significant difficulties, though certain irregularities in the operational behavior of the engines arose as predicted. Still, the two Swissair Boeing 747Bs turned in some 8500 flying hours by the end of March 1972, equivalent to an average daily flight performance of 12 hours each (almost two hours more than other airlines).

Our two Jumbos increased Swissair capacity by 27%; demand rose by 14%. (Even this was definitely better than the figures of other companies flying the North Atlantic.)

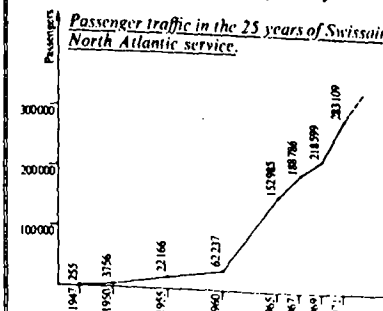


Through the end of March, 158,851 passengers flew by Swissair Jumbo in both directions across the Atlantic—156 passengers per flight.



With 9.6 metric tons of goods and 649 kg (1428 lbs.) of mail per flight, the cargo load factor of the big aircraft was also very satisfactory. The resulting average load factor of 48.3% is above the profit threshold: the two Swissair Jumbos thus operated in the black during their very first year.

And along with our pleasure at the good showing, there's a small anniversary to celebrate: just 25 years ago Swissair began flying the North Atlantic (destinations today New York, Boston, Chicago, and Montreal). And if you look at the chart below, you'll see that the success of the first Swissair Jumbo year fits in perfectly:



Permit us to remark here that the next unretouched profit-and-loss statement will appear in the winter of 1973/74—the figures for the first year of Swissair DC-10s.

Thank you for your kind attention.



from the west—in addition to the short-term borrowing in which they have always engaged.

More significant, the Comecon Bank itself, which settles the short-term rouble payment problems of its members, recently raised three separate syndicated bank loans in the west, totalling \$140m. It is not clear why news of these issues should have been kept from the east European peoples, nor indeed why they have been made at all. Might they be a trial run for a bigger and longer-term issue by the new Comecon Investment Bank, which has been set up to finance projects of east European integration and development? In 1971 the bank lent £80m in roubles and hard currency for 16 projects, none of them in Russia. Eventually, it is expected to be active on world capital markets. But the Russians have recently been telling visiting western bankers that it does not plan to make any issue in the west this year. For the smaller east European countries, one unhappy conclusion from all this capitalist money-raising is that hard currency borrowing for east Europe may increasingly be centralised, along with economic planning, in Moscow.

Lira

Private props

Amsterdam

Dr Guido Carli, governor of Italy's central bank, is a great exponent of the art of using the Eurodollar market to help bolster the limping lira. In 1970 he masterminded the raising of over \$1.5 billion in the medium-term Eurocurrency market by Italian borrowers, who then repaid more than half of the amount, ahead of time, the following year when the lira strengthened.

Now Signor Carli is repeating the same operation for the same reasons. The vehicle for the latest massive fund-raising operation is the Istituto Mobiliare Italiano (IMI), a well-known and respected name among international bankers. First, a small group of New York banks, headed by Morgan Guaranty Trust, is advancing IMI \$250m for three years. The interest rate on this credit is tied to the prevailing London Eurodollar inter-bank rate plus a fixed premium of $\frac{3}{4}$ per cent. It is believed that Morgan offered to provide considerably more than \$250m, but the Italians felt that the premium over the inter-bank rate was too high.

Secondly, Manufacturers Hanover Limited, the London-based medium-term lender and traditional banker

to IMI for such deals, is syndicating among a group of international banks a similar sized loan for the same period. The premium on this loan is $\frac{3}{4}$ per cent. The Orion Banking Group is arranging an in-house deal for a smaller amount: charging even less, $\frac{1}{2}$ per cent.

Montedison

Italy's giant shrinks

Rome

There is going to be a bitter fight over the closure of five of Montedison's 159 factories in Italy. But it had to come and Montedison's chairman, Signor Eugenio Cefis, gave ample warning.

Italy's rambling giant, with interests in chemicals, fibres and supermarkets, is in a bad way. It lost £130m in 1971. One third of that loss came from 40 plants which were singled out for the chop as far back as January. The five factories to be closed employ just over 1,500 people and together lost the company £3.5m in 1971.

The unions have immediately made their members sit in at three of the five factories to be shut down. There are plenty of politicians, of all shades of opinion, who will be on their side too, though they, like the unions, know perfectly well that some stiff retrenchment will be necessary if Montedison is to get over the recession. But since the state is one of Montedison's largest shareholders the company's problems are fair political game. The impact of the closures has been cushioned by the government wage integration scheme, which means that the dismissed workers will get 80 per cent of their wages for nine months.

From another point of view Signor Cefis timed the closure announcements well. Six weeks ago he told shareholders at Montedison's general meeting that the group had to find the staggering figure of £1,860m in the next seven years if it is to stay in the front line of European chemical companies. With Montedison's takeover campaign now over (Bastogi, Carlo Ebra and Snia Viscosa have been absorbed), the crunch has come. Signor Cefis has now demonstrated that he will get on with the less glamorous weeding out and rationalisation process if the government will please give him the money to do the job. The danger is that he might get the money on condition that he does not upset anyone by actually rationalising anything.

Iceland

Fighting fish

Iceland is to extend its territorial waters to 50 miles off its coastline from September 1st, despite a complete failure to come to any compromise with Britain or west Germany about the fishing rights in the disputed waters. The fifth round of talks between the two sides broke down on Wednesday and the British Government, after having its offer to reduce the British catch by 30 per cent turned down, is to resort to the International Court of Justice next week.

Iceland's motive seems overwhelmingly political. There is no sign that the carefully monitored catch around its rich coast is depleting fish reserves, and this is not an argument that even Iceland is pushing hard. The prime intention, springing from the government's strong shift towards the left (the majority of the cabinet are communists) is to assert a nationalist cause.

If British trawlers are barred from Iceland's newly-acquired waters it will knock out 25 per cent of Britain's total catch. Iceland is at present negotiating its trade position with the enlarged EEC in Brussels, and Britain has blocked any agreement until the fishing question can be settled. The community, however, is anxious not to keep Iceland out in the cold, but to allow it to increase its manufacturing industry and reduce its 80 per cent dependence on fish exports. With a little more hard bargaining some compromise still seems possible.

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Greece

With the drachma firmly hitched to the dollar, US military aid restored, booming exports and signs that world hostility to the regime is cooling, 'Papadocracy' looks like giving way to 'Papadarchy.' The current situation is discussed in the latest QER.

An annual subscription to one review (4 issues and an Annual Supplement) is £15 (US\$40). Airmail postage £2 (US\$5). Single copies £4.50 (US\$12), payment with order please.

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BUSINESS

Investment

Over a barrel over a barrel



That oil boom is kept waiting

There should not be much trouble over British Petroleum's new merger deal with Standard Oil of Ohio. Sohio, which produces only 50,000 barrels of crude a day of its own, wants to get hold of some of the 1m barrels a day which the Alaskan wells could one day be piping down, once the pipe is built. BP wants to control an American oil company and buy it with crude. The delay to the pipeline caused by the environmentalist lobby has made a nonsense of the two dates in the original agreement: the beginning of 1975, which is when Sohio was meant to start paying dividends on BP's special stock, equivalent to a quarter of the equity; and the beginning of 1978, which is when 54% control should have been purchased by BP with production running at 600,000 barrels of crude a day.

The cost to Sohio of paying dividends to BP would be about \$12m a year, at Sohio's traditional payout rate, on top of the \$36m going to other

shareholders. Since net profits in 1971 were only \$55m, that dividend would look somewhat naked. Sohio's profits in the first quarter of 1972 were 12% down. In common with many other American oil companies it suffered from the slump in prices. If the deal were not renegotiated shareholders and financiers might begin to look askance at Sohio's financial strength in the short term. The share price has fallen to \$60 from the 1971 high of \$92. In addition to spending perhaps another \$200m more of its own cash in getting the wells primed for the time the pipeline is finished, Sohio has 27% of the responsibility for the financing of the Alyeska pipeline consortium. Present signs are that the pipeline will not be finished until three years after the final court decision: with luck that will be by the end of the year.

Another \$140m will be available under one of those production payment schemes that BP has just negotiated in

Britain—once the permission for the pipeline comes through. But the major worry for potential creditors of Sohio was not the cash strain caused by paying out the dividend so much as the possibility BP might stick to the letter of the original agreement over the supply of crude. The gearing of the deal is that the early tranches of crude supplied will buy proportionately higher slices of Sohio equity. BP has already got 25%, and would get 34% if production was running at 200,000 barrels a day by 1978. This is an output worth \$200m or so a year if sold on the open market (using current prices of \$3 a barrel). A further \$200m worth would bring another chunk of 12% of Sohio's equity, but the next \$200m worth would bring only 8% of the equity, leading to the top figure of 54%. The barrelage reached by 1978 would determine the equity stake, and later increases in production would be split 3 to 1 in BP's favour. It might, therefore, have paid BP to forget about gaining control and sell the oil on the market at what should, by then, be substantially higher prices. But BP's long-term strategic objectives are intact, and so the deal has been renegotiated. The details have not been released yet, but the simplest solution would be to tie the changes in control to oil production rather than to inflexible dates.

German bourses

Warmer without Schiller

Frankfurt

The departure of Professor Karl Schiller means defeat for those who have favoured sterner budgetary policies in Germany, and victory for the proponents of the policy of keeping German industry prosperous by trying to stick to an undervalued fixed exchange rate. This might well put an end to the slide in German stock markets which started in mid-May. The latest dose of controls to stem dollar

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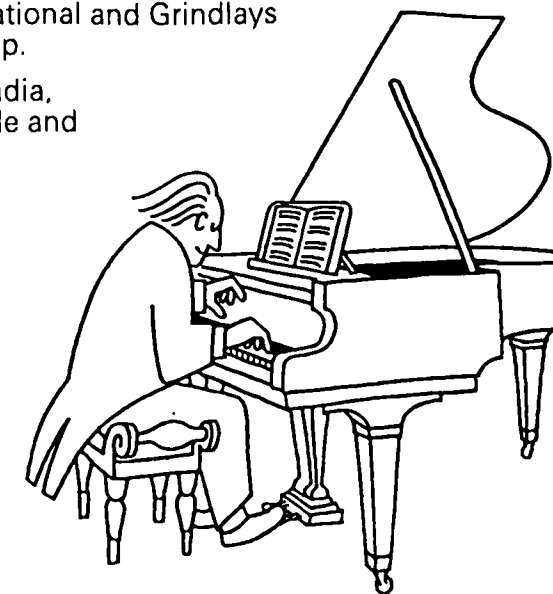
Others have been arranged in places as far apart as Japan, Iran and South America.

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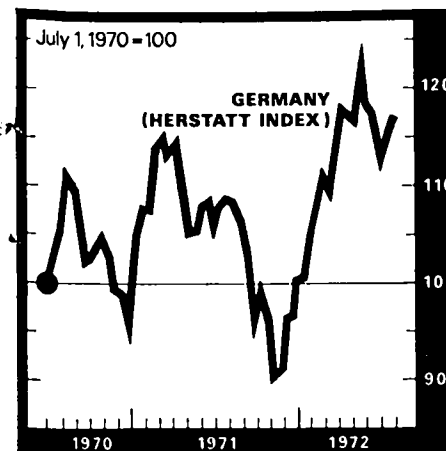
VEREINSBANK IN HAMBURG

M. M. WARBURG-BRINCKMANN,
WIRTZ & CO.

WESTDEUTSCHE LANDESBANK
GIROZENTRALE

WESTFALENBANK
Aktiengesellschaft

May 31, 1972



inflows carefully excludes any equity on portfolio investment, the closest being restrictions on sales to foreigners of mutual funds invested in German bonds. There is also plenty of equity-minded German money which can no longer find a profitable home in Switzerland. The money value of Germany's gross national product is expected to grow by about 7½% in 1972 (of which 4% will be inflation); the target for next year is about 9%, which should translate into company profits increases of over 10%.

Within this strongly recovering economy, several companies are still looking underrated by the market even by German standards. This makes them very cheap on Anglo-Saxon price/earnings criteria. The department store group, Karstadt, has good management and a strong balance sheet, and a p/e of 15 at DM483. Most foreign buying in the sector has concentrated on Neckermann, which is heavily involved in travel and mail order besides stores, and has slightly less to offer from the present price of DM 144. An outstanding share for the medium-term is Siemens. Profits (of the parent company alone) for the half-year are up by 50%. Since Siemens has a high break-even point and excellent management, its plans for pushing sales and cutting costs should boost profits substantially. The trouble is that, with typical German caution, the light will be hidden under the bushel of a conservative accounting policy. At DM278, Siemens's prospective p/e is an incredibly cheap 10.

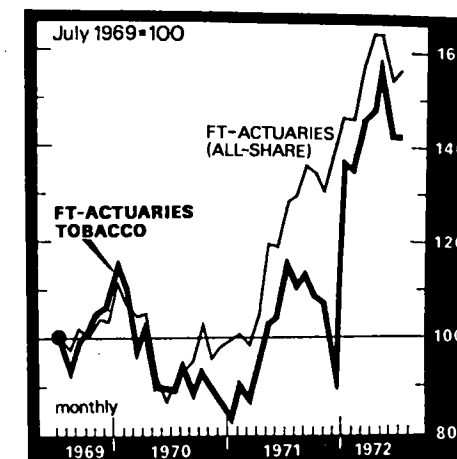
Another good bet may be Mannesmann, the specialist steel and tube makers, who signed another big deal with the Russians last week. Again, at DM207, the p/e is a measly 10. That includes precious little from the now highly profitable operation in Brazil, where the company has a near-monopoly of steel production.

SECTOR ANALYSIS Tobacco is safe

It has been a great year for tobacco shares in London and New York. On Wall Street, the Standard and Poors tobacco share index is up 33% in 1972, against a rise of just 5% in the Dow-Jones industrial index. In London tobacco shares shot up at the turn of the year, and have risen 16% in 1972 against 8% in the Financial Times-Actuaries all-share index.

Tobacco sales are picking up fast in both countries. In the first quarter of 1972 net clearances of tobacco in Britain (that is, tobacco moved out of bond for sale) rose by 9.3%. Over 1972 as a whole tobacco sales are likely to rise by at least 3%. So it was no surprise when Imperial Tobacco, which makes two-thirds of Britain's fags, clocked in with a sharp rise in profits on Wednesday. Pre-tax profits for the first half were £40.5m against £35.8m last year. Imps at 111p are now on a prospective p/e ratio of about 10.3. There is an excellent record of steadily rising earnings every year, as Panmure Gordon, the stockbrokers, point out in a special report on tobacco shares this week. Panmure Gordon conclude that the outlook for Imps and the sector is very good.

Although every reputable analyst has been preaching the virtues of tobacco for years, the trouble is that investors, from fund managers to widows, shake their heads in disbelief. So the great re-rating that ought to come may never materialise, until a British tobacco company can pull off a major success in diversification. The American tobacco firm Liggett and



Myers has shown just how diversifying can transform a company. Within seven years it has increased its non-tobacco profits from nil to 60% of the total.

Despite these prospects, the short-term outlook for tobacco shares is not exciting. Another health report is due soon from a scientific liaison committee set up by the Government. And if there is a price freeze tobacco companies might suffer more than most since their profits rely more on price rises than sales rises.

But in the longer run the shares still look an attractive and very safe investment. Imps is diversifying faster and better than most, and could be the first share to be properly re-rated. Bats is going to benefit a lot from the sinking pound, since all its earnings come from overseas. Carreras, although it has risen by a third since tipped by *The Economist* last February, could go higher if plans for a European link-up with the very successful German firm, Martin Brinkmann, go ahead. Gallahers, however, is still over-concentrated in the slumping plain cigarette market.

Key indicators: world bourses

	Stock price indices			Percentage change on			
	July 12	1972 high	low	one week	one month	one year	record high
London drifting, although helped on Thursday by the good trade figures.	498.2	543.6	470.4	—	— 1.5	+23.5	— 8.4
New York	923.7	971.3	889.2	— 1.0	— 2.4	+ 3.6	— 7.2
Canada	216.7	220.2	187.5	+ 1.3	— 0.8	+20.1	— 1.6
Australia	549.9	639.3	490.1	+ 1.5	— 4.5	+20.5	—10.3
Japan	285.5	286.2	199.9	+ 2.0	+ 5.5	+40.9	— 0.2
H'kong	479.7	479.7	324.0	+ 5.0	+13.2	+68.6	—
Belgium	113.2	113.2	96.9	+ 0.5	+ 2.1	+ 8.3	—
France	81.0	85.7	67.6	+ 0.4	— 3.1	+ 5.5	— 5.9
Germany	114.0	119.3	97.1	+ 3.1	— 0.2	+ 8.2	—24.6
Holland	151.3	151.3	105.4	+ 3.8	+ 3.9	+22.4	—
Italy	49.2	49.7	43.9	—	+ 6.7	— 1.8	—57.8
Sweden	346.3	350.9	308.7	+ 1.4	+ 3.3	+24.2	— 7.8

Stock prices and yields are on pages 97 and 98

Unit trusts

An American connection?

Britain's unit trust managements are not over-excited by their record sales figures in April and May. These included special boosts from two successful launches, with £9m going to Barclays Unicorn Extra Income Trust and £8m to M and G's Second Dual Trust. Something like 25% of new money comes for contractual unit-linked insurance plans. Although the "managed" or "balanced" funds, which are the vogue of the moment, are concentrating most of their new money on units rather than hard-to-find property, their policy could change any time. Hambro Life's Managed Fund is, for example, currently taking in some £8m a month, of which 76% is going into trusts of the Allied Hambro group.

It is possible that small investors have taken note of warnings against buying at what might be the top of the

market. More probably, they will wait for the index to hit dizzy heights before buying their units. They will then proceed to sell when the subsequent downswing is reaching its bottom.

Unless unit holders and their professional advisers become a lot more sophisticated in their buying habits the industry seems doomed to collect a new bevy of disaffected investors at every swing of the cycle. As time goes by, redemptions from the disaffected will be augmented by the sales of wise long-term holders cashing in for their just rewards. Forebodings about this prospect are highlighted by the current plight of the American mutual fund industry. It has suffered a net cash outflow during the first five months of this year of \$715m, with repurchases exceeding sales in every month except January. During the whole of last year

America's 1,250 mutual funds managed a net inflow of only some \$300m between them.

American mutual funds have suffered from an unfortunate coincidence of events. First there are the heavy redemptions by investors who bought in during the bull market of 1967 and 1968 and, disenchanted by their later experiences, are getting out when prices return to former levels. Second, there is a marked diminution of sales effort; sales teams have been reduced during the lean times, and are now selling different product lines such as tax-favoured oil and real estate programmes where the returns to the salesmen are richer. Another severe blow has been the barring of "reciprocity"; brokers who sold mutual funds well were rewarded with the fund's broking business. Hundreds of smaller mutual fund shops have closed their doors. The rot is expected to spread to the larger, diversified brokerages when the sales charges permitted for investment companies are reduced to the levels stipulated by Federal mutual fund legislation. The grim outlook is that brokers may prefer to put clients straight into shares where they are likely to trade more actively than in mutual funds.

The British unit trust industry does

Best and worst records among unit trusts. The offer price ruling at the start of the period is compared with the bid price ruling at July 3, 1972. Net-of-tax income is reinvested. No account is taken of capital gains tax.

Top 20 over three years

Trust	Group	Current size* £m	Growth over three years %	Growth over two years %	Growth over one year %
Jessel Property & General	Jessel Britannia	9.6	128.1	112.7	46.4
M&G Recovery	M&G	2.7	122.6	99.5	70.4
Ebor Property & Building	Ebor	1.1	120.0	118.6	59.1
Surinvest Future Income	Surinvest	0.8	114.7	119.1	59.3
Target Financial	Target	15.3	105.0	104.5	35.8
Smaller Companies	Allied-Hambro	7.5	103.2	106.6	64.4
Oceanic Performance	Oceanic	0.8	95.9	135.2	41.0
London Wall Financial	London Wall	1.6	94.5	94.9	31.9
City of London	Jessel Britannia	1.9	90.9	94.0	35.9
Jessel Income	Jessel Britannia	4.3	88.9	80.0	44.0
High Income Priority	London Wall	10.8	87.0	95.6	57.7
Ebor General	Ebor	3.6	84.2	86.2	39.7
Unicorn 500	Barclays Unicorn	25.2	83.8	90.0	44.6
Midland and General	M&G	5.9	81.7	98.0	52.5
Stratton	Barings Bros	3.5	79.9	71.8	26.4
Scotincome	Scotbits	6.0	79.3	85.4	50.2
Cavalier Income	Cavalier	0.7	79.3	78.1	46.2
Discretionary	Discretionary	2.3	78.2	78.5	37.0
Allied Equity	Allied-Hambro	6.2	74.9	81.6	45.1
Abacus Income	Abacus	0.9	74.6	76.3	

Bottom 10 over three years

Trust	Group	Current size* £m	Growth over three years %	Growth over two years %	Growth over one year %
Atlantic Units	Save and Prosper	8.8	-1.8	53.9	1.5
London & Wall Street	London Wall	2.2	-0.5	41.8	7.9
Hill Samuel International	Hill Samuel	15.3	-2.6	26.5	2.4
Trustees & Professional Capital	Vavasour	0.1	-3.0	20.2	6.7
Metals Minerals & Commodities	Allied-Hambro	12.8	-6.0	12.9	12.7
International Mining	Vavasour	12.1	-6.1	3.5	8.6
Hill Samuel Dollar	Hill Samuel	3.8	-7.9	37.5	6.6
North American Overseas	Ansbacher	0.5	-8.2	30.4	3.9
Securities of America	Wedderburn	2.6	-19.3	1.5	2.8
	Allied-Hambro	1.2	-20.9	14.3	3.1

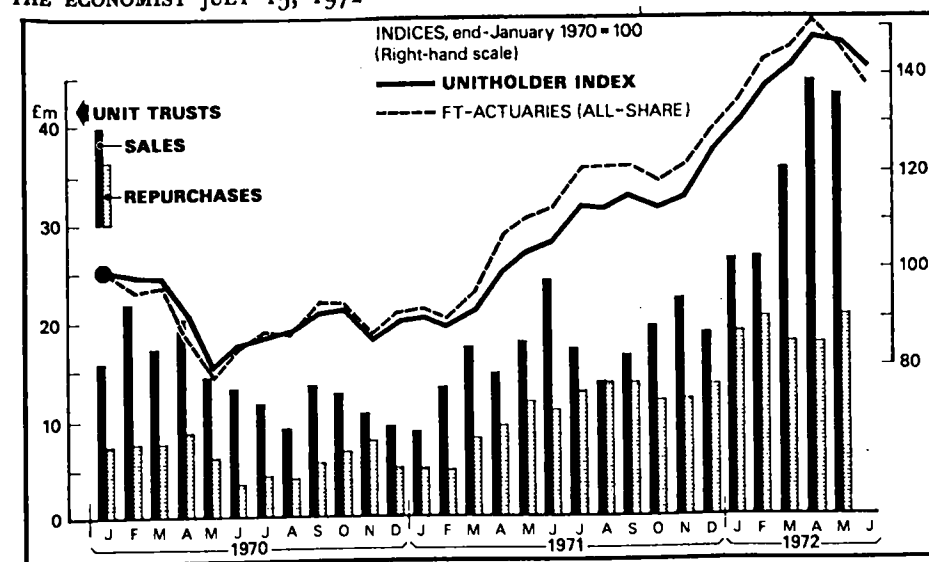
Rankings supplied by Planned Savings *Size statistics supplied by G. S. Herbert

Top 20 over one year

Trust	Group	Current size* £m	Growth %
Bridge Income	Bridge	2.0	79.0
First National Growth	First National	0.6	72.9
M&G Recovery	M&G	2.7	70.4
Dowgate	Dowgate	0.5	69.6
Talisman	LS Fund	1.0	64.8
Smaller Companies	Allied-Hambro	7.5	64.4
Schroder Recovery	Schroder Wagg	3.8	62.7
Surinvest Future Income	Surinvest	1.1	59.3
Property & Building	Ebor	0.8	59.1
Portfolio Growth with Income	Portfolio	0.5	59.0
High Income Priority	London Wall	11.3	57.7
Ionian Growth	Ionian	1.3	57.2
Bridge Capital	Bridge	0.7	54.8
Tyndall Ulster	M&G	0.6	54.5
Midland & General	Mutual	5.9	52.5
Mutual High Yield	Cabot	0.1	51.9
Cabot	Framlington	0.9	50.4
Framlington	Scotbits	1.4	50.3
Scotincome	Scotbits	6.3	50.2
Surinvest Performance	Surinvest	0.6	48.9

Bottom 10 over one year

Trust	Group	Current size* £m	Growth %
London & Wall Street	London Wall	2.2	7.9
Trustees & Professional Capital	Vavasour	0.1	6.7
Vavasour Orthodox	Vavasour	3.1	6.6
Overseas	Mallet & Wedderburn	2.6	2.8
Hill Samuel International	Hill Samuel	15.3	2.4
Atlantic Units	Save and Prosper	8.8	1.5
Securities of America	Allied-Hambro	1.2	-3.1
North American Overseas	Ansbacher	0.5	-3.9
Hill Samuel Dollar	Hill Samuel	3.8	-6.6
Coyne Growth	Surinvest	0.2	-7.0



not have all these problems to face. Trusts can advertise directly. Their links with brokers are stable. British unit trust sales attract steadily more attention in the press, thanks in part to the interest generated by performance league tables.

As usual, some of the most sparkling individual trust results in our tables are being put up by relatively new and usually very small funds whose managers pursue an active individualistic policy centred on small portfolios by traditional standards. An example is the one-year chart topper, Bridge Income, set up last year by brokers Vickers da Costa, together with Bridge Capital.

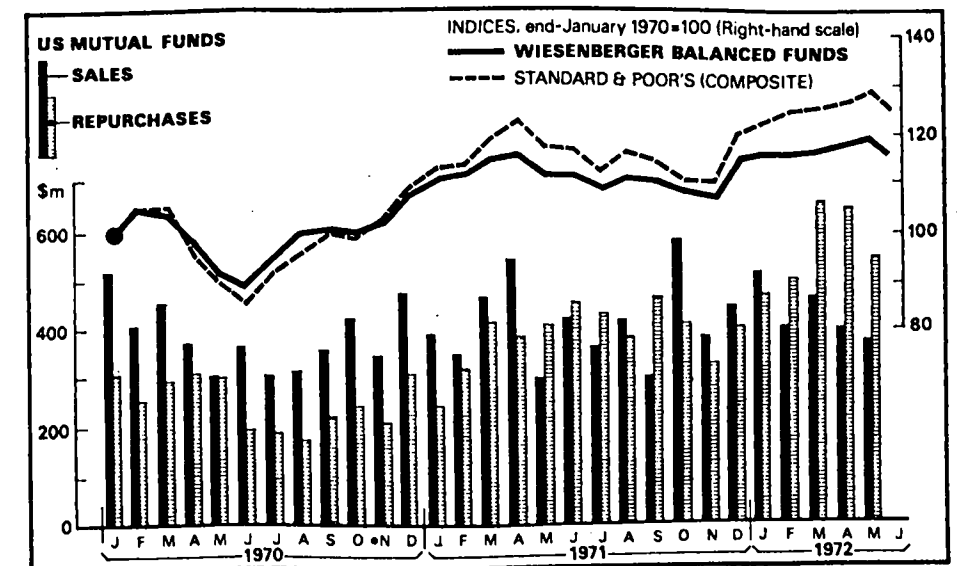
Another of the leading trusts over the one-year period, Talisman, is also managed by a member of Vickers da Costa; but its management company, LS Managers, was formed out of a private investment company and is independent of Vickers. To carry on a stage further LS Managers has on its board a director of Portfolio Management which has also pursued this approach to unit trust management with considerable success. The group's Growth with Income trust is among the best performers and its capital trust is not far out of the list.

The new blood of the industry has yet to be proved over the test of long-term performance. Here the older stages inevitably come into their own. M and G's Recovery and Midland and General trusts continue to feature on both long- and short-term tables. These trusts are also characterised by relatively small and closely researched portfolios; they, too, look freely for special situations in "small interesting companies." The same is true of Hambro Smaller Companies which, like London Wall High Income Priority, has brought home the goods

able difference. To take an example: Jessel Property and General, still top of the long-term tree thanks to its specialisation, shows a growth of 143.2% in its offer to offer price over the three years; what the unitholder gets is the 128.1% appreciation shown.

The difference between the two results for a given trust can be even wider than this if the fund has, in the course of the period, begun to calculate its bid price at the lowest possible level allowed by the rules of the Department of Trade and Industry. Normally, when a fund is expanding, trust managements calculate the offer price at the highest level the rules allow for a given underlying portfolio, but buy back at a higher bid price than they strictly need to. If maximum offer and minimum bid prices were used, the gap could be more than 12%; but competition keeps it lower. The crunch comes when the fund is suffering net redemptions. These make it an economic necessity for managers to set their bid price at a minimum. The offer price is then normally fixed at a lower level than necessary, so that the gap between the two quoted prices remains the same, but the unitholder who is caught in this situation is afflicted by the whole of the gap. Sometimes the management takes the unpopular, because more obvious, step of just widening the quoted spread. A prominent example at the moment is Pan Australian where the gap between bid and offer price is about 14%.

About half of Britain's unit trusts are now suffering a net outflow of cash, and nearly all of these will have adjusted their method of price calculation to the minimum bid basis. Most unitholders never find out that this has been done.



COMPANY STATEMENT

MOULINEX

Sales in the second quarter of 1972 totalled Frs. 148,793,103 after tax against Frs. 97,534,690 for the second quarter of 1971.

The sales figure after tax for the first six months of the year reached Frs. 262,041,185, an increase of 53.8 per cent (+39.41 per cent in France and +85.55 per cent in exports).

The profits which will appear in the interim statement as at 30 June, 1972 will show a largely comparable percentage increase for this first half-year.

CHAIRMAN'S STATEMENT

THE INVESTMENT TRUST CORPORATION COMPANY'S ENLARGED BASE

The 84th Annual General Meeting of The Investment Trust Corporation, Limited was held on July 11 in London, The Right Hon. Lord Latymer (the Chairman) presiding.

The following is an extract from the Report of the Directors:

During the year the company acquired the issued share capital of the Rose and Thistle Trust Ltd., the consideration being the issue of £2,304,000 5 per cent. Convertible Unsecured Loan Stock 2000-05 and 2,304,000 Ordinary Shares of 25p.

The gross revenue of £2,145,597 for the year ended 1st May, 1972 includes revenue of Rose from 1st January, 1972 and therefore the figures are not comparable with those of the previous year. However, it should be mentioned that his year we have had no double taxation relief in respect of previous years against £24,000 net received in the year to 1st May, 1971, and the improvement in the exchange rate of the pound against the dollar since last August has reduced the sterling value of U.S. income received by more than £20,000.

Interim dividends totalling 13½ per cent have been paid and your board now recommends a final dividend of 7½ per cent payable on the increased ordinary share capital and making a total dividend of 20½ per cent for the year.

TOTAL ASSETS EXCEED £80 MILLION

The total net assets of the enlarged company at 1st May, 1972 amount to £80,246,515 and after deducting prior charges at redemption values the net asset value of each ordinary share is 227p.

The fall in the proportion of the portfolio in North America from 36.9 per cent to 26.6 per cent is mainly due to the dull performance of the American stock market over the year compared with the British market. During the year the F.T. Actuaries All-Share Index advanced by 41.6 per cent whereas the Dow Jones Industrial Index, adjusted for the alteration in the Exchange Rate and the Dollar Premium, fell by 10.1 per cent. We are hopeful that the U.S. economy will continue to improve and that such improvement will be reflected in the stock market.

We welcome the proposals in the 1972 Finance Bill whereby investment trusts will pay tax at the reduced rate of 15 per cent on realised gains, and ordinary shareholders who sell their shares will receive a tax credit of 15 per cent of their gain which can be set against their liability on that gain. Certificates of apportionment of net gains for past years will be cancelled.

For the current year we expect to see a further increase in dividends from United Kingdom companies, but the current restraint on dividend increases in the United States will allow only a very modest rise from that source.

The report and accounts were adopted.

APPOINTMENTS

University of Strathclyde

GLASGOW AREA SURVEY

Junior Research Officer

Applications are invited for the above post from persons with a degree in any of the Social Sciences including Urban Planning, and experience in SAMPLE SURVEY, field work and computer analysis of survey data. The duties are to

assist the Director of the S.S.R.C.-financed study of Social Trends in Glasgow.

The appointment will be for a period of up to three years.

The commencing salary will be at the rate of £1650 per annum.

Applications in writing, giving details of age, experience and qualifications to The Personnel Officer, University of Strathclyde, Royal College Building, 204 George Street, Glasgow, G1 1XW.

CHAIRMAN'S STATEMENT

THE KULIM GROUP LIMITED

MR P. B. L. COGHLAN'S REVIEW.

The Thirty-eighth Annual General Meeting of The Kulim Group Limited will be held in London on July 19th.

In his circulated Review, the Chairman (MR. P. B. L. COGHLAN) describes 1971 as a year of further progress for the Group. For the third successive year, there had been a substantial increase in net trading profits which, for the first time had passed the £1,000,000 mark. This has been due to a large increase in revenue from oil palms which had more than compensated for lower earnings from rubber. In general, therefore, the Group's results for 1971 had repeated the pattern of previous years with the build-up of profits from oil palms as the plantings continued to advance to full maturity. Mr. COGHLAN observes that whilst these had been more evident features of the year's results, progress had also been made in other directions which, he believes, augurs well for a broader base for future earnings.

Before commenting on these other activities, Mr. COGHLAN refers to the continuing and successful efforts on the Group's Estates in Malaysia to reduce production costs. In addition, the Group's mills and factories had been extended to provide increased capacity and an order had been placed for the installation of a third palm oil processing unit in 1972. This would allow the Group to step up purchases of fruit which, in due course, at full maturity, would amount to approximately one-third of the Group's own production extending to 1980 providing for a fixed margin of profit to the Group irrespective of the price of palm oil and kernels and would, therefore, yield a reliable and increasing source of income.

Referring to other activities, Mr. COGHLAN comments on the Group's participation in hotel development in Tobago. Following the completion of the main block of the Mount Irvine Bay Hotel, bookings had been at an encouraging level and it was evident that the combination of first-class hotel amenities and its adjoining International championship standard golf course in this favoured setting had all the ingredients for success.

In the United Kingdom, the subsidiary group of building contractors was benefiting from the current high level of activity in the building industry and Group's financial resources, valuable shop sites and building land had been acquired in the Haslemere district and plans were proceeding to develop these and other building sites already owned by these subsidiaries. It was confidently expected, therefore, that this interest would, before long, lead to a material new dimension to the Group's activities.

Referring to the forthcoming changes in United Kingdom company taxation and their effect on overseas trading income, Mr. COGHLAN comments: "We had hoped that the Chancellor in his recent budget would have given more generous consideration to companies trading overseas. Under the proposed imputation system of Corporation Tax, due to take effect from the 1st April, 1973, there is little encouragement for such enterprises. The continuation of overspill relief for a limited period, whilst welcome, means very little to our Group or for that matter to many other plantations companies. The fact remains that, assuming 100% of profits is distributed in each case, the dividend that could be paid to the shareholders of a U.K. company operating overseas where the foreign tax rate is 45%, as it is in Malaysia, is only 60% of the amount which local shareholders in an equivalent local company could receive. In other words, we are at a long run this may lead to a considerable disinvestment by U.K. companies in operating overseas. Such action would be quite contrary to the Government's desire to encourage investment in developing countries and it is hoped that the Chancellor will give this matter further consideration before too much damage is done to this country's overseas trade."

After summarising the factors bearing on current and future prospects, Mr. COGHLAN concludes: "It is expected that the Group's gross earnings for 1972 will again be at a satisfactory level although these will be subject to a heavier incidence of taxation due to the comparatively small balance of tax losses carried forward from 1971. Nevertheless, I am confident that with the Group's diverse spread of interests its future prosperity should be ensured."

APPOINTMENTS

University of Papua and New Guinea

Applications are invited for posts of (a) SENIOR LECTURER or (b) LECTURER and (c) SENIOR TUTOR or (d) TUTOR IN DEPARTMENT OF ECONOMICS. Fields of particular interest for the Senior Lecturer/Lecturer appointments are: Socialist economics and comparative economic systems; international economics; entrepreneurship and small-scale business organisation in transitional societies; transport economics; management accounting. Candidates with other main interests will be seriously considered especially those combining good academic records with governmental experience in developing countries. The Department has 8 full-time staff and over 100 full-time students. Appointment to Reader or Associate Professor may be considered. Salary scales: (a) A\$10,015-A\$11,030 p.a. (b) A\$7,200-A\$9,783 p.a. (c) A\$6,362-A\$7,030 p.a. (d) A\$5,134-A\$4,802 p.a. In addition an allowance of A\$360 p.a. is payable to married male appointees (A\$2,143 = £1 sterling). Detailed applications (2 copies) including age, nationality, marital status, academic record, experience, present position, teaching qualifications, publications, names and addresses of 3 referees, a recent small photograph, medical certificate of good health should be sent to The Secretary, University of Papua and New Guinea, P.O. Box 1144, Boroko, Papua and New Guinea. Closing date: 4 August, 1972. Further particulars obtainable similarly.

University of New South Wales

Lecturer

SCHOOL OF ACCOUNTANCY

Salary: A\$6801 range A\$9390 per annum. Commencing salary according to qualifications and experience.

Appropriate high academic qualifications and interests in accounting theory, financial accounting, management accounting or information systems.

Details of appointment, including superannuation, study leave and housing scheme, may be obtained from the Secretary-General, Association of Commonwealth Universities (Apsu), 36 Gordon Square, London, WC1H 0PF (Tel: 01-387 8572).

Applications close in Australia and London on 31 August, 1972.

Staffordshire County Council

COUNTY PLANNING AND DEVELOPMENT DEPARTMENT

Senior Group Leader

Reference No. 36 (S.O.1/P.O.1A -£2283-£3180 per annum)

Applications are invited for the above post in the Research and Industry Section of the Department. The Section has a major role in the preparation of the County Structure Plan in the field of Population, Employment, Industry and Shopping.

The post will carry special responsibility for Population and Employment studies and related needs (eg. Shopping). Applicants should have considerable experience in conducting research projects, evaluating statistical data, and in the preparation of reports.

The commencing salary for the successful applicant will be at any point on any of the grades commensurate with age, qualifications and experience.

Applications (no forms) giving details of age, education, qualifications, present and previous appointments, experience, present salary, and the names and addresses of two persons to whom reference may be made, should be sent to J. H. Barnett, County Planning and Development Officer, Martin Street, Stafford, by not later than the 27 July, 1972.

Relationship to any member or senior officer of the County Council must be disclosed.

University of Glasgow

Latin-American Studies

B.PHIL IN LATIN-AMERICAN STUDIES. Applications for admission to the course leading to the degree of B.Phil. in Latin-American Studies are invited from Arts graduates with good Honours Degrees who are interested in pursuing area studies in this field. This is a two-year course combining study in three of the following subjects: Literature, History, Geography, Economics, Politics, Sociology. A reading knowledge of Spanish and/or Portuguese is required.

SCHOLARSHIPS. Two graduate scholarships at S.S.R.C. rates per annum (plus fees) for two years are offered. These are not restricted to candidates not eligible for State awards.

For further particulars regarding admission and scholarships apply to the Director of the Institute, not later than 31 August, 1972.

Applications are invited for a Research Fellowship in Latin-American Studies tenable in the Institute in connection with one of the Departments of Hispanic Studies, History, Geography, Economics, Politics, Sociology.

The appointment may be made at senior level within the salary range £2082 to £2376 per annum or at junior level within the range £1641 to £1935 per annum. It will be tenable for two years with possibility of renewal for a third F.R.S.U.

Applications, eight copies, should be lodged not later than 31 August, 1972, with the undersigned, from whom further particulars may be obtained. In reply please quote Ref No 5101 U.

ROBT. T. HUTCHESON, Secretary of the University Court.

TENDER

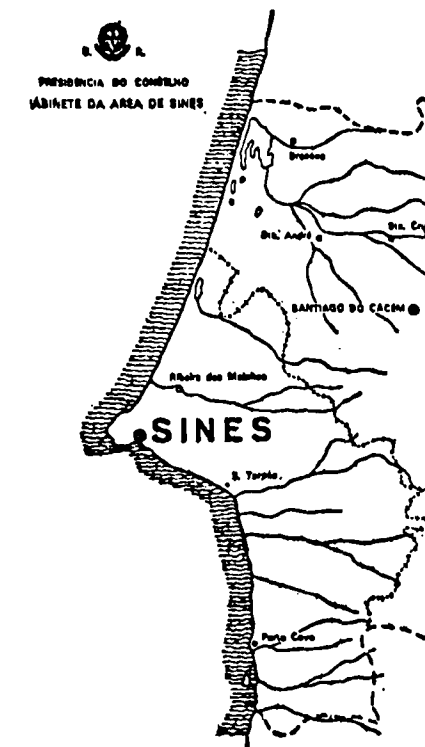
GOVERNMENT OF PORTUGAL

Office of the Prime Minister

GABINETE da AREA DE SINES

CONSTRUCTION OF SINES HARBOUR (FIRST PHASE)

PRE-SELECTION OF CANDIDATES FOR TENDERS



The Gabinete da Area de Sines will accept up to 5 p.m. on July 31, 1972, applications for the preliminary selection of candidates for tenders for the civil engineering works for construction of the Port of Sines.

The port specifications refer to the reception of ships of 28 metres draught at all tides, and an easy expansion to 36 metres draught. The main breakwater is foreseen to reach depths of 45/50 metres.

Either individual firms or groups of firms are eligible as long as they can furnish documentary proof that they have carried out similar works to those envisaged.

The conditions of enrolment, details of the necessary documentation, and any further information required, may be obtained from:—

Divisã do Terminal Oceânico do Gabinete da Area de Sines
Rua Artilharia Um, N° 33-3°
Lisboa-1
Phone 655540/8
Telex 1572 GASLIS

Eng. António da Silva Martins
Director
Gabinete da Area de Sines

APPOINTMENTS

Economist to make a creative contribution

...and play a positive role in initiating and experimenting as well as responding to requests from others. The appointment, in our Group Planning Service, calls for an economist with experience in a business environment, or the equivalent. He must have a first or good second class honours degree and his experience in applying theoretical knowledge is as important as formal qualifications. A good balance of knowledge, experience and interest between the quantitative and qualitative aspects of this work is essential. His responsibilities will call for him to apply up-to-date analytical techniques to the problems typical of a large, complex company in forecasting, planning, project evaluation and decision making. Top level management may look to him for economic analysis and comment of a general nature. The appointment is based at our Mill Hill headquarters and the salary will be commensurate with experience and qualifications. Please write, quoting reference S16, to:

LAINC

D. O. Best,
Senior Personnel Officer,
John Laing and Son Limited,
Mill Hill,
London, NW7 2ER.

Macquarie University SYDNEY, AUSTRALIA

Applications are invited for an appointment in the School of Economic and Financial Studies as ASSOCIATE PROFESSOR/SENIOR LECTURER in BUSINESS ADMINISTRATION within the fields of marketing or administration/organisational behaviour.

The successful applicant will be responsible for courses in one of these fields for the Master and Graduate Diploma Programmes in Business Administration. The present programmes provide for two courses to be offered in each field.

In addition to appropriate formal qualifications applicants should be familiar with recent research findings and have had practical experience in industry.

The appointee will be encouraged to develop his research interests which may involve participation in sponsored research and higher consultative work.

The salary for an Associate Professor is \$A12,593 per annum and for a Senior Lecturer within the range \$A9667 with five annual increments to \$A11,130 per annum.

Further information about the University and advice regarding the method of application should be obtained from the Secretary-General, Association of Commonwealth Universities (Appl), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572) or from the Registrar, Macquarie University, North Ryde, N.S.W. 2113, Australia.

Applications close on 11 August, 1972

The University of Aston Management Centre

Head of Subject Group

Applications are invited for the above post which involves responsibility to the Chairman of the newly established Management Centre for co-ordinating and developing teaching activities within the Subject Group for:

ECONOMICS, ECONOMETRICS, STATISTICS AND MARKETING.

Candidates will be expected to make a personal contribution to teaching at all levels both in the Management Centre and elsewhere in the University.

The post is of professional status. Salary normally in the range £3,850-£5,786 per annum.

Application forms and further particulars may be obtained from the Staff Officer (Ref No. 868-2p), The University of Aston in Birmingham, Gosta Green, Birmingham, B4 7ET, to whom applications should be forwarded by 22 August.

University of New South Wales

Senior Lecturer GRADUATE SCHOOL OF BUSINESS

Salary: \$A9711 range \$A11,234 per annum. Commencing salary according to qualifications and experience.

In the field of business policy. Applicants should have high academic qualifications in a relevant field and experience in business administration, strategic planning, policy formation and the use of problem-solving techniques in business. Teaching experience especially with case study methods advantageous.

Details of appointment, including superannuation, study leave and housing scheme, may be obtained from the Secretary-General, Association of Commonwealth Universities (Appl), 36 Gordon Square, London, WC1H 0PF (Tel: 01-387 8572).

Applications close in Australia and London on 4 August, 1972.

The University of Sussex

CENTRE FOR CONTEMPORARY EUROPEAN STUDIES

Research Fellowship in European Labour Studies

Applications are invited for a Research Fellowship in European Labour Studies, for one year in the first instance, with the prospect of extension. The person appointed will be required initially to study sources of information on trade unions and industrial relations in Western Europe, and to develop the Centre's information output on these two subjects.

Trade union experience and knowledge of a Continental language desirable. Salary £1841-£2082 plus F.S.S.U.

Further particulars and application forms, returnable by 4 August, 1972, are available from the Establishment Section, Office of Arts and Social Studies, University of Sussex, Falmer, Brighton, BN1 9QN (telephone Brighton 66755, ext 663) quoting ref 894/3.

APPOINTMENTS

JAMES MORRELL & ASSOCIATES

leading specialists in business forecasting over a wide field have vacancies for two young

ANALYSTS

Requirements: Good degree in economics or business studies, preferably with bias towards monetary economics; numeracy; ability to write concisely in plain language; facility to communicate effectively; imagination; appreciation of political trends; readiness to work in a team and to develop own specialisations.

Age limit 24; starting salary around £2,000; generous fringe benefits. Applications with full information covering education and example of written work to:

James Morrell,
James Morrell & Associates Ltd.,
1 Paternoster Row,
London EC4P 4HP.
Telephone: 01-248 2228.

For further appointments
see pages 5, 88 to 93

Opportunities in International Banking

The scope of our International Banking Division in Europe is increasing, both through the general development of new business and through our links with the newly-formed Alpha Banks Group. The Division, already making a large contribution to bank profits, is poised for still further expansion, giving rise to these two new appointments.

LENDING OFFICER

A specialist to share responsibility for Eurocurrency lending and syndication. He will travel abroad as occasion demands, using these opportunities to consolidate existing relationships, set up contacts with potential customers and develop new business. Candidates, probably graduates aged 30 to 35, must have substantial international lending experience, and an appreciation of credit analysis. Knowledge of a European language would be an advantage. Ref: S.89.

To ensure that we attract the right men for these positions we have a flexible attitude both to salaries and the scope of the jobs. Salaries, however, will be not less than £4000 for the first post, £3000 for the second. Both appointments are London-based and offer excellent scope and career prospects in this fast-developing area of our business. Benefits include house loan scheme and comprehensive superannuation arrangements.

BUSINESS DEVELOPMENT — Europe

A business-getter to join our European team which is working closely with the six leading banks that constitute the Alpha Banks Group. His key task will be to identify and exploit new banking opportunities with banks and companies, both in the UK and Europe. As lending is the prime purpose, experience in this field is clearly desirable. Ideally in their late 20's/early 30's, candidates must have broadly-based banking experience, perhaps in a merchant bank with European interests. They must be prepared to travel extensively in Europe and should be reasonably fluent in a foreign language — preferably French. Alternatively they should be capable of achieving fluency quickly. Ref: S.90.

Please write giving full career details, quoting the appropriate reference, to: T. P. Lyons, Personnel Director, Williams & Glyn's Bank Limited, 20 Birch Lane, London, EC3P 3DP.

WILLIAMS & GLYN'S BANK



COST BENEFIT STUDIES

REGIONAL PLANNING

ENVIRONMEN- TAL PLANNING

SECOND SYDNEY AIRPORT STUDY

Consultants invite applications from young economists and O.R. scientists to work in multi-disciplinary teams. Interests should be in the regional, environmental and transport fields. Practical experience in these fields desirable but appropriate postgraduate work would also be considered. Initial work would include cost/benefit study of second Sydney Airport both in U.K. and with certain posts available in team in Australia.

Send detailed curriculum vitae to:

D. W. Triptree
R. TRAVERS MORGAN & PARTNERS
Wellington House
Strand, London WC2R 0AR



Atkins Research & Development

Economics and Environment

We are looking for an economist to join our team concerned with assessing the significance of environmental and planning factors within the framework of social-cost-benefit analyses. Members of the team have physics, applied psychology, geography, engineering, acoustics and bio-chemistry, as well as economics among their disciplines, and the candidate will form the focus for the economics content of our work. He will, however, be expected to make a contribution to the overall solution of problems rather than operate strictly in the confines of his own discipline. Interest is essential; experience is not, and the starting salary will be commensurate with the person's capabilities and experience. Prospects are excellent in this

fast developing field of activity. As a member of the W.S. Atkins Group we provide consulting services over a wide range of planning and engineering problems including the justifiable level of investment in roads, the siting of airports, the consequences of change in the urban environment, socially desirable noise standards and the degree to which pollution should be controlled.

Applications with career details should be made to:
Mr. R.A. Waller,

**Atkins
Research and Development**

4 Dorking Road, Epsom, Surrey.

APPOINTMENTS

KENT COUNTY COUNCIL



Assistant Research Officer circa £2,650

Interesting opening for a young Research Officer to work in the Research and Intelligence Unit located in the Policy Management Division of the County Clerk's Office.

Applicants should possess a numerate degree (or equivalent qualification). They should have experience in market research, government survey work, corporate planning or operational research. Initiative must be combined with acceptance of the need for research to result in management action.

Further details and application form from the Clerk of the County Council, County Hall, Maidstone, Kent, reference D2/OS1/286. Closing date 10 August.

Durham University Business School

Applications are invited for a second post of LECTURER IN INDUSTRIAL RELATIONS from 1 October, 1972 or as soon as possible thereafter.

Salary on the scale £1641 to £3999 plus F.S.S.U.

The successful candidate will be expected to participate in the teaching work of the School, which covers post-graduate, undergraduate and in particular post-experience programmes. The Business School has a well-established reputation for in-company highly-participative management courses.

Industrial Relations is a subject in increasing demand at present, and the successful candidate will be expected to help promote this growth.

A good honours degree and relevant industrial or research experience is essential. Teaching experience, while not essential, would be advantageous.

Further particulars from the Registrar and Secretary, Old Shire Hall, Durham, DH1 3HP to whom applications (3 copies), naming three referees, should be sent by 28 July, 1972.

TRANSPORT ECONOMISTS

Colin Buchanan and Partners have vacancies for economists with substantial experience of transport studies, for work in the U.K. and abroad. Numeracy and an understanding of urban transport models are essential attributes.

Those who have already made applications for similar posts will be considered for these vacancies.

Applications, stating qualifications, experience and present salary should be sent to:

Miss J. Sturt,
COLIN BUCHANAN AND PARTNERS,
47 Princes Gate, London, SW7.

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Government statistics provide the basis for decisions and policy-making in every area of national life. As a government statistician your training and skills are given full scope, often in highly professional multi-discipline teams, working on projects of major importance.

HOME OFFICE—Surbiton, Surrey (2 posts)

The Statistical Division provides advice and interpretation on a wide variety of subjects including crime, the penal system, probation and after care, juvenile delinquency, drugs, immigration, and fire statistics. You work closely with policy divisions and research workers.

The second vacancy is also located at Surbiton and is for a Senior Assistant Statistician.

MINISTRY OF DEFENCE (2 posts)

At the Institute of Naval Medicine, Gosport, Hampshire. The Institute conducts an extensive programme of research in such fields as occupational medicine, underwater medicine and pathology. You will provide statistical support for the experimental work undertaken by the

Institute and associated Naval medical establishments. Medical statistics experience will be an advantage. The second vacancy is for work in London on statistics of Service manpower.

Candidates for the Statistician posts should normally be at least 27, whilst those for Senior Assistant Statistician must be 24 or over. An honours degree in statistics, or in another subject involving formal training in statistics, and several years' relevant experience are essential.

Starting salaries: Statistician £3653-£4883 (Inner London), slightly less Gosport and Surbiton; Senior Assistant Statistician £2391-£2899 (Surbiton). Appointments can be either permanent and pensionable or short term (with FSSU). Promotion prospects to posts carrying salaries in excess of £6400 (under review).

Write for full details of these and other current vacancies, and an application form, to the Civil Service Commission, Alencon Link, Basingstoke, Hants, or telephone BASINGSTOKE 29222 ext. 500 or LONDON 01-839 1696 (24-hour "Ansafone" service) quoting reference A/619/S. Closing date 14th August 1972.

APPOINTMENTS

economists, statisticians, operational researchers

up to £3093 plus supplementary London weighting

required in the Strategy Branch of the Planning and Transportation Department. Vacancies exist for numerate Economists, Statisticians & Operational Researchers in:

(1) Studies of the economic structure of London in relation to the region, to forecast levels of economic activity, employment and income, and to help formulate policies for London's economic activities in relation to the Council's employment and welfare objectives.

For a suitably experienced candidate capable of leading a small team working on regional accounting, a salary of up to £3771 plus supplementary London weighting would be offered.

(2) Studies of feasibility and cost effectiveness of various physical, employment, residential and social structures of London and the evaluation of alternative investment strategies for both the public and private sectors, and to help formulate policies for the development of London, and means of financing it.

(3) The development of suites of models of the London and regional economy, and of the physical development of London, and the use of resources and finance to provide the basis of policies for structuring and phasing. In each case there will be opportunities for developing new techniques to deal with the different problems that arise in these fields.

Applicants should be graduates in quantitative economics, statistics or operational research. Starting salary dependent on qualifications and experience.

Application forms returnable by 28th July, from the Joint Director, Department of Planning and Transportation (A/EQ/271), County Hall, SE1 7PB.

GLC GREATER LONDON COUNCIL
Department of Planning and Transportation

For further appointments
see pages 5, 88 to 92

Petroleum Economist

Petroleum economist is required by oil industry consultants based in London for responsible and interesting analytical work. Higher educational qualifications and oil industry experience preferably in supply/refining are desirable. Age probably late 20s. Write to Petroleum Economics Ltd, 1 Argyle Street, London, W1V 2DS.

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experienced in planning, programming, budgeting and/or financial analysis and/or systems analysis and/or administration. Reply to Louis Berger Incorporation, 100 Halstead Street, East Orange, New Jersey 07019, U.S.A.

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Write today for details or advice, stating subjects in which interested. Metropolitan College (Dept. G92), St Albans, or call at 30 Queen Victoria Street, London, EC4. Tel. 01-248 6874. (Founded 1910). Accredited by the Council for the Accreditation of Correspondence Colleges.

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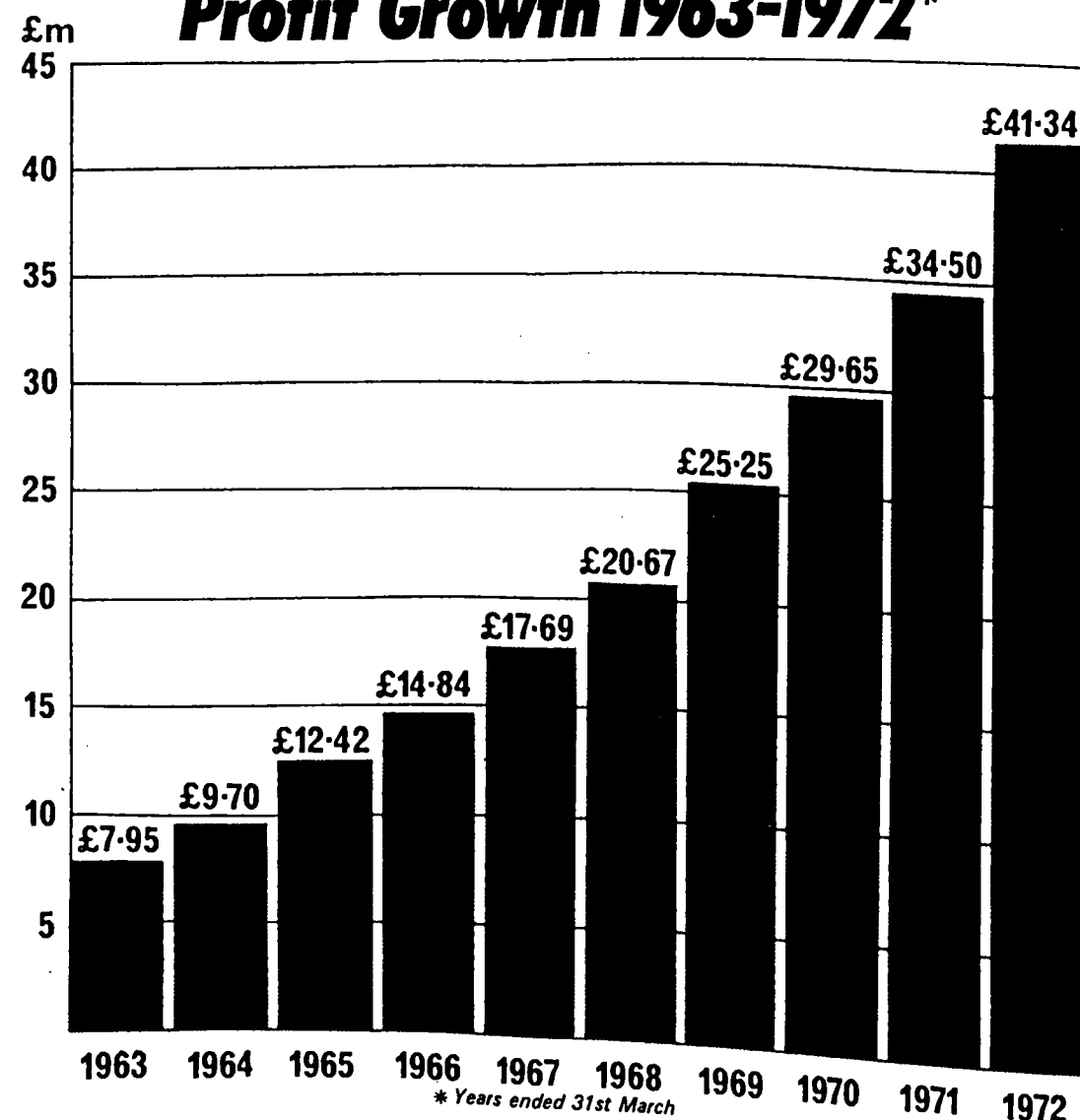
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LONDON CORRESPONDENTS: All Principal Banks NEW YORK: All Principal Banks

1971		1971	
Liabilities, Dec. 31		Assets, Dec. 31:	
Capital	Escudos 300,000,000	Cash & Banks	Escudos 1,908,179,238
Reserves	526,848,636	Investments	2,939,208,702
Circulation	2,882,199,540	Loans & Discounts	13,358,261,547
Deposits & C.	19,488,110,032	Contra A/cs.	13,509,606,909
Contra A/cs.	13,509,606,909	Premises & C.	124,297,233
Profit & Loss	105,870,150	Other Assets	4,973,081,638
Total	36,812,635,267	Total	36,812,635,267

DIVIDENDS: 1966 to 1971, 10 p.c. p.a. SHARES: E. 1.000 MEETINGS: May 27

BRANCHES: Angola 27; PORTUGAL METROPOLITAN 13. See "GEOGRAPHICAL INDEX"

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STOCK PRICES AND YIELDS

Prices, 1972		Price, July 5, 1972		Price, July 12, 1972		Net red. yield, July 12, 1972		Gross red. yield, July 12, 1972		Eurobonds		Last week's prices		This week's prices		Yield to maturity %	
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
98 1/2	97 1/2	98 1/2	97 1/2	97 1/2	97 1/2	3.575	3.565	5.965	5.955	Anglo-American 7 1/2%	1987	94 1/2-5 1/2	95 1/2-6 1/2	7.76			
89 1/2	75 1/2	89 1/2	75 1/2	78 1/2	78 1/2	5.790	7.455	1		Amoco (L) 8%	1987	87-9	88 1/2-9 1/2	8.99			
108 1/2	96	108 1/2	96	99 1/2	99 1/2	5.130	8.530	1		General American Trans. 8 1/2%	1987	99-100	100-1	7.97			
108 1/2	94 1/2	108 1/2	94 1/2	97 1/2	97 1/2	5.390	8.860	1		General Cable 8 1/2%	1987	99 1/2-100 1/2	100 1/2-1 1/2	7.92			
96 1/2	81 1/2	96 1/2	81 1/2	84 1/2	84 1/2	5.525	8.515	1		International Utilities 8 1/2%	1982	98-9	99-100	8.09			
66 1/2	54 1/2	66 1/2	54 1/2	56 1/2	56 1/2	6.075	7.795	1		Kleinwort Benson 8 1/2%	1987	99 1/2-100 1/2	100 1/2-1 1/2	7.92			
111 1/2	71 1/2	111 1/2	71 1/2	75 1/2	75 1/2	5.730	8.800	1		Motorola 8%	1987	99 1/2-100 1/2	100 1/2-1 1/2	7.65			
58	46 1/2	58	46 1/2	48 1/2	48 1/2	5.940	9.305	1		N. American Rockwell 8 1/2%	1987	98 1/2-99 1/2	99 1/2-100 1/2	8.00			
89 1/2	75	89 1/2	75	77 1/2	77 1/2	5.715	9.050	1		Pennwalt 8%	1987	97 1/2-98 1/2	98 1/2-99 1/2	7.90			
73 1/2	61	73 1/2	61	63 1/2	63 1/2	5.690	9.085	1		Queenland Alumina 8 1/2%	1987	99 1/2-100 1/2	100 1/2-1 1/2	8.03			
43 1/2	36 1/2	43 1/2	36 1/2	37 1/2	37 1/2	5.565	9.310	1		Williams and Glynns 8 1/2%	1987	99 1/2-100 1/2	100 1/2-1 1/2	7.94			
30 1/2	26 1/2	30 1/2	26 1/2	26 1/2	26 1/2	5.565	9.280	1		Inter-American Devel. Bank (DM) 6 1/2%	1987	101 1/2-2 1/2	101 1/2-2 1/2	6.49			
										Malaysia (DM) 7%	1987	97 1/2-8 1/2	97 1/2-8 1/2	7.19			
										Slater Walker (L) DM 7 1/2%	1987	100 1/2-1 1/2	101-2	7.03			

Prices, 1972		Price, July 12, 1972		Change on week		Yield July 12		Prices, 1972		Price, July 12, 1972		Change on week		Yield July 12	
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
369 1/2	268	369 1/2	268	+14 1/2	+14 1/2	4.6	4.6	118	89	101 1/2	101 1/2	+3.3	+3.3	74.9	58.7
78	57.8	78	57.8	-1.1	-1.1	4.5	4.5	69	55	96	96	+0.9	+0.9	79.7	60.9
367	257	367	257	+30	+30	2.7	1.94	148	148	166	166	+6.3	+6.3	220.3	145.1
45	37 1/2	45	37 1/2	+2.5	+2.5	2.5	1.65	132.8	132.8	161	161	+2.2	+2.2	62	52
500	370	500	370	+3.4	+3.4	3.4	1.67	106	106	143	143	+2.3	+2.3	104.8	65.2
1131 1/2	886	1131 1/2	886	+4.1	+4.1	3.3	2.12	153	153	210	210	+5.3	+5.3	85.8	68
116 1/2	84	116 1/2	84	+1.5	+1.5	2.1	1.14	88	88	101 1/2	101 1/2	+3.2	+3.2	34 1/2	28 1/2
465	298	465	298	+15	+15	2.1	1.47	420	420	453	453	+2.2	+2.2	117.1	85.9
740	525	740	525	+2.8	+2.8	2.44	1.84	184	184	192	192	+6.3	+6.3	52.2	40
2680	2310	2680	2310	+25	+25	5.0	3.43	238 1/2	238 1/2	319	319	+2.9	+2.9		
279.1	220	279.1	220	+3.4	+3.4	4.9	3.14	234	234	Y 310	Y 310	+9.2	+9.2		
64 1/2	53 1/2	64 1/2	53 1/2	+1 1/4	+1 1/4	5.1	1.9	15 1/2	15 1/2	18 1/2	18 1/2	+4.8	+4.8	185 1/2	132 1/2
480	298	480	298	-2	-2	2.1	1.14	88 1/2	88 1/2	101 1/2	101 1/2	+3.2	+3.2	295	236
15 1/2	11 1/2	15 1/2	11 1/2	+1 1/4	+1 1/4	2.1	1.97	70	70	81	81	+4.1	+4.1	218	169
121 1/2	78	121 1/2	78	+3	+3	4.0	2.72	163	163	243	243	+2.3	+2.3	558	402
60 1/2	52	60 1/2	52	+1 1/4	+1 1/4	3.6	1.14	84 1/2	84 1/2	101 1/2	101 1/2	+3.6	+3.6	193	162
59 1/2	49 1/2	59 1/2	49 1/2	+5.7	+5.7									75 1/2	52 1/2
257	225.2	257	225.2	+11.8	+11.8	3.6								403	260
182	148 1/2	182	148 1/2	+4.8	+4.8	3.6								232	163
450	370	450	370	+4.8	+4.8	5.1	3.46	273	273	278	278	+3.4	+3.4	290	181
4440	3695	4440	3695	+70	+70	2.0	2.46	177	177	177 1/2	177 1/2	+5.4	+5.4	295	257
350	310	350	310	+10	+10	2.8	2.0	12 1/2	12 1/2	12 1/2	12 1/2	+2.0	+2.0	70 1/2	46 1/2
289	255	289	255	+12.8	+12.8	3.1	3.64	252	252	325	325	+3.1	+3.1	135	163 1/2
62 1/2	43 1/2	62 1/2	43 1/2	+1	+1	2.3	2.65	195	195	253.6	253.6	+1.7	+1.7	33	26 1/2
435	355	435	355	+0.9	+0.9	2.88	1.55	2100	2100	2565	2565	+3.5	+3.5	145	106
490	335	490	335	+5	+5	2.1	1.43	105	105	138 1/2	138 1/2	+1.9	+1.9	160	127 1/2
208	142	208	142	+6	+6	2.6	2.4900	19050	19050	L 24500	L 24500	+100	+100	41 1/2	16
1 1/2	1 1/2	1 1/2	1 1/2	+1 1/4	+1 1/4	1.7	1.91	149 1/2	149 1/2	172 1/2	172 1/2	+4.1	+4.1	402	331 1/2
21 1/2	13 1/2	21 1/2	13 1/2	+1 1/4	+1 1/4	1.7	1.21	76 1/2	76 1/2	101	101	+7.3	+7.3	155	94
209	130	209	130	+2.2	+2.2	2.2	1.21	76 1/2	76 1/2	101	101	+7.3	+7.3	91	76
7100	5830	7100	5830	+40	+40	2.9	2.32	158	158	192	192	+12	+12	769	507
395	330	395	330	+11	+11	2.6	1.70	124	124	140	140	+5.2	+5.2	507	347
2370	1840	2370	1840	+70	+70	3.4	1.82	136	136	145	145	+5.2	+5.2	855	537
457	320	457	320	+7	+7	2.4	1.74	137	137	178	178	+1.3	+1.3	162	133
850	601	850	601	+1	+1	2.0	3.10	250	250	280	280	+2.0	+2.0	45	33 1/2
36 1/2	30	36 1/2	30	+1	+1	4.4	3.60	275	275	234	234	+1.1	+1.1	129	104
82350	62670	82350	62670	+1160	+1160	1.4	2.75	212	212					122	73
293	206	293	206	-2	-2	3.5								284 1/2	204.3
256	176	256	176	-6	-6	1.8								5420	3240
530 1/2	348	530 1/2	348	+30	+30	2.2								43 1/2	29 1/2
435	202	435	202	-17	-17	1.2	1.73	143	143	157 1/2	157 1/2	+3.3	+3.3	174 1/2	117 1/2
327	205	327	205	-2	-2	1.8	57 1/2	45 1/2	45 1/2	54 1/2	54 1/2	+1.3	+1.3	166 1/2	95 1/2
96 1/2	71 1/2	96 1/2	71 1/2	+2.9	+2.9	2.8	37 1/2	20 1/2	20 1/2	257	257	+1.3	+1.3	55	48
146	89	146	89	+2	+2	3.1	280	202 1/2	202 1/2	257	257	+1.3	+1.3	85	68
4.30	2.80	4.30	2.80	+0.02	+0.02	2.3	275	200	200	220	220	+1.6	+1.6	68 1/2	41 1/2
250	176	250	176	+2	+2	2.2	714	600	600	692 1/2	692 1/2	+1.9	+1.9	54	43
472	300 1/2	472	300 1/2	+11	+11	1.9	246	167	167	241	241	+3	+3		
144	120	144	120	-2	-2	6.8									
17	13 1/2	17	13 1/2	+1	+1	2.3									
915	608	915	608	+20	+20	1.2									
412	324	412	324	+1	+1	3.1									
3135	2910	3135	2910	+20	+20	4.8									
2800	2640	2800	2640	+15	+15	4.9									
530	328	530	328	+22	+22	2.6									
384	280	384	280	+13.2	+13.2	5.2									
650	362	650	362	+2	+2	0.9									
4440	3670	4440	3670	+40	+40	2.1									
4605	3885	4605	3885	+50	+50	2.3									
637	435	637	435	+35	+35	5.1									
297	214	297	214	-9	-9	2.8									

Insurance		Price, July 12, 1972		Change on week		Yield July 12		Prices, 1972		Price, July 12, 1972		Change on week		Yield July 12	
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
69 1/2	57 1/2	69 1/2	57 1/2	-1 1/4	-1 1/4	2.8	2.8	77.1	62.8	101 1/2	101 1/2	+3.3	+3.3	237	178
520	388	520	388	+20	+20	1.2	1.050	870	870	L 550	L 550	+33	+33	245	214
260	223	260	223	+8	+8	3.3	1090	875	875	1065	1065	+2.5	+2.5	45	25
618	496	618	496	+20	+20	2.8	156	136	136	160.4	160.4	+4.7	+4.7	94 1/2	67 1/2
234	164	234	164	+3	+3	3.2	195	134	134	160.4	160.4	+4.7	+4.7	187	129
59190	48350	59190	48350	+470	+470	0.8	230	198	198	2840	2840	+110	+110	1460	1150
312	242	312	242	+6	+6	3.3	50 1/2	41 1/2	41 1/2	190.4	190.4	+2.4	+2.4	100 1/2	69 1/2
210	163	210	163	+7	+7	2.8	30 1/2	25	25	212	212	+1	+1	100 1/2	49 1/2
90	65.8	90	65.8	+2	+2	1.0	141	131	131	212	212	+1	+1	236 1/2	167
310	250	310	250	+14	+14	2.7	176.9	146	146	212	212	+1	+1	60	36
224	171	224	171	+16	+16	3.0	101	80	80	212	212	+1	+1	166 1/2	109
452	394	452	394	+18	+18	3.5	56 1/2	46	46	212	212	+1	+1	182	148 1/2
640	502	640	502												

Prices, 1972		Ordinary stocks	Price, July 12, 1972	Change on week	Yield July 12
High	Low				
500	412	Tube Investments	418p	4	4.5
281	222	US Industries	\$22½	2	2.8
121	82	Vickers	91½p	1	4.4
142	93	Weir Group	125p	1	4.4
123	103½	Thos W Ward	110p	3	4.0

Food, pharmaceuticals					
88½	69½	Assoc British Foods	78½p*	2½	2.5
83	68	Assoc Fisheries	68p	½	5.5
126	94	Avon Products	\$112½	1	1.2
340	281	Beecham Group	318p	1	2.0
213.7	179.1	Beghin	Fr 205	2	5.1
108	73	Brooke Bond 'B'	84½p	2½	3.2
132	87½	Cadbury Schweppes	108½p	3½	3.7
334	187	Cavenham	320p	1	1.2
77½	57½	Colgate-Palmolive	\$77½	1½	1.9
5.86	4.80	Col Sugar Ref	\$45.34	-0.04	
162	115½	Fitch Lovell	126p	2	2.4
36½	24½	General Foods	\$25½	½	5.4
51½	38½	General Mills	\$51½	1½	1.9
528	437	Glaxo	502p	8	2.0
47½	40½	Heinz	\$41½	1	2.5
220000	176500	Hoffman La Roche	Fr 201,000	+5,000	0.5
47½	41	Kraftco	\$42½	1½	4.0
228½	1605	L'Oréal	Fr 2200	-10	1.1
309½	2595	Motta	L 2670	+10	
4150	3000	Nestlé	Fr 5 3870	+330	1.8
47½	36½	Pfizer	\$45	+1½	1.3
100	76½	Procter Gamble	\$95½	1	1.6
251	155	Ranks-Movis	179p	4	4.5
373	270	Reckitt & Colman	354p	1	2.7
3950	3425	Sandoz	Fr 5 3675	+205	1.8
91	60½	Spillers	70p	-1	4.5
38½	30½	Swift	\$32	1½	2.2
209	171	Tate & Lyle	176p	3	2.5
185	138½	Unigate	167p	3	2.5
406	319	Unilever	338p	3	3.3
143.6	79.4	Unilever NV	Fr 127.7	-0.2	4.8
124	81	United Biscuits	120p	-12	2.2

Motors, aerospace					
56	36½	BLMC	39½p	...	5.1
26½	19	Boeing	\$122½	+½	1.8
61	46½	Caterpillar Tract	\$60½	-½	2.3
36	28	Chrysler	\$29½	-1½	2.0
104	79.1	Citroen	Fr 90½	-3.2	...
460	323	Daimler-Benz	DM 460	+27	1.8
199	132	Dunlop	133p	-5	6.1
2440	2068	Fire	L 2331	+11	5.1
27	21½	Firestone Tire	FD	...	3.7
76½	63½	Ford	\$62½	-1½	4.2
32	22½	General Dynamics	\$25½	-1	...
84½	74½	General Motors	\$74½	...	4.5
33½	27½	Goodyear	\$27½	-½	3.0
379	254	Honda	Y 366	+3	2.5
252	155	Komatsu	Y 252	+32	3.4
15½	10	Lockheed	\$10½	-½	...
438½	358	Lucas	369p	+6	2.7
15½	11½	Massey Ferguson	\$C 14½	...	1.1
45½	34½	McDonnell Douglas	\$36½	-1½	...
1568	1229	Michelin 'B'	Fr 1498	+36	1.3
300	246	Nissan Motor	Y 447	+12	1.8
36½	30½	N Am Rockwell	\$31½	-½	4.4
412	242	Peugeot	Fr 398	-9	2.6
1870	1540	Pirelli-Spa	L 1665	-3	3.0
231	164	Smiths Indus	188p	+16	3.3
235	186	Seyr-Daimler-Puch	Y 228	+1	4.5
650	405	Toyota Motor	Y 551	-4	1.5
42½	28½	United Aircraft	\$35½	...	5.1
163.8	133½	Volkswagen	DM 140½	+3½	3.2
273	226	Volvo	Kr 239	-5	1.7
73½	57	Westland	62½p	-1	4.8
120	92	Wilmot-Breeden	99p	-2	3.5

Office equipment, photographic					
243	180	Canon	Y 198	+4	3.8
132	93½	Eastman Kodak	\$132	-2½	1.0
427	358	Fuji Photo	Y368	-4	2.0
1750	1565	Gevaert Agfa	Fr B 1615	+25	3.7
183	150	Gestetner 'A'	177p	...	1.7
382	333	Nippon Optical	Y 325	-5	2.3
2065	1439	Olivetti	L 1865	+14	3.8
270	228	Oxalid	265p	+7	2.4
147½	86½	Polaroid	\$127	-4½	0.3
1112½	825	Rank 'A'	1025p	+25	1.3
153½	120½	Xerox	\$149	-2½	0.5

Paper, publishing					
127½	99	Borregaard	Kr121	+1	...
197	151	Bowater Paper	188p	-1	3.2
124	100	Bunzl Pulp	103p	-1	4.4
34½	27½	Crown Zellerbach	\$27½	+5	4.3
179	149	DRG	166p	+5	4.3
28	23½	MacMillan Bloedel	\$C 25½	+½	...
20½	15½	McGraw Hill	\$16½	-½	3.7
315	207	News International	280p	-2	3.4
244	174	Pearson Longman	202p	+7	2.7
332	274	Reed Int	322p	+5	3.9
157	78	Thomson Org	149p	+9	4.7

Property					
35	96	Capital & Counties	110½p	+1	2.4
15	530	Hammersons 'A'	535p	-5	1.2
30	181	Land Securities	209½p	+9	2.3
47	225	LMS	128p	-3½	1.8
74	176	MEPC	240p	+7	2.2
101	176	St Martins	187p	-12	1.7
128	293	SG Immobiliare	L360½	-11	2.8
154	259	Scar (Gt Britain)	328p	+9	2.7
181	655	Stock Conversion	700p	+40	0.4
208	150½	Trafalgar House	184p	....	2.2

Prices, 1972		Ordinary stocks	Price, July 12 1972	Change on week	Yield July 12
High	Low				
49½	31½	Transportation			
298	229	American Airlines	\$31½	-4½	...
16½	14½	Brit & Comm	248p	4	3-4
382	315	Canadian Pacific	\$C15½	...	...
		Furness Withy	343p	7	4-4

1200	1580	Japan Air Lines	Y 2100	5.0	2.0
131½	110	KLM	Fl 107½	+0.3	...
79	63.7	Lufthansa	DM 74.9	-1.9	3.3
173	136	Ocean Steam Ship	153½p	+1.2	4.8
17½	13½	Pan American	\$ 115	+1.5	...
276	186	P & O Defco	239p	+1	5.0
740	575	Swissair (Bearer)	Fr S 640	+20	4.7
58½	39½	TWA	\$46¼	-7	...
54	34½	UAL	\$34½	5½	...
Stores					
293	216	Boots	258p	5	2.1
350	260	Brit Home	335p	-10	2.5
305	225	Burton Group	260p	20	2.3
350	234	Debenhams	306p	-12	3.7
187	119.8	Galleries Lafayette	Fr 161.1	-0.9	...
390	341	Galerias Precios	Y 363	7	3.2
343	255	Grattan Ware	294p	2	2.5
22	16	Great Atlantic	\$16½	1	7.9
340	259	GUS 'A'	287p	5	2.4
308	223	House of Fraser	296p	+5	3.0
2100	1460	Innovation	Fr B 1830	-50	4.9
123	82.3	KBB	Fr 119	-3.2	3.0
494	330	Karstadt	DM 494	-17½	2.0
358	243	Kaufhof	DM 358	+17½	2.8
622	484	La Redoute	Fr 566	1	2.4
278½	227	La Rinascente	L 273	5½	1.8
31½	22½	Marcor	\$22½	-1½	3.6
308	272	Marks & Spencer	286p	4	2.7
500	410	Mitsukoshi	Y 488	6	1.8
2.75	1.70	Myer Emporium	\$A2.38	-0.13	...
146	107	Neckermann	DM 143	+6	2.0
172	114	Nouvelles Gals	Fr 148.1	-3.7	...
80½	67½	JC Penney	\$77½	1	1.2
191.8	130.7	Printemps	Fr 190½	-1	...
384	281	Provid Clothing	322p	1	2.7
193½	129½	Sears 'A'	153p	-5	3.3
117½	97½	Sears Roebuck	\$107½	3½	1.4
553	428½	WH Smith 'A'	528p	+23	1.9
87	73	Tesco Stores	78p	1½	2.2
177	138½	United Drapery	159p	+6	3.6
47½	33½	Woolworth	\$33½	-3½	3.3

Textiles					
40	30½	Burlington	\$34½	...	4.0
186	132	Carpet International	164p	+6	4.1
80	68	Coats Patons	74½p	...	4.7
165	129½	Courtaulds	163p	+3	4.2
116½	80	Dollfus-Mieg	Fr 102.4	+0.9	5.1
63½	48½	English Calico	54½p	...	4.6
1813	1150	Snia Viscosa	L 1380	+130	...
31½	23	Stevens, JP	\$27½	...	5.5
118	71	Teljin	Y 118	+1	5.1
136	95	Toray Ind	Y 130	+2	6.5
71	43	Woolcombers	60p	...	...

Tobacco					
366	286	Brit Amer Tobacco	328p	-4	3.8
219	172	Gallaher	180p	-2	5.8
123	94½	Imperial Tobacco	111½p	-1½	4.8
76½	58½	RJ Reynolds	\$75½	1½	3.1
Utilities					
47½	41½	AT & T	\$41½	-½	6.2
1050	790	Chubu	Y 1058	+78	4.8
990	780	Chugoku	Y 990	+45	5.1
27½	24½	Cons Edison	\$25½	+½	7.2
2875	2600	EBES	Fr B 2760	+35	5.7
2415	1995	Intercom	Fr B 2225	+35	5.6
995	780	Kansai Electric	Y 995	+60	5.0
191	161½	RWE	DM 166.8	+5.3	4.8
1000	795	Tokyo Electric	Y 1000	+55	5.0
116	89	Tokyo Gas	Y 116	+7	5.2

Investment trusts					
279	225	Alliance Trust	226p	-3	2.7
60½	49	Atlas Electric	53p	+2	2.6
180	137	BET Deferred	145p		3.8
98½	83	British Assets	85p	-1	1.8
180	149	Cable Trust	158p	+6	2.6
192	157	Foreign & Col	170p	+3	1.7
189	148	Globe Investment	154p	+2	2.7
58½	44½	Industrial & Gen	47½p	+1	3.2
71	56½	Mercantile Inv	59p	-1	3.6
263	225½	Robeco	Fr 257½	-2½	4.6
202.3	167	Rolingo	Fr 196½	+1½	1.5
122	100½	Witan Investment	110p	+4	1.8

Multi-product, miscellaneous				
413	337	Air Liquide	Fr 366	-1 3.9
1475	1009	BSN	Fr 1382	-35 2.3
203	142	Bookers	180p	+2 3.6
230	171	British Match	206p	+3 4.6
75½	62½	British Oxygen	67½p	+1 4.5
132	111	British Ropes	123p	+1 3.7
77	51½	Cope Allman	55p	-3½ 5.1
251	161½	Dalgely	231p	-4 3.6
244	188	De La Rue	234p	-2 4.8
30	21½	Engelhard Minerals	\$29	+½ 1.4
44½	28	Gulf & Western	\$34½	-2½ 1.8
100½	67½	Halliburton	\$96	-3 1.1
482	388	Hays Wharf	427p	+8 1.7
64½	51½	Hudson's Bay	\$50p	+4.5 2.5
58	404	IT & T	\$52½	+2 2.1
23	345	Inchcape	\$78p	+2 2.5
4½	9½	C Itoh	Y 382	+2 1.2
13½	13½	Ling-Temco-Vought	\$12½	-7 2.6
9½	13½	Liton Industries	\$13½	-1½
64½	64½	Minnesota Mining	\$79	-1½ 1.2

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Reggie Agonistes

Mr Maudling has wrestled long against his fate and his luck, but his resignation from the cabinet came chiefly from disgust at the treatment he and his family have had from a hypocritical press. The reform that is really needed is in the attitude of those who, wittingly or otherwise, have dragged him down, page 13.



He's happy

Mr Nixon is doing so well with Russia and China that their unending quarrel with each other underlines the coup he has brought off, page 17. And Senator McGovern, try as he will to bring the Democratic party together, hasn't done that either, page 45.

Advise me no more

President Sadat's ejection of his Russian advisers knocks the second big hole in Soviet influence in the Middle East, page 15. Maybe the Israelis can concentrate on their internal arguments now, page 37.

In the toils

The CBI has gone through the motions of prolonging the price freeze for three months and the TUC through the motions of talking about talks on incomes, page 73. Unemployment and wage rates are both going up, and the lorry drivers are determined to close down the docks, page 74.



In the firing line

Sensibly, Mr Whitelaw is still trying to cool things in Ulster, but the Protestants have tied his hands more securely than before in dealings with the IRA. The confrontation at Lenadoon illustrates his dilemma, page 21.



BEA-BOAC

The effective merger of the two British air corporations could make them as big, efficient—and rich—as the American giants, but not if they continue to employ three times as many men, page 67.

Lee did it

With a little bit of luck Lee Trevino won the British Open again; and that was that for the Nicklaus bid to pull off the grand slam, page 28.

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Stock Prices and Yields

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Letters

ICL

SIR—In your feature "Buying time for ICL" (July 8th) it was interesting to note your consistent recommendation (February 27, 1971, October 2, 1971) that ICL should acquire American software operations. The feature makes the important point that perhaps ICL has missed opportunities of acquiring a large customer base there by not snapping up the GE or RCA computer operations when they were for sale.

I would like to make two points. The first relates to opportunities in world markets. In Europe, which you write off to IBM, ICL has its greatest chance. IBM's dominant position is probably permanent but a swing of 10-20 per cent of the installations is not impossible. Thus ICL's real challenge is not its hardware or software product (although this must be excellent); it is rather its marketing success. This is surely Mr Hudson's prime challenge, and a serious, co-ordinated, planned and sustained marketing attack on the European market for the next five years must yield sales and profits. You then ignore the market where ICL has done well—eastern Europe. The potential of this economic grouping (and sales to China should not be ignored) can be enormous. Mr Ellis's letter in the same issue emphasises the point.

Further, it seems that an approach by Univac for a minority interest in ICL is acceptable but you do not mention this technique being used by ICL in Japan. Why should it not participate in a Japanese company with great success and with exciting opportunities for exchange of technical knowledge in manufacturing techniques, automation, marketing and software development?

These opportunities exist and there are two main resources required as a basis for success. The first is a large-scale, purposeful and long-term commitment from the British Government both in terms of orders and cash. The second is that ICL will have to take a much more aggressive attitude to its engineering and maintenance service back-up in all the countries where its machines are sold.

My second point is this: acquiring an American software house does not offer ICL a customer base, or necessarily improved management, or improved software. The American software house purchased by a British company will want to be strongly managed and directed, have access to large-scale funds for development and marketing and will not want to be held back by the European pace. A tail-wagging-dog situation is the last thing ICL needs.

It is, I believe, fair to let Messrs Hudson,

Cross and company get on with the job which they have only just commenced. It is also essential that we face this computer problem fully and not in a series of half steps which allows no clarification of our policy or commitments.—Yours faithfully,
ALAN BENJAMIN

Harrow-on-the-Hill, Middlesex

Air traffic control

SIR—I have been following with interest your articles on air traffic control, and the response to date. There are one or two points that need making which, I hope, will clarify the situation for your lay readers.

1. The FAA's air traffic control system in the United States comprises two main parts. This is the national airspace system of en-route air traffic control, using some 20 IBM 9020D systems, together with the automated terminal approach, based on Univac computers, at the 60 or so largest commercial airfields. This represents a massive investment in computer power—some 80-odd computer systems at my reckoning.

2. The IBM 9020D is a complex of commercial computers, with four IBM 360/65 computers as the main computing element, and three 360/50 computers to handle the input/output of the vast streams of data that require to be processed. However, the main problem with a multi-computer system such as the 9020D is that, owing to problems inherent in the "scheduler" programme that makes all these machines work as one, you get a progressive falling off in the useful capacity that is available for the real work of air traffic control. Thus, you have 90-95 per cent of the first 360/65 available to you, 70-75 per cent of the second, and some 40-50 or 60 per cent of the third 360/65. (The fourth is there on standby, not for regular use.) Adding these figures together, and taking the more conservative of these capacity estimates, we can see that, in fact, the main computer element of the 9020D is as powerful as two 360/65s working together.

From this it would seem that your articles have indeed been correct and the CAA wrong, in commenting on the merits of the 9020D versus the newer 370/155s chosen for Eurocontrol. Perhaps you or the CAA's spokesman might have mentioned that the Eurocontrol consortium originally proposed 360/50s—it was only after some 18 months of systems and programming effort that the Eurocontrol realised that they were facing machine capacity limitations, and ordered the newer IBM 370s.

This contrasts very strongly with our United Kingdom experience. The Marconi Myriad computers chosen are undoubtedly excellent machines, and have provided yeoman service in the process control applications for which they were designed. However, it would seem that they were not the ideal choice for a task as vast

as that of air traffic control. What is very apparent from the letter in your columns from the Marconi spokesman (May 27th) is that Marconi had no idea, when they bid for the contract, of the size and scope of the job that they had undertaken. Nowhere in the letter from Marconi is there acknowledgement of this machine capacity problem that has held back the effective computerisation of Britain's ATC system over the past five years.

3. Software. The CAA spokesman claims (Letters, July 8th) we shall benefit from FAA software. I understand that the FAA are providing us, free of charge, with the "scheduler" programme which makes the 9020D work—a programme which would be redundant if we went for the British-built 370s. As for flight plan processing, all countries have marginally different requirements, and I would imagine some tailoring to be necessary before we have a working British FPP system. It would be most interesting to know just what other benefits we hope to achieve—bearing in mind that the NAS en-route system normally feeds data into the Automated Terminal Approach systems on the Univac computers, so that at best we are only getting a portion of the FAA system for our solitary 9020D.

4. The Staran IV. Your article drew our attention (May 20th) to a little known development that has been sponsored by the USAF and Goodyear Aerospace. This is an associative processor, capable of performing in one machine-cycle a series of tasks in parallel. It would seem to be the ideal tool for certain limited kinds of tasks, such as conflict prediction. It is not the sort of computer one would buy for handling payroll—or a routine data-processing application such as flight plan processing, a process which in any case is only concerned with where planes should be, rather than tracking them where they are and performing, automatically, a collision avoidance warning to air traffic control staff.

The FAA has recently conducted an experiment with a prototype Staran computer borrowed from the USAF. This was linked to the automated terminal approach Univac computer at Knoxville, and provided an impressive demonstration of the capabilities of such a "hybrid" system.

It is therefore highly misleading of the CAA spokesman to write concerning Staran that it has not been programmed for FPP, and is too small a machine to perform flight data processing in the United Kingdom. The point about Staran, surely, is that the breakthrough in computer power that it represents makes the traditional FPP approach look obsolete. Surely it is better to track planes where they are in the sky, rather than using a lot of computer power to tell you where planes should be?—Yours faithfully,
Bletchley, Bucks PETER R. WEBB

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For further management appointments see page 7

Insurance supervision

SIR—I wonder whether it is possible to write such a panegyric as Herr Börner has done (Letters, July 8th) with respect to the German method of insurance supervision without either ignoring or forgetting essential facts. It is simply not true that, during the past 20 years, no traffic victims were left without the compensation due to them; on the contrary, there have been at least two companies which had been licensed to do motor-car business in Germany and which broke down, ie, the (Dutch) Brandaris and the American Military International Insurance Association. Still more to the point (although it is doubtful whether somebody not belonging to the inner circle can be aware of it) a few years ago German insurance escaped only by the skin of its teeth: a case which owing to its size would have been comparable with that of the V and G in Britain. Further, Herr Börner has omitted to mention that in 1970 German motor-car insurance produced a total loss of DM1 billion, since the supervisory office refused its (legally necessary) approval of an increase of premiums which the companies had demanded and which would have sufficed to counteract the influence of inflation—in other words, the supervisory office tried not to (or was not allowed to) disturb Herr Schiller's anti-inflationary policy.

In fact, there is little to choose between the British and the German systems. In both of them arbitrary actions of individuals can lead to the gravest consequences—the difference being only who these individuals are. In Britain they are the managers, in Germany the supervisory office and/or the minister of economics. On balance, I think the British system is preferable in so far as it saves the companies a lot of nuisance, the German system involving the approval of the supervisory

office to a lot of things. A good solution of the problem can, in my opinion, only be found if some institution is created which makes it impossible for incompetent people to manage motor-car insurance companies, comparable with what the Institute and the Faculty of Actuaries are doing for life assurance—Yours faithfully,
Dusseldorf WOLFGANG SACHS

Value-added tax

SIR—I am glad that you are in favour of floating exchange rates, but sorry you do not come out strongly in opposition to Vat. It will be expensive to collect, and it is very complicated and hard to understand, which will lead to many anomalies, mistakes and down-right frauds which will be hard to detect. Also the tax is based on a rather absurd fallacy which, incidentally, was believed by Karl Marx. It is that the consumer, bless his heart, can be made to pay more simply by putting prices up. The fallacy becomes clear if you imagine a consumer with, shall we say, £2,000 to spend and you put a tax of 50 per cent on everything. Then he will have to pay £3,000 for what he buys. He won't. He will simply buy less.

This is of course true of all taxation, which is why it should be cheap and simple to collect and administer, which Vat is not. Why not a flat rate of purchase tax, the cost of which will work its way through the chain of manufacture and distribution by economic forces rather than by government interference? This should appeal to a Conservative government and therefore it seems to me possible that if you were to take the matter up you might succeed and add much prestige to *The Economist*.—Yours faithfully,
Angmering, Sussex C. WILLIAMSON-JONES

Martyrs or militants

SIR—Mr Cadbury suggests (Letters, July 8th) that the men opposing the use of containers should be compared with the Luddites. He may be more accurate than he realises.

Nearly all judgments on the actions of the Luddites are guesswork, if only because they left hardly any written testimony on their reasons for acting as they did.

My guess is that the spectacle of big machines taking the place of human labour without being subject to any serious social control for agreed social ends, and which manifested solely the itch of their owners for profit, represented a total threat to people's social structure and the unleashing of giant forces which would be beyond the power of any social structure to control at all.

More than a century and a half later we have lived through two fatuous, wasteful, destructive and utterly needless world wars and, prominent among several dangers that now threaten man's entire social existence, we are confronted with a blank wall of thermonuclear destruction. Who

then will say the Luddites were wrong?—Yours faithfully,
Lusaka, Zambia JOHN PAPWORTH

Pakistan

SIR—Your special correspondent claims (July 15th) that during the national assembly debate on the Simla agreement, Mian Mumtaz Daultana "insisted that there is no reason for Pakistan to make any concessions to India," thereby giving the impression that he did not support the agreement.

Mian Mumtaz Daultana had said that he did not subscribe to the view that Pakistan had ever entertained any hostile designs against India for the past 25 years since independence. He maintained that Pakistan never desired to occupy a single inch of Indian territory. It was in this context that the question of Pakistan making any concessions to India did not arise.

Mian Mumtaz Daultana stressed that the Simla negotiations were correctly handled, and President Bhutto, who did so, should be assured of "our support."—Yours faithfully,
ABDUL QAYYUM
Press Counsellor,
London, SW1 Embassy of Pakistan

Flight from money

SIR—The centre of your July 1st edition contained a "Barclays Bank Briefing," with a map of the United Kingdom, and a graph chronicling the rise in prices of houses and land from 1966 to 1971's end. The graph conveys the impression that land prices, house prices and building costs are, respectively, about 205 per cent, 160 per cent and 140 per cent of 1966 levels. The daily financial press suggests that a further 17 per cent or 22 per cent has been added to house prices in the first half of 1972.

The same dailies speak of a record sale of this or that objet d'art at Sotheby's. At what point may we expect a piece in *The Economist* entitled "The flight from money," for it surely wouldn't take much more to justify such description? We may be not far behind over here.—Yours faithfully, A. HAROLD CAMERON
Dobbs Ferry, N.Y.

McGovern

SIR—From recent editions it strikes me that the pro-McGovern bias of your American Survey writers has gotten completely out of hand.

Perhaps some much needed perspective might be restored if they were required to answer the following question:

Exactly how would the election of an American Allende help America, Britain, or what pitifully little remains of western civilisation?—Yours faithfully,

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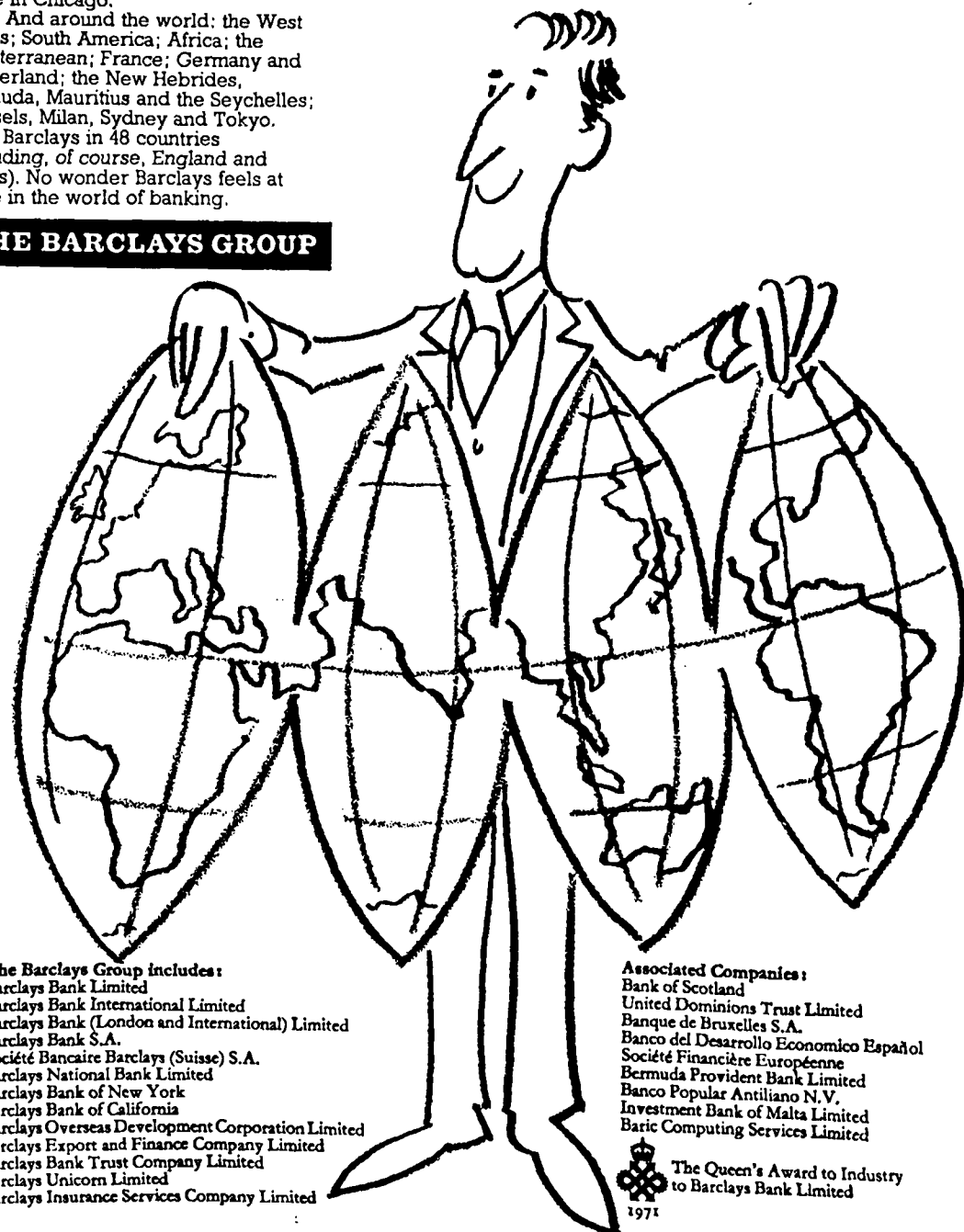
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who have been passing judgment on Mr Maudling so freely know that Mr Hoffman and Mr Poulson were dicey propositions when he began his associations with them? And if they were so sure of their business nous then why did they not tell him so?

The simple fact is that Mr Maudling was not so much careless as unlucky. It may well be true that he was anxious to build up a capital fund in a hurry. *The Economist* does not know and does not wish to know about Mr Maudling's private affairs; indeed, we believed it was a humiliation for Mr Wilson when he felt obliged to reveal the details of his personal finances after he was criticised for selling his memoirs for what was said to be a large sum. But Mr Wilson's revelations did emphasise the serious financial burdens which are placed on ministers. Mr Wilson was worse off after just under six years of office than when he was in opposition; some of his colleagues also ran up very considerable overdrafts during the same period. When the Conservatives lost the 1964 general election Mr Maudling had been in government for an uninterrupted 12 years. Many Tories of his class and generation with young families to bring up found it difficult to make ends meet during that period; some were lost to government as a result. How badly others suffered was brought home when the will of the late Iain Macleod was published. Would the critics of Mr Maudling and other former ministers who felt obliged to go out to try to earn some money in a hurry after that length of ill-paid public service really prefer other traditions of making ends meet in politics?

The glare of publicity

There was one sentence in Mr Maudling's resignation letter which was particularly significant:

I think I can reasonably claim a respite from the burdens of responsibility and from the glare of publicity which, inevitably, surrounds a minister and, inexcusably, engulfs the private lives even of his family.

It must be hoped that his use of the word respite was carefully chosen, and that he has only opted for a temporary intermission. But it seems to have been difficult for some newspapers to draw attention to that phrase about the publicity which engulfs the private lives of a public man's family. Mr Maudling's daughter, in particular, has had her personal problems, and her parents have affectionately stood by her. But she would never have attracted the attention of the smallest home town newspaper if her name had not been Maudling, and her distress must have been compounded by the knowledge that the newspapers were only using her gratuitously to wound her father. Nothing has been more sickening than what has been written so soulfully about the Maudlings this week in newspapers which have consistently given prominence to such gossip stories. The editors of these newspapers, some with very large circulations, may now sincerely regard it as a personal and political tragedy that Mr Maudling has left the Government. They owe it to him to consider how much they have contributed to his resignation.

It is a tribute to the general integrity of British public life that it only takes a whiff of smoke of a 'miserable

little scandal to touch off a blazing fire of concern about the possibilities of corruption among MPs. Such outbursts are often nonsenses, but they can actually do more damage than they try to mend. There is a case for a general inquiry into some practices in local government, for it certainly seems undesirable that senior officials of local authorities are allowed to pursue outside business interests. It is not unknown, either, for corruption of one sort or another to exist among elected councillors. But it is absurd to pretend that corruption is widespread or remains undetected for long. And what is true of local government is even more true of Parliament.

Of course, it would be equally absurd to pretend that among the 630 MPs there are not a few very nasty characters indeed. But they are known, very well known, to their colleagues and opponents in Parliament and to the senior officials in Whitehall. The laws of libel keep their names (in that respect only) out of the newspapers, but that does not mean they are not kept very firmly out of any real influence in the functions of government, whatever the political complexion of that government. In their meticulousness in keeping up standards there has been nothing to choose between successive leaders of both major parties. Of course, the cynics say that the reason why the British Parliament is so clean is that backbench MPs do not have enough real power to make them worth bribing. That certainly is one of the reasons, and it very largely accounts for the fact that when an MP offends it is usually the result of his relations with a foreign government, which is likely to have an inflated conception of British MPs' importance and influence. Such MPs do not need to be flushed out: however big they might be made to seem in some countries abroad, they are of little consequence at home.

It is certainly unfortunate that many MPs, who could actually do useful work for industry and the City when in opposition, are too often forced to lend their names, if not always a good deal of their time, to public relations firms and consultants who find it useful to have on their payroll a man who can throw cocktail or dinner parties in the Palace of Westminster. Such activities are more demeaning than corrupting. The City and major industrial firms could help to make them less necessary.

From inspection to intrusion

The idea that all MPs should have their business interests open to public inspection has its attractions, but it is rather irrelevant. If such a register were really necessary, which it is not, it could only be plausible if it covered the whole financial means not only of every MP but of every member of their families as well. Such a register would be an intrusion into the privacy of the vast majority of MPs who have nothing to hide, and no obstacle at all to the tiny majority who have. It must be hoped, therefore, that Mr Wilson will not lend his or his party's authority to the demand that some MPs are now making for just such a register. It may be frustrating for the nosey, but the system of each party sweeping its own little bit of muck under its own carpet

has worked, and is still working, pretty well.

This is not a time for Parliament to give in to the muckrakers in fear that if it does not the country will believe that there is much muck to be raked. Instead, it is a time when responsible men in all parties should display the confidence, which they undoubtedly have, in the integrity of their colleagues on their own and the opposite benches. It has been a bleak week in British politics. A few MPs, and rather more Pharisees in the



Sand on their boots

Those advisers have been thrown out because the Egyptians believe Russia has failed them. It isn't doing that well with other Arabs either

By slinging out all Russia's military advisers, President Anwar Sadat will please those Egyptians from whom his regime had most to fear. Officers in Egypt's armed forces, from the war minister, General Sadek, downwards, have made known their rankling irritation at the visible presence of an army of Soviet supervisors. There has long been hushed speculation that one day this boil of irritation would burst, and that would be the end of Mr Sadat and his men. The most logical explanation of the president's seemingly irresponsible and impulsive action in pulling down the pillars of his military temple is that he believed this moment to be near.

But what does Egypt do next? There are at least two conflicting possibilities. The first is that the Egyptians, freed from Russia's restraining presence on the ground, will attempt some blow against Israel. This has been urged by younger men, publicly by students and, more to the point, privately by junior officers who are fed to the teeth by their long pointless years in the frontline desert. But Egypt's senior officers, although they no doubt have more faith than the Russians do in their men's new fighting capabilities, are no less aware than the Russians of the difficulties imposed by geography and inferior weaponry. If they attack or harass Israel, the Egyptians will not only still be without the offensive weapons, in particular ground-to-ground missiles, that they have fruitlessly been demanding from Russia; they will now also be without direct Russian help in defending Egypt against an Israeli counter-attack.

It would be unwise to assume that this loss of Russian help in defence would be decisive. The number of Russian advisers now sent packing is not known but the figure of 20,000, generally cited in the west, is probably a wildly out-of-date exaggeration (although it could be somewhere near the truth if it includes those Russian military men in Egypt who are not engaged on the anti-Israeli front). It presumes that a huge number of Russians are still controlling and maintaining the Sam ground-to-air missiles; but this is work which over the past two years has been increasingly taken over by Egyptians. Possibly the assumption that Egyptians are incapable of operating or looking after sophisticated weaponry is as misguided as that earlier assumption that

press, have contrived to bring down a fine politician. In doing so they have shocked the country, and some of them may even have shocked themselves. Perhaps that shock was required. If their interest is genuinely in the health of British politics there is no doubt where their duty now lies: it is in giving open encouragement to Reggie Maudling so that, however long it takes to clear up the Poulson mess, he will want to return to his natural place on the Conservative front bench.

they would be incapable of running the Suez canal. Even so, and giving all credit to Egypt's ability to learn, the loss of Russian advisers must make its military prospects worse, not better.

The alternative step—towards peace with Israel—is just as dubious. The obvious balance to an anti-Russian move would be to look again towards the United States. But Mr Sadat's trust in the Americans' determination to push Israel towards some kind of political settlement proved one of the main illusions that brought Egypt to its present dilemma. Last year, when hopes for a peaceful solution were much higher than they are now, Mr Sadat promised to send the Russian missile crews home if Israel embarked on the first stage of its withdrawal from Sinai. Now he has dismissed these crews, plus all other advisers, without any indication from the United States, in the middle of its election campaign, or from Israel, prematurely in the grip of its own coming elections, that he will get anything in return.

True, Dr Gunnar Jarring is due to go to New York early next month to find out whether there are any reasonable grounds to encourage him to restart his UN mediating mission. At present there are none. In theory, President Sadat's putsch could open the way for an Israeli initiative but all signs point to the conclusion that Israel's leaders, deeply enmeshed in domestic issues (see page 37), have no intention whatsoever of complicating their lives by resurrecting the question of possible withdrawal. And, at least until well after its election, America will not urge Israel to do anything it does not want to do.

The turning tide against Russia

Given the limits on any positive action, towards war or peace, Egypt may well be forced to carry on much as before—enduring, because it cannot change, the major frustrations of no war and no peace. But President Sadat's action raises questions that go beyond the immediate effect on Egyptian policy. One of these is the future of the cold war strategic operations that Russia has been pursuing from Egyptian territory. Another, linked to the first, is its effect on what some have seen as the rise, and others have felt already to be the decline, of

Russia's position in the Arab world.

Reports on President Sadat's statement on the expulsions, made on Tuesday to the central committee of the Arab Socialist Union, do not explicitly spell out his intentions about those operations that have a great deal to do with the Russian and American fleets in the Mediterranean and little to do with Egypt. Since he has never acknowledged that the Russians have anything more than facilities in Egypt, he cannot very well talk about the dismantling of a base or the expulsion of its personnel. The Russians, however, are reliably believed to have an exclusive base near Alexandria from which they can service and support their own fleet and survey the American one. It can be argued that such goings-on fall within the military co-operation promised in the 15-year friendship treaty signed by Russia and Egypt in May, 1971. Maybe, but Mr Sadat has made it as clear as he can without saying so that Egypt is no longer content to allow such argument; all military installations and equipment, he declared, are to be Egypt's sole property. It looks as if Russia will have to fly home not only the military advisers and experts attached to the Egyptian forces but also the planes, pilots, service crews and as much of the equipment as possible that it has been employing for its own purposes.

The prize of two treaties, first with Egypt and then, a year later, with Iraq; the hospitality given to Russian warships by Arab ports in the Mediterranean and the Gulf; the new flow of military equipment together with advisers into Syria; the major economic activities in Egypt, Iraq and Syria; the inclusion of a couple of communists in the governments of Egypt, Syria and Iraq (though only in Iraq are they officially members of the communist party); the constant tread of high-powered Arab delegations to Moscow; and, above all, the failure

of America to make Israel give an inch—all this and more has seemed a substantial list of achievements to support the view that Russia has been doing extraordinarily well in making Arab friends and influencing them. And indeed it is if one looks back 10 years or so. But even before Mr Sadat rounded on the country that only a few weeks ago he was defending as Egypt's sole friend there have been a number of signs in the past 18 months to suggest that Russia was following Britain and the United States in finding the Arabs a difficult, independent and ungrateful lot.

How the ebb set in

The most dramatic setback was in Sudan. Between General Numeiry's seizure of power in May, 1969, and the unsuccessful communist-inspired coup to throw him out in July, 1971, the Russians were doing fine. Sudan's revolutionary regime began to switch to Russian arms and to Russian trade and barter; Russian experts and advisers were welcomed; Sudan's large communist party, though operating under difficulties, remained effective and well-organised and President Numeiry himself decked out his speeches with the better-known marxist tags. But after the failure of the coup everything went into reverse. The local communists were crushed, their leaders executed or imprisoned. Several hundred Russian advisers hurriedly left the country (about 50 military experts have since returned) and General Numeiry became almost as fervently anti-Russian as Libya's Colonel Qaddafi.

Other failures have been less clear-cut. In north Africa, Algeria is the one regime that the Russians classify, along with Egypt, Iraq, Syria and South Yemen, as "progressive." Certainly, the Algerian government believes in a mainly centralised economy but, in its relations with Russia, it takes the arms and the aid that

it wants while giving remarkably little in return. There are, for instance, no blanket facilities for Russia's warships in Algerian ports; specific requests for specific ships are responded to politely. And the Algerian government has its eyes firmly focused on the need to develop closer relations with the European Economic Community.

Libya is the most obvious example of the fact that a pro-western regime can be violently overthrown without its successor being pro-communist. Whatever has been going on between President Qaddafi and his deputy, and now prime minister, Major Jalloud, during the past two mysterious weeks, the result is unlikely to alter Libya's position significantly. Major Jalloud's pragmatism may, in future, make more headway against Colonel Qaddafi's eccentricity but again Russia will be used only when needed.

Syria tends to be listed as a Russian success but it is significant that Syria's Baathist government has steadily rejected Russian persuasion to follow Egypt and Iraq into treaty relationship. After President Assad's visit to Moscow earlier this month, the joint communiqué recorded the failure of the two sides to agree as plainly as the oiliness of such rituals permits: the position of the two governments was declared to be close on "most" international issues. Syria is getting from Russia its long-wanted dam on the Euphrates, arms, a defence system and expertise on how to operate it. Although President Assad may in time deal as rudely with his experts as President Sadat has done with his, it is early days for the Syrians to have absorbed the knowledge to look after their own equipment.

Russia has made no inroads into the western-orientated Arabian peninsula, except in South Yemen, its shaky tip. The Russians, and the Chinese, are established in South Yemen; the British, doubtless still smarting from a long sad story, are inclined to say that they are welcome to it. Although Aden is strategically convenient (but not as essential as the British once thought it), the Russians are likely to hesitate before shelling out the sort of cash that is needed to build up its installations. North Yemen takes Russian arms, but its quarrels with South Yemen

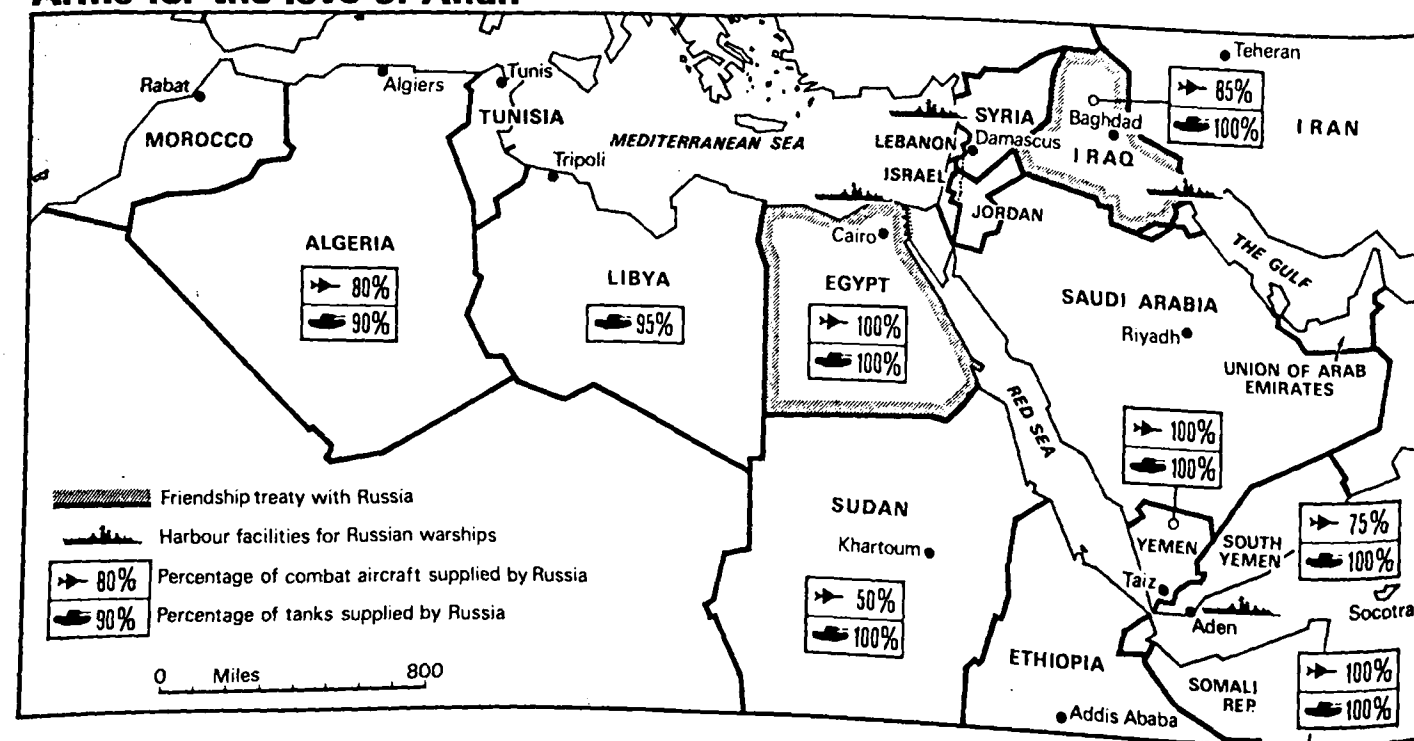
have driven it steadily into Saudi Arabia's orbit—and Saudi Arabian influence is widely believed to have played a part in President Sadat's anti-Russian decision. Early this month, North Yemen, which had broken off relations with the United States after the 1967 war, became the first Arab state to resume them.

Iraq remains the exception as Russia's major unqualified success story—so far. It is an important exception: although Iraq tends to be dismissed by other Arabs as some kind of maverick, its present regime is probably as stable as that of any other Arab country. And it offers the Russians two gifts of value: oil and an opening to the Gulf. Moreover, Russia is not only getting things that it wants (although it may find itself embarrassed by the amount of oil the Iraqis want it to buy), but is getting them to the direct detriment of western interests. That is a double score. But against this can be set the argument that strong Russian influence in Iraq is, by itself, a reason to make other Arabs fight even shyer.

They think it's all a plot

Egypt, in the same boat itself, could hardly condemn Iraq's treaty with Russia. But the Iraqi liaison exacerbated the anger that many Egyptians felt about their own link—or bondage. Russia's refusal to supply the weapons that Egyptians claim would make all the difference against Israel became, in many Egyptian minds, evidence that Russia, together with Israel and the United States, had an interest in preserving intact a situation in which Egypt sees itself as the principal loser. This, in turn, led smoothly to the theory that during President Nixon's Moscow visit the Russians and Americans struck a bargain over the Middle East that was to Egypt's disadvantage. Russia, rightly or wrongly, became the target for Egypt's limitless capacity for suspicion. So a demonstrative blow has been struck for freedom. It is a blow that will have disconcerted the Russians—unless, wheels within wheels, they know that the Egyptians are set on military action and are only too eager to get their own men out of the way—but it leaves untouched all the causes of Egypt's dangerous frustration.

Arms for the love of Allah



The two at loggerheads

East is Chou and west is Brezhnev, and it's pleasant for Mr Nixon to see that the twain don't look like meeting for a long time yet



Mr Nixon can now concentrate on making sure that he beats Mr McGovern in November without having to worry too much about either of the great communist powers. The embarrassment the Russians have suffered in seeing their advisers summarily ejected from Egypt this week comes on top of the accusations that they are washing their hands of North Vietnam. And Mr Nixon has ensured that the contest that Russia and China were already waging before he entered the White House will remain intense. The missile limitation agreements signed in Moscow in May have taken some of the edge off

Russian-American rivalry in nuclear armaments. The seating of Peking's representatives at the United Nations has opened China's doors not just once for Mr Nixon but repeatedly for his adviser, Mr Kissinger, who looks like becoming a regular visitor to Peking. The Soviet and Chinese leaders have both been forced to swallow, along with the wine they have drunk in Mr Nixon's company, much of their indignation about his actions in Vietnam. He has not needed to envenom the rivalry between them, except by the mere act of softening the antagonisms between his country and theirs. This has initiated a

new rivalry between them in the sector that may be called The American Connection.

True, some people are making a good deal of indications of a certain improvement in Russian-Chinese relations. Trade between the two communist powers has undoubtedly picked up since 1969. No more clashes on the border are reported, and the talks about border disputes that were started more than two years ago are apparently continuing; last month the Chinese named a new delegate for them. Although the Russian forces along the Chinese frontier have been strengthened, and the Chinese have sent reinforcements up too and gone on building vast air-raid shelters, nobody is now predicting an outbreak of war or even a resurgence of border skirmishes. But this is about all there is to put against a compelling amount of evidence of continuing hostility between the two powers.

The megaton war of words

The Russians are the more vocal of the two in public bitterness. Almost every day they find some fresh angle from which to revile the Chinese government. This week Pravda was making play with reports that the Chinese had told recent American visitors that they actually wanted to see American forces remain in the Far East. According to Moscow, China is in favour of that "imperialist monopoly," the European common market, but against the "progressive and peace-loving" idea of a European security conference. The Russians depict China as encouraging Ukrainian separatism while crushing its own minorities; as smuggling opium into south-east Asian countries simply for profit; as anxious to prevent a reconciliation between India and Pakistan, to pit Arab against Arab in the Middle East, to split the progressive movement in Latin America. The red pot has no hesitation about calling the red kettle black; China's living standards, it is said, are low because its rulers spend so much on nuclear and other arms, and its people are subjected to grotesque forms of regimentation. The Moscow press and radio accuse China of blocking the movement of Russian supplies to North Vietnam, of opposing the Soviet project of an Asian security system, even of collusion with America. And they acidly contrast the "so-called policy of self-reliance" preached by China with the "opportunities and advantages" gained by co-operation among members of the Russian-led economic group known as Comecon.

True to their traditions, the Chinese are less wordy, but their words are well barbed. They hew to one main line. Seldom even deigning to distinguish the Russians by name, they just reiterate their charges that the two superpowers are trying to carve up the world, trampling on small states' rights, practising "aggression, subversion, interference, bullying, economic expansion and plunder," and merely pretending to agree on arms limitations while in fact stepping up their preparations for war. However, Chou En-lai, his propaganda spokesmen and his envoys to UN meetings go on to detect growing opposition to the two superpowers' domination in practically every current development: the Indian-Pakistani talks at Simla,

the accord between the two Koreas, the new Japanese government's eagerness to normalise its relations with China—to say nothing of the ousting of Russian advisers from Egypt. In recent weeks, Peking's theme has been faithfully echoed by the exiled Cambodian Prince Sihanouk during a long tour that took him as far west as Mauretania.

The Chinese hardly ever stoop to answer Soviet attacks on them. Indeed, they show a massive ability to say little or nothing about even such major events as Mr Nixon's visit to Russia. But the extent to which their propaganda draws blood is revealed by the stream of defensive statements the Soviet Union feels obliged to put out. It denies that its reinforcement of its far eastern armies poses any threat from the north to China. It denies that it is in collusion with America, and complains that the very word "superpowers" is a term invented in Peking. It protests that its campaign for an Asian collective security system is not intended to encircle China. It accuses the Chinese of trying to turn the North Vietnamese against Russia by misrepresenting Soviet actions and discrediting Soviet aid. And, more overtly than ever, the Russians seem to be making a particular attempt to seduce the Chinese armed services.

This suggests that they have despaired of achieving any real reconciliation with China's present political leadership. They are just hoping that things will change in Peking one day. After all, Mao Tse-tung cannot live for ever; and they may be clinging to the belief that when he dies—or when the Chinese allow it to be known that he has died, which may not be the same thing—the forces within China in favour of coming to terms with Russia, crushed since Lin Piao's disappearance, may yet take control in Peking. Meanwhile they have to concentrate much of their effort on countering the spread of Chinese influence to other countries, especially in Asia. The setback they have met in Cairo is hardly going to improve their credibility in Hanoi. They feel that they have to be friendly to Mr Bhutto now, in order to overlay the memory of the backing they gave India last year, when China sided just as strongly with Pakistan. And it was not a coincidence that, a week ago, when the air in Tokyo was thick with talk about Japan's plans to normalise relations with China and about Chou En-lai's eagerness to receive Mr Tanaka in Peking, the Soviet ambassador lost no time in agreeing with the new Tanaka government that negotiations for the long overdue Russian-Japanese peace treaty should begin by September.

On top of the triangle

All this is further evidence of the coup the Americans have brought off. Each new agreement between the United States and Russia, and each new piece of evidence of the thaw between the United States and China, draws attention to the state of things on the third side of the triangle. The foreign policy of Mr Nixon and Mr Kissinger has manifestly succeeded in putting the United States on better terms with both of its great communist adversaries than they are with each other.

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Our craftsmen are very proud of their record with the Institutes. But the movement also has to be protected, otherwise its accuracy would be pointless.

Which is why they invented the Rolex Oyster Case. They have to perform 162 separate operations to make each one because it's carved out of a single, solid chunk of either surgical stainless steel, or 18ct. gold. This means that the case contains no seams: seams can let in water, dirt or dust, which would be



disastrous, obviously.

Another extremely vulnerable point on ordinary watches is the winder. Our craftsmen solved this problem with the Twinlock Winding Crown; an invention we've been able to patent. The Twinlock actually screws onto the case forming an impenetrable plug, rather like a submarine hatch.

We've got hundreds of letters in Geneva, sent to us by Rolex owners who've had good cause to appreciate this kind of craftsmanship. Typical of these, is the following extract from a Canadian deep-sea fisherman's letter.

"In 1963 I was engaged in the salmon operation aboard the vessel 'Haida Girl.' On August 6th, we had unloaded our catch for the day and

had retired for the night. At approximately four in the morning one of the crew members woke up to find that the boat was taking water very rapidly. We had time only to rush up on deck and leap onto the barge which we were tied up to.

"The watch went down with the boat in 35 fathoms. It was submerged for 22 days.

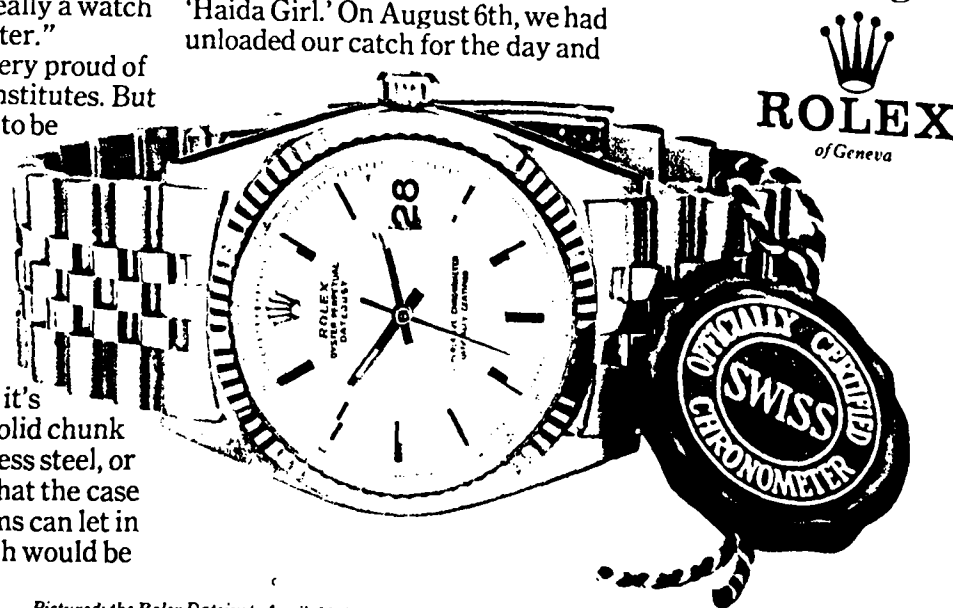
"When the boat was raised, I was there and went aboard to look for my watch. The watch was on the galley floor amongst mud, weeds, etc. I took it on the barge that had raised the boat and washed it off, upon shaking the watch it commenced to go and was none the worse for the length of time it had been under. I continued to wear the watch without taking it to a jeweller."

Having read this, you'll understand why Sir Francis Chichester wore a Rolex on his solo voyage around the world. And you'll know why most of the world's leading Heads of State wear one of our watches, and why Rolex is the official timepiece of Pan American World Airlines. And why racing driver Jackie Stewart wears a Rolex.

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**Owning one is
almost as satisfying
as making one.**



Pictured: the Rolex Datejust. Available in 18ct. gold or stainless steel, with matching bracelet.

BRITAIN

Willie soldiers on in the front line

Neither the bullets and bombs of the IRA nor the staves of the UDA have budged Mr William Whitelaw from his conciliatory policy in Northern Ireland. Nor has the stab-in-the-back attempt by the Tory right wing: although there are uneasy thoughts in the air, the moderates turned up in strength at the party meeting on Wednesday.

Mr Whitelaw has had to stiffen security in both Belfast and Londonderry, but he is still trying to keep the army's operations in a lowish key wherever he can. He may hope that, if the Provisional IRA is again badly divided about the merits of keeping up an active guerrilla campaign, the shootings and bombings will dwindle enough so that something like a truce prevails in reality for most of the time. And he must be ready to negotiate for a ceasefire—but only on terms which, while again giving the Catholic communities some chance of breaking free from the hold the IRA has on them, will not start the Protestants boiling over.



Faulkner: demanding force

But that is not what the IRA leaders mean when they talk of a ceasefire to Mr Harold Wilson or anyone else. For all the Westminster hopes that Mr David O'Connell is a reasonable man, he is as utterly committed as any IRA leader to breaking the British will to keep the army in Northern Ireland. The IRA has been seeking terms that would humiliate the British Government, discredit Mr Whitelaw and leave its gunmen ruling the roost in the Catholic enclaves and free to conserve and, indeed, reinforce their military strength for another fight, another time. There can be no doubt that the IRA did exactly that during the run-up to the earlier ceasefire and in the period of near-truce itself.

At the moment, there may be no more than 200-odd really active Provisional gunmen in Ulster; but there may be as many as 1,500 ready to fight (split roughly in the ratio of two to one between the Provisional and Official wings) and backed by another 1,500 or so auxiliaries. The potential military strength of the UDA, commonly estimated to have 25,000 men in its ranks, is much higher; but though some Protestants, notably in the Ulster Volunteer Force, have illegal arms and have, indeed, used them, it is not reckoned that at the moment their forces are as well organised and armed as the IRA.

In seeking to drive a wedge between the ordinary Catholic communities and the IRA, Mr Whitelaw has now more reason than before to look over his shoulder at the Protestants. Their barriers have been erected to show him just how little room for manoeuvre he has. Mr Brian Faulkner, the leader of the Ulster Unionist party, expresses the feelings of many Protestants when he says that the communities are not as much at each other's throats as British opinion believes and that the

real obstacle to reconciliation is terrorism, so that reconciliation can become a reality only when the IRA is "forcefully dealt with by the security forces." That, too, is what the right-wing Tory backbenchers who wrote to The Times this week to demand "a new and understandable policy" for Ulster want.

Too many Tories now seem to be as intent on rubbing Mr Whitelaw's face in the mud and the blood as the IRA is. His reply is that if the soldiers were let slip to clear out the IRA gunmen then such an indestructible barrier would be created between the Catholic and Protestant communities throughout Ireland that reconciliation would be impossible. That is why the line Mr Whitelaw is taking at Lenadoon has been so sensibly cautious.

The kid gloves are still on

FROM OUR SPECIAL CORRESPONDENT

Lenadoon Avenue would not look out of place in, say, a Midlands suburb. But it is part of the modern Suffolk housing estate in Belfast, where Protestant families live at one end and Catholic ones at the other. The squabble about rehousing there was exploited, if not deliberately engineered, by the IRA Provisionals to bring the ceasefire in Ulster to an end. It is still littered with the debris of the fighting that followed—broken paving stones, smashed windows, bullet-chipped walls and the earth-mover used as an explosive ram against the army post named Fort Nery by the gunners who manned it. The high-rise flats used by some of the IRA gunmen are not much more than 200 yards from that post.

This is where Mr William Whitelaw met ferocity with ferocity by sending troops in a carefully planned operation to occupy certain vantage points (including the high-rise flats). The aim was not so much to create new firing and surveillance positions for the army as to deny these positions to the IRA.



The profile is still low

It was a limited and controlled tactical move about whose merits and implications the GOC Northern Ireland, Sir Harry Tuzo, and Mr William Whitelaw were in complete agreement. The soldiers were not, for instance, let off the leash to penetrate into the IRA enclave in nearby Andersonstown—or Apache country as some of the troops call it.

But, as has happened before, the IRA leaders were quick to make political capital out of what seemed to be a military setback and on Sunday, in a well publicised protest against the army's action, a good number of Catholic families evacuated their homes in the estate. How many actually left and how many have filtered back since then is so much in dispute as to make the various estimates bandied about meaningless. But sufficient Catholics left their homes and still remain away from them to demonstrate that the IRA commands not simply their sympathy but their loyalty.

Since then, the army has reduced the number of positions it occupies, and negotiations have been opened about the return of the families and the army's evacuation of the remaining positions. There has been talk of a local ceasefire. But when the talks were broken off on Tuesday the shooting started again, though then perhaps as few as three IRA gunmen were involved, as opposed to up to 30 before the weekend. Plainly, Mr Whitelaw would like to delay the pull-back of the troops until many more families have returned to their homes, while the IRA is trying to make their return and a local cease-

fire conditional on the prior evacuation of the occupied positions.

In miniature, Lenadoon illustrates Mr Whitelaw's constant dilemma. The army's initial move delighted many Protestants in Ulster (though they, like some right-wing Tory MPs, still press for much fiercer military action against the IRA). It was noticeable that immediately after the weekend the men of the UDA were manning their own barriers (which, with dustbins filled with concrete and the like, are pathetic militarily but potent politically) in a rather more desultory way than before. But what pleases the Protestants alienates the Catholics and Mr Whitelaw is left standing on the middle of a seesaw. This is just as true in Londonderry (where the troops started to put up barriers around the devastated city centre and then dismantled them) as in Lenadoon.

Intent on his conciliation policy, Mr Whitelaw cannot step off that seesaw. He must seek a general ceasefire (even if it should prove to be as incomplete as the earlier one) and he must hope that Mr Harold Wilson's talks with the IRA Provisionals on Tuesday will have helped him. Military tactics have to be the servant of that policy. If fired upon, the soldiers immediately fire back. They are now wearing the flak jackets they discarded during the ceasefire. They patrol in Saracen armoured vehicles rather than Land Rovers. But the patrols are not much more frequent than before and they are certainly no more provocative.

All the earlier constraints on interrogation, search, arrest and entry are

still very much in force. The effort to localise any conflict and to be impartial in any sectarian dispute is as strong as ever; this was demonstrated in the Divis Street area of Belfast before the weekend. The army reacts, rather than acts. Where it takes any initiative, as in Lenadoon, it does so under almost hour-by-hour political control and direction.

Those tactics will change only if the Government's policy changes. Trained to be aggressive, some soldiers want "to get stuck in." But they are also trained to be obedient, and there is no sign in Ulster that the upper echelon of the army seeks to change Mr Whitelaw's policy nor that the morale of the lower echelon is sagging as a result of the dictates of impartiality and restraint.

Obedience also means that, should policy alter, the army is really prepared to act against the IRA enclaves in Belfast or the Creggan and Bogside redoubt in Londonderry. To be effective, such an action would almost certainly require more troops on the ground than at present. It would require the reintroduction of internment and possibly of interrogation in depth at the now-defunct police holding centres. Totally unlike Mr Whitelaw's conciliation, coercion, as preached by many Unionists in Ulster and a few in Westminster, cannot be conducted in kid gloves.

Courts

Not so gullible?

When powerful and influential voices—like those of the Criminal Law Revision Committee and the metropolitan police commissioner, Mr Robert Mark—are at one in urging changes, then changes are very likely to happen unless someone comes up with some pretty convincing arguments why they should not. The present campaign—and it is scarcely less than that—is for modification or abolition of certain safeguards which exist to protect the innocent against wrongful conviction but which are now, say the reformers, operating too much on the side of the guilty. While the debate is still going on and before he makes any decision, the new Home Secretary, Mr Robert Carr, would do well to take a long look at the results of a study carried out by the Oxford University Penal Research Unit.*

*The Jury at Work. Basil Blackwell, Oxford. 75p.

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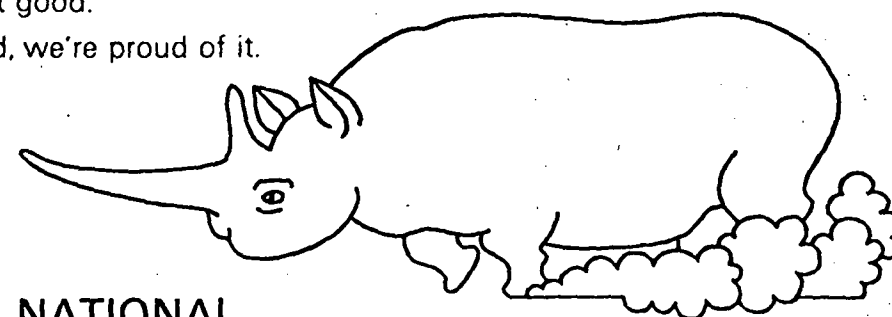
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Interim Results: Trust Houses Forte Limited

	Half year to 30 April 1972 £	Half year to 30 April 1971 £	Year to 31 October 1971 £
Group Turnover	91,119,000	77,597,000	180,107,000
Group Trading Profit	4,219,000	2,859,000	16,373,000
Financial Charges	2,923,000	2,608,000	5,285,000
	1,296,000	251,000	11,088,000
Minority Interest	(67,000)	(158,000)	421,000
Profit before Taxation	1,363,000	409,000	10,667,000

NOTES: 1 The above figures are unaudited.
2 No tax charge assessment is possible at the half year stage, since the annual tax rate is entirely dependent upon the profitability of the second half of the year.
3 The figures for minority interest reflect the seasonal nature of the companies concerned.

Chairman's Statement

The first half year's figures produce only a small proportion of the full year's profit but as will be seen the turnover is well up on last year and notwithstanding increased expenditure on improvements and maintenance, the profit is well on target. It has already been announced that it is intended that dividends equivalent to 40% will be declared in respect of the current year. It is proposed to increase the interim dividend payable in the Autumn to 10% (previous year 5%).

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CATERING We operate more than 260 restaurants; 9 motorway/trunk road service areas; catering facilities at 21 airports; in-flight catering facilities for 53 airlines and over 1,600 outside catering contracts.

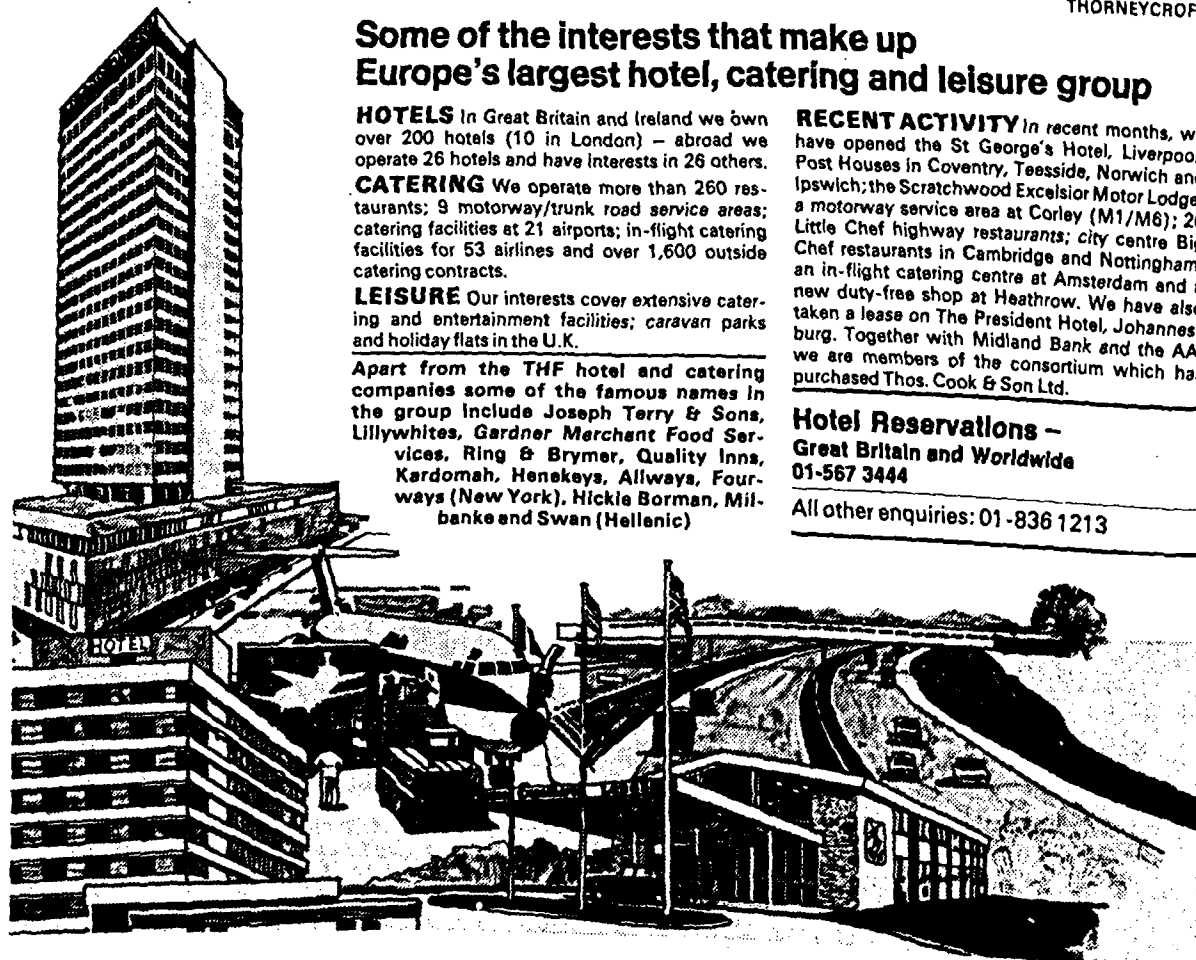
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RECENT ACTIVITY In recent months, we have opened the St George's Hotel, Liverpool; Post Houses in Coventry, Teesside, Norwich and Ipswich; the Scratchwood Excelsior Motor Lodge; a motorway service area at Corley (M1/M6); 20 Little Chef highway restaurants; city centre Big Chef restaurants in Cambridge and Nottingham; an in-flight catering centre at Amsterdam and a new duty-free shop at Heathrow. We have also taken a lease on The President Hotel, Johannesburg. Together with Midland Bank and the AA, we are members of the consortium which has purchased Thos. Cook & Son Ltd.

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Put baldly, the case for reform starts from the assumption that, when tried by jury, many who are guilty are acquitted and that professional criminals, in particular, exploit the rules of evidence to get away with their crimes. The task the Oxford unit set itself—with official co-operation—was to examine what happened in 475 cases brought to trial at 30 selected quarter sessions and assize court hearings over a period of more than two years.

Of the 475 defendants, 112 changed their pleas to guilty and 58 were acquitted upon direction by the judge. Another 39 were transferred to other courts, dismissed after hung juries and so on. Of the remainder, 115 were acquitted by juries and 151 were convicted. Most interesting in the context of the present debate is the conclusion reached by the authors—Mrs Sarah McCabe and Mr Robert Purves—about the reasons for those 115 acquittals:

While there were occasional, sometimes glaring, exceptions to this rule, it was generally correct to say that the acquittal of a defendant was attributable to a single cause—the failure of the prosecution (normally the police) to provide enough information, or to present it in court in a way that would convince both judge and jury of the defendant's guilt.

Then follows an attempt to explain, with illustrations, why the prosecution failed to get a conviction by classifying the acquittals. In 44 cases, or 25 per cent of all acquittals (including directed verdicts), the prosecution was brought as a matter of "policy." The authors show their understanding of police work by recognising that in nearly all these cases the police decided to prosecute not in any real hope of securing a particular conviction but as a general deterrent. Another 20 cases are classified as "weak," where conviction was unlikely but where the police pressed charges nevertheless, sometimes to satisfy a complainant, sometimes taking the attitude that it must be left to judge and jury, not detectives, to decide upon guilt or innocence.

Of the remaining 51 acquittals—or 30 per cent of the total—eight are explained by the failure of important prosecution witnesses to support "the burden of proof"; 28 defendants went free because their explanation convinced the jury even in face of a substantial case against them; and 15 fell into the category of "wayward verdicts," where juries, swayed by strong but irrelevant motives, muffled

their minds and even ignored the judge's plain direction. That last classification represents only 9 per cent of jury acquittals.

The study shows, too, contrary to fashionable opinion, that the professional criminal is not the one most likely to go free. True, 51 per cent of those acquitted had previous convictions, but so did 81 per cent of those convicted. And of all those with a record, only 44 per cent were discharged compared with 73 per cent of those with no previous convictions. In the light of the pressure for a widening of the circumstances in which a court should be told of a defendant's record, it is worth noting the authors' sensible observation that defence lawyers usually lay stress on a client's blameless past and keep quiet when he has a record. Juries soon learn the significance of that.

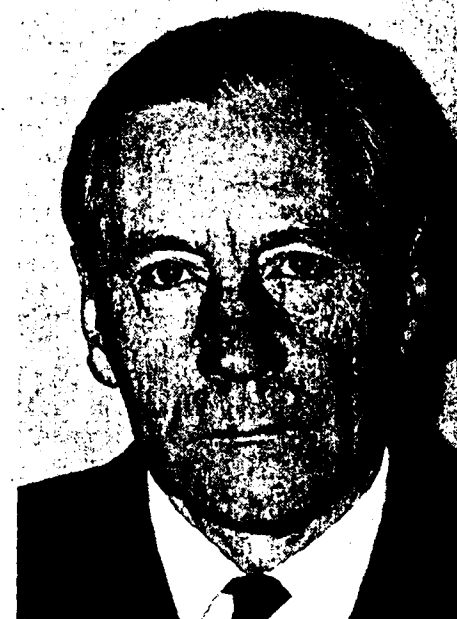
This study, though perceptive, is necessarily limited. What it ought to do, however, is to persuade the Home Secretary of the need for more exhaustive research of a similar kind before yielding to pressure for questionable reforms.

Beaconsfield Tories

It's nice to feel safe again

Mr Ronald Bell, the Tory MP for South Buckinghamshire, had two causes for satisfaction on Monday night. Not only was he chosen as prospective candidate for the new seat of Beaconsfield but he could also claim that the meeting which selected him was a lot more representative than most of its kind. Nearly 1,400 members of the constituency association listened to speeches by Mr Bell and his rival for the candidature and then questioned them before voting. Rank and file party members are usually asked to do no more than formally approve the choice made by their executive.

At one time Mr Bell had hoped to be spared the pleasure of so democratic a selection process. He considered himself—or certainly his supporters considered him—the automatic choice for the new constituency. A large part of it is made up of voters from his present seat. But he got on the wrong side of an influential faction in his local party by voting against the Government on the common market. The chairman of his association actually wanted Mr Bell's resignation. He



Bell: open choice

survived that but he was told he would have to face competition for the new seat. At last month's executive he and Mr Sylvester, former MP for Walthamstow West, gained an equal number of votes. This week's special meeting of the full association—paid-up members only and a strict check on eligibility to vote—was called to make the choice and to end the row.

It would have been regrettable if Mr Bell had been rejected because of his independent and idiosyncratic opinions. He was right to refuse to give a pledge never to be a naughty boy again. But for all the unseemly goings-on his behaviour has provoked among his supporters and opponents there is no harm, for once in a while, in seeing a candidate chosen openly. After all, the reward for a few months' anxiety is the gift of what looks like being one of the safest Tory seats in the country.

Doctors

BMA v. GMC

Usually, annual representative meetings of the British Medical Association appear to be dominated by complaints from doctors about pay and conditions of work. This year's meeting, which opened on Wednesday, has found a new target for abuse—the General Medical Council. The row has actually been simmering for some time, ever since the council decided that the state of its finances demanded extra payments from doctors to keep their

names on the medical register. Formerly, having qualified and completed their pre-registration year in hospital, they paid a single sum which could keep them on the register until they died, unless they were struck off for one reason or another. But, from May, 1970, they have had in addition to pay an annual fee to retain their names on the register, and for many doctors the breaking-point was reached when the GMC announced that this annual fee would be raised from £2 to £5 from May this year.

The sum involved is small (and doctors can obtain exemption from paying it on grounds of age or premature retirement or because they work overseas). It would not have caused resentment had doctors not been dissatisfied with the GMC on other counts. Last year's annual representative meeting of the British Medical Association—which to its chagrin is often confused in the public mind with the GMC and finds itself referred to as the British Medical Council—agreed that the annual fee should be paid on a year-to-year basis until the GMC had been reconstituted and its functions reviewed to the profession's satisfaction. A working party had already examined the council's constitution and recommended among other things a big increase in the number of directly elected medical members—which would reduce the influence of the royal colleges and the universities. But its constitution cannot be revised without a new medical act, and there is still no sign of a bill being introduced this parliamentary session.

Nor, if the bill is confined to the GMC's constitution, will it go far enough. Another report, called for by the BMA as a matter of urgency, has vindicated the GMC's financial management—given its present functions. But the BMA is asking whether those traditional functions—registration of doctors, maintenance of education standards and disciplining errant doctors—have not become so complex with the passage of time as to make the GMC unwieldy. Indeed, the registration of doctors, already complicated by the arrangements for doctors from overseas, will become much more so when Britain enters Europe and registration of specialists eventually becomes compulsory. Similarly, so many doctors now come to work in Britain from elsewhere that it is becoming increasingly hard to maintain standards by the inspection of proliferating medical schools. As for discipline, a BMA panel of young

doctors recently suggested that a doctor's performance should be regularly monitored by an entirely new professional body; after all, a sick, idle or inefficient doctor is more of a menace than an adulterous one.

In May this year, nearly 4,000 doctors had not paid their retention fee and are due to receive a threat of erasure in September. But in the meantime, on Thursday the BMA passed a resolution giving, in effect, the GMC six months to meet the profession's case against it.

Architectural Association In suspense

Any day now the Department of Education and Science will announce whether the Architectural Association's school is to get the money it has been asking for: initially about £41,000, rising to £117,000 a year. The money is needed to help pay the fees for some of the students. As an independent institution, the school depends for income on its fees of £580 per student. Until now, local authorities have footed the bill for any students needing aid—currently some 390 out of a total student body of 490. But they are no longer prepared to pay more than £180 a year, which is roughly what they have to pay in fees for students at universities or polytechnics financed by central government. So the AA has asked the department to bridge the gap.

The local authorities will go on paying the full fees of any students already at the school. But, two and a half months before term begins, 125 young people who have been accepted as new students still do not know whether the DES is going to fork out for them. The Treasury ought to be in favour. The cost to the state of educating an architectural student at a university is £860 a year—and that does not include anything for the construction of buildings and capital costs. The AA does the whole thing for £580. Thus the cost of diverting students to other schools of architecture would be much higher than that of keeping them at the AA. And the AA has promised to keep the fees unchanged for the further five years: it has budgeted to cover cost increases of 9 per cent a year, and reckons to be able to keep out of deficit.

Internationally, the AA school's reputation is high; but domestically its public image has suffered from years of uncertainty and dilly-dallying. It



Boyarsky: architect for the AA

was going to merge with Imperial College and then decided not to and went rushing off in search of other university marriage partners. In the end, it chose to go it alone. In the past year, though, the AA has changed remarkably, thanks in large part to its new director, Mr Alvin Boyarsky. There is now a new sense of direction, a new form of internal government, new financial management—and a strong desire for independent survival.

Survival, however, in spite of all the talk of crises at the AA, is not really the problem. There is demand enough for places from students who can afford to pay the fees out of their own pockets. But should the oldest and most original school of architecture in Britain be open only to the relatively well-off and to foreign students, many of whom get grants from their own governments to go to the AA? The precedents for the DES supporting independent places of education are long established. It is already giving grants to 11 of them: the Royal College of Music, for instance, gets £100,000 a year.

Social security

Healthy balance

The Department of Health and Social Security's report for 1971* carries, after the policy reports of increased capital spending on hospitals and the expenditure programme for the old and the mentally ill, the usual depressing catalogue of statistical increases. In 1971, abortions were up by 50 per cent, children in care by 22 per cent, homelessness in outer London (which showed the sharpest increase) by 22 per cent, claims for unemployment

*HMSO. £2.85.

benefit by 13 per cent and for supplementary benefits by 6 per cent. But there was one quite phenomenal decrease. The number of claims for sickness benefit (including invalidity benefit, which takes over after six months) were down by nearly 2m. The number of claims—8.8m—is lower than that for any year since 1960.

The change in the rules from August, 1971, by which benefit for the first three days was no longer paid (retrospectively), does not appear to have had much impact. Nor does increased unemployment. Those on unemployment benefit theoretically switch to sickness benefit when they become ill, and anyway the increase in claims for unemployment benefit amounted to less than a quarter of the decrease in sickness benefit claims. One might hazard a guess that rising unemployment makes people keener to stay at work through minor sickness, but the evidence could equally suggest that fewer people off work claim benefit: the department's estimate of the number of people off sick fell by much less than the number of new claims.

The most significant pointer is that the number of claims for January, 1971, was less than half that for January, 1970, and the preliminary figures for 1972 are similarly low. In neither of those years were there serious winter epidemics. (The latest period for which the department has separated out the statistics for influenza is mid-1969 to mid-1970, when it accounted for 20 per cent of spells of sickness for which benefit was claimed.) But right throughout 1971 the numbers of claims were well below the figures for previous years, while claims had been rising steadily over the decade.

The net result is that while the cost of the sickness benefit scheme had been rising (in money terms) by about £40m a year throughout the late 1960s, in 1970-71, despite increases in benefit rates, the Government actually paid out £9m less than in 1969-70. It meanwhile paid out £23m more in unemployment benefit, and £151m more on pensions. But £9m, after all, was worth having; for example that was just about the cost of the first part-year's operation of both of the Government's two most important social security innovations of 1971: the attendance allowance for the severely disabled and the family income supplement for low wage-earners with children, which were introduced in May and August respectively.

Housing

Preaching to the converters

Lleyn rural district council in Caernarvonshire has decided not to give improvement grants to second homes. The London borough of Lambeth says it will not give them to "speculators"; Hammersmith borough is also going to vet grant applications to try to weed out people who intend a quick conversion into expensive flats for sale, with a consequent uprooting of poorer tenants. For all of them the principal concern is with trends in the housing market that are of many years standing and are now, pushed by inflation, merely moving faster and farther. With house prices nationally showing a 17 per cent increase in the first six months of this year, both speculative conversions and holiday cottages offer rich pickings. Why should public money be employed to help to do what the market alone makes attractive enough?

Using legislation passed by the Labour government in 1969, the present Government has led a successful campaign to increase the take-up of house improvement grants: those approved last year were worth some £43m. Mr Julian Amery, the housing minister, insists that they are precisely what their name implies: grants designed to improve the quality of the housing stock, never mind who occupies them. But in the Commons last week Mr Reginald Eyre, under-secretary at the Department of the Environment, affirmed the right of local authorities to refuse discretionary grants where they felt the system was being exploited—for instance, in commercial operations that



Amery: it's all improvement

would take place even without a grant. So far, the Government has refused to reintroduce the resale limit for grants which was abolished by the 1969 act. Formerly, grants had to be repaid if the recipient sold the house within three years. That limit would be by far the best way of deterring real speculators. But it would not eliminate the real quandary of the improvement drive—that its effect is often to price out the poor.

As to holiday homes, a more constructive approach would be an extra rate levied on them to help to build new houses for locals. In any event, a derelict cottage, once improved, contributes more to the rates while its occasional occupants demand little in services. And why don't the Welsh nationalists, who are so ready to protest against foreign invaders, turn their attention to the large profits being made by Welsh farmers in the process?

Cities

Inner look

The inner city—shorthand for the old areas between the business core and the suburbs of large towns—is favourite ground for social analysts and activists. It also contains a lot of poor people in poor conditions with poor prospects. That is not a bad banner for the Secretary of State for the Environment to wave as the subject of his department's main effort in the next two years—when it has dealt with odds and ends like regional planning left over from the past two years. But, as Mr Peter Walker is well aware, the group of projects which the DoE is about to embark on will prove once again that almost every branch of government must be involved in the future improvement of these areas.

All these projects amount to so far is that consultants will be appointed to survey the inner parts of three cities, within each of which they will choose a sizeable segment, covering some 40,000 people for further activity over perhaps three years. Three other towns, named recently as Oldham, Rotherham and Sunderland, are to be the subject of shorter projects intended to help the new district councils to make the best use of the powers they will have to manage their own environments, and to make do without some powers they had before as independent county boroughs. To give them prestige all six projects are being assigned steering groups of central and local officials each led by a different minister.

Golf Brief

Trevino stops the grand slam

Never believe your own publicity, runs an American adage. But Jack Nicklaus, who lost the British Open by one stroke to Lee Trevino last Saturday, thus ending his attempt to win all four major golf championships in one year, would have been more than human if he had not been affected by the excessive admiration with which most other golf professionals regard him. Certainly, their fear of Nicklaus's golf had been at least partially responsible for the comfortable margins by which he had won both the Masters and American Open championships earlier this year. So it was easy to see why Nicklaus played cautiously in the first three rounds of the Open at Muirfield, outside Edinburgh. He must have felt that if he were only patient enough his rivals would kill themselves off, as they had so obligingly done twice before.

This time Nicklaus's defensive tactics backfired. Instead of creating a situation where he could march majestically to victory in the final round they produced an improbable melodrama. The main elements were his final-round charge, worthy of Arnold Palmer in his prime, a collapse by Trevino at the next-to-last hole that he reversed at the last moment with a chip shot that ran straight into the hole, and a subsequent collapse by the unnerved Tony Jacklin that, unfortunately for his fans on the course and in front of television sets around the nation, was all too final.

There might never have been such a battle down to the wire, which either Nicklaus or Jacklin could have as easily won given a fraction of Trevino's luck, if Nicklaus had decided to play the tournament aggressively from the start. As well as being a victim of his own presumed superiority, Nicklaus was also misled by his pre-tournament strategy, which assumed that Muirfield would be swept by a stiff sea breeze from the Firth of Forth, as it usually is. Nicklaus had practised under windy conditions for the week before the tournament. He had good reason to think that the breeze would blow away the chances of most of his rivals, giving him, with his powerful, accurate game

and unmatched familiarity with the pressures of major tournaments, an insuperable advantage.

Judged by the scoreboard, Nicklaus's strategy appeared to be standing up reasonably well as the players finished the first 36 holes. He was, along with six others, only one stroke behind the leaders, Trevino, the chattering, colourful Mexican-American, and Jacklin, Britain's favourite son. But the scoreboard was deceiving and Nicklaus was fortunate to be so close. The sea breeze, which had been much in evidence on the first day, had given way to calm, sunny weather on the second. Muirfield, with its fairways dried hard as a bone, was playing far shorter than its 6,892 yards would suggest.

Under such conditions, which persisted for the rest of the Open, the course was vulnerable to any top-class golfer with enough spirit to have a go at it. Scores in the mid-60s were generally expected on the second day, and two players, Jacklin and Doug Sanders, the American who lost in a playoff to Nicklaus at St Andrews two years ago, came within a hair's breadth of achieving them. The brilliant but erratic Jacklin lost his chance to take command when a film camera started clicking loudly as he got ready to take his tee shot on the short 13th. Jacklin, his concentration broken, stepped away from the ball and asked the cameraman to stop. He then hit the ball into a deep sand bunker to the left of the green. As he walked up the fairway, he glared angrily at the cameraman. In the bunker, Jacklin gave the ball a mighty bash, which sent it scuttling across the green into a bunker on the other side. His first shot from that bunker failed to emerge. He was successful with his second attempt but he needed two more putts to get down, giving him a six on the par-three hole.

Sanders, an outgoing man who likes to dress in bright colours, has a very short, unorthodox swing but he is one of the most skilful manoeuvrers of a golf ball, and the Muirfield conditions suited him to perfection. Playing the ball high or low, curving it left or

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Trevino: suddenly, the luck

right, pinpointing his tee shots to open up the greens, he scored more birdies than anyone else during the week—he finally finished fourth, three shots behind Trevino—but he also had more holes at which he dropped strokes to par than did the other tournament leaders. The reason was his nerves, which the 38-year-old Sanders admits are not as good as they used to be. As each round wore on, inner pressures forced Sanders to spend an increasingly longer time over each shot. Just the same, on the second day he was leading the tournament by two strokes when he came to the long, difficult 18th hole, which has wrecked so many golfers' hopes in the past. As so often happens on this hole, Sanders failed to land his drive in the narrow opening between the bunkers on both sides of the fairway. His shot out of the bunker landed in heavy rough, from where he overhit the green. His shot back ran into a greenside bunker and by the time he had finished with the hole he had taken a seven. Instead of being two shots in the lead he was one shot behind, along with Nicklaus, who had played raggedly.

While Jacklin and Sanders were showing flashes of brilliance, Trevino was making a quieter, but solid impression. Thinking his way around the course much in the manner of Sanders, he was failing to hole the birdie putts that would have made his score spectacular but one felt it was only a matter of time before they started to drop. Talking incessantly,

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joking with his caddy and spectators, Trevino was also impressive in the way he worked off the pressure that in a major tournament tightens the nerves of even exceptional players. Almost every other golfer tries to steel himself against tournament pressures, although only the toughest succeed in doing so. Trevino, instead of resisting the pressures, tries to flow with them. He usually succeeds and in the process preserves a spontaneity that has probably never been seen in the game before. Although Trevino is thoroughly dedicated to golf—he is known to practise for longer hours than almost any other active golfer—his usual performance suggests something of a boy engaged in a sandlot baseball game.

With Jacklin, Trevino and Sanders all playing well, Nicklaus, though only one stroke behind after the second day, should have started playing aggressively on the third. Since he had failed to take the lead that everyone had expected would naturally fall to him—in both the Masters and the American Open he had either led or been tied for the lead all the way—the other players could only feel encouraged. Nicklaus's aim should have been to hammer them back into line. But on the third day he still held back and it was then, rather than in the dramatic events of the final round, that he really lost his chance.

For while Nicklaus was playing cautiously, Trevino and Jacklin were tearing the course apart and Sanders was almost doing the same. Jacklin's third round was much like his second, except that this time he avoided letting it all slip away on one disastrous hole. He finished the day with a sparkling



Nicklaus: aggression too late

67. Disaster, it should be noted, is never far away at Muirfield, even when the course is playing short. Designed to be a true championship test, Muirfield, with its long rough and numerous sand bunkers, punishes wayward shots severely.

During the first 13 holes of his third round, Trevino played much as he had been playing. Then he exploded. He holed long birdie putts on the 14th and 15th holes, holed a bunker shot on the 16th, picked up another birdie on the long 17th after just missing an eagle putt and chipped into the hole on the 18th after overhitting the green slightly on his second shot. That gave him five birdies in a row and a final score of 66, putting him one shot clear of Jacklin and six ahead of Nicklaus. Sanders played even more fine holes but again on one hole, the 14th, the course jumped up and bit him and he had to settle for a 69.

On the final day Nicklaus had little choice but to pull out all the stops. He was not only six shots behind Trevino and five behind Jacklin, with Sanders in between him and them, he was trailing men who were not going to fall apart unless great pressure was applied to them.

It is indicative of Nicklaus's skill at golf that he was able on the final day to go out and apply this pressure, creating a situation that was nearly too much for any of their nerves to bear. The tension did not come just at the 17th hole where Trevino sank his melodramatic chip. Nicklaus generated the pressure early, winning birdies on three of the first five holes, throwing Trevino and Jacklin, playing two holes behind him, on the defensive. Each reacted by losing a stroke on the very first hole, although Trevino bounced right back with a birdie on the second. Still, with Nicklaus's attack staring at them from the scoreboards, Trevino lost two more strokes to par in the first eight holes and Jacklin one more stroke.

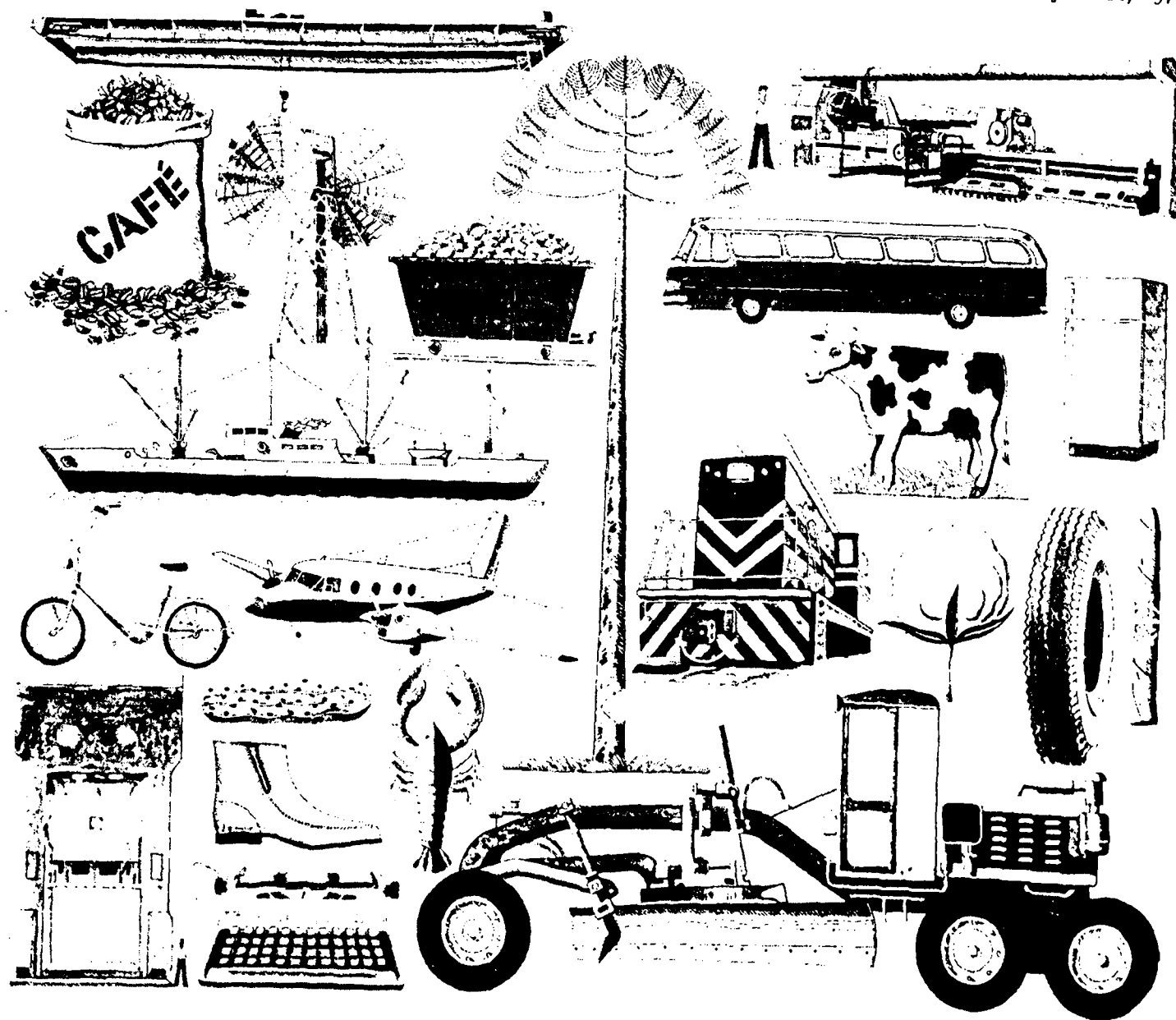
After the fifth, Nicklaus quietened down for a while, but then he was off on another streak, driving the ball huge distances and aiming his approach shots with superb accuracy straight at the pins. He took birdies on three straight holes, the 9th, 10th and 11th, and for a few minutes enjoyed a thin lead over both Trevino and Jacklin. Coming to the long 9th hole, Trevino and Jacklin realised they were the ones who must gamble, which they did, both of them risking all-out drives down the narrow, treacherous fairway. Both were on the green in two shots and both sank their putts for eagles.

If, at this point, Nicklaus had been able to apply a little more pressure he probably would have won the tournament because Trevino and Jacklin, despite the two eagles, were both grim-faced and twitchy. However, Nicklaus had left himself too much to do on this final round and even his game was not up to the strain. At both the 12th and 13th holes he missed eminently sinkable putts for birdies, and that was that for him. For the remaining holes his game sank to a more ordinary level. He lost a stroke to par at the short 16th and failed to make a birdie on the 17th, which, with his great length, is an easy birdie hole for him.

After their effort at the 9th, Trevino and Jacklin quickly ran out of steam. Trevino lost a stroke to par on the 10th but regained it on the next hole. From there on in, he was unable to pick up any strokes on par. Jacklin made a long birdie putt on the 13th to tie him with Trevino but that was largely the end of his effort. He missed a roft putt for a birdie on the 13th hole that would have given him the lead and, really showing signs of strain, missed an easy four-footer for a birdie on the 15th. Both men rallied to save their pars after hitting their tee shots into bunkers on the 16th but both were clearly near the end of their resources. As they played the 17th, they were still tied, one stroke ahead of Nicklaus, who had just finished.

The championship was there for either one to take but then Trevino appeared to destroy his chances. He hit his tee shot into a bunker and could only move his second shot a short distance down the fairway. After being distracted by cameramen, he hit a terrible shot that finished in the left rough well short of the green. He then hit a bad approach shot that flew over the green and settled in an awkward patch of rough. As he said later, when he made the chip that won him the championship, he was playing from instinct only, feeling sure that he had already lost.

Great events often turn on chance, but underlying Trevino's good fortune was a healthy attitude toward Nicklaus, which is all too rare today among the golf professionals. Asked after he had won the Open if he put himself in the same class as Nicklaus, Trevino said no. He thought Nicklaus was simply in a class by himself. He added, however, that even the greatest of champions cannot win every tournament and that in any particular tournament Nicklaus can be beaten. Trevino, for one, will be trying his utmost to beat him again.



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BRASIL EXPORT 72

São Paulo, Brazil, 5/14 September 1972 - Caixa Postal n.º 30.802, São Paulo

THE WORLD

International Report

Why do today that which can be put off until tomorrow?

Judicious postponement is a technique the common market excels at. In Brussels on Wednesday the foreign ministers of the 10 countries of the enlarged common market agreed to wait until September before making their final decision on whether or not to hold the summit meeting of heads of government that is supposed to take place in October. A day earlier, in London, the finance ministers and central bankers of the Ten published an anodyne list of guiding principles for international monetary reform, conducted an intelligent academic debate about future international reserves and liquidity, and departed for home leaving everything that mattered—the dollar and the present state of monetary disunion—conveniently untouched (see page 68).

So far only the French government has had the nerve to suggest that the week's work does not add up to much. But Europe's finance ministers do seem to have learned one lesson from last year: that when markets are in turmoil

it is not the best time to make inflexible new rules. Similarly, it would be foolish to make a firm decision on the October summit when the seriousness of Senator McGovern's challenge to President Nixon cannot yet be judged, when the politics of at least two of the Ten, Germany and Holland (the Dutch foreign minister, Mr Schmelter, must have been anxiously looking over his shoulder all week), are in uproar, and when the politics of several others, such as Italy, Norway and even France, might by October be in almost as much of a muddle.

The debate in Brussels did show one bit of movement on Wednesday. Britain showed the first signs of pressing hard for the sort of regional policy it would like, which would lead to channelling a share of community funds into the industrially run-down areas of Britain. Both France and Germany have found from recent researches that such a policy will cost them more than they thought. The initial British reaction to this dis-



Schmelzer, Rippon and Schumann will try again in September

covery was to play the tune of regional policy as lightly as possible. But Britain may now instead go for the sort of deal between national interests which is the customary method of bargaining in the community.

On Britain's side of the regional policy argument are the Irish and Scandinavians and—although they are more interested in farming than in industry—the Italians. France, represented in Brussels this week by M. Schumann, has now succeeded in promoting its ambitions for monetary union in Europe to the top of the summit agenda. At the same time the French have in recent weeks started to make concessions to the German wish for tighter co-ordination of economic policies and to the general desire to find some way of mitigating the absurdities of holding European currencies too closely together when their parities get patently out of line.

The deal that can be done at a European summit, whether in October or early next year hardly matters, is therefore becoming pretty obvious. France can be given the commitment in principle to monetary union that it wants from the others, and that they already share anyway. It will also get the satisfaction of seeing Britain fix the pound at a new parity. Germany will get, also in principle, the closer co-ordination of economic policies in Europe that it would like to see, and possibly a skeleton European reserve fund through which it can exercise some control as well. Britain, provided it learns the French lesson of pushing harder than is strictly nice, can get its foot in the door on regional policy.

On one subject France has already done Britain's work for it in advance. After M. Pompidou's manoeuvring there is little talk now of new European institutions, and the contentious debate about a diplomatic secretariat for the foreign ministers looks as if it has been safely dropped. The summit, for what it is worth, is back on the road—the question of exactly when it should be held, despite the unwise optimism expressed by Britain's Mr Rippon in Brussels, being rightly laid aside.

Holland

Party pieces

Netherlands or never-never lands? By the time the Dutch government resigned on Thursday it was hard to say which Holland was. In last year's elections the formerly dominant partnership of Catholic and Calvinist parties and Liberals (that is, conservatives) had lost a lot of ground to the Labour party and its allies. It took more than two months to form a new coalition. In the end the previous partners, who had retained only 74 of the lower house's 150 seats, created a majority coalition by taking in the eight members of the democratic socialist group called DS-70. This group had broken away in 1970 from the Labour party, which it regarded as having swung too far to the left.

The Catholic party and the two main Calvinist ones, the Anti-Revolutionary and Christian Historical parties, had fought the election with promises of increased public spending. But DS-70 had demanded sharp reductions of public spending, except on defence, for which it wanted more, not fewer, funds. Clearly the new coalition was going to have trouble over the shaping of the next budget. Trouble duly came; but not quite the way people had expected.

On Monday, after a long night session of the cabinet, the two DS-70 ministers resigned. They were the party's leader, Mr Willem Drees junior (son of a distinguished former Labour prime minister), and Jonckheer Maurits de Brauw. They had been in charge respectively of transport and higher education. Why did they resign? It emerged that they could not accept the budget cuts that were to fall on their own two ministries; they urged, instead, a reduction of defence spending. Many a citizen, on learning of this strange reversal of roles, must have rubbed his eyes and muttered: "Well, I'm a Dutchman!"

Queen Juliana dashed home from an Italian holiday. The Anti-Revolutionary prime minister, Mr Barend Biesheuvel, tried to patch things up but, seeing it was no good, resigned on Thursday afternoon. There was in fact much more to it than a mere inter-departmental tussle for funds. Mr Drees wants an immediate wage and price freeze, a sharp increase in university fees, and an all-out attack on the rampant inflation that had helped to produce a budgetary deficit of about £400m. It may not be possible to

restore a coalition with an effective majority this side of fresh elections; and elections might well bring further gains to Labour, which with 39 seats is already the strongest single party.

In most things Mr Biesheuvel could count on the support, against Labour, of the eight members who now represent four little right-wing parties that were not taken into the coalition last year. But they, like DS-70, might ask a price that would impel more floating voters to go over to Labour and its allies. With 14 parties already in parliament, and as many more eager to have a go at the next elections, a Dutch prime minister's calculations must anyway have a certain never-never-land character.

Germany

Schiller's lost but not forgotten

Willy Brandt's holiday in Norway will not have been improved by the reports coming from Switzerland, where his former economics minister, Karl Schiller, is taking his own holiday. The full text of Herr Schiller's letter of resignation earlier this month has been leaked to the German press. Herr Schiller asserts—wrongly—that France was about to adopt the Schiller solution of a joint float of European currencies without requiring German controls on flows of capital. In fact, France agreed to consider a joint float only in return for German willingness to impose capital controls, and then only if controls did not succeed by themselves in stemming speculation against the dollar.

No matter. Many will believe Herr Schiller's version of the story, and this may further damage Herr Brandt's campaign for re-election this autumn. Herr Schiller also accuses Herr Brandt's government of dangerous over-spending. Worse still for the chancellor, Herr Schiller refused in a television interview to dispel rumours that he is wondering whether to abandon the Social Democratic party. There are now real fears among Social Democrats that Herr Schiller may join the Christian Democrats.

It would be almost as damaging if, as is more likely, Herr Schiller pointedly refused the many requests now being made for him to campaign actively for Herr Brandt when the electioneering begins in September. In the last federal election, in 1969, Herr Schiller is thought to have swung any-

thing up to 4 per cent of the west German vote, and he could probably do it again. To have Herr Schiller actively campaigning on his side, but not in his government, would be the best of all worlds for Herr Brandt. Herr Schiller knows that too, and the question now is whether he wishes to take part at all and, if he does, what price he will ask for his support.

Italy

Too pure to survive

FROM OUR ROME CORRESPONDENT

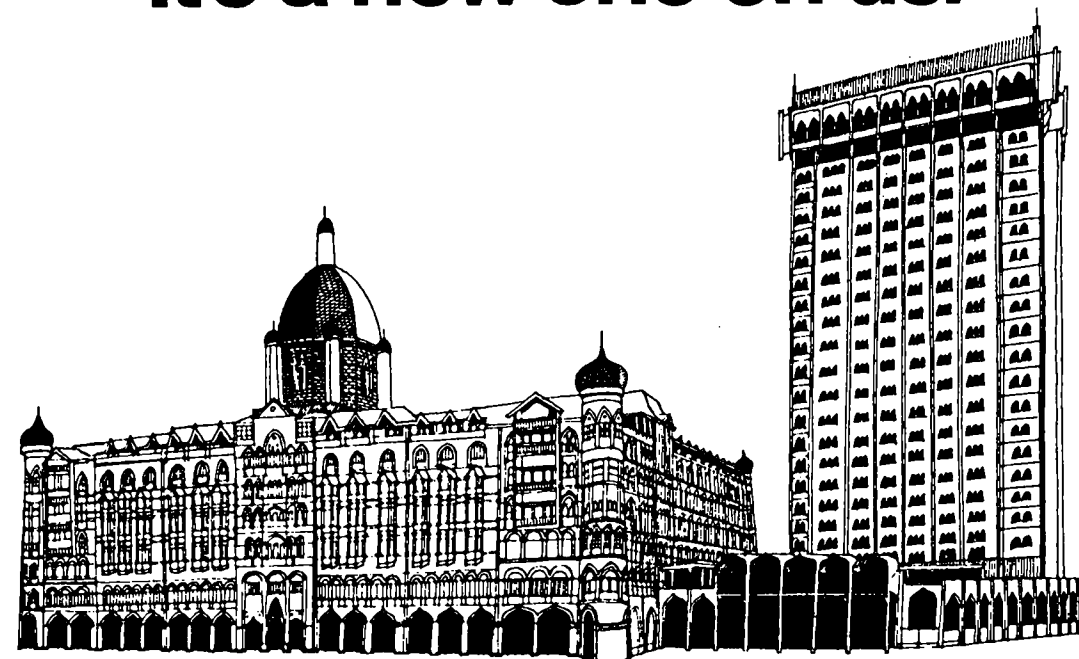
Italy is one political party the poorer, or richer, this week. The small but politically important Socialist party of Proletarian Unity, the PSIUP, has splintered itself out of existence. At a winding-up congress held in Rome at the weekend two-thirds of the delegates opted with the executive for joining the Communist party. A small minority decided to go back to the Socialist party from which they came, and a rather larger minority tried to argue that the PSIUP should keep its name and ideals alive.

These decisions are the result of the crushing defeat suffered by the party in the May election, when it lost all its 24 seats in the chamber of deputies and got 11 senators elected only because they joined in with the Communist list. The party was founded in 1964, when a group of left-wing Socialists, with 25 deputies at their head, rejected Signor Nenni's policy of taking the Socialist party into the



Berlinguer's playing a difficult hand

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COMPAGNIE FRANÇAISE DES PETROLES

The Company's Annual General Meeting was held in Paris on June 23rd, 1972, and accounts for the year 1971 were approved.

In his address, the President stated that, during the first quarter of 1972, financial results were at a level similar to one fourth of 1971 results with roughly the same volume of crude oil supply.

—**CRUDE OIL SUPPLY KEPT AT HIGH LEVEL.**—The Group's overall crude oil supply was 67.7 million tons, i.e., a 10.7% increase vs. 1970, despite the fact that crude supply from Algeria was cut by half. This stemmed from an increase in the Group's oiltakes from the Persian Gulf made in favourable conditions on account of declining tanker rates. The Company's own crude resources went up from 57.5 to 60.4 million tons, thereby allowing the Group to keep its rank as the eighth leading international oil company.

—**STEPPING UP AND DIVERSIFYING EXPLORATION WORK.**—The Group's exploration operations, carried out singly or on a joint venture basis, covered an overall permit area of 1.1 million sq. km. In Tunisia, the Company started operating the Sidi-el-Itayem field, discovered last year in the Sfax/Kerkennah permit area, where a new oil-strike was made in June 1972. In Indonesia, the Company struck oil off the coast of Borneo in April 1972. In the North Sea, TOTAL has an interest in the large-scale gas discovery in Frigg field. Exploration work has also been undertaken in Angola, off the coast of Senegal, South Africa, the Malagasy Republic, Corsica and Labrador.

—**DEVELOPMENT OF REFINING AND MARKETING.**—In France, completing a new 9 million-ton/year distillation unit by the end of the 1972 summer should increase overall capacity of the Normandy refinery to 23.3 million tons/year. It was also decided to build a refinery in the Dunkirk area, scheduled for start-up in 1974. In foreign countries, the Group pursues its development policy—especially in the area of refining—in Italy, South Africa, the French Antilles and the Netherlands where a 6.5 million ton/year capacity plant is to be erected in Vlissingen (Flushing).

The TOTAL Group's worldwide finished products sales reached 44.1 million tons in 1971, reflecting an increase of 11.4% in France and 6.4% in foreign countries. Despite less favourable economic conditions in the second half of 1971, the results of foreign marketing/refining affiliates reflected a net increase as compared to 1970. As an example, we can mention results obtained by TOTAL OIL (Great Britain) justifying heavy outlay made on the British market.

—**NET INCOME: +11.6%; DIVIDEND: +21.3%.**—1971 net income reached Fr. 452.6 million vs. 403.8 million in 1970 (+11.6%), thereby keeping the Company far ahead of other French companies. Overall dividend distributed in 1971 was Fr. 161.5 million (vs. Fr. 125.4 million in 1970) representing 35.7% of income.

Net dividend per share was set at Fr. 8.00 for already existing shares vs. Fr. 6.80 in 1970, to which should be added a Fr. 4.00 tax credit for shareholders residing in France or assimilated persons. Total income per already existing share thus reached Fr. 12.00. Income for newly created shares bearing interest from July 1st, 1971 was set at Fr. 4.00 plus Fr. 2.00 tax credit.

—**TOTAL GROUP CONSOLIDATED INCOME.**—1971 consolidated sales (excluding taxes), equally split between France and foreign countries, reached Fr. 13.2 billion vs. Fr. 10.8 billion in 1970, i.e., a 22% increase.

The Group's overall capital outlay reached Fr. 2,093.8 million vs. Fr. 2,398 million for 1970—the latter amount reflecting several exceptional expenditure items.

After allocation of income, 1971 self financing reached Fr. 1,706.8 million vs. Fr. 1,452 million in 1970 (+17.50%).

Cash flow went up 18.3% from Fr. 1.6 billion in 1970 to Fr. 1.9 billion in 1971. The Group's net income reached Fr. 702.9 million in 1971 vs. Fr. 587.2 million in 1970, thereby reflecting a 19.7% increase. The parent company's share in this figure is Fr. 537.8 million (+14%).

The Company's 1971 Annual Report in English may be obtained upon request to: COMPAGNIE FRANÇAISE DES PETROLES—Relations Extérieures/Documentation—5 rue Michel-Ange 75781 PARIS-CEDEX 16.

centre-left coalition. The PSIUP then stood for dogmatic revolutionary socialism, more or less as derived from Trotsky, in opposition to the social democratic degeneracy of the Socialists and to the nascent reformist trends appearing among the Communists. It has turned out to be too pure to survive.

In the 1968 election the party polled 14m votes and claimed to stand to the left of the Communists. But it failed to take a leading part in the labour conflicts and the student demonstrations in 1969, when it became increasingly clear that the "space on the left" was being filled more noisily and perhaps more efficiently by the Manifesto group and other movements of the far left. This year its votes dropped to 670,000 and it even failed to muster the 40,000 votes in at least one constituency which the election law requires for allocating seats in the chamber.

The Communists have been criticised for not stretching out a helping hand to save the PSIUP in one or two constituencies and thereby keep it in existence. But it is doubtful whether the Communist leaders, even if they had foreseen what would happen, would have exerted themselves to avert it. The Communist party is stronger alone. Its leader, Signor Berlinguer, is playing a difficult and far-reaching hand and has little time for the dogmatic carping of the extreme left. His aim is to get the Communist party into government not as an alternative to but as the partner of the Catholic party, presumably after the latter has been reconstructed. As things are the Communists have, without any difficulty, taken over the PSIUP almost lock, stock and barrel.

The secretary of the swallowed party says that his followers accept not only the Communists' programme but their methods of internal government, which he euphemistically describes as "democratic centralism." Just how pleased the Communists are about it all is a matter of conjecture. Some of them think that the new recruits are troublemakers, and that their contribution in votes will not be very large. It is possible that a fair number of PSIUP members and voters will rally to the fraction which still hopes to revive the purity of the faith. But the Communist party now seems to stand out even more clearly as the great hegemonic force of the Italian left.

France

Clearing the air

FROM OUR PARIS CORRESPONDENT

To go with its new government, France has got a new broadcasting boss, and a new broadcasting policy—or, more accurately, an old one. The signs are that the state-controlled Office de Radiodiffusion Télévision Française (ORTF), the country's only broadcasting authority, is to revert to serving up government pap. True, there are some people in France who ask when it ever stopped. Yet under the prime ministership of M. Chaban-Delmas progress had been made.

Years of gaullist censorship produced the prolonged strike of broadcasting journalists in the summer of 1968. M. Pompidou, the prime minister for most of those years, is not known for his interest in free broadcasting: he has described the ORTF as the voice of France, and thinks it should behave accordingly. But, once in the Elysée, he allowed M. Chaban-Delmas to loosen the safety-valve. No longer did an interministerial committee decide each day what news was fit to broadcast. Two autonomous television news services were set up, responsible not to the director of broadcasting but to the board of the broadcasting authority itself. One of them, headed by M. Pierre Desgraupes, even achieved a reputation, by ORTF standards, for quasi-independence.

Most of this timid advance is now in the melting pot. Many of M. Chaban-Delmas's party friends never liked it, and the first major retreat came with the "reform" of the authority's structure planned in the last days of his premiership. It was decided to end the



Conte Messmerises the viewers*

autonomy of the news services. They will now fall again into the normal hierarchy, which is headed by a new superboss, M. Arthur Conte.

M. Conte, whose undoubted qualities include a warm admiration for President Pompidou, holds a gaullist seat in parliament. He maintains that the news will remain free, but he also believes there has been too much moaning and groaning on the air, and not enough of the positive side of government action. He too talks of the ORTF as the voice of France, and a brief phrase of his speaks volumes about his conception of political broadcasting: "the government explains, the opposition replies."

At his heels, his party is planning to do its own Mrs Whitehouse and set up an association for truth in broadcasting to ensure that all voices are heard on the telly, particularly those that are representative of the majority of Frenchmen. More significantly, the structure of the new government also reflects a retreat to the past. The junior minister who planned the anti-reform of the broadcasting authority, M. Philippe Malaud, acquires new responsibilities for "information," which will include the ORTF and the Agence France Presse. Abolishing the ministry of information was one of M. Chaban-Delmas's minor achievements.

All this gives ample ground for suspicion that France is in for some pre-election abuse of the broadcasting system. Indeed, it has already begun. On the evening when the members of M. Messmer's government were named, political pressure was brought on M. Pierre Desgraupes to cancel a broadcast discussing it. When he refused the representatives of the ruling parties who were to have appeared abruptly withdrew. Next time round M. Desgraupes will not have the right to refuse. Or rather his successor won't. It is now clear that when the names of the new heads of services are announced next week, M. Desgraupes's will not be among them.

Spain

Franco and Blanco

Any Spaniard still harbouring hopes that a post-Franco government might take on a more liberal complexion has been abruptly disillusioned. On Tuesday, the 36th anniversary of the military uprising which led to civil war and brought General Franco to power, the Caudillo issued a decree that his old comrade-in-arms and closest

collaborator, Admiral Carrero Blanco, who is now 69, would automatically become prime minister on his death or retirement. His choice of the ultra-conservative vice-president, who in practice already fulfils General Franco's role as head of government, is no surprise. It is the last step the general can take before his death to ensure that the regime and its policies will continue.

But the publication of the decrees, laying down that Prince Juan Carlos must be sworn in as king and head of state within eight days of the general's departure, and the naming of the next prime minister do not imply that General Franco is ready to withdraw from the scene. Indeed, the wording seems to confirm the promise he gave last October that he would "remain at the helm as long as God gives me strength and clarity."

One purpose may be to limit Prince Juan Carlos's field for manoeuvre as head of state. Officially, he will have the right to name his own prime minister from a list of three names submitted to him by the Council of the Realm. But if he failed to reappoint the man chosen by General Franco it would create a political upheaval that would get his reign off to a bad start. Prince Juan Carlos has been holidaying with his father, Don Juan, in Portugal. Right-wing circles in Spain are becoming increasingly disturbed that their future king shows signs of being influenced by his father's liberal views and by his belief that Spain's future lies in integration with Europe.

The Spanish foreign minister, Sr Lopez Bravo, is known to be close to Prince Juan Carlos. He is also a strong advocate of Spain's entry into the common market, but in order to placate his doubting colleagues he had said that it will not be necessary for Spain to democratise its institutions to qualify for membership. Some respected Dutch and German voices have contradicted him sharply. This week he was in London for three days on an official visit—and it was Europe rather than Gibraltar that he wanted to talk about. Britain, he hopes, will help Spain into the European community in return for a prolonged truce over Gibraltar.

Had General Franco not nominated the next prime minister, Sr Lopez Bravo would have had some chance of being the choice of the future king. But, at 49, he has a long career ahead. As Spain's growing number of Europhiles get a wider hearing in the country, Senor Lopez Bravo's stock will rise. His day could still come.

Switzerland

You can't do that there here

FROM A CORRESPONDENT IN GENEVA

To some unfriendly foreigners it has always seemed that Switzerland has exploited the modern mushroom growth of international organisations: while keeping many of them at arm's length and refusing to join the United Nations, it has taken full advantage of their bureaucracies, many of which have chosen Swiss soil for their offices. There was therefore some satisfaction abroad at the suggestion that the Swiss might not be immune to that other modern international phenomenon, the urban guerrilla.

The news that a gang of anarchists had been rounded up in Zürich and that they had provided arms and a stolen car for the Baader-Meinhof terrorist group in west Germany seemed to point to it, and the CIA even said as much. But on July 14th the Swiss government poured cold water on the reported suggestion by the CIA that an international office in touch with several different revolutionary movements had been set up in Zürich to foster contacts between such organisations as the Popular Front for the Liberation of Palestine, the Japanese Red Star Army, the Irish Republican Army and the Uruguayan Tupamaros.

Zürich would be an obvious choice for internationally minded revolutionaries, both because of its position in the heart of Europe and because of the sheer cheek of imitating Lenin by hatching plots in the middle of one of

the most thriving capitalist countries in the world. But as the Swiss attorney general, Herr Hans Walder, proudly said at his press conference last week, these impertinent revolutionaries had reckoned without Swiss efficiency. Herr Walder was not so incautious, however, as to confirm whether the Swiss authorities were taking the CIA's theories seriously. There was no confirmation that the Bändlistrasse gang, of whom nine members have been arrested and more than 30 are still loose, were part of a wider international conspiracy directed from Zürich.

The Swiss do not lightly shrug off a report publicly if they think there is a possibility it will subsequently turn out to be true. Newspapers in Zürich, offended at the suggestion that the Swiss might have been even indirectly responsible for the Lydda massacre, terrorism in Northern Ireland and murders of diplomats in south America, have quoted their own police sources as saying that the CIA report should be placed in the files along with reports on UFOs, three-headed babies and other symptoms of the mad summer season.

The Bändlistrasse gang established its contacts with a group of anarchists in Berlin last year and was referred by this outfit to the now decapitated Baader-Meinhof gang. Revolvers, ammunition, machine pistols and a stolen car were passed to the Baader-Meinhof group until the flow was cut off when the Bändlistrasse gang was cracked in May. Police arrested seven young men and charged them with preparing an urban guerrilla campaign against the constitutional order of Switzerland.

And then last week a federal court in Lausanne wound up a trial of Geneva anarchists who had also been caught with a large store of well-kept rifles plus a list of prominent personalities whom it was their declared intention to eliminate. One of the two young ringleaders was sentenced to two and a half years' imprisonment and his accomplice was given a suspended sentence of one and a half years. The court said it passed such mild sentences since it considered the defendants were "amateur revolutionaries rather than professional terrorists."

Perhaps with this thought comforting him, Herr Walder went off for a two-week holiday after his press conference. For the moment, at least, Spartacus in Zürich is an all-Swiss animal and under close, but benign, observation.



Swiss policeman prods peculiar package

East Europe

Politics is still king

Before they get over-optimistic, east-west traders might usefully study last week's summit meeting of Comecon, the economic group comprising Russia, Bulgaria, Czechoslovakia, east Germany, Hungary, Mongolia, Poland and Rumania. Comecon is still hopelessly bogged down in its own internal problems. The real growth in east-west trade in the near future seems likely to come through direct deals with Russia—such as this week's oil and gas agreement between Russia and the maverick American oil conglomerate, Occidental Petroleum (see page 82).

Comecon members' trade with outsiders has been growing by 8-10 per cent a year. But the total is still small. Only 30 per cent of Comecon trade is with countries outside the block; most of the rest is with Russia, which is now screwing higher commodity prices from its partners. And the east Europeans will have to invest substantial sums in large joint projects such as the cellulose plant at Ust-Tjmsk in eastern Siberia, the huge steel plant at Kursk in European Russia, and several others. All this means that there will be less left in the kitty for purchases from the west of modern machinery and consumer goods. No wonder the Soviet prime minister, Mr Kosygin, found it necessary to deny western reports of disagreements among Comecon members.

What certainly exacerbates commercial differences of interest is the fact that Russia uses Comecon primarily for political ends—as an instrument of Soviet hegemony over eastern Europe. That is why even those Comecon integration projects under discussion in Moscow last week which can be justified in terms of economic rationality have a sinister ring for the more independent-minded east Europeans.

The main news from last week's meeting of this supposedly economic organisation was political. The entry of Cuba as a full member is dictated no doubt by Russia's desire to keep a closer watch on Dr Castro. There is also the near-entry into membership of Yugoslavia, which has recently found itself obliged—mainly through its lack of success in western markets—to enter into closer co-operation with Comecon. Politics, not economics, is still king in eastern Europe.

Hanging over all Comecon members

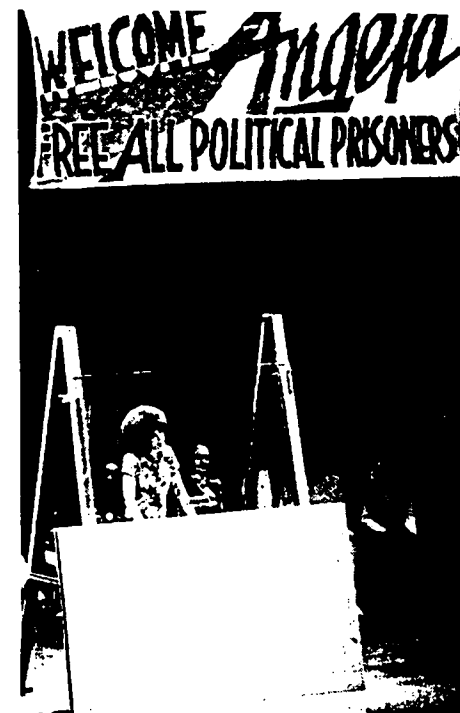
is the growing political problem of how to react to the enlargement of the common market. Rumania has approached Brussels in the hope of being included in Europe's generalised preference scheme. Yugoslavia has a trade agreement with the common market, which is currently being re-negotiated. Poland and Hungary would like to get larger quotas for their textile exports to the community but obviously cannot until Comecon has sorted out the recognition problem. But in a year when the Ten are jointly preparing their approach to the European security conference, and when the Brussels commission is expected to take over the future common commercial policy of the Ten towards eastern Europe, there is an increasing fear that Russia will use the issue of recognition of the EEC to bludgeon its Comecon partners further into line.

Czechoslovakia

Your move, Angela

But for a bright idea, the trial of 13 prominent Czechoslovak intellectuals on charges of subversion, which opened in Prague on Monday, might have remained just another routine instalment in the sad story of the strangulation of Czechoslovakia's freedom which has been going on since August, 1968. But an underground organisation calling itself the Citizens' Freedom Movement has just invited Miss Angela Davis, the militant black American marxist leader, to come to Prague and attend the trial. The purpose of the trip would be, as the open letter to Miss Davis puts it, to help the defendants, who are being "persecuted for having questioned the wisdom of their rulers," but who, unlike Miss Davis herself during her recent trial, were unlikely to be accorded "the elementary right to defence in court proceedings."

It is not yet known whether Miss Davis will respond to this appeal. But even if she chooses to ignore it, or if the Czechoslovak authorities refuse her a visa, the appeal will have performed a useful service. It may have already benefited the 13 who were put on trial this week. Although the Husak regime was clearly determined to make an example of them, the suspended sentences given to some of them on Wednesday were not as harsh as was feared. The offence of some of the defendants is that they were involved in the distribution of anti-regime leaflets



Some would welcome her in Prague, too

on the eve of last November's elections. The leaflets may have helped to destroy the illusion that Mr Husak hoped to create by using the elections to claim that the Czechs were solidly behind him.

There can be little doubt that the publicity surrounding the appeal to Miss Davis and another recent protest by a large group of prominent left-wing western intellectuals—including the philosopher Jean-Paul Sartre and the novelist Graham Greene—have embarrassed both the Husak regime in Prague and the Soviet leaders. The open persecution in Czechoslovakia of right and left alike makes a bad impression on left-wing opinion in western Europe just at a time when some left-wing, non-communist groups appear to be increasingly ready for close political co-operation with the communists in France, Italy and elsewhere in the non-communist world.

Israel

So what's wrong at home?

FROM OUR ISRAEL CORRESPONDENT

President Sadat having surprised even Israel by hoofing his Soviet advisers out of Egypt, the Israelis are devoting themselves to domestic discontent. A period of nagging political crisis stretches ahead to next year's election.

continued on page 41

AUSTRALIAN ESTATES

Sir Denys Lowson

on

Satisfactory Cattle and Sugar Prospects

Sir Denys Lowson, Bt., the chairman, in the course of his remarks to shareholders at the Annual General Meeting held in London on 17th July, said:

Total revenue increased from £2,545,653 in 1970 to £2,844,833 in 1971. The increase was due mainly to better results from the sugar division which received higher prices and also produced a record tonnage of sugar at our Kalamia and Pleystowe sugar mills. Increased profit from the cattle division due to record cattle prices in Queensland was absorbed by reduced returns from the sheep division; the sheep division reduced its expenses substantially but this was more than offset by lower returns from the sales of wool and livestock. The agency division maintained its results at about the same level as in the previous year; whilst wool and sheep prices were lower these were compensated by re-organisation of our services and consequent reductions in cost. Overall the substantial upward trend in costs evident in 1970 continued, due largely to increases in wage awards; at the sugar mills these additional expenses were offset to some extent by the new plant installed, and elsewhere costs and services were cut to the maximum extent possible. Depreciation and amortisation of fixed assets increased from £938,972 in 1970 to £1,034,662 in 1971. Although the profit was higher in 1971 Australian taxation was reduced from £450,640 to £358,721; this was due mainly to the investment allowance for the new boiler and installations at Kalamia sugar mill.

In view of the improved results the Directors recommend the payment of a dividend of 10% on the Ordinary and "A" Ordinary shares, compared with 8% last year, which will cost the Company a total

of £315,157. This compares with a cost in 1964 of £258,996 when the Company paid 14% on its Ordinary shares before the introduction of the Finance Act 1965. £100,000 has been transferred to Drought Reserve in a subsidiary and the total amount carried forward in the Consolidated Profit and Loss Account has increased from £1,920,803 to £2,378,813. Under the current system of United Kingdom taxation, income tax on dividends must be deducted from the payments made to shareholders and has to be paid over to the Inland Revenue. The Government are changing the system of company tax as from April 1973 with the effect that, in so far as U.K. companies are concerned, the only taxation liability arising in future will be corporation tax, albeit at a higher rate than at present. Indeed the new legislation will lessen the taxation burden on corporations in a great many cases, particularly companies all of whose profits are earned in this country. It appears however, that the position in the case of our company, whose profits are earned almost entirely in Australia and subject to tax there, is such that it will not obtain any real benefit from the new system of taxation; it will continue to suffer the full rate, either in Australia or here, of taxation on profits with further liabilities in the United Kingdom in respect of dividends paid. Efforts are being made by the company to obtain a proper measure of relief from the ill effects of this legislation.

Sheep Stations

New South Wales properties recorded above-average rainfall during 1971, but the distribution was not always effective and this created some feed difficulties during parts of the year. In Queensland the position was much the same, and at Terrick

Stud and Terrick Flock the feed deteriorated considerably towards the latter part of the year. Sheep numbers at the close of 1971 were 9,000 higher, due mainly to a very good overall lambing of 94% against 85% in 1970. All Queensland stations marked better than 92% of lambs, with Thylungra returning 99%, the highest and best ever lambing for that property; New South Wales properties averaged a little lower at 89%. Sheep mortality was 5%, being 1% less than in the previous year. Cattle numbers on our sheep stations increased by 3,746 in continuation of our policy of assisting the sheep division's earnings. As I said last year a limited number of cattle can be helpful on some of our sheep stations in improving the coarse pasture for our sheep; but it is always necessary to be ready to remove all such cattle at short notice if any dry or drought conditions begin to prevail.

18,000 fewer sheep were shorn, resulting in a reduction in the wool clip of 626 bales compared with 1970; prices averaged 26.52c per lb. (58.44c per kg.) or 1.87c per lb. lower than last year. 12,000 fewer sheep were sold at an average price of \$3.44, this being \$2.26 lower than in 1970; 1,700 fewer cattle were sold, but at an average of \$136 per head compared with \$125; after allowing for cattle purchased there was a drop of about \$750,000 in gross revenue from livestock compared with 1970. Although expenses were reduced substantially the lower returns from wool and livestock produced a loss for the year. Raby and Oolambeyan were represented with good show and sale teams at the February, 1972, Sydney Sheep Show and Sales. Oolambeyan won the Grand Champion Strong Wool Ewe and sold one of its sale team to an Argentinian buyer for \$1,000, and Raby was successful in being awarded the Reserve Champion Strong Wool Ram and sold all of its sale sheep at satisfactory prices.

Cattle Stations

Although the year commenced with Chatsworth and Mt. Howitt drought-stricken and extremely difficult conditions at Granada, splendid rains during February to April restored the situation and were followed by the best general season for many years in north western Queensland and the Northern Territory. Excellent flooding occurred at Mt. Howitt allowing this property to be restocked. Winter grain crops failed at Wainui due to insufficient rain during the growing season. 47,000 calves were branded, compared with 42,000 in the previous year. Improved brandings, reduced mortality and slightly reduced sales were responsible for an increase of 9,000 head in overall stock numbers. The total at the end of the year was 168,000.

Agency

Seasonal conditions in the eastern States of Australia, our main area of operations, ranged from dry followed by floods in the north, to better than average in the south. In Queensland excellent rains early in the year broke the long drought in most areas and resulted in heavy flooding; the dry hot weather which followed baked the ground and hindered both grain growing and cattle fattening. In the second half of the year there was a general improvement and most areas enjoyed excellent conditions throughout the spring and early summer. The year closed with widespread rain to give the State its best general seasonal conditions since the mid 1950s. Victoria and southern New South Wales experienced conditions better than average.

Sales of wool from our stores totalled 186,000 bales compared with 178,000 bales in 1970. Throughout the year wool prices continued to drift down from their already low levels. Whereas the average price of the wool sold by the Company was 33c per lb. (72c per kg.) in 1970, it was only 28c per lb. in 1971. This price was sustained only by the substantial support afforded by the Australian Wool Commission bidding at auction. The 1971 price of 28c compares with a price of 46c in 1960.

The lower wool prices affected sheep prices, and land values dropped in sympathy. The low earnings available to the rural sector of necessity curtailed improvement programmes and all expenditures were cut to the greatest degree possible.

Late in the spring the Commonwealth Government's direct subsidy of wool prices to woolgrowers, combined with the improved seasonal conditions in Queensland, generated an improved outlook and at the end of the year a better trend was apparent in business conditions in the rural sectors but many operations continue to be marginal. This trend has been helped by the improving export meat markets and the overseas demand for Australian wheat and butter. An official estimate of receipts into brokers' stores in Australia is as follows:

1970/71	1971/72	
Bales	Estimated Bales	Percentage Difference
5,044,469	4,758,000	-5.7

Wool sold in Australia for the four seasons, with an estimate for the 1971/72 season, is as follows:

Season	Bales	Proceeds from Sales			Average Price per lb. kg.
		\$A	Million	per lb.	
1967/68	4,967,000	639	42c	(92c)	
1968/69	5,207,000	725	45c	(99c)	
1969/70	5,601,000	652	38c	(83c)	
1970/71	5,134,000	468	29c	(65c)	
1971/72 (Est'd.)	5,046,000	535	34c	(75c)	

Sugar

Australian sugar production in 1971 was a record 2,749,000 tons, of which 2,627,000 tons came from Queensland. All Queensland mills, but one, had a good cane crop available and so were able to take advantage of increased International Sugar Agreement quotas and quota-exempt sales, such as cane invert. Almost all available cane was harvested and the crushing of 18.1 million tons of cane in Queensland was the largest ever known. Pleystowe and Kalamia



Two of Terrick's champion show rams at Terrick Stud, Queensland. This stud won several Championships in Queensland last year.

also both crushed record tonnages of cane, and produced a record total of 219,000 tons of sugar compared with 183,000 tons in 1970. The production would have been slightly larger had not very heavy rains brought an abrupt end to the crushing at Kalamia shortly before the mill had made its full sugar quota. Most of Pleystowe's production was in the form of cane invert for sale to the Australian Sugar Board (as with our other sugar) and subsequent shipment to Japan.

At the triennial review of the British Commonwealth Sugar Agreement in London during the latter half of 1971, the negotiated price for Australia was increased by £6.50 to £50.00 sterling a ton for 1972 to 1974. This was the first increase in the price since 1965. The method of sale of Australia's negotiated price quota after 1974 is not yet established; it will be affected by transitional arrangements with the E.E.C., the re-allocation of I.S.A. quotas, the extension of the U.S. Sugar Act and other developments in the world trade for sugar. The new U.S. Sugar Act, which is of three years' duration until the end of 1974, provides Australia with a similar quota to that under the previous Act at a U.S. consumption requirement of 11.2 million short tons. Australia, however, receives a higher proportion of consumption growth in the U.S.A. than under earlier legislation.

Rapid upward movements in world sugar prices towards the end of 1971 and early in 1972 placed a heavy strain on the International Sugar Agreement, which until that time had worked well. All I.S.A. quota restrictions have been temporarily removed and in terms of the agreement will not be reintroduced until the prevailing price falls to 5.25 U.S. cents a pound, when the Executive Committee will meet to decide on the level at which quotas should be re-established. High world sugar prices, while on benefit to exporters in the short term, deprive the International Sugar Organisation of those economic controls which are essential for long term stability and orderly marketing. It is, therefore, to be hoped that prices will return to more reasonable levels soon. To achieve this it appears that production of sugar should be increased promptly, at least to a level matching consumption, which continues to grow at about

3% to 3½% per annum. We are enlarging steadily the capacity of our two mills, so that we will be able to take our part in producing any additional sugar which may be required in due course; as well as being able to mill a greater quantity of cane at the time of the maximum sucrose content.

General

Following two very good years the real growth rate of Australia's Gross National Product declined in 1970/71 to 3.9% which was somewhat below the average for the past decade. This was due largely to the continued difficulties of the wool industry, higher wages and prices, world monetary and trade problems, and some rise in unemployment. The balance of payments, however, continued to be very strong and at the end of 1971 Australia's international reserves reached the record level of about \$2,800 million. The restrictive monetary policies applied by the Commonwealth Government following the boom conditions of 1970 were eased towards the end of 1971 when grants were made to assist employment in the rural areas, restraints on lending by the banks were lifted, and interest rates were reduced. The 1971 world currency crisis was settled in December and the year finished on a more optimistic note with the Australian economy basically sound and growing strongly.

Although there is some doubt about the short term outlook for minerals, wool prices have shown an encouraging partial recovery in 1972 and meat and sugar prices seem likely to remain buoyant for the present. The major concern of the Australian economy is to curb cost-inflation following continued rises in wages and prices. The Consumer Price Index for the December 1971 quarter rose 2.3%, which was the highest for 20 years and brought the 1971 increase to 7%, or more than double that of two years ago. However, the March 1972 quarter showed a rise of only 1.1%, which was the same as for March 1971, and could mean that the annual rate of inflation may stabilise at lower levels. Confidence in the economy was assisted early in 1972 by the restoration of the 20% investment allowance on manufacturers' new plant and machinery, reduced personal income tax, and higher Social Services pensions. The general outlook of the Australian economy is favourable.



The Company's Bell G5 Helicopter. Tests are in progress for the use of this machine, instead of horses, for mustering cattle.

AUSTRALIAN ESTATES (continued)

Directors and Staff

I referred last year to my visit to Australia early in 1971 for discussions with the General Manager and Staff. Early in 1972 we were pleased to have a visit in London from Mr. G. H. Colman, the Australian Director and General Manager, when many matters concerning the Australian business were considered, and the possibility of some future diversification of our activities was further discussed. Since the close of the Company's year, we and our friends have disposed of the substantial interest, at a satisfactory profit, which we held in the old-established Scottish Australian Company Ltd. We reluctantly decided that under present conditions and with that Company's existing assets it was not possible to make this into a really viable or profitable investment. Time will show in due course if the decision was right. Meanwhile we shall continue to do everything possible to diversify further our activities; and at the present time we have considerable developments planned for our Sugar, Cattle and Property interests.

At the end of December last, Mr. John Grammer resigned as a Director following some twenty-three years' service on the Board. We greatly valued his friendship and wise counsel, which will be sorely missed. It is therefore with a special grief that we have to record his death at the end of April. We welcome to the Board Sir Charles Johnston, who has just completed a most successful term of office as the High Commissioner for Great Britain in Australia. We are hopeful that this appointment will

continue to cement our Anglo-Australian links; and that we shall receive much benefit from his wise guidance, his knowledge of Australia and also his wide experience of international affairs.

Building Project

During the year under review we agreed to purchase 120 William Street, the building next to our head office in Melbourne; a deposit was paid and the balance is payable in 1973. Since the end of the year we have also acquired the next adjoining site (previously owned by the Australian Mercantile Land & Finance Co. Ltd.) in exchange for other buildings already owned in Melbourne. These new sites, together with our existing office premises, provide us with an area of some 20,000 square feet in what has become a key centre of Melbourne's financial and office area. We believe that the development potential and long term income growth of an office project constructed on this site is assured; we are accordingly actively engaged on plans for the construction of an office building, some part of which would be occupied by our head office and Victoria Agency headquarters while the remainder would be available for letting to outside parties; and thus also afford some measure of diversification to our activities.

Current Year

The improvement in the seasonal conditions enjoyed at the end of 1971 faded as the Australian autumn progressed. In Queensland, while on the coastal strip and in the north-east of the State the conditions are satisfactory, in the south-east corner graziers are anticipating the worst winter

on record as there has been insufficient rain to sustain the growth germinated by the January flooding. Similarly in Victoria the smallness of the autumn falls negated benefits of the good summer conditions. Gippsland is facing drought conditions and losses of livestock are occurring. All the company's sheep properties are in reasonable order at present with the exception of Thylungra, which has recorded only 1.65 inches of rainfall this year and has had only minor beneficial flooding. On our cattle properties seasonal difficulties early in the year were again experienced at some properties. Rains in the north-west of Queensland and Northern Territory during March have assured a good general season there. However, some problems remain at Kamilaroi where rain in the area of the homestead has been light, and at Mt. Howitt where although flooding had occurred in the channels to ensure sufficient fattening feed for stock, no rain has fallen locally and the homestead water supply is dry.

All Queensland sugar areas have large cane crops; and sugar production this year is expected to be about the same as in 1971. The International Sugar Agreement quotas are still in suspense, but even if they are re-imposed later this year, it is still anticipated that all available cane in Queensland will be harvested.

It is always difficult to forecast results for the current year. While costs continue to rise we expect a good turn-off of cattle at satisfactory prices and better results from the sugar division; we are also encouraged by the improved tone of the wool market. Overall, at this stage, it seems that 1972 results could well show an improvement over those for 1971.

continued from page 37

The latest outbreaks have been about religion, a subject which raises problems that no Israeli government has ever come to grips with. But such manifestations are beads in the curtain concealing deeper problems: the race to succeed Mrs Meir; the fatigue of a veteran ruling machine that needs overhauling; the lack of common ideological ground in the Labour party's leadership; the thrust of many young people's disaffection with the government's handling of social, economic and moral issues.

Last week the government managed to head off two proposed measures, both of which promised trouble. The Independent Liberals, a tiny group within the coalition, had tabled a bill to introduce selective civil marriage for the 20,000 or so people disqualified by the rabbinate. The issue, over which most of the non-religious parties are divided, is an explosive one as its approval would cause the National Religious Party (NRP) to walk out of the coalition. It needed Mrs Meir's threat to resign, and take the cabinet with her, to hold a vote on this bill in abeyance at least until September.

The second measure, proposed by the ultra-religious Agudat Israel party, was a proposal to harden the provisions of the law defining a Jew. Last week the Knesset voted against this suggestion, but again Mrs Meir had to crack her whip to get the NRP members to abstain. And she was not entirely successful: her NRP deputy minister of education voted with Agudat and has since been dismissed from the government.

Another running quarrel is the open rift between Mr Yizhak Ben-Aharon, the strongly opinionated secretary-general of the main labour organisation, Histadrut, and the other Labour party leaders. This began in the spring when Mr Ben-Aharon resigned in protest after Mrs Meir and Mr Pinhas Sapir, the finance minister, intervened in a labour dispute; he was subsequently reinstated on a wave of popular support. It has continued by way of a public slanging match with the finance minister; Mr Ben-Aharon put forward a radical plan for the economy and was accused by Mr Sapir of advocating marxism Allende-style. As a result of all this, Mr Ben-Aharon is ambitiously consolidating his support among the powerful trade unions and Mr Sapir has become the businessmen's champion.

The sparring among the coalition government's senior leaders could lead



Ben-Aharon's consolidating his support

to a decision to hold elections next spring rather than wait for the autumn. Mrs Meir has declared that she will not stand for another term of office, but an early election would absolve her from this promise and allow her to serve for another year or two. This would enable the Labour party to go into elections under a strong leader, and keep the succession struggle under wraps for later on. The top contenders are still Mr Sapir and Mr Moshe Dayan, with Mr Allon, the deputy prime minister, and Mr Israel Galili in the second line. There is also always the possibility that the party, fearful of a deep split, might choose some compromise candidate. A not-too-delicate reminder of what could happen was provided recently by a public opinion poll which showed 40 per cent support for Mr Dayan should he decide to break away from the party and stand alone.

All the parties are conscious of the need for new blood but this does not mean that any of the veterans are going to step down voluntarily to make room. People are clamouring for solutions to domestic problems, and dislike the classical Labour party method of approaching such problems in the context of party politics. The smaller parties that are provoking the crises can be controlled. But Mrs Meir is capable, at any moment, of suddenly throwing up the sponge.

China

There'll always be an awful lot

There are only two indisputable facts about China's population problem: that there is one, and that the Chinese are now trying to do something about

it. Recent observers of Peking's efforts to encourage birth control have tended to come home euphoric. A Japanese representative of the International Planned Parenthood Federation went so far as to claim that 85-90 per cent of Chinese couples are practising birth control—a record better than that of central London. But some more sober-minded experts are ready to accept his judgment that, for sheer comprehensiveness, China's is "the best family planning programme in the world."

The Chinese are now offering their people every internationally approved method of birth control from free abortion on demand (a method still played down by puritanical propaganda) to loops, condoms, sterilisation for both men and women and two kinds of pill. No other country makes so many techniques so widely available: the Indians and the Japanese do not allow the pill, the Indonesians do not permit abortion and even the abortion-minded Swedes ban vasectomies.

The other unique element of China's programme is its face-to-face approach. When patients do not come to the clinics, the clinics come to the patients in the form of the so-called "barefoot doctors"—health workers who deliver contraceptives to people's homes and even to women working in the fields. Abortion by the simple vacuum aspiration technique (which the Chinese invented, and is fast becoming the preferred method throughout the world) and sterilisations, with acupuncture anaesthesia, are also brought to the peasants' doorsteps by doctors, both barefoot and shod, in the 70,000 local hospitals throughout China.

Chinese birth control is suddenly being "discovered" along with all other things Chinese in the current wave of Sinophilia. But although Peking does seem to be putting greater weight behind its drive today—and the introduction of the pill has plainly made a difference—most of the elements in its family planning programme have been carried over from two earlier campaigns, one in the 1950s and one in the 1960s.

The first birth control campaign suffered from the embarrassment of a sharp policy reversal: in 1949 Mao had proudly proclaimed, "It is a very good thing that China has a big population," denouncing "bourgeois economists like Malthus" who argued that increases in food cannot keep up with increases in population. As late as April, 1956, Chou En-lai was telling foreign visitors that China needed population and therefore did not need birth control.

This announcement appears as a matter of record only.

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No more babies for one sterilised Chinese

But then the official line was stood on its head, partly because of rising concern about food shortages and partly because the 1953 census revealed that China's population, at 583m, was much larger than the Chinese leaders had imagined.

On a directive from Peking's ministry of health in August, 1956, Chinese propaganda began to urge the use of contraceptives, mainly the condom and the diaphragm but also formulas derived from traditional Chinese medicine. The most notorious of these was the tadpole technique: 14 live tadpoles swallowed on the third day after menstruation and 10 more on the fourth day were promised to produce five years' sterility. It was two years before this and other unconventional contraceptives including acupuncture were debunked. In the meantime Mao Tse-tung became the first national leader to advocate today's trendy slogan of zero population growth: in a secret speech in February, 1957, he urged that China's population be stabilised at 600m. But a year later Mao had changed his mood and his mind, and the great leap forward—with its creed that men can make miracles—put an end to the birth control campaign.

The second campaign began in 1962. It was more sober and less ideological than the first effort—no more tadpoles and no more Marx versus Malthus—with greater emphasis on the advantages of contraception and late marriage for the health of mother and child. It suffered from the same administrative confusion that had beset the earlier drive and faced the same resistance from tradition-minded peasants and party workers. And it ground to a halt, just as the first one had, with the onset of a new political movement, this time the cultural revolution. It started up again only when the revolution had spent itself in 1969.

The impact of all China's efforts at

limiting its population growth is virtually impossible to measure. For one good reason: China has no nationwide demographic statistics more recent than its 1953 census and the local figures which are offered to visitors are obviously unrepresentative showpieces. The Chinese have only the haziest idea of what their total population is—they use the figure 750m, although Prince Sihanouk has indicated that some people in Peking think it is more like 800m and western estimates range up to 875m. Furthermore, the Chinese have no reliable records of births and deaths. So the only available figures for population growth consist of the estimated difference between two estimates.

Estimates and the experts who make them differ widely. One noted American demographer, Mr John Aird, has concluded that neither of China's first two birth control campaigns had any perceptible effect on the national birth rate and that even if the present drive succeeds beyond expectations it too will have little impact over the next 10 years because of the falling mortality rates. Another American expert, Mr Leo Orleans, is more optimistic: he claims that China has already achieved something remarkable in lowering its birth rate from 43 per thousand in 1949 to 32 per thousand today (both estimates, of course) and that, with luck and determination, this rate could be lowered to 20-25 per thousand—the current level for Hongkong and Singapore—by 1980. But, even then, China will have almost a billion mouths to feed.

North Vietnam

The buck stops at Giap

The fight for Quang Tri city looks like becoming one of the hardest of the whole Vietnam war. If the South Vietnamese win it and North Vietnam's troops are pushed out of the only provincial capital they have captured so far, where will this leave the man who is automatically assumed to have masterminded the whole offensive—General Vo Nguyen Giap?

The recapture of Quang Tri would be an important psychological victory for South Vietnam, not least because it would back up the claim that this time General Giap's talents have failed him. When he committed the North Vietnamese army to a major conventional offensive, heavily dependent on large supplies of fuel and ammunition,



But one more offensive from Giap?

he may not have foreseen the intensity and effectiveness of American bombing on the southern battlefields and against the northern army's supply lines. General Giap's previous guerrilla experience may have blinded him to the difficulty of fighting a conventional war without air support.

But it is doubtful whether he had much choice. A communist push big enough to disrupt pacification, discredit Vietnamisation and embarrass President Nixon in election year could hardly have come from the weakened Vietcong, whose political value is anyway now too great to be squandered on the battlefield. So the North Vietnamese army, whose guerrilla days are past, had to be used instead in an orthodox assault.

Some of North Vietnam's other leaders may well have had doubts about it. But once the decision to launch another major offensive had been taken—perhaps in 1970, when the build-up of men and weapons began—they had little choice but to go along with his plans. Since April there has been scarcely a hint of dissension, indeed scarcely any comment of importance, from the men at the top in Hanoi.

It is too soon to say that the offensive has definitively been defeated. The resistance of the South Vietnamese is still heavily dependent on the help of American air power. It is possible that General Giap has enough supplies to fire the other barrel before the election in November. But if North Vietnam's forces are unceremoniously pushed into the hills of Quang Tri, General Giap could find himself under open attack from his opponents on the politburo. It is not only his present strategy they could turn on, but his whole policy of reorganising and equipping the army as just another conventional force.

Guatemala

The right kills the right

FROM OUR CENTRAL AMERICA CORRESPONDENT

When Oliverio Castañeda Paiz, the vice-president of Guatemala's congress, was assassinated last month, it was at first presumed to be the work of left-wing guerrillas. Castañeda was leader of a right-wing terrorist organisation and was high on the death list of the castroite Rebel Armed Forces. But when the guerrillas neither claimed credit nor were blamed for the murder, new interpretations emerged. And when four of Castañeda's followers were gunned down last week it became apparent that internecine fighting had broken out on the right.

At stake, apparently, is the presidency of Guatemala in 1974. Although general elections are still 20 months away, squabbling has begun among conservatives over the choice of a successor to General Carlos Arana Osorio. The man most determined to win the prize is Mario Sandoval Alarcon, president of congress and head of the ruling Movement for National Liberation. Two years ago, Sr Sandoval picked Colonel Arana as the movement's candidate and therefore expected to be repaid with the president's support in 1974. But the army and the small Institutional Democratic party, which also backed Colonel Arana in 1970, have different ideas. Colonel Arana and the army want another military president, and the Institutional Demo-



They're fighting for Arana's job

cratic party wants anyone but Sr Sandoval.

Castañeda's role in this clash of ambitions was obscure. But in recent months his political allegiance seemed to have switched from Colonel Arana to Sr Sandoval. And on June 15th, when Sr Sandoval was re-elected president of congress, Castañeda was brought in as first vice-president of congress, a move that seemed to imply Castañeda's backing for Sr Sandoval. Ten days later Castañeda was dead.

The police claim to have no clues as to the identity of his assassins. But all signs now point to a decision by people in the government and army to issue a warning to Sr Sandoval by eliminating a close supporter who, in any event, had become too self-important. The murder last week of four provincial leaders of the Movement for National Liberation who were followers of Castañeda was seen as another step to subjugate the ruling party to the army's wishes in time for the next elections.

Whether the opposition parties can benefit from the divisions on the right depends entirely on their ability to unite. The Revolutionary party, in power between 1966 and 1970, is itself divided, and the Christian Democrats and the Revolutionary Democratic Union have little appeal outside the urban middle classes and intellectual groups. Nevertheless, a united opposition candidate would have a good chance of defeating Colonel Arana's chosen successor—so long as the army does not nullify the elections.

Burundi

Window-dressing the butcher's shop

FROM A CORRESPONDENT

After two and a half months of personal rule, President Michel Micombero has given Burundi a new government. It is headed by Mr Albin Nyamoya, a long-time enfant terrible for Belgium, the former administering power in this tiny east African state, and a leading member of the pro-Chinese faction of Burundi's ruling Tutsi tribe. In Colonel Micombero's last government, dismissed on the eve of an attempted coup that set in train weeks of slaughter, Mr Nyamoya held the relatively minor post of minister of agriculture. His elevation to prime minister, the first that President Micombero has appointed during his six years in power, con-

firms the marked shift towards hard-line, strongly left-wing, policies which appeared during the interregnum. As though to emphasise the change, a Chinese technical mission arrived in the capital, Bujumbura, on the day the new cabinet was named. In 1965, when Mr Nyamoya led the royal government of King Mwambutsa, his fall from power coincided with the closure of the Chinese embassy for allegedly fomenting unrest against the monarchy.

The shape of the new government clearly reflects Tutsi nervousness of a repetition of the Hutu uprising. To the Tutsi oligarchy, which makes up about 15 per cent of Burundi's 3½m people, the lesson of the attempted coup was that its physical survival depended on its ability so to weaken the Hutu that no fresh attempt to liquidate its authority could be made in the foreseeable future. Hence the savage reprisals wrought on the Hutu.

In the short term this assessment was probably correct. Burundi's tribal set-up has put the elemental law of kill or be killed in the ascendancy: in the aftermath of the attempted coup some 10,000 Tutsi were killed by rebels and 100,000 Hutu by government troops. Ultimately the numerical superiority of the Hutu must reverse this situation, but the extent and selective nature of the reprisals, which have concentrated on literates and other potential Hutu leaders, make that day look a long way off.

Unlike its predecessor, the new government is devoid of any real attempt at a tribal coalition. All five Tutsi ministers from the last government have been returned to office. Three of the five Hutu ministers in the old government were executed for complicity in the coup attempt, and the fate of the others is not known. Although for appearances' sake three Hutu unknowns have been included in the new 14-man cabinet, control is vested in the militant Tutsi troika of Colonel Micombero, Mr Nyamoya and the foreign minister, Mr Simbananiye.

Today Burundi is quieter than it was, and the curfew in Bujumbura does not begin until midnight. But Hutu refugees returning to their homes from Tanzania, and Hutu schoolchildren travelling to their villages for the school holidays, are still being indiscriminately killed. Little of this is being reported: few outside Burundi are interested in the dreadful, monotonous statistics of a seemingly endless tribal purge.

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ASSETS

Cash and Due from Banks	\$ 650,890,147
Investment Securities	
U. S. Government Obligations	94,252,470
U. S. Government Agency Obligations . .	50,543,713
Obligations of States and Political	
Subdivisions	206,081,577
Other Securities	7,846,567
Federal Funds Sold and Securities Purchased	
Under Resale Agreements	20,500,000
Loans	915,008,918
Bank Premises and Equipment	22,734,513
Customers' Acceptance Liability	12,450,646
Accrued Interest Receivable	12,036,437
Other Assets	7,572,925
Total	\$1,999,917,913

LIABILITIES, RESERVES AND CAPITAL

Deposits	
Demand	\$ 918,971,737
Savings	48,657,897
Time	422,908,175
London Branch	303,338,194
Total Deposits	1,693,876,003
Federal Funds Purchased and Other	
Borrowed Funds	113,705,654
Acceptances Outstanding	13,549,015
Accrued Taxes and Other Expenses	4,002,253
Accrued Interest Payable	4,785,410
Unearned Income	1,456,653
Other Liabilities	1,676,373
Total Liabilities	1,833,051,361
Reserve for Loan Losses	20,965,722
Capital Accounts	
Common Stock—par value \$15 per share, 2,092,300 shs. authorized & outstanding	31,384,500
Surplus	58,769,000
Undivided Profits	55,747,330
Total Capital Accounts	145,900,830
Total	\$1,999,917,913

Assets carried at \$43,617,640 on June 30, 1972 were pledged for various purposes as required or permitted by law.

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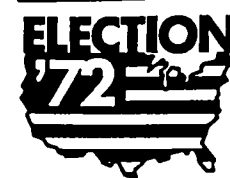
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THE WORLD

American Survey



McGovern rounds up strays—but not Meany

Washington, DC

His nomination secured, Senator McGovern turned on the fourth day of the Democratic national convention at Miami Beach to a string of waiting household chores. Some of these affect his chance of getting elected, some will affect his future authority in the party should he be beaten in November. First had to come the choice of a vice presidential candidate to run with him.

As an office the Vice Presidency is no great shakes, except for one thing about it: should Mr McGovern win the election in November, Senator Thomas Eagleton of Missouri would be elected Vice President with him, and should Mr McGovern then fail to live out his term, Mr Eagleton would become President of the United States. In a way, therefore, the choice of Mr Eagleton was Mr McGovern's first presidential act: time will show if it was his last. The airy talk that had been heard earlier of leaving the convention a free choice stopped abruptly with the presidential nomination.

To all appearances the chance to run for Vice President had never been so eagerly sought: several men campaigned for it around the country or in the hotel lobbies of Miami Beach, and when the time came seven names were actually placed in nomination. In reality Mr McGovern had to scrape around. Politicians have their own careers to consider.

Senator Kennedy said no, Senator Ribicoff (though a faithful McGovern supporter) said no, Governor Reubin Askew of Florida said no—all for different but valid reasons. Congressman Wilbur Mills of Arkansas might have said yes, and his name would have helped to reassure conservatives, southerners and the business community, but the shock to Mr

useful points in a partner for Mr McGovern.

Brought up to politics and trained in the law, an attractive, talented man of 42 with a beautiful, intelligent wife, Mr Eagleton has been winning elections since he was 27 for a succession of offices from district attorney to United States Senator. The convention adopted him as Mr McGovern asked, but not without a deliberate display of independence. One state after another distributed its votes among several candidates and brought in new names of its own choice.

This astonishing convention was, after all, the product of a movement that had upset the established order in party affairs. The moment of Mr McGovern's success was also the moment at which the need to make practical accommodations which would help him in the general election campaign moved from second to first place in the minds of his campaign planners. The enthusiasts who, on grounds of principle and philosophy, have put Mr McGovern where he now is sensed this shift in priorities and were suspicious of it. The foot-dragging over the nomination of Mr Eagleton was only one of several warnings from them.



The Eagletons and McGoverns win on looks, at least

There was also anger at the postponement of the party's new charter, combined with the suspicion that the old party establishment was being helped to keep control of the Democratic national committee which provides continuity. (The party convention is sovereign while it sits but non-existent the rest of the time.) One result of the decisions of the last, calamitous convention four years ago was a proposed new charter or constitution for the national party, which this year's convention was supposed to vote upon.

The proposed charter, when it came, was a radical departure from practice, intriguing to political scientists but alarming to men of affairs. The party powers (among them Mr McGovern's men) agreed on the need for a further study by yet another commission which is to report to a big "national conference on organisation and policy" to be held in 1974. This makes sense. However, some of the McGovern delegates felt that the chance of radical change must be seized at once or might vanish for ever. They smelt compromise.

Enough were suspicious of the compromise to demand a rollcall vote, and while that was in progress the huge delegation from New York left the hall in a body to decide its own position. In its absence the full convention was proceeding to adopt the compromise rules and these gave the New York delegation something to worry about. The rules for the temporary constitution of the new Democratic national committee had been carefully drafted to deprive the New York delegation, elected in last month's primary elections, of full control over the choice of the state's members of the new Democratic national committee. It is to elect only four of the 11. The other seven will consist of three state party officers and four others chosen by the state Democratic committee. The regular party establishment, in fact, has made a comeback.

At stake in the New York dispute was the principle that the composition of the national party committee should reflect the wishes of Democratic voters—the McGovern principle, it might have been called up to last Thursday night. But the compromise, which puts off various novelties proposed by the reform commissions, did allow for a reconstituted, more representative national committee. In fact the new committee that met last Friday was a mixture of old and new, some states having found time to elect their new members, others, including

Running with and around Daley

FROM A CORRESPONDENT IN CHICAGO

If Senator George McGovern is to win the presidential election in November, he is probably going to do so by a very short head and the nose of this head, according to all current political wisdom, will be the state of Illinois. Indeed, no President in modern American history has managed to secure the White House without the blessing of the majority of the 11m citizens of the state.

In the recent past—and there is no reason to assume it is not still true in 1972—the key to the Democratic effort in the state has been Mayor Richard Daley of Chicago, who also controls the formidable machinery of the party in Cook County, which includes Chicago and its suburbs. He was the man who pulled it out for John Kennedy in 1960, by fair means, Democrats say, or by foul, say Republicans who remember the tally from Chicago's black south-side wards coming in early on the morning after election day as if Mr Daley had been waiting to see how many votes Kennedy would need to win the state.

But in the aftermath of the Miami Beach nominating convention, Mr Daley has played the part of a wounded old lion. His own seat as a delegate—along with those of 58 others on his team—was stripped from him by a runaway, McGovern-orientated convention, making him miss his first convention since 1924. For a week, Mayor Daley said nothing.

Finally, last Monday, Mr Daley broke his silence and the result was what one Chicago political writer described as an "underwhelming endorsement" of the McGovern candidacy. "I am a Democrat," Mr Daley told a press conference at City Hall. "I have always supported the nominees of the Democratic party. I will support every candidate on the Democratic ticket—federal, state and county." But he pointedly did not mention Mr McGovern by name, and hedged when he was asked if his doorbell-ringing, get-out-the-vote organisation, still considered enormously powerful even if it was battered in the intraparty elections last March, would be working for Mr McGovern as hard as it could. "You know I never hold anyone in line," Mr Daley said.

The strategy in the McGovern camp was to let things simmer after Miami Beach, to allow Chicago tempers to cool and then to try to heal the breach. In fact, Mr McGovern waited until after Mr Daley's press conference to telephone the mayor to thank him for "a magnanimous move" in his endorsement. The McGovern forces, however, made a decision at Miami Beach not to

put all their eggs in Mr Daley's basket.

No sooner had Mr McGovern's nomination been assured than it was made public that a separate drive to register voters and seek support for Mr McGovern in Illinois would be headed by Mr Gene Pokorny, the brilliant 27-year-old Nebraskan who was the architect of Mr McGovern's victory in the Wisconsin primary in April. Mr Pokorny has been given the task of paying no attention to what Mr Daley does, but rather of setting up a distinct McGovern organisation which will concentrate on the national contest and ignore the state and particularly the county races in which Mr Daley will have an overriding interest.

National Democrats fear not only sloth from Mr Daley's forces, but competition as well. They remember that in 1968 Mr Daley dropped his interest in Vice President Hubert Humphrey to concentrate on the election of Mr Edward Hanrahan as Cook County's prosecutor. Mr Daley faces the same problem this autumn. Mr Hanrahan has an attractive Republican opponent in Mr Bernard Carey. In addition, he is on trial for malfeasance in office for allegedly covering up the part police played in a raid in which two Black Panther leaders died.

When Mr McGovern and Mr Daley met recently, Mr McGovern praised his own organisation as the best political group ever put together in the United States. Mr Daley listened to this description, smiled and said: "second best." Unless some sort of compromise is worked out the results in November will show who was right.



Daley lines up, limply

Morgan Guaranty Trust Company

OF NEW YORK

Consolidated statement of condition

June 30, 1972

Assets	
Cash and due from banks	\$ 4,196,871,348
U. S. Treasury securities	716,192,923
Obligations of U. S. government agencies	37,683,286
Obligations of states and political subdivisions	701,670,452
Other investment securities	257,678,436
Trading account securities	149,075,858
Federal funds sold and securities purchased under agreements to resell	10,266,000
Loans	7,234,128,517
Bank premises and equipment	83,514,280
Customers' acceptance liability	257,947,535
Other assets	483,740,289
Total assets	\$14,128,768,924
Liabilities	
Demand deposits	\$ 4,386,876,337
Time deposits	2,258,723,477
Deposits in foreign offices	4,070,878,183
Total deposits	10,716,477,997
Federal funds purchased and securities sold under agreements to repurchase	1,229,366,000
Other liabilities for borrowed money	133,339,884
Accrued taxes and expenses	116,394,887
Liability on acceptances	287,631,956
Dividend payable	14,597,440
Convertible debentures of a subsidiary (4¼%, due 1987)	50,000,000
Mortgage payable	16,878,636
Other liabilities	407,461,937
Total liabilities	\$12,972,148,737
Reserve	
For possible loan losses	\$ 116,720,296
Capital accounts	
Capital notes (6¾%, due 1978)	\$ 100,000,000
Capital notes (5%, due 1992)	94,000,000
Equity capital:	
Capital stock, \$25 par value (9,123,400 shares)	228,085,000
Surplus	336,500,000
Undivided profits	281,314,891
Total equity capital	845,899,891
Total capital accounts	1,039,899,891
Total liabilities, reserve, and capital accounts	\$14,128,768,924

Assets carried at \$1,459,657,073 in the above statement were pledged as collateral for borrowings, to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

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The bank takes part in the financing of projects aimed at rationalisation, structural adjustment and development of industry. Longer-term export finance is also provided. Its operations comprise the granting of long- and medium-term loans, the issuing of guarantees and, subject to special conditions, subscription to share capital.

The bank also finances foreign investments in Sweden.

The bank is entitled to borrow funds up to an amount of five times its equity capital.

At the end of December 1971 the Bank had granted credits totalling around Skr 2,100m., whereas outstanding loans amounted to about Skr 1,000m. The major part of the balance will be paid out during 1972-1975. The distribution of credits granted, according to branches of industry, was approximately as follows:

	Skr m.
Textile and clothing industries	48
Forest industries	728
Metal and Engineering industries	629
Electric power industries	195
Chemical industries	293
Commerce	31
Communications	189

BALANCE SHEETS AS AT DECEMBER 31, 1970 & 1971 (Skr 1,000=£80=\$208)

ASSETS	1970	1971	LIABILITIES	1970	1971
	Skr '000	Skr '000		Skr '000	Skr '000
Cash and bank balances	237	2,550	Tax liability	13,000	5,800
Accrued interest and commission etc.	8,452	24,193	Interim liabilities	1,428	1,211
Treasury bills	20,430	220	Short-term domestic borrowing	2,400	74,400
Domestic financial institutions	607,250	330,750	Short-term foreign borrowing	—	9,000
Bond portfolio	20,311	3,300	Medium-term foreign borrowing	33,632	35,026
Loans outstanding	533,279	961,077	Valuation reserve for loans and securities	100,000	130,000
Shares	2,400	2,400	Share capital	900,000	900,000
Office equipment	62	68	Reserve fund	105,000	110,000
	1,192,421	1,324,558	Profit brought forward	10,268	31,961
			Net profit for the year	26,693	24,160
Securities pledged	—	—		1,192,421	1,324,558
Guarantees	282	1,175			

The 1971 Balance Sheet was approved at the Annual General Meeting held on March 24, 1972.
The Annual Report of 1971 will be forwarded upon request.
Address: Box 40 153, S-103 43 Stockholm 40, Sweden
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New York, not.

Some of these owed their election to the old method, some to the new. Still, there were enough new ones to give Mr McGovern one setback when it came to choosing their officers. Mr McGovern was thought to want the outgoing chairman, Mr Larry O'Brien, to stay on as committee chairman, but his staff was not at one in the matter and there was evidently a failure to agree with Mr O'Brien about what his responsibilities would be. So Mr O'Brien withdrew and the nominee put forward an outright McGovern campaigner, Mrs Jean Westwood of Utah. This the new committee accepted. At stake was a post not crucial in the campaign, but which may be crucial if the election in November is lost by the Democrats and is followed by a struggle for the control of the party organisation. This week Mr McGovern asked Mr O'Brien to serve as his national campaign chairman and Mr O'Brien agreed.

Having accepted Mrs Westwood, the committee then dug in its heels against Mr McGovern's nominee for deputy chairman, Mr Pierre Salinger, President Kennedy's press secretary long ago. At this point the black delegates spoke up for some representation of their own and proposed a black politician from Harlem, Mr Basil Paterson, instead of Mr Salinger. Mr McGovern saw the point, Mr Salinger tactfully withdrew and the national committee had its first woman chairman and its first black deputy chairman.

Mr McGovern's next chore was to patch up his relations with the big trade union federation and particularly with its chief, Mr George Meany, who had fought Mr McGovern's nomination in the last ditch. Since Mr Meany would not even answer the telephone for him, Mr McGovern entrusted the task to Senator Eagleton: the best they hoped for was that the federation might be induced to postpone formally deciding its attitude to the new Democratic presidential candidate until tempers had had time to cool. The normal time for a decision would have been late August. But Mr Meany, bent on rushing things, called a special meeting of his executive council for Wednesday, and Mr Eagleton's efforts met with failure. The council decided to withhold support from Mr McGovern and President Nixon impartially. This is a grave setback to the Democrats' presidential campaign.

Since the merger of the two rival trade union combinations in 1955, the federation has never until now failed



Firsts for Westwood and Paterson

to endorse a Democratic candidate for the Presidency. This year a sequence of unusual feats of self-deception by Mr Meany and his political subordinates has ended in their standing aside in impotent rage: they will, however, use their ample political funds to support friendly candidates for Congress and for other offices.

They launched a plan last year to increase their influence at this year's Democratic convention by getting about 600 union delegates elected. Failing to realise that the voters would want to vote for delegates supporting particular presidential candidates, they started out by running uncommitted candidates. The error of this strategy was demonstrated as early as February, but the labour leaders reacted with another error, distributing their delegate candidates among the lists of several presidential rivals. Had they made up their minds to support Senator Muskie they might have got a nominee reasonably to their liking.

Most of their candidates got defeated. Even after that, Mr Meany and his colleagues indulged themselves in the illusion that they could engineer a coup to deprive Mr McGovern of 151 of his California delegates. They failed utterly. Naturally they feel rebuffed and insulted. Mr Nixon's expectation of re-election, already good, has taken a sharp upward turn.

Iron curtain up?

The two superpowers got down to serious trade negotiations this week. Mr Peter Peterson, Secretary of Commerce and American chairman of the joint commercial commission,

created at the summit meeting in May, led a delegation to Moscow for the first of a number of meetings, some of which will take place in Washington. It is President Nixon's hope that a trade agreement will be worked out at the end of the year which will promise the Russians—Congress willing—most-favoured-nation tariffs for their goods and government credit and will hold out to American businessmen a promise of exciting opportunities—someday.

There is an old stumbling-block and it is being tackled first this week. This is the Soviet lend-lease debt. Without agreement to repay this debt with interest Congress is unlikely to grant most-favoured-nation treatment or the government to grant any credits beyond those arranged by the Commodity Credit Corporation a fortnight ago for Soviet purchases of American grain, amounting to at least \$750m worth over three years. The credits outstanding are not to exceed \$500m at any time. Apart from the vital question of credits a maritime treaty is also in the works. This is likely to open 40 ports in each country to the other's ships and provide that Soviet and American ships will carry equal amounts of the traffic, with a certain proportion—perhaps a third—left to ships of other countries. American dockers and maritime unions, impressed by the number of jobs to be created, are said to have dropped their demands for 50 per cent of the trade to be carried in American ships.

There will be other questions on the table—of arbitration of commercial disputes, patents, business facilities taxes—which will take longer to deal with. And beyond them lies the study of a glittering prospect: possible joint projects in the development of Soviet resources such as oil, natural gas, nickel, chrome and platinum. The Soviet Union is rich in all of these raw materials, which are in increasingly short supply in the United States.

But as Mr Peterson was at pains to make clear before he left, the issues raised are so complicated and unprecedented, the sums of money involved in some of these projects are so great, that "very early" agreement is not to be expected. Anyone who has done business with the Soviet Union would agree heartily. It is true that the chairman of an American firm, the Occidental Oil Corporation, announced this week what seemed like a sweeping agreement with the Soviet Union to provide technical expertise in exchange for Russian



Peterson has a long road to travel

raw materials such as natural gas. But his announcement was notably short on facts and in the United States there were some doubts about Occidental's technical and financial resources. Barter deals, too, can be tricky.

Nevertheless, there is a real challenge to both governments to build up Soviet exports, since in all projections for the future, the United States seems destined to enjoy a large favourable balance of trade. It has done so regularly for many years, although total trade has not exceeded \$200m a year. Happily, the prospect of a vast new market is likely to ease American farmers' worries over protectionist practices by the European economic community (at the very least grain exports are to increase 17 per cent under the agreement with the Soviet Union). Other businessmen are also beginning to see a wider economic frontier opening in the east.

Votes in Congress

Time is short but the list of important legislation pending in Congress is long. At this stage in an election year Congressmen are anxious to cut their workload. But if they do not act on the formidable pile of legislation before them in the 10 weeks or so that are left of this Congress the Democrats know that they will be handing President Nixon a good weapon to use against them in the elections this autumn. The President's new assistant in charge of congressional affairs, Mr William Timmons, was let loose on the warpath only days after he succeeded Mr Clark MacGregor in the job. (Mr MacGregor left to take

command of the President's re-election campaign.) Mr Timmons has already accused Congress of spending too much money and holding up the President's programmes.

Congress may also prove to be a testing ground for the new leader of the Democratic party, Senator George McGovern. He has already taken a strong stand on almost all the major issues—Vietnam, defence spending, welfare reform, taxes—that are due to come up for debate in the next few weeks. The Democrats are badly divided on all these issues and their votes will give some indication of the strength and following Mr McGovern commands within his party.

When it reassembled this week after the Democratic convention the Senate was confronted with another in the long series of moves against the war in Vietnam. The present amendment would require the withdrawal of forces from South Vietnam by the end of August—Mr McGovern wants them out by April of next year at the latest—and the termination of hostilities in south-east Asia, provided that the prisoners of war are released. The Senate must also act on the military procurement bill which includes the President's controversial request for new weapons. Senator McGovern has indicated that he is against this but other Democrats are more inclined to accept the President's argument that America still needs a strong system of defence even after the initial success of the first stage of the strategic arms limitation talks.

On the domestic front the scene is no less controversial. The President wants a moratorium on busing children to schools outside their neighbourhoods to achieve racial balance. In their platform the Democrats said that under certain conditions busing is an acceptable way of putting an end to racial segregation in schools. Then there are the President's proposals for the reform of the present system of public assistance. These have passed the House of Representatives but are now stuck in the Senate. So far Mr Nixon has rejected any compromise that would make the plan more acceptable to liberal Senators.

The programme that has the most chance of success is the one to return a part of the federal revenues to the state and local governments. The House, which was under heavy pressure from the governors and mayors who are badly in need of more money, has passed the general revenue-sharing plan which will give the states and

localities the fixed sum of \$30m over the next five years. The President had wanted the volume of revenue to be tied to the total level of individual taxable income. The House has also decided, contrary to the President's wishes, that more money should go to the cities and to the counties than to the states. But the President won a major victory over the powerful Democrat, Representative Wilbur Mills, when the House decided that there should be virtually no restrictions on how the money should be used. Senators, with an eye to the votes at home, are not expected to make major changes in the bill.

Needham's exchange

New York

Mr James Needham, one of the five members of the Securities and Exchange Commission, has some surprising views for the new chairman-designate of the New York Stock Exchange. In a hard-hitting address to the New York financial community last March he argued, as he had on other occasions, that all existing stock exchanges should be abolished and merged into a single central marketplace. Moreover, he proposed automating the entire market process, a development which would mean doing away with exchange trading floors if it were to materialise. In other words, should Commissioner Needham follow his words with action when he assumes his new NYSE duties on about September 1st, he might soon find himself presiding over the liquidation of the New York exchange—a final solution that neither he nor many others probably want.

The choice of a new chairman was the first order of business of the exchange's new streamlined 20-member board of directors at its maiden meeting a week ago (although the exchange did not reveal Mr Needham's remuneration, he is expected to receive \$200,000 a year up sharply from the \$38,000 dollars he gets as a member of the commission). The reorganised board is made up of 10 representatives of the general public and 10 from the securities industry, in contrast to the industry-dominated 33-member board of governors which it replaced. Mr Needham has served as an SEC commissioner since 1969 and is the first practising accountant to hold that post. He was appointed by President Nixon



AQUITAINE

The Annual General Meeting of Société Nationale des Pétroles d'Aquitaine was held in Paris on 9 June, 1972 under the chairmanship of M. Pierre GUILLAUMAT.

The accounts for the year were adopted, as was the distribution of a net dividend of Frs. 12 per share of Frs. 50 nominal, a total income of Frs. 18 per share including tax previously paid of Frs. 6 (tax credit) for shareholders resident in France or in countries where a tax agreement has been signed.

At an Extraordinary General Meeting which followed, the capital increase from Frs. 343,098,000 to Frs. 411,717,600 by the capitalisation of reserves was approved. This increase will result in a scrip issue to shareholders at the rate of one new share of Frs. 50 nominal for five old shares. The new shares will rank for profit as from 1 January, 1972.

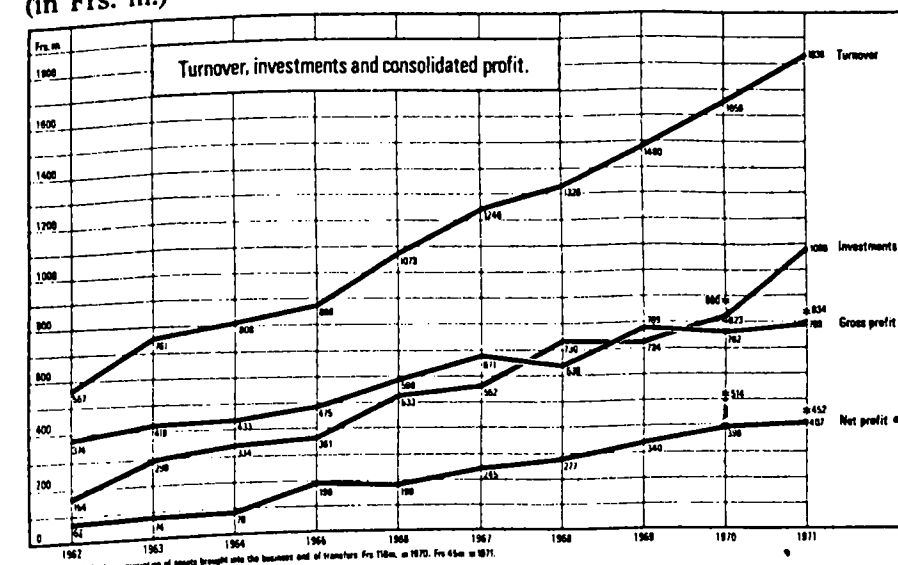
BUSINESS RESULTS (in Frs. m.)

	1971	1970	Change
SNPA only			
Turnover	1,284	1,181	+ 9%
Gross profit (1)	622	566	+10%
Net profit (1)	336	304	+10.5%
Consolidated Aquitaine Group			
Turnover	1,836	1,639	+12%
Gross profit (1)	789	762	+ 3.5%
Net profit (1)	407	396	+ 3%

(1) Does not include the appreciation of assets brought into the business and of transfers: Frs. 118 m. in 1970; Frs. 45 m. in 1971.

The Chairman pointed out that the turnover and the consolidated gross profit for the first four months of 1972 amounted to Frs 521 m. and Frs 289 m. respectively, in increase of 12.5% and 18.7%. These figures no longer include Aquitaine-Total-Organico in which Aquitaine has a holding of nearly 50%.

Turnover, investments and consolidated profit.
(in Frs. m.)



This announcement appears as a matter of record only.

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and rapidly gained a reputation for careful study and understanding of industry matters. Moreover, in the year and a half since Mr William Casey joined the SEC as chairman, the two men have developed a close rapport and working relationship. It has not been lost on leaders of the securities industry that continuation of such a tie may not be harmful to the interests of the New York exchange.

Mr Needham will continue to confront two major unresolved problems of the industry when he moves to the sixth floor of the New York exchange building at 11 Wall Street. One is the still elusive matter of reaching agreement on guidelines and procedures for setting up an effective central market system—thus far an exercise in frustration that has moved the commissioner to blunt public speaking. The other, perhaps even more controversial, is the long-simmering dispute over granting financial institutions, such as insurance and investment companies, limited exchange membership. The SEC has proposed allowing such institutions to have access so long as at least 80 per cent of the volume of their subsidiary brokerages' business is with public customers and if the institutions refrain from using their seats to recapture commissions. Both the New York and American exchanges, which have long banned institutions from membership, endorse this approach.

However, its implementation under a central market system would mean that regional exchanges which give institutions free rein would have to stiffen their rules and probably unseat most present institutional members. One of these exchanges, the Philadelphia-Baltimore-Washington market, has given notice that it will sue to block the SEC's proposal. Some kind of adverse action, moreover, is expected from one or both of the committees in the Senate and House of Representatives that have been studying the securities industry's problems.

Less free press?

American journalists and broadcasters think of themselves in an adversary relationship to government and lately several events have led them to believe that they are losing some of their traditional freedom. The Supreme Court has decided by a vote of five to four that journalists do not have a constitutional right to protect their confidential sources when they are asked for information by a grand jury. President



Russos and Ellsberg face the press

Nixon has stifled the growth of the Corporation for Public Broadcasting (the national non-commercial television organisation) because he believes that too much centralised control of the network is in hands of liberal Democrats. The trial of Dr Daniel Ellsberg, who gave the Pentagon Papers to the New York Times, has begun in Los Angeles, and could result in an American version of the British official secrets act. Until now the press has relied on government officials willing to pass on documents marked confidential as a regular source of news.

Mr Nixon showed his disapproval of the direction that public television is taking by unexpectedly vetoing a bill which would have given the Corporation of Public Broadcasting \$155m over two years. Since the non-profit-making corporation was founded by Congress in 1967, it has had to make do with annual appropriations and annual questioning from Congress. The two-year appropriation, approved by both houses of Congress this year, would have been the first step towards longer-term financing and, it was hoped, insulation from politics.

But Mr Nixon lost patience with CPB when it helped to found a National Public Affairs Centre for Television, to provide public affairs programmes for the entire network, and when it appointed the Democratic-leaning commentator, Mr Sander Vanocur, as one of its heads. The Nixon Administration's view is that public television must not compete with established commercial television, must avoid politics and must stay local. The CPB will have to get through the current financial year on about \$35m to \$45m.

The American press establishment is watching the progress of the Ellsberg trial with apprehension. Dr Ellsberg and his former colleague at the Rand

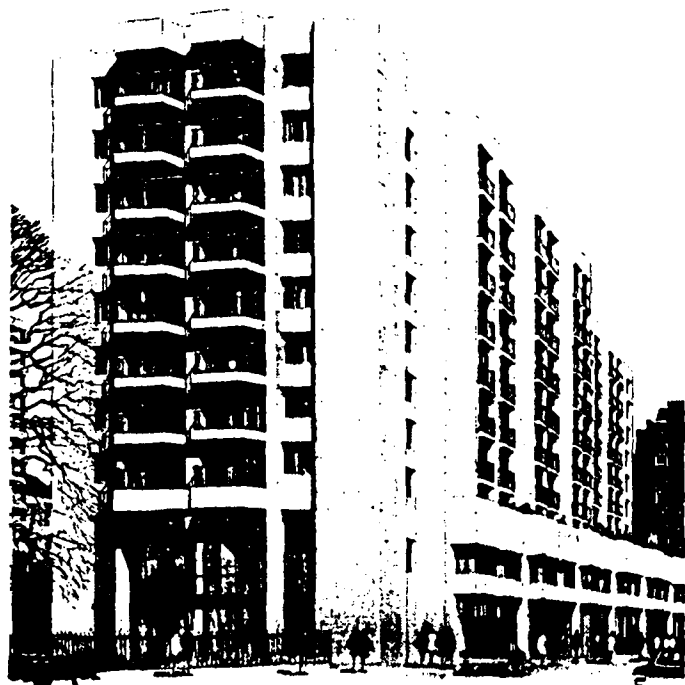
Corporation, Mr Anthony Russo, have been charged with offences that might be applied in future to journalists who pass confidential material to the public. The defendants are accused of conspiring to defraud the government by preventing it from carrying out its lawful function of controlling classified documents; they have also been charged with grand larceny (because the Pentagon Papers, some 40 volumes of research on the origins of the Vietnam war, are declared to be worth more than \$1,000) and with violating the national espionage act. All of these charges are novel. The defence intends to produce a number of high-ranking officials who will admit having given secret documents to the press and who will say that most secret labels are ludicrous.

Hides and seek

In spite of the current populist fancy for wearing shoes made of cork, rubber and canvas, the Nixon Administration is sufficiently alarmed about the prospect of a rise in prices of real leather shoes to have slapped controls on the export of cattle hides. The controls, which are the result of studies undertaken by the Department of Commerce in April, will prevent the producers of hides from sending more than 1.35m hides a month out of the country. The level of permitted exports is not low—it is that at which hides were exported last year, which broke all previous records. But the new restriction will prevent a further increase in exports. Unchecked, this rise could have driven up the price of shoes by 10 per cent this year.

The surge of exports and domestic hide prices has been caused by an abrupt drop in the number of cattle slaughtered in Argentina. Between them, the United States and Argentina supply 80 per cent of the world supplies of shoe leather, even for the Soviet Union. But last year Argentina decided to re-build its cattle herds and limited its own hide exports, depriving the world market of about 3m hides a year. World demand then turned to the United States just at a time when dollar devaluation made American prices even more attractive. As a result, the cost of hides has doubled. Because hides are agricultural products, they have not fallen under the Nixon Administration's price controls. But shoe prices do and the prospect of sharp rises there led the Administration to act.

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—per share in pence	13.1p	8.2p
Ordinary Dividends	2,015	1,837
—per share in pence	8p	8.5p
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Points from the statement by Sir Alec Ogilvie, Chairman.

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Books

Stato misto

CULTURE AND SOCIETY IN VENICE, 1470-1790

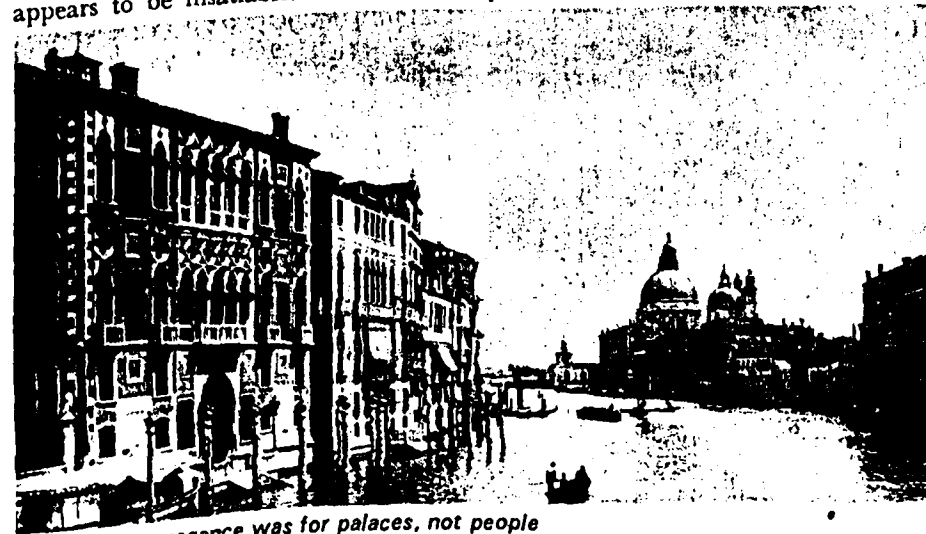
By Oliver Logan.
Batsford. 344 pages. £4.50.

In Dr Logan's three centuries the greatest part of the sinking city that the world streams out from the Terraferma to see was built and gilded, though glad confident morning and Levantine adventures were both dissolving. (As early as the 1620s, Carleton, the English ambassador, wrote that the passion for luxury increased as trade declined). In that period Venice passed from "international emporium" to the nucleus of a province; from a Mediterranean power to a north Italian one; and from aggressor to victim, as the Habsburg grip on the Italian peninsula tightened.

This, then—roughly the second half of Venice's independent history—is by far the most complex and the most interesting period. Bounded by the renaissance and the eighteenth-century harvests of art and architecture, Dr Logan could have buried himself in culture and forgotten society altogether. He would still have produced an excellent book; the chapter notes testify to the catholicity of his research and his curiosity, on subjects as diverse as Titian's "mannerist crises," sixteenth-century art collections and the use of Venetian dialect in comic literature, appears to be insatiable. But it is his

chapters on Venetian society, on continuity and change and most of all on the Venetian myth that lift his book from particular to general value. He is detailed and precise. For example, he charts the numerical decline of the Venetian nobility (a legally-defined group) from 2,500 at the beginning of the sixteenth century to only 1,000 in 1797 (even though 127 new families were allowed to buy their way in, in the eighteenth century). That is fairly commonplace information: but from Dr Logan we learn how, without primogeniture, the family structure of this curious hereditary elite really worked and also how it failed. He quotes with faint amusement various testamentary pleas for family unity. So we learn not only how Venice gained the reputation of a *città galante*, but how this display was put on for the benefit of distinguished visitors like Henry III of France: "a feather-brained northerner who would be impressed by such show." Venetians' extravagance, Dr Logan points out austere, was "lavished on their palaces rather than on the adornment of their persons."

So, too, the exact causes of Venice's economic decline are traced to their starting-points in time: not, as has often been assumed, in the sixteenth century, though by the 1590s Venetian shipbuilding was, significantly, suffering. Rather, Dr Logan believes Venice did not recover from a general European decline into economic stagnation



Venice: extravagance was for palaces, not people

in the second quarter of the seventeenth century. But Dr Logan enjoys himself most of all, perhaps, in tracing the birth of a mythology which started among the Florentines, after their own signal failures to devise a satisfactory system of government, and which then ossified, crumbled into nostalgia but spread abroad: of the *stato misto*, *Venezia stato di libertà*, of Wordsworth's "eldest child of liberty"—as out of date as most widespread reputations.

Dr Logan's book would be no good at all as an introduction to Venice. He does not provide background, origins or even conclusions. There are no topographical descriptions. One does not catch the smell of the sea, or the sewage; the Rialto does not even figure in the index or, for that matter, in the illustrations; the doges are treated with scant ceremony. But the people, the power and the intellects of the Serenissima—the Grimani, the Pisani and the Contarini—walk abroad in his pages.

On human capital

THE POLITICAL ECONOMY OF EDUCATION

By John Vaizey with Keith Norris and John Sheehan.

Duckworth. 307 pages. £5.45.

SOCIAL INDICATORS AND SOCIAL POLICY

Edited by Andrew Shonfield and Stella Shaw.

Heinemann Educational. 164 pages. £2.50.

In 1962 Professor Vaizey published an introduction to "The Economics of Education"; its arguments were treated with reserve by people he now describes as "some extremist free market economists." In this new book he works out these themes in detail. The result is a monumental, important and highly sophisticated piece of research carried out with the help of two younger economists on a Gulbenkian research grant. Anyone seriously interested in education should undoubtedly take the trouble to wade through it, to cope first with the algebraic treatment of the cost-benefit analysis of education, the economic theory of human capital and the investment analyses in order to get to the clear waters of international comparisons and the formidable amount of work that has gone into improving these. It is impossible to overemphasise the value of them. The chapters on the socio-economic consequences of increases

expenditures on education, on trends in resource use and on international comparisons of unit costs are straightforward and can be digested on their own.

Professor Vaizey still writes against received wisdom: the divergences are refined and developed. The authors' strongest attack is on the notion of the "productivity of education." They also criticise exercises—becoming increasingly common—which purport to show simple relationships between education and income; they believe long-term manpower forecasting is a dubious tool for determining educational policies (though agreeing that it is possible to be precise in some particular fields); they believe that the determinant should still be social demand, though this tool is in need of a reinterpretation on which they lavish a great deal of effort. Just the same, they conclude that not enough information is available to enable social demand to be predicted with confidence. Not that they are deterred by this; the aim is to deepen the discussion: "lack of finality," adduces Professor Vaizey in his introduction, quoting Pieter Geyl with approval, "strikes me as both unavoidable and natural." Too much theorising depends on "faint memories of personal happenings"; "we all know too much about schools because we have all been to schools." The point is to get beyond the glib, the superficial, the easy observation, "which is more prevalent than it would be in a more recondite field—nuclear energy, say."

Most efforts to do so have, in practice, not gone much beyond the development of simple "social indicators"—like, for example, those used in the choice of educational priority areas in England. The collection of essays edited by the former chairman of the Social Science Research Council, Mr Andrew Shonfield, and a member of its staff, Miss Stella Shaw, adds up to a most useful survey of their history, availability and use; the most interesting paper provides a matrix of primary indicators for education, and there is a good essay on criminal statistics. Mr Richard Rose's concluding paper is disappointing, based on the proposition, expressed in rather high-flown formulae, that social indicators will be used by policymakers "when their utility is greater than the cost of using them." But a cost-utility comparison of social indicators rings with echoes of the formidable problems of a cost-utility analysis of education; which brings one back to Professor Vaizey, and what can deservedly be called a magnum opus.

Amenable linkman

VICTORIA'S HEIR

By George Dangerfield.
Constable. 345 pages. £3.

This is a reprint of a book first published 30 years ago. It then represented an effort, as its author puts it, "to write serious history in an entertaining manner." He goes on to say, rather disarmingly, that he failed. The function of history is not to entertain but to "engage and even to delight the intellect." "Victoria's Heir" is thus "not a work of history." Few will disagree with this self-inflicted judgment. But what then, precisely, is it? It is not biography. Albert Edward, Prince of Wales for nearly 60 years until he succeeded his mother in 1901, figures in the text essentially as a linkman: "One could," as Mr Dangerfield himself puts it, "bring him in to almost anything." "Victoria's Heir" is interesting as a specimen of a literary genre.

Mr Dangerfield, fresh from Cambridge, had already in 1936 made a stir with "The Strange Death of Liberal England": "that book of somewhat melodramatic prose," as it has been kindly described—and he launched himself therewith on to a remunerative market for what the blurb here correctly defines as "witty, closely peopled, skilfully constructed" books about amenably picturesque sub-historical themes. Lytton Strachey had shown what could be made of it; Philip Guedalla had pushed the style almost to the point of absurdity; but they sold well. Possibly this republica-



Albert Edward: package tour

tion is designed to float on the current wave of Strachey revival. After Strachey's "Queen Victoria," what more obvious recourse than to "do" Albert Edward, flamboyant and ripe for packaging to a generation hungry for easily digested Victoriana?

There seems to be no doubt about the digestibility: two printings in 1942 and now a reprinting at a hefty price. In the circumstances, to assess its merits as history would be superfluous. One might perhaps express a certain anxiety that the innocent youth of today, bred up on the hard tack offered by respectable professional historians, could be misled into taking Mr Dangerfield's seductively expressed opinions on such matters as "corn and classes" seriously. But on the whole it is non-toxic and if it gives readers pleasure and its writer and publisher profit, what harm? Mr Dangerfield himself adopts a robustly defiant and unrepentant posture: "I should no doubt deplore the belletrist and unprofessional character of this book; but to do so would be merely ingenuous; for the truth is that I have never, for one instant, regretted having written it." Like Liberace, Mr Dangerfield's most effective response to unsympathetic critics would be to cry all the way to the bank.

Daughter at home

MARIA EDGEWORTH: A LITERARY BIOGRAPHY

By Marilyn Butler.
Clarendon Press: Oxford University Press. 531 pages. £6.50.

Maria Edgeworth's novels and short stories are due for a revival. Her place on the literary-historical map has now been staked out by two excellent studies, issued in quick succession by Oxford University Press. A few months ago, her "Letters from England," edited by Mrs Christina Colvin, gave a most attractive impression of this once famous authoress in her later years. Now we have what will certainly be her definitive biography, which fulfils the promise of its subtitle by paying a great deal of critical attention to her literary output.

Mrs Butler reminds us that from 1800, when her "Castle Rackrent" was published, until 1814, when Scott's "Waverley" appeared, Miss Edgeworth was "easily the most celebrated and successful of practising English novelists." She did not at first think much of the novels of her younger contemporary, Jane Austen,



Maria (left) with just some of the Edgeworths

and would probably have been amazed (though she was not a vain or complacent woman) had she known that these have never ceased to be popular while her own more ambitiously conceived works have fallen into neglect. The pedagogic writings that she produced in partnership with her redoubtable father, Richard Lovell Edgeworth, have their place in the history of English education. Some of the tales written for 10-year-olds, such as "Rosamond and the Purple Jar" or "Simple Susan," have given pleasure to generations of children. But the resurrection of her reputation depends largely on the mass of personal documents that the Edgeworth clan left to posterity.

Maria's father married four times, and fathered 22 young Edgeworths. She was one of the first batch, and was only five when her mother died. She suffered acutely in her early childhood, but by the time she was 13 or so a strong alliance had begun to develop with her father. He was a man not much loved, in later life, outside his family, and indeed not all his offspring could tolerate his assertiveness. At Edgeworthstown House, their Irish home, Maria's life was bound up with the ever-growing family, but she became incessantly busy with writing as well. Mrs Butler effectively demolishes the legend that her father (who ceaselessly busied himself in suggesting, correcting and editing whatever she produced) was to blame for the more didactic and tedious passages in her work. Maria adored him; but it says much for her own vitality and independence of mind that after his death she became the main-

stay of the family, developing an acumen that had never been called for previously, and winning for herself in England as well as Ireland almost unqualified liking and respect.

Sugar, sugar

PURE, WHITE AND DEADLY

By John Yudkin.
Davis-Poynter. 164 pages. £2.25.

Doctors have at various times condemned tobacco, drink and butter as potential killers. The maverick professor of nutrition at Queen Elizabeth College, John Yudkin, has a different target: sugar. He attacks it as contributing to:

fatness	heart disease
diabetes	ulcers
indigestion	gall stones
poor eyesight	bad teeth
dermatitis	gout
early puberty	premature ageing

and, just possibly, some forms of cancer. The only obvious omission appears to be the common cold.

Professor Yudkin is no crank, although a list of this length might suggest that he was. He admits that the connection between sugar and some of these diseases is tenuous, but so was the connection between smoking and lung cancer in the early stages of research. The big difference between smoking and sugar eating is, however, that a smoker's consumption of tobacco is directly under his own control; the sugar eater's consumption is not. Of the 100 lb of sugar eaten by the average person in this country in a year, more than 40 lb turns up in various forms of manufactured food.

It turns up, obviously, in sweets, soft

drinks and ice cream. But it also lurks in packaged soup and baked beans; in sauces; pickles; tinned and frozen vegetables; and even canned meat. It is very difficult to avoid eating a great deal of sugar in a normal day. We develop a taste for sweetness because there is so much of it about. Manufacturers then increase the sugar content of food to cater for the demand. Substitutes like cyclamates have been banned on what Professor Yudkin considers very shaky scientific evidence; he reckons he could produce equally nasty results by giving comparably massive overdoses of sugar to laboratory animals.

Should we care? Yes, says Professor Yudkin, because sugar is not a normal source of carbohydrate, like bread or potatoes; it acts chemically on the body in quite a different way so that a diet that drew the preponderance of its carbohydrate from sugar rather than starch could have some disconcerting consequences. So it is back to bread and butter and, if it is any consolation, Professor Yudkin denies butter has any connection with coronary disease. Sugar, he says, paves the way for that sort of trouble. Like all zealots, he is easy to ridicule. But this is a profoundly uncomfortable book.

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The war effort

WAR, POLITICS AND FINANCE UNDER EDWARD I

By Michael Prestwich.
Faber. 317 pages. £5.

Historians of medieval warfare have too often confined themselves to unprofitable wrangles over tactics—based on inadequate sources—or vague surmises on the political consequences of particular victories and defeats. In this book, on the other hand, Dr Prestwich presents a thorough and carefully-researched account of the total relationship between the war effort of Edward I (in Wales, Scotland and on the continent) and the operations of government, with all the consequences for society which flowed from it. From his investigations there emerges a picture of a nation mobilised for war on a scale which constantly suggests modern parallels. The book as a whole is firmly analytical in its treatment of the wars and their consequences, and gains immeasurably in clarity as a result. Where Dr Prestwich diverges from received opinions his arguments are convincing, and where he accepts them his reasons for doing so are good. His style is lucid, if somewhat staccato, and his book is a genuine contribution to knowledge.

Edward's wars required not only a vast expansion of the machinery of government but also the establishment of an administrative capacity to supply and support large armies in the field for long periods. Dr Prestwich shows how as financial stringency increased in the later part of the reign, Edward's campaigns were hampered at every point—as the king's own impa-



Edward I: modern parallels

tient, and usually uncomprehending, complaints bear witness. The sums of money required amounted to a significant proportion of gross national resources. Dr Prestwich's figures and estimates on specie in circulation, as compared with rates of taxation, are of particular interest. Royal "ordinary" revenue was hopelessly inadequate, so an elaborate structure of credit finance had to be created, relying largely on Italian banking houses. Dr Prestwich demonstrates most convincingly that Edward did exceedingly well out of his somewhat dubious transactions with the Frescobaldi and others.

Although the Scottish campaigns of the later years dimmed the glories of Edward's career, there can be no doubt that his wars were an overall success. Dr Prestwich shows that this was the fruit of steady and maintained application of resources, rather than of tactical brilliance. He confirms that Edward's armies were of unprecedented size, even though the usefulness of the infantry, so much stressed by earlier writers, needs to be reassessed in the light of high rates of desertion and methods of recruitment which were, from the purely military point of view, haphazard.

There was a price to be paid for warfare on so generous a scale. Socially, it was not disastrous, but it undoubtedly disrupted trade, and politically it weakened Edward. Dr Prestwich suggests that the unwillingness of some of his greatest magnates to serve for pay, and their eagerness to revert to the traditional forms of feudalism, may represent a degree of impatience with monarchical control. The effect of war on the development of representative institutions is plain for all to see, and Edward I left a political *damnum hereditas* to his son.

Eminent Victorian

SCIENTIST EXTRAORDINARY

By Cyril Bibby.
Pergamon. 220 pages. £2.95.

The subtitle of this book is "The Life and Scientific Work of Thomas Henry Huxley, 1825-1895." It is slightly misleading. Dr Bibby has already written an excellent life of Huxley, and this book is its counterpart: an account for the ordinary reader of his scientific and public work, with biographical detail cut to the minimum. It is well worth reading.

Huxley's intellectual life was something of a miracle: he had two years' schooling, ending at the age of 10, and

then, later on, less than four years at medical school, without ever qualifying. From this background emerged not merely a first-class scientist, recognised from the start and a Fellow of the Royal Society before the age of 26, but an intellectual, deeply read in many languages and philosophically inclined, a marvellous stylist, and a man who never forgot or failed to work for the social benefits of science. One is filled not merely with awe at his capacity, but also with affection for his nature and constant laughter at his wit.

Green light

LETTERS TO MOLLY: JOHN MILLINGTON SYNGE TO MAIRE O'NEILL
Edited by Ann Saddlemyer.

Harvard University Press; London: Oxford University Press. 362 pages. £5.25.

THE POLITICS OF IRISH LITERATURE

By Malcolm Brown.
Allen and Unwin. 431 pages. £6.75.

A PALER SHADE OF GREEN

By Des Hickey and Gus Smith.
Leslie Frewin. 253 pages. £3.30.

A character in one of John Millington Synge's plays, an old man from the Aran Islands off Galway, concluded that Irish studies must be the chief occupation of the outside world. In the literary world, this utterly Irish thought has a foothold in reality. For Ireland, a small island of little more than 4m not particularly well educated souls who are not remarkable for their general human performance, has produced a disproportionate share of the great English writers of this century: Shaw, Joyce, Yeats and Synge himself should perhaps head the list.

Much has been written of Synge and scholars are now stringing out the minutiae. He died of consumption in his 30s. He was engaged to a young actress in the Abbey Theatre, Maire O'Neill, who played leading parts in his plays, and Miss Saddlemyer's collection of 400 of his letters is a record of their friendship.

Mr Brown argues that Ireland's impressive literature was brought to birth by nationalist politics. He seeks to place it back in its historical context. For this purpose he reviews the history of Ireland in the second half of the nineteenth century; he interpolates his account with an examination of the political and historical observations of Irish writers, mainly Yeats and Joyce and a little George Moore. It is all



Synge: now the minutiae

most erudite but somewhat confusing, and clothed in obscure literary jargon. Undoubtedly, romantic nationalism was a potent artistic aphrodisiac; but in the end Mr Brown reaches no more profound conclusion.

The Irish artistic inheritance is one of imaginative language inherited from their own native tongue. This imaginative quality gave English literature a rich and generous bounty. Literature is perhaps less appreciated in Ireland than elsewhere and the literary and artistic community resents this. Ireland, said Yeats, rocked the cradle of genius. It would be truer to say that Ireland's geniuses rocked the republic's; but the child that grew out of it was not that dreamt of in the Celtic twilight.

"A Paler Shade of Green" is a collection of interviews with Irish literary and theatrical figures. No Irishman is ever frank about his generally over-dramatised relationship with Mother Ireland. Most of those interviewed have left the old country as a result of some slight for which they hold it responsible or in search of greater prizes. There are a few who have stayed at some apparent sacrifice to themselves. Yeats was such a person. Cruise O'Brien and Michael MacLiamóir are the most distinguished now living. Mr O'Brien has produced first-rate writings on history and literature. Mr MacLiamóir has spent his life trudging the length and breadth of Ireland trying to maintain the theatre among an unreceptive public. Not until his one-man show on Oscar Wilde was the outside world awakened to his quality. The best part of this book is the chapter on Mr MacLiamóir, who argues the case for Irish nationality generally and the Irish language in particular. "That's my opinion" he says "and nothing to do with the truth." It is a plea for the soul of Ireland by one with much faith.

Short list

The Government and Politics of West Germany by Kurt Sontheimer (Hutchinson, £2.50 cloth, £1 paperback); West German Politics by Geoffrey K. Roberts (Macmillan, £2.50 clothbound £1.25 paperback). Both these relatively simple guides through the maze of contemporary west German politics can be recommended to would-be explorers with little time at their disposal. Herr Sontheimer is professor of political science at Munich university, Mr Roberts a lecturer in politics in the department of social sciences and economics at Loughborough university of technology. Both present potted versions of German political history along with potted accounts of today's political setting and processes of government and administration. Both have reassuring words to say about west German democracy, for all its much-publicised failings. What a pity Professor Sontheimer's translator has such little feeling for the English language.

Selected Essays on Employment and Growth by Richard Kahn (Cambridge University Press, £4.40). Professor Lord Kahn is one of those brilliant but constipated intellects who is famed as much for the acknowledgements he has been given in Cambridge prefaces as for his own writings. A fair fraction of the latter are now assembled in this, his first book. They start with his justly celebrated paper of 1931 on the multiplier and finish with a recent one on the growth of firms.

The Economics of the Common Market by Dennis Swann (Penguin modern economics, 40p). Mr Swann has brought up to date his handy definition of what the common market actually does, and he makes a good attempt to explain how the common market's existence affects the pattern of trade. British entry and the terms of entry are neatly included. The scheme for monetary union, though well laid out, gets rather lost among descriptions of more theoretical activities of the commission.

Manual of Political Economy by Vilfredo Pareto (Macmillan, £10.50). Pareto's classic, now available in this handsome translated version, makes most modern books on economics look like rough lecture notes. He devotes as much as 100 pages to introductory

material before tackling utility theory and pricing, and the mathematical appendix at the end is equally long. The text is replete with elegant taxonomies, and the learned footnotes range from Greek philosophy to white slavery. Those with the necessary leisure to enjoy the book will both make the acquaintance of a great creative intellect and come across many things which are now embodied in standard textbooks, their origin forgotten.

Evolution of World Enterprises by Arvind V. Phatak (Allen and Unwin, £6.60). An intelligent Indian, now lecturing in an American university, has held in-depth interviews with top management executives in 26 European and 13 American companies engaged in worldwide operations. He asked them the right questions, and has got snippets of useful answers, but has not codified them very interestingly.

Competition, Collusion and Game Theory by Lester G. Telser (Macmillan, £6.50). Hitherto, the theory of the core has been accessible only to mathematical economists. Professor Telser now explains it for quasi-mathematical economists. Since the two final and empirical chapters scarcely use it, the non-mathematical economist who values theory for its usefulness rather than for its novelty or elegance may conclude that, despite its authoritativeness, he can leave it to others to read.

Understanding Company Financial Statements by R. H. Parker (Penguin, 60p). Mention a balance sheet and most people throw up their arms in horror. Professor Parker's concise book would keep them more fruitfully employed. In just 100 pages of short chapters and sections he translates the financial statements of two companies picked out as examples into comprehensible prose, and shows not only how to read a balance sheet but also what investors should look out for. He has even found the space to discuss the effects of inflation on conventionally drawn-up accounts which, by using historic costs, ignore it. And all without a mention of the dreaded debit and credit: the mechanics of double entry book-keeping are relegated to an appendix. The accounts of the two companies discussed are then reproduced, and there is a useful glossary of financial terms. Highly recommended.

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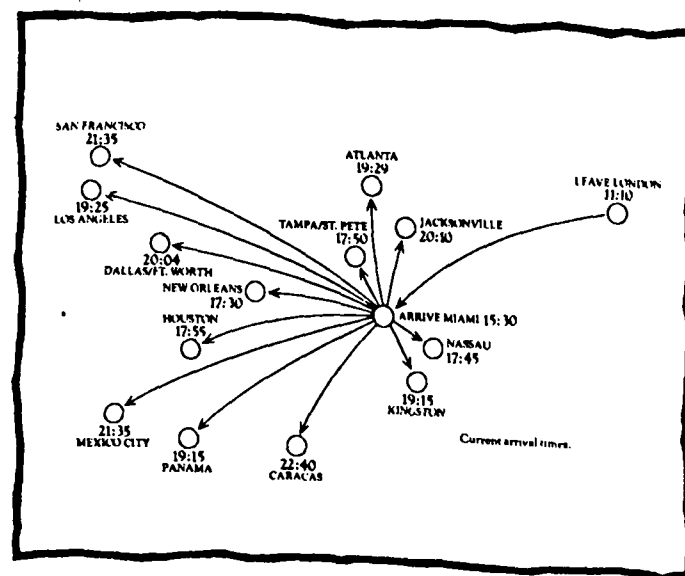


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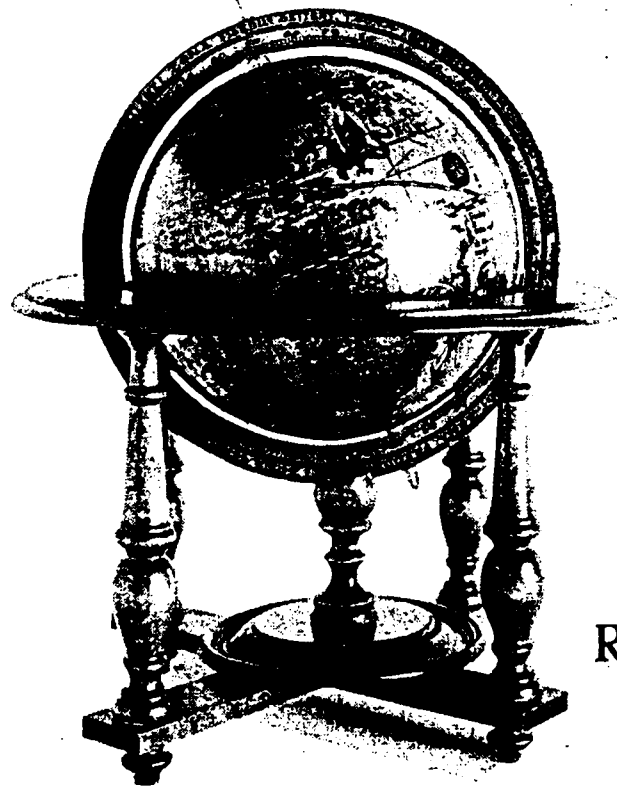
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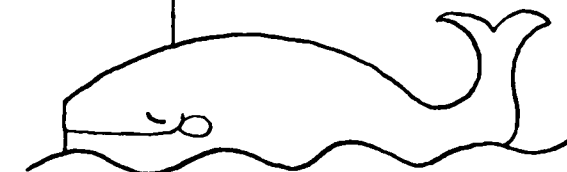
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Business Brief

Shipbuilding: slump ahoy

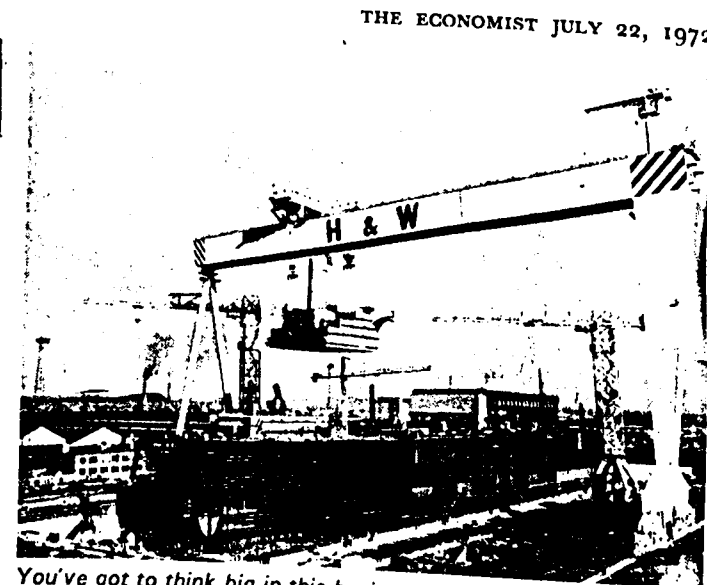
Japan, with half the world's shipbuilding capacity, has won orders for only 19 ships in the past three months. Shipping is going through a recession that has brought charter rates down 60% from their 1970 peak. The slump is already 18 months old, and is unlikely to end before 1975, if then. But so far as the shipyards are concerned, that all lies in the future. At the moment they are working to capacity, building the large tonnages ordered in the last shipping boom, and those orders will see them through the next couple of years. But when this extra shipping capacity comes on the market it will keep freight rates down, at a time when the natural increase in world trade would otherwise be bringing them up again. And this will offset the shipowners' otherwise normal passion for buying boats. The shipbuilders themselves therefore predict that, by 1975, about half the capacity for building the giant tankers which increasingly dominate the industry will be idle.

Yet both shipbuilders and some of their governments are

now bravely talking of a revival in the competitiveness of European shipbuilding. Their hopes are based on three factors. One is last year's yen revaluation, which has at least temporarily wiped out Japan's price advantage in dollar terms. The second is the trend in Japanese wages, which are now overtaking those in many European countries. The third is the hope that, with governments pumping in the necessary investment, European shipbuilders may be able to copy Japanese methods just as the Japanese originally copied theirs.

Comparisons of the efficiency of different yards are fraught with difficulties; three-fifths of the cost of a ship usually goes on bought-in supplies, but the proportion can vary, and productivity figures in the yards themselves can accordingly be adjusted to prove almost anything. A study just published by a Paris-based research firm, Euroeconomics (Shipbuilding in Western Europe and Japan to 1980, £150), avoids the labour productivity yardstick, and this leads it to confirm the industry's own belief that there are opportunities for building ships competitively in Europe. But only under certain conditions.

Japan's main advantages, on this argument, are the low cost of steel plate and the high degree of integration between shipbuilders and their suppliers. Most Japanese shipbuilders are vertically integrated with steel-producers. In Europe such links are less common; where they do exist, as in Germany, they are generally with manufacturers in the wrong end of the steel business. Before last year's currency shifts made price comparisons almost impossible, heavy steel plate in Japan cost 35% less than in Europe—and steel makes up as big a share of the cost of a ship as wages. This advantage was only partly lost by the yen revaluation, since raw materials are mostly paid for in dollars. So the trend towards larger vessels using even more steel is



You've got to think big in this business

also in Japan's favour.

Until a few years ago Japanese shipbuilding was heavily dependent on imported sub-assemblies and components, but now it is a net exporter of them. The profit margins on steel and sub-assemblies are generally higher than on the finished ships, which again gives the Japanese extra leeway. They integrate not only ship construction, but carry the principle right through the industry, from engine building to pumps, compressors and deck machinery.

Japan's plus points

Between half and two-thirds of the items which in Europe are bought-in are manufactured in Japan within the same organisation. The six leading Japanese shipbuilders also manufacture marine engines to their own design or under licence. Shipowners are offered standard designs on a take-it-or-leave-it basis, where most European yards still cater for individual whims. But the more Europe concentrates on the shrinking tailor-made end of the market, the fewer the opportunities for standardisation, which alone can bring down the price. This has now sunk in. However, unless Europe also goes all out for vertical integration the benefits of standardisation are limited to less than half the price of the ship.

Even where production is not integrated, Japanese suppliers are more willing to meet the shipyards' specifications. Thus Japanese steel producers make plate in bigger sizes, which saves welding costs on tankers that can be a third of a mile

long. And since Japan's main shipbuilders are individually larger than most European countries' shipbuilders are collectively, they can negotiate contracts tailored to their individual needs which still give big enough production runs to enjoy economies of scale.

In Britain, the rationalisation of the industry has proceeded along the lines of the Geddes report (until the Heath Government did a couple of about-turns on shipbuilding policy). That report contained the built-in error of advocating horizontal rather than vertical integration, and, at the very least, largely ignored the role of the industry's suppliers in deciding just how competitive it could ever be. It is a common fault. Most European countries are trying to rationalise the assembly work done on ships in the yards, while doing little about the costs of bought-in supplies. Yet every 1% saved on the cost of materials is worth 3% off the cost of labour.

Until recently, European shipbuilders blamed their problems largely on wages and cheap Japanese labour. But the rate of annual wage increases in Japanese shipbuilding has risen fourfold since 1965. The basic wage this year is 230% that of 1965. The most recent increase, this spring, was 17.5%. The Japanese are now aiming to reduce the labour cost of steelwork on the largest ships to a mere 5% of total cost of the ship, but whether they can do this remains to be seen: European shipbuilders are sceptical of some of the figures put out by the Japanese.

Some European yards are now catching up on Japanese

rates of output. Kockums of Sweden launched five vessels, totalling 1,275,000 deadweight tons, in 1971 and delivered six, totalling 1,530,000 tons, which is a European record and about as good as any Japanese yard. But achieving this kind of output requires a higher investment than in Japan. Euroeconomics calculates that

The lower domestic price of steel and of plant erection in that country results in an underestimate of the real needs in west Europe in order to achieve the same result; this would imply roughly a doubling of the rate of investment in many European yards.

Even that might be conservative. In 1970, the average fixed assets per employee in British shipyards were worth £825, in west Germany £950-£1,000, and in Italy £1,200. Modern yards need around £3,000-£4,000 per man.

Economic nationalism

The British Government believes that investments of this order are justified in some yards to keep the industry going and save jobs in traditional shipbuilding areas. Thus £55m is being pumped into the old Upper Clyde Shipbuilders and £49m into Harland and Wolff, sums which would each be large enough to build completely new modern yards from scratch on greenfield sites. The argument for the patching and cobbling is that if Europe were to let economic events take their course Japan might be left with a monopoly of world shipbuilding by the end of the decade, which would be in the interests neither of shipowners individually nor of trading nations as a whole.

Of the 200 giant tankers in service, 120 were built in Japan and 80 in Europe, but 140 of

them are trading with Europe and only 60 with Japan. Japanese shipowners never order outside Japan. European shipbuilders are now keen to see the same buy-at-home policy applied in Europe—unless Japanese shipbuilders can be persuaded to cut back plans to expand their capacity, and so take off some of the competitive pressure. Although Japanese prices have, until recently, been the most competitive in the world (and are likely to become so again), Japanese shipyards' order books depend less on their domestic orders than do most European shipyards—which suggests that some European shipowners have behaved nationalistically.

In Britain, Mr John Davies, Secretary of State for Trade and Industry, has promised an early reply to pleas from the domestic shipping and shipbuilding industry for incentives to encourage British shipowners to buy at home. British yards are shorter of orders than any other major builder apart from Germany; and the Germans have special problems because of last year's D-mark revaluation.

But further protection for the British will only exacerbate the glut of world shipping. The Organisation for Economic Co-operation and Development, in the latest of its useful annual reports on maritime transport (£1.22), has a section on flags of convenience which shows that British owners have no strong fiscal incentive to use such flags because they get sufficiently large tax concessions at home. Because of their low profits in the past and the 100 per cent free depreciation they get on the cost of their ships, it will be a long time before many of them pay corporation tax. Admittedly,

British shipowners are ordering even fewer ships—in relation to the size of their fleet—than shipowners in other countries. But this is because they are getting more commercially-minded at last, and are trying to avoid investments that fail to show a decent return.

The future of many yards depends on what happens to ship prices, which in turn is closely bound up with the state of the market. Euroeconomics points out that ship prices increased at a moderate 2.3% a year through most of the 1960s, but in mid-1969 suddenly accelerated to an annual rate of increase of 30%, so that the price rise over the past 10 years is 75%. The recent jump is partly because of a sudden inflation in both wages and steel prices, but more because of the growing time lag between orders and delivery, now about 2½ years.

Price slowdown

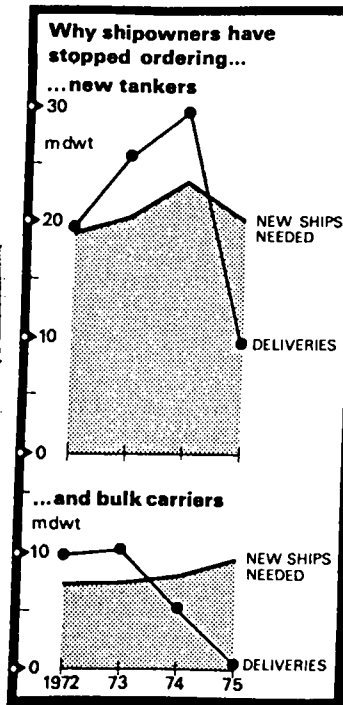
As order books run down, Euroeconomics predicts there will be a slowing down of price rises to 5%-7½% a year, with a sharper temporary slowdown this winter. This may be an underestimate. Shipbuilders are no longer operating in a sellers' market. Harland and Wolff, in Belfast, in its submission to the Northern Ireland government for aid in its investment plans, reckons that prices will actually drop. Euroeconomics assumes that prices are based on the costs of the less efficient shipyards, and that the efficient ones then make fat profits. This is true in a boom, but arguably not so in a slump. As the report points out, Japanese shipbuilders have just enjoyed a short period of large profits, but had previously gone through a long one of only moderate earnings in relation to their

massive capital investments.

What chances are there of restoring prices? Japanese yards would like an international cartel to enforce minimum prices, but their own fair trade authorities have warned them off this, and the system would probably be impossible to enforce anyway. As an alternative, they have mooted the idea of an agreement among shipowners to pay minimum prices, but this looks even more improbable.

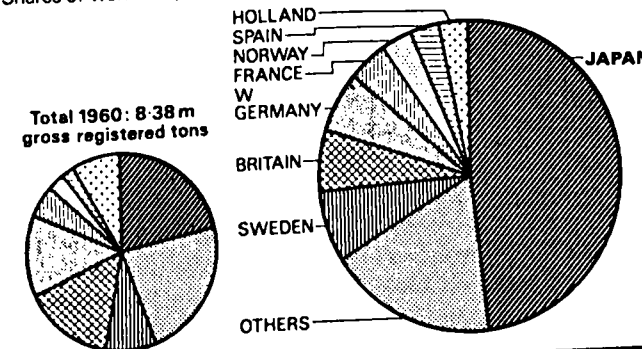
The only real hope is to cure the permanent trend towards over-capacity. Talks within the common market and at OECD have resulted in a call for the abolition of shipbuilding subsidies, which governments have pledged themselves to observe by 1974. Yet there is likely to be increased pressure for protection as the industry slides into recession around 1975. Although the world's demand for ships could be satisfied by relatively few yards of outstanding efficiency, no one has yet had the courage to let the less efficient close, even though the Japanese government has recently told its smaller shipbuilders to cut their plans for constructing new yards to a maximum capacity of 150,000-ton ships.

The shipping market is so volatile that forecasting demand is unusually risky. The OECD draws attention to this. It cites the difference between the level of American oil imports in 1980 as projected by the National Petroleum Council and as forecast by the department of the interior. This adds up to the equivalent of 100 tankers of 250,000 tons on the Middle East to American east coast route. It is the inextinguishable hope that something will crop up to confound the pessimists that keeps the shipyards going.



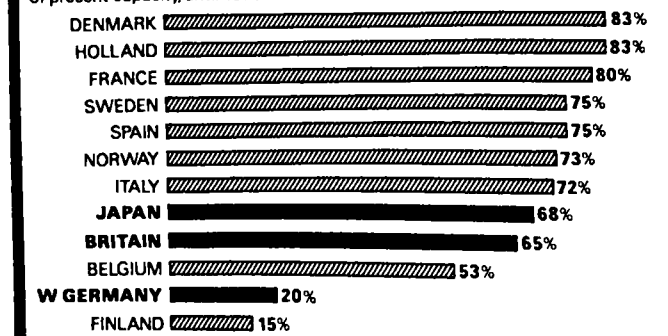
Who builds ships

Shares of world output



Who's busy

% of yards in each country with orders to keep them working to at least 75% of present capacity, until 1974



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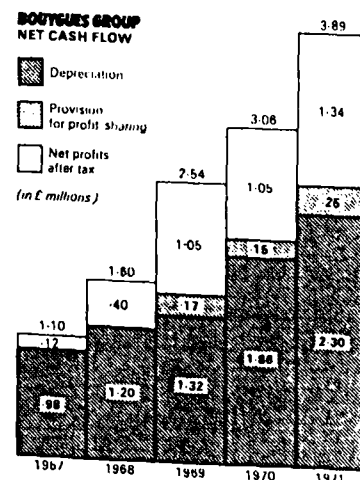
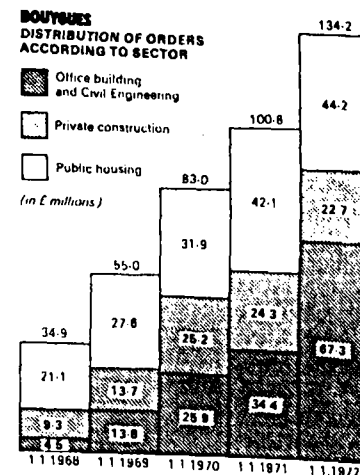
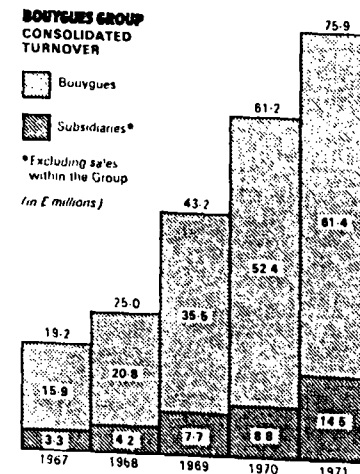
How the Bourse assesses us

When Bouygues went public in June 1970 it was quoted on the Paris Bourse at 390 francs. Today—just two years later—the price has risen to around 600 francs—a level which is directly attributable to the steady increase in profits. Based on 1971 results the price/cash flow ratio is five times.

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BUSINESS

Taking good care of them

The decision to merge the two British air corporations under a single management clears the way for an overdue and probably painful rationalisation

The effective merger of the two airlines was announced by the British Airways Board and approved by the Government on Monday, and everyone was anxious to say that, while it would produce one of the biggest airlines in the world, nothing else would materially change. Were that true, the changeover would not have been worth the bother. Neither airline is in particularly good shape. Financially, both have been living on past fat accumulated during the good years of the 1960s and, at least for British European Airways, on Government compensation for buying British rather than American aircraft. These reserves are running out; in spite of savings already made on administration, the two airlines will have worked miracles if they manage to break even this year. They are facing a period when fares are falling sharply in practice if not in theory; the British Overseas Airways Corporation's loads on some routes have gone up 40 per cent this summer, but revenue has gone up hardly at all because almost all the extra passengers are travelling at, or close to, half fare. In conditions like these, the two corporations have no option but to trim costs, and there is plenty of scope in both for doing so.

Unlike some other airlines, neither corporation is overburdened with too many aircraft, although BEA has too many different types. But they both have too many staff. In any other country the cure would be obvious: staff would be slimmed until productivity approached levels reasonable for an airline of this size. But in Britain this is the one solution that no one, not even an airline, is able to mention in public. The unions were on the telephone protesting to Mr David Nicolson, chairman of the British Airways Board, almost before his merger plan (*HMSO*, 13p) was published. Mr Nicolson, in his public statements, confined himself to saying that he hoped natural wastage would run numbers down for him, while rising traffic would raise the productivity of the remainder. There are a whole lot of reasons why this cannot work, as Mr Nicolson probably knows.

At this stage he has merely set up a management framework, with a single executive board and various divisions working beneath it, which turns the two air corporations into something resembling Trans World Airlines in America, but only two-thirds of its size. BOAC's capacity has been the biggest among western airlines

outside America for some time, just as BEA has had the biggest network inside Europe. The two together now rank somewhere between seventh and eighth in a world league that is headed by Russia's Aeroflot, followed by the five American giants. After that it becomes a toss-up whether the new British group or some of the medium-sized American domestic airlines are the bigger. In round terms, the two air corporations together must be in the 4 billion ton-miles-a-year class. They employ, however, something like 50,000 people.

To do the same range of work, the far bigger TWA gets by on not many more than 35,000 staff. This, admittedly, is after an economy drive that led to the sacking of nearly 5,000 in one year, the sort of operation that Mr Nicolson could hardly dare contemplate. But it means that the productivity of individual TWA workers, measured by numbers employed for each unit of capacity, is something of the order of 190,000 ton-miles of flying a year, against 97,000 for BOAC and not much more than 34,000 for BEA in their most recently available figures. This gives an average over the network of the two corporations of less than 66,000 ton-miles, and suggests that if staff were working to maximum efficiency the combined BEA-BOAC network could be run with one-third the present staff.

There are a few reasons why it takes more people to run an airline on this side of the Atlantic than on the other, but there are not many of them. Foremost is the lack of streamlining on the ground, starting with the cumbersome checking-in procedure still used in Europe and including the immigration formalities involved in short hops between countries, which keep aircraft on the ground for a longer time between flights than they would be on domestic routes of the same length inside America. The tendency is, therefore, to say that it is the political fragmentation of Europe which is at the root of the trouble and to shrug off overstaffing as inevitable.

But the causes lie deeper than that. Overstaffing begins in an airline when the productivity of its aircraft increases faster than the traffic. This happened when the jets were introduced, and it is happening again with the new wide-bodied aircraft. Fewer staff are needed to handle the same number of people, and the airline finds

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that it is suddenly employing too many round the place. It holds on to them, in the hope that the normal, yearly increase in traffic will soon have them busy again. But the traffic rises only gradually, and, in the meantime, staffs' own ideas of what constitutes the right number of people to do a job undergoes a gradual change, until overstaffing becomes the accepted norm. Privately-owned airlines that have either to make profits or go out of business go through periodic economy drives in which staggeringly large numbers of people are sacked without any visible deterioration in standards of service. The 5,000 dismissed by TWA last year left hardly a gap. But big, nationalised air corporations, hamstrung as they are by increasingly militant unions, find this impossible to do in anything but the most abnormal conditions. From pilots downwards, both BEA and BOAC have too many staff. As wages are one of the few items of cost directly under an airline's control, this is probably the only place where savings can be made.

It will not be easy for Mr Nicolson. He has a series of special groups studying every aspect of the merger from aircraft needs down to computers. He has already saved £1.5m a year merely by combining the insurance of the two fleets. Further savings should be possible when the eight different types of aircraft flown by the two corporations, with several variants of each, are reduced to more manageable numbers (not that TWA does that much better as it is now flying six different types). The obvious advantages of a merger also involve pooling sales offices, engineering, maintenance and a good deal of administration. But realising any of these savings in full has to involve some cuts in staff. Even in a good year, traffic grows at only 15 per cent.

Simply marking time

At Mr Barber's summer party, the Germans said they will keep the mark within common market bounds until after their general election. But what then?

Herr Karl Klasen, president of the Bundesbank, was the star turn at this week's meeting of European finance ministers and central bankers in London. After all, their summer holidays seem less at risk since he promised the German cabinet that exchange controls will bring four or five months' peace on the currency front: or so they think. He returned to Germany more determined than ever to make good his promise, if necessary by buying dollars up to the sky or by imposing even more controls. Next day, the dollar came off the floor.

It now transpires, however, that Herr Klasen's prescription alone did not bring the dollar round. It also needed the help of the Americans who sold marks on Wednesday. Then came the important announcement that the Americans have brought back into play their enormous network of reciprocal currency credits with other central banks. Something in excess of \$9 billion can now be flung into the game of temporarily underwriting the Smithsonian currency agreement. This may be costly to the Americans. Although the swaps are negotiated bilaterally,

The management reorganisation has stopped short of a full merger of the two corporations mainly because that would have required legislation, and who knows when parliamentary time could have been found for it. Also, at this stage, it is not strictly necessary. A great deal can be done internally while still leaving the two corporations their separate identity in public. Their two chairmen now become respectively full-time deputy chairman (under a part-time chairman) and chief executive of a management in which BEA and BOAC will be demoted to operating divisions along with several others (helicopters, local domestic airlines, labour management). What the new board now wants is freedom to get on with its own internal business without government interference. Whether it gets it is another matter.

The number of brushes that have already taken place between Mr Michael Heseltine, in charge of aviation in the Department of Trade and Industry, and members of the British Airways Board (the holding company for the two airlines) is reflected in the exceptional stress laid in Monday's document on the need for "a clear definition of the working relationship between the board and the Government" which the board wants "to pursue with the Government at an early date." When those talks take place, Mr Heseltine may expect to be told where and when he should mind his own business. When the board says that it must be free to conduct its affairs on commercial lines this means, among other things, freedom to plan its own capital expenditure within limits agreed with the Government, but without having to get approval for every contract placed of more than £1m. It must also mean freedom to cut staff, and the Government may not like giving it that.

ally, they all carry what is in effect a gold guarantee; the countries that make these swaps will be compensated by the Americans for their losses in the swaps when there is eventually a change of parity.

President Nixon ran scared that another devaluation of the dollar might look bad at election time. So a creaky international monetary framework is supposed to be propped up until November at a wrong pattern of exchange rates, primarily to aid political manoeuvres in America and Germany. The discussions under Mr Barber's chairmanship this week were yet another useless exercise.

But when will these gentlemen learn? They will persist in ineffectual meetings during troubled times when the inevitable rumours light up the foreign exchanges. This time it was wrongly suspected that they would agree to a joint float of the common market currencies. Instead, the formal discussion had nothing to do with such immediate matters as the pound's float or the mark's strength, but with far-away international monetary reforms. A German delegate described it as "a helpful

discussion about what we will need to know in 1975." A Frenchman put it more acidly: "It's like discussing the sex of angels when the Turk is at the gate." Perhaps, to be fair, it should be said that such a convincingly calm discussion of the sex of angels has indeed persuaded the Turk (or dollar speculators) to go away now.

But for how long? Even Herr Klasen is not looking beyond the west German general election on December 3rd. The anger with which German businessmen would greet a revalued or up-floating mark leaves Herr Brandt with really no political choice at present but to resist a float, joint or otherwise, of the common market currencies. But Herr Klasen himself is not against a joint float as such after the election, provided it is regulated dirtily by adequate European capital controls. Moreover, as implied by Dr Schiller's letter of resignation as Germany's economics minister, published this week, the French have been persuaded that the Germans are introducing enough controls to prevent a joint float getting out of hand. In French minds, and Herr Klasen's, joint floating and capital controls must go together and a float would only come if controls alone proved insufficient.

They may well do. But the Organisation for Economic Co-operation and Development, in its half-yearly Economic Outlook published on Friday, demonstrates how difficult it is to marry even reasonably sensible principles about the management of any fixed exchange rate system with the hard realities of market pressures in a world in which vast sums of liquid capital can move at a moment's twitch of nerves. The well-worn tenet, reiterated by the finance ministers in London this week, that while exchange rates should be changed more frequently adjustments should be made only in line with underlying payments trends, may not be workable. It is true that the direction of sterling's float in June met that basic requirement: the OECD reckons that had sterling remained skewered on its old Smithsonian peg Britain's surplus on its current overseas account would have virtually disappeared by the first half of 1973. The argument for upvaluing the yen is equally clear cut. Even though Japan's growth should be restored to an annual 8½ or 9 per cent, in real terms, by the end of

this year, this will not take up enough of the slack to bite into its enormous current surplus, which may still be running at an annual rate of over \$6 billion in the first half of 1973.

By comparison, Germany's current surplus, running down rapidly as its economy strengthens, seems modest. The OECD's calculations, made before the pound floated, actually suggest that Germany could even have a small deficit before the year is out, by which time its economy should be moving to a 4½ per cent growth rate. But any deficit will be marginal, and owe something to cyclical factors. Germany's current payments situation at any one point of time is not the main barometer for speculators. On a more dynamic view more than one expert would argue that a crawling upvaluation of 2½ per cent a year would be needed to keep the strength of Germany's payments in check. Germany will continue to attract funds so long as its economy is seen to be run better than most.

The OECD forecasts hold out little hope that the remaining Smithsonian exchange rates will last long even though, at the time, the OECD subscribed to the view that "there were no winners and no losers" in the settlement. For the OECD believes that the American economy is set firmly on a 6 per cent, or 6½ per cent, growth track, an upswing well ahead of those of its major competitors and one which implies a current account deficit in the first half of next year as high as \$2½ billion at an annual rate, after a record one of about \$4 billion this year. Far from achieving the kind of surplus that might eat into the dollars which now glut the world's reserves and markets, the United States will be pumping out still more dollars well into 1973. How long will the Japanese and the Europeans (the Germans in particular) still prove able and willing to absorb them? While it may be argued that the dollar is no longer blatantly overvalued commercially, it remains overpriced as a commodity. So Herr Klasen may have his work cut out and, if he does, one can only hope that he will fail. For to resort to ever more exchange controls makes a mockery of some of the high-minded doctrines being propagated in London this week.

The European divide

Another meeting of the community finance ministers is scheduled for early September in Luxembourg. But it is already clear that there will be no agreed common market view on the long-term reform of the world's international monetary system, which will be the subject of the International Monetary Fund's annual meeting in Washington from September 25th to 29th. Two points in particular divide the community:

(1) **Convertibility.** The Germans and French favour consolidating the existing dollar balances through bilateral deals: individual countries would agree with America the terms on which they

would freeze their dollar balances. The British and Italians favour an issue of special drawing rights (SDRs). The Italian scheme would include an incentive to the Americans to run a surplus; if this surplus exceeded the amount of dollars brought forward for conversion, the United States would be rewarded by additional SDRs. But if the United States were in deficit it would have to buy dollar balances brought forward with primary reserve assets, a penalty which it will not agree to lightly.

(2) **Role of gold.** Italy's Signor Giovanni Malagodi plumped for a degolded SDR as the pivot, or numeraire, of the system, arguing that to switch

from gold to SDRs is mere window-dressing so long as SDRs have, as they do now, a gold content. The Belgians were outspoken in their belief that SDRs must be expressed in gold. The French, needless to say, would like currencies fully linked to gold. The Germans, worried by what seemed a cleverly unstated renewal of the French insistence on the gold role, might go some of the way with France in favour of a higher gold price, provided gold is used as only one element in the backing of SDRs. There are some dangerous overtones, but the Germans are resolutely opposed to raising the gold price if France uses the debate about the numeraire to try to define the value of currencies in gold.

They don't want to know

One of the largest bank loans ever negotiated—£360m for developing British Petroleum's North Sea oil finds—will be signed early next month. Only two British clearing banks have gone in with vigour

The financial opportunity opened up by the oil under the North Sea has not stirred the enthusiasm of all British bankers. Quite the contrary. What has emerged about the £360m which British Petroleum has raised from a banking consortium to finance the exploration and exploitation of its Forties field is that less than 40 per cent of the money was put up by British banks. It had been hoped that at least 50 per cent would have come from Britain, but, despite the selling efforts of the three managers of the consortium, the reaction of two of the clearing banks ranged from over-caution to outright hostility.

When the Government has appointed a firm of consultants to investigate the opportunities for British industry thrown up by the North Sea discoveries—and when there is a strong rumour that the Shell-Esso partnership has made a major discovery—it is discouraging to find that financial support for the North Sea opportunity is so doubtful. The costs of developing the North Sea will be enormous, perhaps £2.5 billion over the next decade, and all the banks are going to have to get their feet wet in it one day.

It is true that half the banks who are interested are British, and half the money is in sterling. But it was the Americans and Canadians who were really eager to get into the consortium. It is also true that, considering their size, the merchant banks and the London-based overseas banks acquitted themselves well. But substantial medium-term sterling lending of the BP sort will have to be carried on the backs of the clearing banks.

Since last year's policy document on competition, the banks have been free to go outside the traditional range of loans; they can lend longer and for more unusual projects. The BP loan was the first big test of their willingness to expand their horizons. National Westminster (BP's banker) has taken close to 10 per cent of the commitment. But then it is one of the three managing banks, together with Morgan Guaranty Trust of New York and Lazard Brothers. The other clearing bank which has intelligently taken the plunge is Barclays. The Scottish banks, like the National and Commercial group and the Bank of Scotland, are prominent. The Clydesdale Bank, the Scottish subsidiary of the Midland, is in the consortium but the parent company is not.

The attitude of Lloyds Bank is that the kind of risk that the banks are being asked to run is an equity one; that clearing banks should not run it, certainly not for such a derisory reward; and that the loan sets an unfortunate precedent. Lloyds must have given a great deal of thought to the argument because Shell banks with it, and so its conclusions must be treated with respect. Lloyds's 55-per-cent-owned subsidiary, Lloyds and Bolsa, has taken an independent line and gone into the consortium.

Reduced to basics, the loan is simple. The banks lend money to a company, which will probably be called Norex, which buys oil from British Petroleum before it has been pumped above water. The loan, and the interest, is paid off as the oil is delivered. The interest will be $1\frac{1}{2}$ per cent above the three-month interbank rate until 1979, and will then rise to $1\frac{1}{2}$ per cent if repayments are not finished by then. The figuring on the interest rate is that British Petroleum, a prime borrower, could get money at $\frac{3}{4}$ per cent above the interbank rate, and the extra risk is worth another $\frac{1}{2}$ per cent.

What worries some of the banks is precisely that risk. In the United States, schemes like this have long been used to raise money for mining and oil production. But they usually operate after the oil has begun to flow and not before. The exceptional difficulties of getting oil out of 420ft of turbulent sea make the initial work extremely expensive, and so the banks are being asked to provide the money nearly two years before the first oil deliveries.

The ingenious formula worked out to get round the difficulty is to remove from the banks all risks attached to the actual winning of the oil. They simply have the risk that it might not be there in sufficient quantity. An independent firm of oil experts, Butler, Miller and Lents, has said that, in its judgment, there are 4.4 billion barrels of oil in the Forties field, and around half of it can be lifted economically by British Petroleum, giving BP an accredited 2 billion barrels of usable oil (a small corner of the field belongs to Shell-Esso). The amount of oil required to pay off the loans, at \$3 a barrel, comes to roughly 400m barrels. Thus the cover given to the banks is a factor of five. Even if there is only a fifth of the oil that everyone thinks is there, the banks will still get repaid out of the proceeds. If oil prices rise above the current average \$3 a barrel, the debt could be paid with even fewer barrels.

There are subsidiary risks: of epic disasters to drilling platforms and pipelines, of unexpectedly high drilling costs, or even (terrible thought) that BP goes bankrupt. The assets of BP's North Sea company, probably to be called BP Oil Development, are charged to Norex, and Norex has a special share in the company entitling it to take over the operation in the event of any default. One of the problems was over the oil production licence, given by the Department of Trade and Industry to a named operator: but the DTI recognises Norex's rights should the worst come, improbably, to the worst. But disasters on this scale look very unlikely, and those clearing banks that stayed out of the scheme ought now to be re-examining their reasons to be sure that they were not based, to some extent, on lack of enterprise.



Is Europe thirsting for a leader?

Despite the national pride which countries tend to feel in their particular drinking habits, it seems probable that Europe will become more and more international in this respect, and many others, as the economic community develops. In beers, for instance, will one overall European 'brand leader' emerge as time goes on? Questions of this kind, in many different product fields, are difficult to answer, but it is important for the businessman to be able to make such forecasts, even in fields other than his own. They involve the whole future fabric of European life.

Much of the information which a man needs to form his business decisions he finds in his chosen newspaper. But how about the international information – the

birdseye view of an industry, taking in the whole of Europe and the world? The Financial Times does not claim to tell you more about other countries' business than those countries' own leading journals. It does claim, however, to give you an international viewpoint.

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FINANCIAL TIMES-EUROPE'S BUSINESS NEWSPAPER

*Source: "The International Businessman in Europe – what he reads." International Herald Tribune, October 1969.



PILKINGTON



"A year of real progress; I am more confident than for three years"

says Lord Pilkington in his review of 1972

Shareholders Up from 8,000 to 13,500, including former Triplex Holdings shareholders.

Management Important changes; strength in key posts still outstanding.

New Ventures Formation in Australia of Pilkington ACI Ltd; option for holding in Societa Italiana Vetro.

Currency Fluctuations Currency changes cost £1m. before tax; stability in next year unlikely.

CBI undertaking No further ready acceptance of such rigid restraint.

Depreciation Acceptance by industry and City of "current cost" depreciation is anticipated.

Research and Development Direct expenditure on R & D about £6m.

A year of Progress More confident than for three years; good results from overseas.

Prospects Year has begun well; profits should increase, but inflation high everywhere.

Dividend Recommended final of 5½%; total for year ¼% better than forecast at 10½%.

Acknowledgements Thank you from shareholders and board to 30,000 employees in more than a dozen countries whose efforts have contributed to our results.

Summary of Group Results

	1972 £000	1971 £000
Sales, profits and dividends		
Sales to outside customers	135,612	123,180
Group profit before taxation (including licensing income and technical fees of £9,614,000; 1971—£8,623,000)	18,016	13,940
Group profit for year after taxation and after deducting minority shareholders interests	9,576	6,340
Extraordinary items	(227)	547
	9,349	6,887
Dividends to shareholders of Pilkington Brothers Limited	6,006	4,300
Profit retained in the business	3,343	2,587
Assets employed		
Assets employed before deducting bank overdrafts	183,926	174,322
Ratios		
Trading profit before taxation to sales	6.1%	4.8%
Profit before taxation and interest to assets employed	11.2%	9.0%
Earnings after taxation per ordinary share (before extraordinary items)	16.8p	10.6p
Gross dividends per ordinary share	10.5p	7.5p

Facts about the Pilkington Group

- One of the world's leading glassmakers, selling to over 100 countries
- Exports and licensing earned £31 million in foreign currency, and many more £ millions of glass were exported in British motor vehicles
- Britain's largest supplier of glass fibre and optical glass
- The float glass process is licensed to 21 manufacturers in 12 countries, with 38 float plants in operation and a dozen under construction or planned
- Approximately a third of the group's main manufacturing assets are overseas, accounting for almost a third of group sales
- Main glass supplier to British motor and building industries, and a major supplier to these industries in Canada, Australia, Argentina, South Africa, New Zealand and Sweden
- Over 30,000 employees worldwide, 34 active subsidiary and 11 associated companies in 14 countries

Copies of the Chairman's Review and Report and Accounts are available on application to the Registrar, Pilkington Brothers Limited, Prescott Road, St. Helens, Lancashire, WA10 3TT.

BUSINESS

Britain

So Rothschild was right

The victor in the war of words that rocked the British scientific establishment earlier this year proves to be Lord Rothschild, whose proposals for reducing the powers of at least three of the great scientific research councils have been accepted by the Government in principle, even if it is not prepared to be quite so brutal towards them as Lord Rothschild might have wished. In a white paper published on Wednesday (Cmnd 5046), the agricultural, medical and environment research councils were told that a proportion of their income will be taken away from them over a period of three years and transferred to government departments, which will then tell the councils what work they want done with it.

Lord Rothschild suggested this in his original proposals last November (Cmnd 4814) because, in his view, backed by first-hand experience of running one of the councils, they had carried scientific autonomy to the point where they were not necessarily doing research of value to anyone but the investigators. Conversely, they were ignoring some work that the departments wanted done. He suggested that they should still have a small budget for academic research

done at their own discretion, but that applied research should in future be commissioned and paid for by government departments. It should no longer be left to the council's discretion. This insult to the soundness of their scientific judgment was contested by the research councils. The scientific establishment sprang to their defence.

The Government has not been impressed. It has left the three councils with more of their own money to spend than Lord Rothschild had proposed, but will still cut their independent budgets substantially;

The cuts compared (£m)

	Present budgets	Rothschild cuts	Government cuts
Agriculture	18.7	14.5	10
Medicine	22.4	5.6	5.5
Environment	15.3	7.6	4.5

The Government has not explained why it should have accepted Lord Rothschild's principle but not his figures. There seems to be a belief that to take as much away from, for example, the Agricultural Research Council as he had suggested would be to reduce it to below the threshold size for an independent research organ-

isation. That might not have mattered. The future of the research councils was first questioned because it had been proposed to place the Agricultural Research Council within the Ministry of Agriculture and Food, as road research had been transferred to the Ministry of Transport and other engineering laboratories to the Department of Trade and Industry. The Government reprieved it, not entirely because it had been impressed by either the arguments or the efficiency of the ARC, but because the ARC does some key research on biology that would sit uneasily inside the Ministry of Agriculture. A new research council might have had to be created to accommodate this biology work if the ARC had folded. So it survives until it dawns on someone in the Government that biology could properly become the responsibility of the Medical Research Council.

Not that this in-fighting is material. What the Government has done is to breach the principle that science is something only scientists can appreciate. Some of the mandarins will resent this, but until science is incorporated further into daily administration there is not much hope for Britain as a technological nation.

CBI

More of an ice-cube

Through a series of entirely predictable meetings this week, various undertakings that had been given privately to the Prime Minister by the Confederation of British Industry and the Trades Union Congress were publicly endorsed. At the National Economic Development Council on Tuesday, with Mr Heath in the chair, the TUC agreed in a vague sort of way to consider discussing incomes policy, and the meeting was somewhat put out when the Prime Minister suggested they should all turn up again on Thursday to do just that. Because so many of those present pleaded other engagements, the date



Chairmen Baskett (ARC), Beverton (environment), Gray (MRC) breathe again

was put off until next Tuesday, but it was embarrassingly plain afterwards that no one but the Government really wants to turn up. The Government has even threatened to table a discussion paper to prevent the debate from settling into its familiar, comfortable round of clichés.

The Ned meeting cleared the way for the CBI's announcement on Wednesday of its much-leaked three-month extension to the present 5 per cent price freeze, due to expire at the end of the month. It is more of an ice-cube than the freeze proper that the Government had bargained for at the time of the budget. Industry refused to contemplate another year at 5 per cent, and went on to reject the CBI's compromise proposal for a six-month extension. The extra three months merely carry the CBI to the other side of the TUC's annual congress, at which industry thinks, misguidedly, that there could be some drift towards a moderating of wage demands. The terms of the freeze are marginally tighter than they had seemed likely to be even two weeks ago. Industry has realised that if August 1st was regarded as the start of a new freeze year, so that companies that have only recently raised prices would then be free to raise them again, the steel industry for one was going to push through substantial increases. The only way to tie down British Steel was to say that the freeze should apply to all prices within any given 12 months.

The CBI has had great difficulty getting support even for the three-month extension. Industry is not afraid of the effects or earnings of freezing prices until the end of October. What does worry it is the prospect that the Prime Minister could slap on a statutory price freeze as the voluntary agreement is about to come to an end. His temper at the Ned meeting on Tuesday suggested to some of those present that something statutory was not inconceivable.

Unemployment

Not too bad

The path from stagflation to boomflation is not proving to be well mapped all the way. But after the sharp falls in unemployment in recent months, it is not surprising that Thursday's figures were disappointing. The Department of Employment's track indicator (the seasonally adjusted wholly unemployed) actually went up by 5,000 this month, after June's fall of 36,000. And what with the complications of students, Scottish school-leavers (they break up

earlier than English ones) and the horrid weather of the early part of this month, the raw count of the jobless in Great Britain and Northern Ireland on July 10th was 868,000, up 34,000 from last month. But this one month's reverse may mean little.

Unfortunately there is no similar uncertainty on the wage inflation front. The index of basic hourly rates for manual workers jumped by over 1½ per cent last month alone. The Confederation of British Industry may have persuaded its members to extend their price restraint for three months, but their obligation applies only to domestic sales. British export prices have risen by 7½ per cent in 12 months, import prices by only 3 per cent. This is what the textbooks would call an improvement in our terms of trade. But when the volume of British exports has dropped over the same time by 4 per cent, while the volume of imports has risen by 8 per cent, the lesson is obvious. Britain is once more in real danger of pricing itself out of world markets.

Trade unions

Blackballed

Mr Clive Jenkins received a polite letter from Mr Vic Feather on Wednesday morning. It told him that the Trades Union Congress had decided to suspend his union, the 250,000-strong Association of Scientific, Technical and Managerial Staffs, because it had registered under the Industrial Relations Act. Seven other union leaders, representing another 600,000 members, got similar letters.

So a battle is now under way within the TUC which is likely to boil over at its conference in Brighton in September. Mr Feather himself was plainly unenthusiastic at the general council's decision to deliver these blackballs, and no wonder. But Mr Jack Jones and Mr Hugh Scanlon seemed delighted that their line had prevailed. If other unions which come up for TUC judgment next week (which include don't-knows like the 420,000-strong Electrical and Plumbing Trade Union) get the same treatment TUC membership will be cut by 15 per cent. Many moderate union leaders, like Mr Alf Allen of the shop-

TUC scorecard

	Unions	Membership (mn)
Registered	29	0.8
Deregistered	99	8.3
Don't know	9	0.9

workers, Mr Bill Hogarth of the seamen and Mr Frank Chapple of the electricians, will presumably be unable to stand for election to the general council. The hardliners will therefore enjoy an even bigger majority than they do now.

The irony of the situation is that some of the offending unions' leaders are against registration, but have failed to win support from their own members. Mr Jenkins, for example, got one in the eye from the ASTMS conference which failed, by a margin of under 1 per cent, to give him the required majority to deregister.

Dockers

The backlash

The union leader most out of touch with his members is Mr Jack Jones of the Transport and General Workers' Union. He has refused for weeks to have anything to do with the increasingly bitter dispute developing in the docks between the lorry drivers and the dockers, most of whom are paid-up members of his union. The shop stewards of the lorry drivers who were picketing the Royal Albert Dock on Thursday, moderate and relatively quiet-spoken men in comparison with the dockers, complained that they had been driven to start picketing only because Transport House had turned down repeated requests over the weeks to come down and arbitrate in what began as a relatively trivial matter. Mr Bernie Steer and his activists among the dockers had turned down requests for talks too, but that is



Thursday's Royal-blackening day

rather less surprising.

If Mr Jones does not think the dispute worth either his personal attention or that of union headquarters, what does he think the proper functions of the general secretary of a trade union are? This particular piece of trouble began at Hay's Wharf container depot, which was being blacked by the dockers. The lorry drivers did not cross the picket lines because good union members do not get across other members' pickets. Their firm was blacked, just the same, as forcefully as if they had. The drivers appealed to the dockers to talk it over, then to their union, and got nowhere with both. So, in exasperation, they adopted the dockers' methods and began picketing container depots at Tilbury on Tuesday, held a mass meeting on Wednesday to discuss their considerable success, and extended their blacking and picketing to the Royal group of docks on Thursday. This got them publicity that had previously been the monopoly of Mr Steer and his friends, and although the dockers were calling them scabs and a variety of other names, and held them in growing contempt because some of the drivers were rumoured to be getting paid leave of absence from work while picketing, some other dockers were genuinely surprised that their own leaders had repeatedly refused to talk to the drivers. But what the drivers had still failed to get, by Thursday evening, was the attention of Mr Jones.

There is no sign that this dispute will settle itself. The majority of dockers take the line that it is not worth discussing and that they could not care less, although one did ask:

Where is it going to end? The land-

ladies will be picketing the drivers next for sleeping in their cabs.

The reaction of both the port employers and the haulage companies was to step up pleas for a settlement by the committee trying to sort out the docks crisis under the joint chairmanship of Lord Aldington, chairman of the Port of London, and Mr Jones (who else?). Their interim report is now promised on Monday.

About 500 dockers' jobs can be saved by giving them jobs stuffing containers. A further group of men can be rationalised out of the industry by extending the generous voluntary severance payments, especially to sick men: for this, it is hoped, the Government will cough up the money. Other assistance is likely to be offered for retraining.

But this is unlikely to be enough to satisfy the dockers when they meet next Wednesday. They are still determined, among other things, to get rid of the unattached register which pays unemployed dockers £23 a week.

Farming

How corny can you get?

Mr James Prior, the Minister of Agriculture, came back from his talks with fellow farm ministers in Brussels with an agreement to take all restrictions off trade in cereals within the European Economic Community by next February. Since subsidies for cereals absorb about 25 per cent of the entire community budget, and the cereals themselves are Britain's largest food import, the details are important. Mr Prior thinks that they represent a tech-

nical negotiating success.

The prices of wheat and barley grown in this country will be phased up to the higher community levels by 1978. Until then all trade with the community will be evened out by payments to EEC exporters, primarily France, to compensate for the difference between market prices in Britain and the Six. This means that from next year European producers will have free access to the cereal market in Britain, which has usually made up its deficit by importing cheap cereals at world prices from Canada and the United States. M. Jacques Chirac, the French minister of agriculture, has already launched an export-to-Britain campaign among French farmers. Britain needs to import 45 per cent of its wheat and about 20 per cent of its animal feed grain; by 1978 a lot of this could be coming from France. It is the dowry that we bring to the community.

In the Brussels negotiations Mr Prior tried to keep wheat prices down, both to help food prices at home and to limit the import bills. He has done this to some extent by refusing to allow Britain to be treated as what the community defines as a "deficit area," and, therefore, one where prices will be universally high. The country is being split into two. In the inland east, where the large British wheat and barley men are, the minimum wheat price is being fixed at a relatively low level of £26.50 a ton; in the west, around Liverpool, Glasgow and Belfast, where less wheat is grown, the minimum price will be as high as £28.31. This is academic to British farmers now getting a

continued on page 79

Key indicators: British economy

Labour market

Unemployment rose slightly this month. Vacancies higher.

Earnings

Up again in May but at a slower rate than in April. But hourly rates of manual workers jumped 1.6% in June.

Terms of trade

Export prices in May up 7½% on a year ago, import prices 3% higher, giving an "improvement" in the terms of trade of 4½% over the year.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	May	131.2	+2.9	+15.6	+4.6
employment*	April	88.8	nil	-1.0	-4.3
productivity*	April	143.8	+0.9	+3.3	+7.0
Export trade*†	June	157	+6	+11	-1
Eng'g orders on hand*	December	114	nil	-2½	-9
Retail trade*	May	114.8	+0.4	+2.4	+3.3
Unemployment*	July	159.9	+0.5	-7.8	+6.8
Average earnings*	May	202.2	+0.8	na	+10.8
Retail prices	May	156.9	+0.5	+1.8	+6.1
Export prices	May	151	+1½	+2	+7½
Import prices	May	135	nil	+1½	+3

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

CIBA-GEIGY

1971 was the first full year of business for CIBA-GEIGY Limited, following the merger in October 1970 of CIBA Limited and J. R. Geigy S.A. Despite losses due to the changes that took place in the monetary exchange rates, a noteworthy increase in sales was achieved. At the same time the integration of the merged activities and organisation has progressed satisfactorily. The results achieved during the year were a positive step forward both with regard to sales and profits and also to the structural organisation of the undertaking.

Investment, earnings, sales, personnel
Capital expenditure in 1971 reached £82 million, an increase of 6.5% over 1970, despite the general trend of cut backs in investment in the chemical industry. Switzerland played a decreasing part in overall investment owing to shortage of labour and space, with its consequent environmental complications. However, ecological considerations represent an increasing proportion of the total capital expenditure.

Cash flow amounted to £87 million and has, after deduction of dividends, furnished the majority of the finance required for the high level of investment.

Group sales were £763 million, an increase of 10% over 1970 taking into consideration the currency realignment, which caused a 3% reduction in sales value when stated in Swiss francs.

At the end of the year over 70,000 people were employed; approximately 20,000 in Switzerland, 11,000 in the UK and 9,000 in the USA.

Pharmaceuticals
Sales increased by 11% to £223 million, with the USA again accounting for a large proportion. However the organisation in the USA saw extensive changes in order to comply with the anti-trust laws. The Consent Decree required an important range of products to be divested and these were relinquished to USV Pharmaceutical Corporation in return for one of their established products and an appropriate sum in cash.

The establishment of Group companies in Singapore, Malaysia and Thailand has strengthened our position in the Far East, and our agency agreement with Pliva, a leading Yugoslavian pharmaceutical company, has been extended to cover construction of a joint manufacturing facility.

Dyestuffs
Despite prevailing economic trends, sales of the Division exceeded those of the previous year by 7% and reached £196 million.

The most important structural change in the dyestuffs organisation was the sale of the existing CIBA dyestuffs business in the USA to Crompton and Knowles Corporation. This was also made necessary as a result of the Consent Decree. The immediate result was a substantial fall in sales revenue. In the long term however the divestment will simplify the problems of organisation and rationalisation brought about by the merger.

During the year the range of dyes for polyester-cotton blends was greatly extended

and additions were made to the polyamide and reactive dye ranges.

Agrochemicals
With sales of £169 million, an increase of 13% over 1970 was achieved, with noteworthy growth rates in Europe and the USA.

Crop protection products continued to be the main contributors to these successes, and a number of new products were introduced, chiefly for the US market. These included a herbicide for use in cereals and an extension of the range of products for weed control in vineyards and orchards.

Promise has been shown by a herbicide under development which should open up a further section of the cotton market, and certain insecticides with favourable properties were placed on international field trial.

New production facilities were constructed at Kaisten and Monthey (Switzerland) and Goa (India), and the herbicide plant at St. Gabriel, Louisiana, came into year round production.

Plastics and Additives
This Division has three separate trading operations: Plastics, Pigments and Additives. Total sales for all three amounted to £117 million, 11% up on 1970.

In Plastics, which accounts for about one half of the Division's sales, the *Araldite* products continued to be the leading line, and development of new epoxy resin moulding powders suitable for injection moulding will further extend the broad range of products. In Pigments, the successful marketing of high quality specialities resulted in above average growth rates, despite the slow growth in the PVC field. The Additives sector introduced a number of new products including a novel ultraviolet absorber for polyolefins and an antioxidant for polyacetal resins. Sales developed very satisfactorily with the UV absorbers and antioxidants in strong demand.

New production facilities included a formaldehyde and wood glue plant in Canada and a modern epoxy resin works in Japan. Capacity for UV absorbers was also increased in Switzerland and the USA.

Photographic
The Photographic Group comprises Ilford Limited in the United Kingdom; CIBA-GEIGY Photochemical Limited, Fribourg (Switzerland); and Société Lumière S.A., Lyons (France). Gretag Limited, Regensburg (Switzerland), which is not integrated into the Photographic Group, is a leader in the photographic equipment field, especially photofinishing equipment.

Sales of the Group were reduced by divestments (sales of Ilford's Zonal and Britannia Works) and by foreign exchange and tariff measures that hindered exports. Nevertheless the turnover of £38 million is an improvement on 1970. New products launched included the *Ilfochrome* process film and the warm-tone *Ilford* paper.

Consumer Products
This is our newest Division and positive progress was made during the year. Sales were £21 million, an increase of 14% over 1970.

Household insecticides and garden products showed satisfactory growth and the cosmetic business continued its good rate of progress. New product introductions were generally successful, the *Nubril* range of floor-care products in France being worthy of special mention. New and further developments in garden care and household products were carried out and a number of projects in toiletries and cosmetics were initiated.

Britain's Share in a Year of Positive Progress

As a result of the merger of CIBA and Geigy in the United Kingdom, which became effective at the beginning of 1971, the CIBA-GEIGY group in this country now consists of:

CIBA-GEIGY (UK) Limited
CIBA-GEIGY Chemicals Limited
The Clayton Aniline Company Limited (75% owned)
Ilford Limited

The United Kingdom companies recorded a turnover in excess of £100 million for 1971

CIBA-GEIGY (UK) Limited
CIBA-GEIGY (UK) Limited is the British subsidiary of the multinational research based chemical company, CIBA-GEIGY Limited of Basle, Switzerland. The British company, which forms an integral part of the international group, constitutes a major force in the British chemical industry.

CIBA-GEIGY (UK) Limited is a combined holding and operating company and has seven operating divisions which offer a highly diversified range of quality products.

These divisions are: Agrochemical, Dyestuffs, Plastics, Pigments, Industrial Chemicals, CIBA Laboratories and Geigy Pharmaceuticals; the Plastics, Pigments and Industrial Chemicals divisions form the UK Plastics and Additives Group. In addition to the operating divisions the Consumer Products business was established in 1971 for the marketing of garden care and household products.

For this company, 1971 was primarily a year of integration, of gradually welding together the component parts of the new organisation. The results underline the success of the integration with consolidated sales, which include those of CIBA-GEIGY Chemicals Limited and The Clayton Aniline Company Limited, increasing by 12% to reach £72,855,000.

The exports—more than £2 million up on the previous year—stood at over £18 million at the end of 1971, almost one quarter of company turnover. In spite of the general trend towards cutting back investment in the chemical industry, capital investment also increased to reach £5.5 million.

In addition, 1971 saw the issue of £10 million Convertible Loan Stock. This was an unprecedented move by a Swiss-based company, since the stock is convertible into participation certificate shares in the parent company. The issue was over-subscribed, and rapidly went to a

CIBA-GEIGY

premium. The funds raised by the issue will be employed as working capital in Britain to assist the UK group's continued growth.

During 1971 the Divisions of CIBA-GEIGY (UK) Limited, whilst in many cases carrying through extensive re-structuring of their marketing organisations, were able to continue to increase the volume of their business and to introduce a number of successful new products.

The turnover increase of 12% which these activities produced is a highly gratifying figure when viewed against the background of industrial recession, the company's involvement in perfecting its merged organisation and the voluntary price initiative the company executed by signing the CBI Undertaking of August 1971.

Subsidiaries and Associates

CIBA-GEIGY Chemicals Limited, Grimsby, further increased its contribution to the worldwide group since taking over its share of the relocation of pharmaceutical intermediates production from Switzerland. Further diversification has contributed to the company's most successful year ever.

The Clayton Aniline Company Limited enjoyed a year of growth, and continued its vital role as a major supplier of dyestuffs, intermediates and technical application products for the UK market and overseas.

Ilford Limited has become the centre of the world CIBA-GEIGY Photographic Group as a result of a major re-organisation in the latter part of 1971. The members are listed in the international section of this review. UK investments included a new £5½ million coating plant at Brentwood, Essex, which made a substantial addition to the output of high-quality colour and monochrome film.

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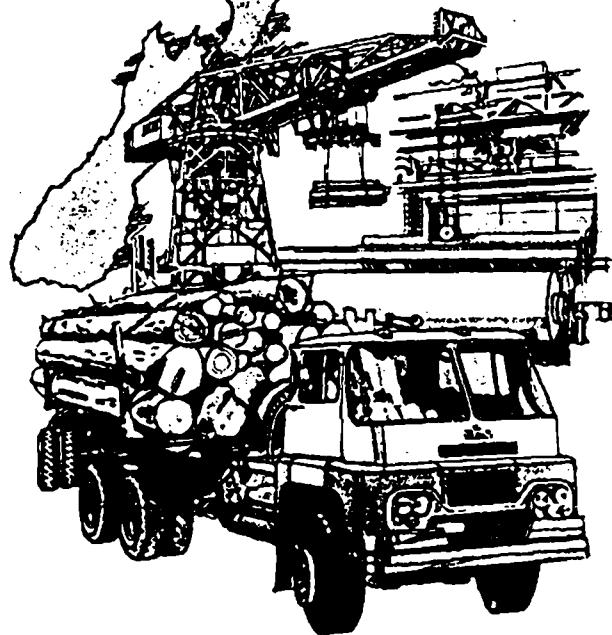
CIBA-GEIGY (UK) Limited
42 Berkeley Square
London W1X 5DB

The above sterling figures were converted at the rate of 10 Swiss francs = £1.

Registered trade marks are shown in italics.

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New Zealand's largest trading and only indigenous bank



London Main Office:
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30 Royal Opera Arcade, SW1Y 4UY
(New Zealand House)
Head Office:
P.O. Box 2392, Wellington.

Over 400 offices throughout New Zealand
Also at Melbourne and Sydney (Australia),
Suva, Lautoka, Labasa, Nadi (Fiji)
Represented in Western Samoa by the
Bank of Western Samoa.
Representative office in Tokyo.



"Growing demand for financial advisory services."

Alexander Stone, Chairman, British Bank of Commerce Limited, in his review for the year to 31st March 1972.

	1972	1971	1970
Profit before tax	£1.6m.	£1.1m.	£0.7m.
Dividend	15%	12%	10%
Deposits	£22m.	£12.9m.	£6.6m.
Assets	£34.4m.	£22.6m.	£14.5m.
Advances	£18m.	£14.7m.	£7.3m.

Annual General Meeting will be held in Glasgow on 11th August 1972.

Some of the main points from the Chairman's review are:—

Competition & Credit Control "Our flexibility has enabled us to compete effectively with other lending institutions".
Financial Advisory Services "There was a gratifying increase in the demand for these services".
"There is every indication that this demand will continue to grow".

Capital for Agriculture "Was launched to offer a comprehensive range of services to meet the financial and advisory needs of the agriculture industry".

Leasing and Hire Purchase "Satisfactory progress".

Other Interests "Record year by printers, Aberdeen University Press Limited and metal brokers, Henry Bath & Son Limited".

Bonus Issue "It is proposed to increase the authorised share capital from £4m. to £8m. and to capitalise part of the reserves by a capitalisation issue to shareholders of one new ordinary share for every two ordinary shares held".

Prospects "Since 31st March 1972 activities throughout the Group have continued at a satisfactory level and the indications at present are that the Group will achieve increased profits in the current year. Provided no unforeseen circumstances arise, it should be possible to maintain the same rate of annual dividend of 15 per cent on the increased capital of £5,250,000, subject to the effect of imputation on dividends paid after 5th April 1973.

Copies of the Annual Report can be obtained from the Secretary.

British Bank of Commerce Limited
Merchant Bankers 145 West Regent Street Glasgow G2 4SB Telephone: 041-332 3862

Continued from page 75

guaranteed price of £34.40 a ton; but, as all prices move up during the transition period, the differential between east and west could be important.

A mildly protesting Mr Prior was obliged to agree to raise the price of barley, which merely means more profits for British farmers who are already growing all that the country needs. His main aim should be to narrow the common market's price differential between wheat and barley. Even after the accession of Britain the EEC will probably have an embarrassing surplus of wheat by 1978, but still be short of animal feeds. Since 60 per cent of Britain's farm production is in livestock, for which there is a huge export demand in Europe that we hope to cash in on, we clearly do not share the French interest in seeing wheat become more expensive every year. Britain wants a switch to more barley and other feed grains.

Plastics

Stuck in the mould

The little neddy for the chemicals industry reported on Monday (HMSO. £1.60) that there are too many British companies engaged in turning raw plastics into useful products. It recommended that some of them should combine, although how they might do so is an open question. For the neddy to recommend that the British Plastics Federation

should arrange for specialist advice to be made widely available to processing companies interested in mergers, acquisitions or joint ventures

is to ensure that there will be little impetus behind any rationalisation. The BPF serves a useful function now, but it is no marriage broker nor should it be turned into one. But unless concentration does take place there is little chance of the plastics industry keeping pace with the rest of Europe.

Already, British output is falling behind, as is consumption, but that is largely the result of poor marketing and inadequate research and development. The industry says, and the neddy repeats, that successive governments' stop-go attitudes to the motor and building industries have discouraged manufacturers from exploring new bulk uses for plastics as actively as they might have done. Far more plastic panels could be put into car bodies, but manufacturers say disingenuously that they have not wanted to commit themselves to heavy capital

investment and development to supply so erratic an industry as cars. If they did not think that the motor industry was a growth industry, then how would they define one?

Anglo-Soviet trade

Credit available

The affair of the 105 "spies" expelled to Moscow last October is no longer to impede Anglo-Soviet trade. The British Government has agreed this week to provide an ECGD credit of at least £200m for some 5-8½ years, at the internationally competitive rate of 6 per cent. This should give British exporters a chance of winning their share of capital equipment orders as Russia increases its placing of them in line with the normal pattern of its five-year plans. The current plan began in 1971. So far the Russians have been occupied sizing up the equipment on offer and deciding how much they will import with the hard currency they have. Now they are placing orders. The lack of long-term cheap credit could have crippled Britain's chances of winning some of the business.

Steel

Looking dear

Comparisons made by both steel-makers and users of the prices actually paid for steel show that normally EEC prices are significantly below British ones. The difference varies from product to product, but on average it is 8-10 per cent. If this is really so—the British Steel Corporation denies being anything like so uncompetitive—it has serious implications for BSC's long-term investment plans. The floating of the pound appears momentarily to have offset the price difference, but projecting known price trends, especially BSC's intention to raise prices sharply on January 1st, it looks quite probable that BSC will be overpriced again next year.

The published list prices for steel show something completely different, but list prices mean different things here and in the EEC. In Britain, with some minor exceptions designed to help car exports, the list shows the selling price to the buyer. But in the EEC the steelmaker is allowed to depress, or align, his prices to those of his competitors, and when demand is slack, as it is now, even greater discounts are permitted.

The BSC still thinks it can beat the

competition. It has, according to reports, already joined the European import limitation scheme. It hopes for much greater price freedom once in the community. Cheaper imports can be fought off by going down to competitors' prices. This, however, ignores the havoc that will be wrought upon the corporation's profits. The BSC has been unable to contemplate its massive investment programme, even in its present protected home market, without equally massive Government aid, although it has been doing better than expected recently. Next week it will report that its deficit for the last financial year was just under £80m instead of the £100m budgeted for, and, as new plant comes on stream, it hopes to maintain this improvement. But now it would seem there is every prospect of a large jump in imports.

The Minister for Industry, Mr Tom Boardman, faces a tricky balancing act. He hopes to announce the BSC's financial target before the end of this parliamentary session. But he also has to examine the corporation's proposals for its next round of investment which will reach him in the next few weeks. These will almost certainly include a £700m expansion project which would take the industry's capacity from the present 25m ingot tons to nearer 36m ingot tons by 1980. This would now seem to be potentially too ambitious. The Government's own view, expressed in the strategic review, was that there could be a burst of imports without an offsetting increase in exports. This led civil servants to suggest an industry nearer 28m tons without a major single investment project.

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The development of ocean transport for natural gas has revolutionised a whole industry. In liquid form natural gas—no longer limited to local consumption—has been opened up to a world market. QER Special No.12 LNG: Marine Operations and Market Prospects for Liquefied Natural Gas, 1972-1990 examines carrier capacity and financing and the problems of gas delivery from wellhead to consumer.

A single copy of QER Special No.12 is £5.50 (US\$15). £4.50 (US\$12) to QER subscribers. Airmail postage extra outside Europe (£0.40 US\$1), payment with order please.

The Economist Intelligence Unit Ltd.

Spencer House, 27 St James's Place, London SW1A 1NT

BUSINESS

International

Don't worry, nobody's really stealing your sovereignty



Protesting Britons: only a nibble

This week's rumpus over German questioning—started, in fact, by a not-so-high official in Bonn—of British aids to industry, free depreciation for all business investment and regional assistance ended unhappily for the anti-market lobbyists. The EEC commission is cooling fast. And, as Mr Christopher Chataway told the Commons on Tuesday, there is nothing in Britain's regional development policies that can be faulted as distorting competition or as infringing the new guidelines for regional aids worked out by the community in 1970. Free depreciation is a straight tax matter, over which the commission has no jurisdiction anyway; nor does it seem to exceed the 20 per cent investment grant (or equivalent) that is the maximum incentive to invest-

ment that countries are supposed to give, outside development areas, under the guidelines.

Yet British sovereignty did suffer a small nibble last weekend. The European Court of Justice in Luxembourg upheld the fines for concerted pricing imposed on the European dyestuffs manufacturers by the commission in 1969. Four of these manufacturers were based outside the community, including Imperial Chemical Industries in Britain. Britain said the community had no powers to penalise outside companies for things they did that had "effects" inside the EEC, and, further, objected to the way notice of the fine on the parent company was given to ICI's subsidiary in Germany. The court has rejected both arguments.

Unfortunately, the "effects doctrine" has long been a vexed issue between the American and European governments. The Federal Maritime Commission has periodically attacked the workings of the shipping conference system, claiming that goods like whisky can be shipped to America on more favourable terms than in the other direction. It has ordered European companies to produce documents; the British, German, Dutch, Belgian and Scandinavian governments have replied by passing laws forbidding the documents to be produced. The First National City Bank of New York was ordered in 1968 to produce documents held at its German branch (in connection with anti-trust inquiries into the affairs of some of its customers), even though doing so would make it liable under German law. It refused, and was held to be in contempt of court. The 10-year proceedings against the Swiss watchmakers' semi-government-inspired export cartel provoked the Swiss government to intervene directly. It briefed counsel to appear in court and later protested to the State Department about the infringement of Swiss sovereignty.

The Luxembourg court has now given the whole process a big push forward. In future, America will certainly be readier to extend its shipping or anti-trust regulatory work to cover things done abroad either legally (as in the Citibank case) or not (as in the case of the quinine manufacturers, who, having been fined by the commission for price-fixing, were then promptly fined by the Americans for the same thing). The sooner there is some sort of international agreement the better.

The other point to emerge from Luxembourg is even more interesting. The court, in effect, regarded ICI and its local subsidiary as a single entity, and the same with the Swiss companies involved. A multinational company is a single economic entity but in law it is supposedly composed of numerous separate entities that happen to be connected by shareholdings. Multinational companies like to have it both

Announcement by Iraq Petroleum Company Limited

With reference to the matters in dispute between the Government of Iraq and this Company, culminating in the dispute arising out of the enactment by that Government on 1st June 1972 of Law No. 69 of 1972, and in response to an initiative from OPEC at its meeting in Beirut on 9th June 1972, contacts are now to be renewed under the joint mediation of Dr. Nadhim Pachachi and Monsieur Duroc Danner.

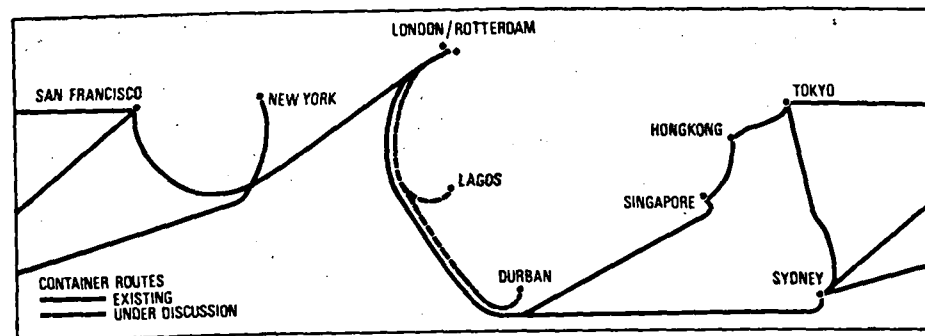
It is hoped that this mediation will lead to negotiations on all outstanding disputes between the Government and the Company and its Associates. This procedure would be entirely without prejudice to the respective legal positions of the Government and the Companies.

The Company notified the Government on 7th June 1972 that it contends that the Government's actions constitute breaches of the Company's agreements with the Government and violations of international law and that the Company's rights, including its rights to crude oil from the Kirkuk, Jambur and Bai Hassan oilfields continue to exist and remain unaffected. At the same time the Company notified its intention to take all legal action necessary to protect such rights.

In view of this mediation the Company announces that it will, without prejudice to such rights, abstain from commencing legal proceedings in relation to oil from the said oilfields lifted prior to any declaration by one or both of the mediators regarding the status of the mediation.

A declaration will be made not later than 12th October 1972. If this or any other declaration states that mediation has failed, the Company will be free to exercise its full legal rights.

Iraq Petroleum Company Limited
33 Cavendish Square, London, W1M 0AA



the conference cartel of European and South African shipowners who have traditionally carved up the traffic. The South Africans, advised by the American consultants Arthur D. Little, want containers; the Europeans, raw from the losses they have sustained on the boxes so far, do not; and the South Africans do not want to upset the conference by acting independently.

The American Sea-Land line, which is the world's largest container ship operator, is not so squeamish. It has spare ships that could be diverted to the run. They would need container cranes at the South African end; but the port of Lourenço Marques in Portuguese-occupied Mozambique, which would be an excellent transshipment point for both Johannesburg and Durban, now plans to buy some. This would allow Sea-Land to begin a service in a year's time, with ships bought before 1969 when shipbuilding prices had not yet gone through the roof. The British and South African companies on the route now would then be at the disadvantage of having to buy new ships, which would probably not be delivered before 1975.

Containers have helped to hold freight rates steady at a time when shipping costs have been soaring. Like airlines, the shipping conferences fix rates collectively, and have been able to recoup much of the cost of containerisation from conventional ship-

ping. It is therefore hard to say whether containers are as cheap to operate as they should be in theory. Many shipowners are letting their older ships live on rather than undertake the capital investment for containers.

Middle East oil

The third force

West Germany, Japan, Spain and Austria, dependent on international companies for the bulk of their oil supplies, have formed an alliance that they hope will allow them to obtain their own sources of crude oil in the Middle East. Called the Zurich Group, because it has held a number of secret meetings in Zurich, the alliance could grow to be an important factor in the confused Middle East oil picture.

The group emphasises that it bears no hostility towards the oil majors. Even so, its best chance of winning its goals will come from the friction between the companies and the Organisation of Petroleum Exporting Countries. In the next major Middle East oil crisis, which could come at almost any time, the Zurich Group could offer the OPEC countries a way of marketing their oil without settling with the companies or being driven into the arms of the Russians.

This would not be as unacceptable to the companies as it might appear, provided the members of the Zurich Group are willing to pay a good price. Many of the major oil companies feel overcommitted in the Middle East and they would welcome the cash that would flow to them from any such deals—in the form of royalties or whatever. They face mounting exploration and development costs elsewhere in the world.

The Zurich Group is made up of west Germany's Deminex, the Japan Petroleum Development Corporation, Hispanoil of Spain and the Austrian group, Österreichische Mineralöversorgung AG. Both as a group and

individually, these companies have already been talking about possible deals with some of the Middle East countries, although Deminex has now definitely pulled out of its plan to take a stake in British Petroleum's concession at Abu Dhabi. They have figured prominently in speculation about the Iraqi situation, both over the nationalised Kirkuk field and undeveloped oil concessions in the south of the country.

German subsidies

They've ducks too

Germany's new minister for transport and posts, Herr Lauritz Lauritzen, has been in office for just two weeks (he is still housing minister, too). He is already finding his seat uncomfortably hot. Both the big nationalised industries for which he is responsible are making thundering losses, with prospects of worse to come. With an eye on next December's general election, he has promised that there will be no passenger fare increases on the railways this year. This has infuriated the railways board, which during the past few weeks had been carefully leaking the news that it was planning a 20 per cent increase in them. The railways' losses last year were around £300m; they will probably top £350m in 1972, including the interest the railways have to pay on their accumulated past losses of £2 billion. The federal government is also statutorily obliged to reimburse the railways for losses that arise out of ministerial directives on how to run services—like instructions to keep commuter fares cheap—but is usually slow to pay up. This year alone state subsidies will run out at £750m.

The post office is in no better shape. It lost about £200m last year, even though charges were raised then and again (by 11 per cent on average) this month. Last year's rises actually reduced revenue from the items that suffered the steepest increases. Ordinary letters, left alone last year, went up by as much as a third this month; consumer resistance may now slow traffic down. The post office's best hope is probably to concentrate future increases on telephones; the service is already expensive, but demand seems to be near-insatiable and 1m potential subscribers are still on the waiting list. Perhaps Mr Chataway should ask the Brussels commission about all these subsidised German lame ducks?



Try Atlas's amazing 27,000-lumen cocktail

More sparkling than a Horse's Neck, more complex than a Straits Sling, more freshly natural than a Sunshine, warmer-hearted than a Kentucky Gentleman, cleaner and clearer than a Gibson and as good to have around as a Gloom Chaser, Atlas's unique cocktail is called the °Kolorarc. Switch to it, and you're hooked.

The Atlas °Kolorarc is the unique metal halide lamp that makes all other industrial and commercial mercury lamps look a little blue. 27,000 amazing lumens of light the °Kolorarc pushes out, and every lumen has the natural glow of a soft summer morning.

°Kolorarc contains what Atlas call a 'cocktail', a subtle blending of vapourised metals that balances its lumen output happily along the spectrum, producing a light uncannily close to daylight.

Just like Harry, Charlie and the Senator.

Only Atlas know how to mix metal vapours to get the °Kolorarc cocktail. Just as only Harry of Ciro's could shake an authentic

Monkey's Gland, just as no one but ol' Senator Fairbanks ever grasped what you do with Noyau and Vermouth to achieve a Fairbanks Cocktail, just as it took Charlie at the Racket Club to conjure the H.P.W. out of what ought to have been a Gin and It, or Sidney of the Cecil to realise you could graft Grenadine to Dubonnet and come up with a Rose, so you'll have to go to Atlas and °Kolorarc if you want to look at a mercury lamp and see daylight.

ILLUMINATING FREE 2-BOOK OFFER. This coupon gets you the Atlas Atlas of Cocktail Recipes. Plus the Atlas Kolorlume leaflet describing a brilliant new fitting for the Kolorarc lamp. Post now to Thorn Lighting, Thorn House, Upper Saint Martin's Lane, London WC2H 9ED.

NAME & TITLE

COMPANY ADDRESS

Atlas Kolorarc

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The Smithsonian pound

		July 19
Sterling is still	USA	106½
around \$2.44 to	Germany	108½
\$2.45 so that the	France	109
dollar has been	Italy	106½
upvalued against	Belgium	109
sterling by 6½%,	Holland	108½
and other curren-	Denmark	107
cies upvalued	Switzerland	108½
by roughly 8%.	Sweden	108½
	Japan	109

Table shows the cost, in Britain, of goods which could have been bought from other countries for £100 at Smithsonian central rates. The method was explained on page 90 of The Economist for July 1st.

BUSINESS

Investment

Well, of course, a meeting makes all the difference

The London stock market suddenly went up 12.1 points on the Financial Times industrial ordinary share index on Wednesday, apparently because of a jolly meeting between Mr Heath and the men who represent both sides of industry. They decided to have more meetings and talk about how to cope with inflation. Then the Confederation of British Industry had a meeting and said that, as its contribution to keep inflation down, it would hold to its price restraint policy for another three months. The market, convinced that something was actually happening, jumped for joy. But on Thursday it wilted a little, closing 4.7 points down at 513.9.

European stock markets have been picking up a little from a few weeks of relapse after the British started to float. They were not disturbed by the foreseeable fact that the London meeting of finance ministers came to no conclusions. But there are cautious voices abroad worrying that either new

controls or a dirty joint float by Europe could curb the free flow of equity money from one bourse centre to another, and stultify the markets.

The real curiosity—or exemplar—is Switzerland. Foreigners cannot buy equities at all in Switzerland (though they have been buying a few held outside and quoted on the London and Paris markets), and yet the market has recovered half the previous fall. If Switzerland, why not Germany? Investors seem to be on a bonanza to nothing in Germany. Herr Brandt says there will be no revaluation until after the election, and that is comforting for companies. After the election, there might be a revaluation, and that means an instant gain for some outsiders. British investors will reap this gain if they have bought through the investment dollar pool, where the premium is still at an effective level of 17% (against the quoted rate of 24%). If they have borrowed local currency then the gain on the asset is lost on

the liability.

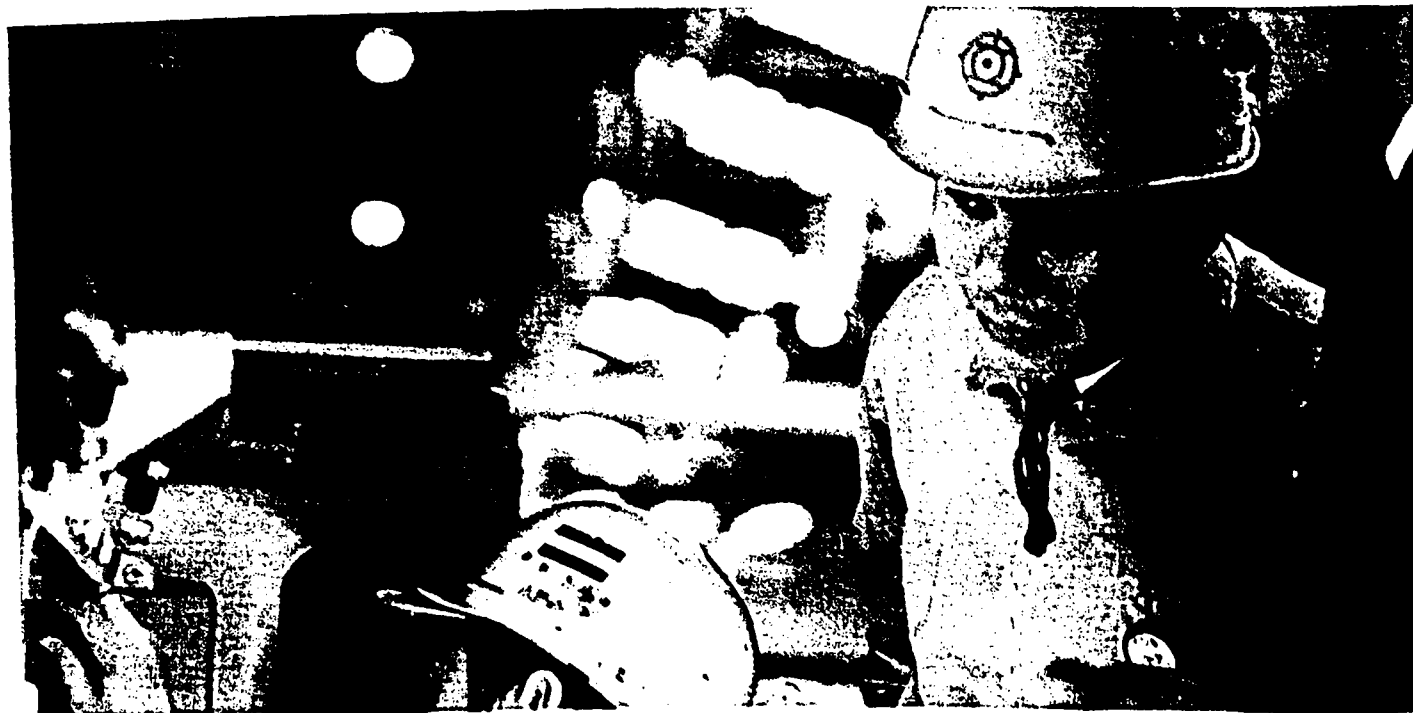
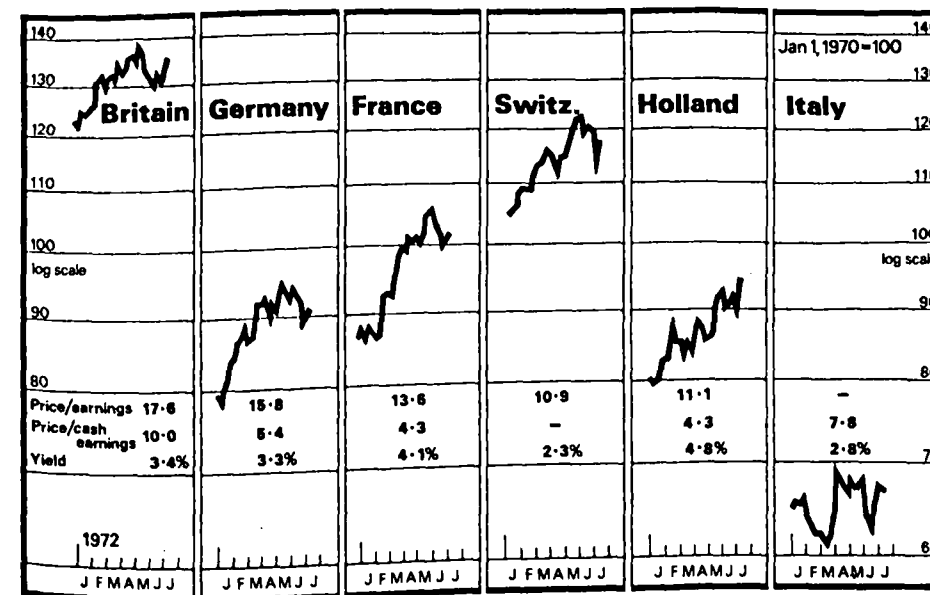
The outlook for the German economy is a lot better than for that of the Netherlands, which has a bad dose of British stagflation and a government crisis to boot. Still looking spruce and fit is the Paris bourse, though for the whole of August the market there will go entirely to sleep. There are two firm European trend lines to report: the European markets are still looking cheap beside the Anglo-Saxon ones, and the latest currency upset is not going to determine which way they are going to go. What is also true is that the influence of New York is an important factor affecting the European markets.

Bank profits

Clearing a tidy return

The interim results of the London clearing banks, the first of which are just appearing, ought to be reasonably satisfactory—even though the full benefits of the upswing in interest rates from May onwards and the incipient recovery in industrial borrowing are yet to come. The top favourite judged by the p/e form, Barclays Bank, romped home on Thursday with profits up to £54m from £49m in the previous half-year. The price moved up 15p to 485p.

Throughout most of this year, admittedly, the clearers were still operating against a background of falling interest rates (in January-June the banks' base rate averaged only 4.56% against 5.8% in 1971). However, bank earnings are now less sensitive to swings in money market rates, partly because (with base rates now severed from Bank rate), the banks can adjust their own lending rates more finely, and partly because they have to pay interest on more of their deposits. Well over half of the clearers' gains in net deposits this year have come from wholesale sources of funds; their issues of CDs alone have more than doubled. The banks' deposit accounts now virtually match their current



I am you.

Like many people in many parts of the world, I depend on mass transportation. I ride the subway to and from work. I travel by train on business and on holidays.

I'm lucky, because Japan's public transportation system is very good. But it'll have to get better. Like many other heavily populated areas, we need more subways, more and even faster long-distance trains.

As a transportation engineer at Hitachi, I helped develop a new device that will make subways and trains cooler, more comfortable and more economical to run.

It's called a thyristor regenerative chopper controller. What it does is control trains electronically. And that's a good idea. Because an electronic controller can do a lot of things ordinary ones can't.

For instance, it lets extra electricity be returned to the power line for other trains to use it. So less electricity is wasted. And there's less heat built up.



It's more reliable than ordinary controllers. And cheaper to service.

But I think the biggest advantage is that it gives the passengers a lot smoother ride.

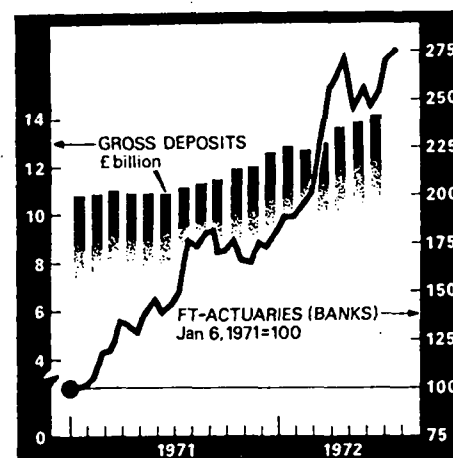
Thyristor controllers are already on the subway line in Tokyo. I think there'll be more in the future.

Like me, there are millions of people around the world who want safe, dependable, low-cost public transportation.

And since that's what I'm working for at Hitachi, I'm working for all of you.

Because my work benefits me. And I am you.





accounts.

Working in the clearers' favour in this awkward half-year was a rapid rise in the money supply (net deposits jumped 14% in the six months to June alone), an aggressive expansion of the banks' wholesale business, and their new freedom to concentrate their retail lending on high-margin advances to personal borrowers and property companies in the face of sluggish industrial demand. Barclays benefited from higher profits from its Barclaycard. National Westminster has probably got some more mileage out of the rationalisation of its branch network begun last year. Moreover, under the new regime of wider margins, those banks with competent dealers and international departments should also have made good money on their foreign exchange business.

There is another side to the coin. The very rapid recent rise in money market rates undoubtedly squeezed margins. More important, last year the banks made money on gilts, but this year they will be making losses. As their excess liquidity has been whittled down, the banks have been selling gilts on a falling market. And the pace here has accelerated since the pound was floated—despite the Bank of England's emergency repurchase measures to help the banks over the worst of the liquidity crunch that followed on the flight from sterling in late June.

It will be some time before the full cost to the banks of the sterling episode will be known. But one result is painfully clear. The fall-out in the money markets has been a level of interest rates which had left the banks' base rates behind, despite the two June adjustments. A smart company treasurer could still make a turn by taking up an overdraft at 7% and placing the funds on the interbank market at 7½%-8% or more. The

banks could not live with that sort of thing for long. National Westminster led the pack by raising its base rate on Thursday from 6 per cent to 7 per cent.

Boise Cascade Conglosses

New York

Boise Cascade, the giant Idaho-based producer of building materials and paper products, did not let its geographic remoteness keep it from hopping aboard the conglomerate bandwagon in the late 1960s. Among other things it acquired the prominent engineering consulting and design firm Ebasco, jumped into the recreational land development boom and speeded up its mobile home and on-site housing construction activities. In 1970 and 1971, however, some of its real estate and construction operations soured, resulting in write-offs last year totalling \$48m before tax, which came on top of a \$31m operating loss. In the wake of these reverses the once high-flying stock plummeted from a high of \$80 in late 1969 to a range of \$15 to \$20 earlier this year.

In the past few days Boise's shares dropped to as low as \$10 on news that it is considering a further write-off against 1972 income that could run as high as \$200m to accelerate its withdrawal from the recreational land development business. It would be one of the largest single corporate write-downs in recent years. A decision is due by the end of the month.

Boise's recreational land activities have been troubled for some time. The climax came last autumn when a number of lawsuits were filed against three subsidiaries in connection with land sales mainly in Contra Costa

County outside San Francisco. The subsidiaries have been accused by the state of California and the county government of misleading representations in selling lots between 1967 and 1969. Boise states that although the lawsuits are "unwarranted," sales at its California projects have not come up to expectations. In addition to the land hassle a portion of the write-off would be to provide against certain shaky investments it has in several Latin American countries.

A number of major American corporations have taken substantial write-offs in the past year or so, reflecting either setbacks growing out of the 1970 economic recession or over-reaching by conglomerates or simply poor judgment or bad luck. The biggest single write-off in 1971 was that of RCA, which charged off \$490m when it went out of the computer business. Next in size was a \$347m charge-off by the Anaconda company following the Chilean government's seizure of two of its copper mines. In all it is estimated that American companies sustained a total of \$2 billion write-offs last year, most certainly a record.

Hotels

Rooms at inns?

The prospect of overcapacity in the hotel industry hangs as something of a pall over the good sets of interim results this week from Trust Houses Forte and Associated Hotels. Estimates of its seriousness vary. Our chart on page 90, based on forecasts, by brokers Hedderwick, Borthwick, gives one view of how occupancy rates might fall. Hedderwick, Borthwick estimates that a 1% drop in occupancy brings about a 3% fall in profits; hoteliers

Key indicators: world bourses

	Stock price indices			Percentage change on			
	July 19	1972 high	1972 low	one week	one month	one year	record high
London strong on a surge of buying, until the deepening dockland row rubbed off some of the shine.	518.6	543.6	470.4	+ 4.1	+ 5.0	+28.2	- 4.6
Wall Street fitfully trying to regain its recent loss.	916.7	971.3	889.2	- 0.8	- 3.7	+ 2.9	- 7.9
Japan and Hongkong ever higher.	215.6	220.2	187.5	- 0.5	- 1.3	+16.7	- 2.1
	582.6	639.3	490.1	- 2.1	- 7.9	+18.7	-12.2
	290.0	290.0	199.9	+ 1.6	+ 3.8	+44.0	-
	491.9	491.9	324.0	+ 2.5	+13.7	+69.0	-
	114.3	114.3	96.9	+ 1.0	+ 3.5	+ 8.2	-
	80.7	85.7	67.6	- 0.4	- 2.1	+ 5.5	- 6.3
	112.7	119.3	97.1	- 1.1	- 1.3	+ 6.9	-25.4
	150.2	151.3	105.4	- 0.7	+ 1.2	+23.1	- 0.7
	49.9	49.9	43.9	+ 1.4	+ 4.2	- 0.4	-57.2
	353.1	353.1	308.7	+ 2.0	+ 6.0	+26.7	- 6.0

Stock prices and yields are on pages 101 and 102



ITALCABLE

Servizi Cablografici
Radiotelegrafici
Radioelettrici S.p.A.
Seat in Rome —
Via Calabria 46/48

On 26th June, 1972, the General Meeting of Italcable Shareholders was held at the Company's seat in Rome. Italcable, a part of the STET Group—Telephone Holding Company, of I.R.I., is the concessionaire in Italy for a portion of the international telegraph services, and for intercontinental telex and telephone services.

The Report of the Board of Directors to Shareholders, after an ample outline of the telecommunications in the world, a field under unaltered progress offering ever better and updated facilities, passed on to the illustration of the outstanding marks of 1971 activity.

The services fulfilled by the Company have, in their whole, recorded a satisfactory evolution, even exceeding expectations. In order to meet the increasing demand of services forecast for the years to come, the Company has worked out a programme which provides for an even greater availability of transmitting facilities, ranging from the traditional short-wave radio media to modern satellite and submarine cable systems, and for the modernisation and the extension of its existing plants.

In the first sector—the transmitting facilities—the via satellite connections are secured to Italcable by the modern plants of the associated Telespazio Company, a member of the International Consortium INTELSAT. For its services via submarine cable, Italcable avails itself mainly of the TAT5/MAT1 System connecting Italy with the United States—a system in which the Company has ownership-interests—and follows with keen interest the most important world-wide achievements in this field, at times participating directly in the realisation of the enterprises, at times purchasing IRU's (indefeasible rights of use) on the same.

In 1971 Italcable was seriously committed in the enlargement of its installations and plants: to the Radio Transmitting Station of Torrenova and to the Cable Station of Palo—the Italian terminal of the TAT5/MAT1 system, the new Radio Transmitting Station of Torvaianica was added, while the construction of the new Radio Receiving Station of Cimino is in progress. The major commitment of the Company is represented by the realisation of the New Operating Centres of Acilia where the whole telephone service is handled, and to where the transfer of the telegraph service is underway. Both services were previously accommodated in buildings sited in the historical centre of Rome.

For all these plants the most updated projects have been worked out, providing for an advanced automation. In the coming years Italcable will be fully engaged in carrying on, ameliorating and completing the above projects which will give the Company a prominent place in the field of international telecommunications.

The General Meeting has then approved by unanimous vote the Report of the Board of Directors, the Balance Sheet as at 31st December, 1971 and the distribution of a dividend of 1,260,000,000 liras, in the ratio of 140 Liras—inclusive of taxes—for each of the 9,000,000 shares of 2,000 Liras nominal value.

Immediately after completion of the General Meeting, the Board of Directors convened and confirmed Dr. Carlo Enrico Martinato as President, Dr. Pasquale Chiomenti as Vice-President and appointed Dr. Paolo Pugliese, who already holds the office of Director General, as Managing Director of the Company.

Morgan-Grampian Limited

Another year of record earnings growth

Highlights from the Annual Accounts:

- Turnover £5½ million, up 55 per cent
- Profit after taxation, up 91 per cent
- Earnings per ordinary share 8.5p, up 93 per cent
- Dividends per ordinary share 3.8p, up 73 per cent and covered 2.2 times

Prospects from the Review of the Year:

- The Board is confident that in 1972-73 the company will continue on the path established over recent years
- The current year will include the profits from recent acquisitions
- There will be the benefit of finance derived from the property link with The Imperial Life Assurance Company of Canada

The Annual General Meeting will be held at the Connaught Rooms, Great Queen Street, WC2 on 9 August 1972, at 12 noon.

Copies of the Report and Accounts can be obtained from the Secretary, 28 Essex Street, London WC2.

MG

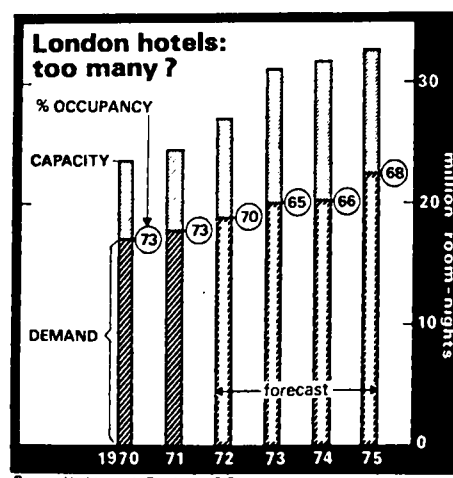


What was that about too many hotels?

have limited scope for cost-cutting in response to falling demand.

The impact will not be evenly dispersed over the hotel groups. London hotels and luxury hotels would be in more trouble than Trust Houses Forte, which has a broad geographical spread, hotels in many different price ranges, and is strong in the profitable motorist service area. THF's interim figures suggest it may beat that contentious £14.4m profit forecast for the year; they show a sharp rise in turnover and trebled pre-tax profits in the first half (which is admittedly an insignificant period in relation to the summer tourist half). The price of 246p does not make the shares look expensive; they can be called cheap if there are any grounds to hope for the return of Allied Breweries as a bidder, especially since Mr Maxwell Joseph swallowed Watneys.

In 1973 there may be empty hotel



rooms, not just in London, which has the most publicity, but in many provincial centres too. A lot of comfort is being drawn from the boom so far this year in foreign tourism, but April and May last year also showed growth of around 15%; this tapered off later, so that the annual increase was less than 10%. Devaluation should help, but Vat will hinder. Many tourists are now complaining about pricey London in the way they used to moan about pricey Paris.

Diversification has been proceeding so fast that the hotels sector is losing its identity. The leader of diversification is that long-term Jeremiah of overcapacity, Mr Maxwell Joseph. Grand Metropolitan Hotels is now a diversified brewery. Associated Hotels is a diversified private police force. Its Securicor interest, through the company's 53%-owned Kensington Palace Hotel subsidiary, contributed some 81% of the £3m interim pre-tax profit in the non-tourist first half; Securicor showed 23% growth against 10% in hotels. In the whole year Securicor may make up 67% even of the annual earnings of Associated Hotels, but over 80% of the earnings of KHP; this makes the latter the more attractive buy.

Overcapacity may hit the luxury London bracket the hardest, putting Savoy Hotel group in the draught. Perennial takeover rumours are reflected in its exaggerated 27 p/e at 410p. At the other end of the spectrum, Centre Hotels, with its concentration on provincial centres and lucrative conference facilities, has fewer problems

than most. Although it is by no means invulnerable to competitive strains, and its Old Kentucky pancake chain cooks in an overcrowded kitchen, the group has an exceptional growth record and a coherent management policy. This is reflected in its p/e of 24 at 220p.

Broken Hill Proprietary Steeling away profits

To invest in Broken Hill Proprietary is to invest in Australia. Over the past three years that has been a bumpy ride and the journey is now out of the sterling area. The annual results of Australia's biggest company show no sign that things are becoming any smoother. Although earnings were up 10% on last year at £37.5m, the future still seems too murky for the shares to be valued much above their present \$A12.30, still 47% down on their 1968 high. For while BHP is able to boost profits with the oil and gas that it is bringing in from the Bass Strait, the company is still tied to steelmaking and there it is in trouble. Last year oil and gas operations made an extra £6.7m, steel and minerals earnings dipped £3m.

When will Australia's steel mills turn the corner? Perhaps they never will. Steel has become a political pawn in Australia, as it has long been in Europe and the United States. And although BHP raised its steel prices in February by 5%, making a 13% rise in the last year alone, this has still not been enough to cover increased expenses. The federal government, facing an election year, is not going to permit prices to go any higher. BHP's steel production last year actually fell because both the export and domestic markets were weak. Even when production does pick up BHP will still face the unprofitable problems of the industry everywhere in the world. The investor should not count on any real profits growth from the company's steelmaking: his major hope should be only that it can stem any further setbacks.

BHP's exports of iron ore, however, could pick up rapidly now that the Japanese economy is on the rampage again. When the Japanese defaulted on their long-term contracts this made a sudden impact on BHP's profits. Even more significant was the fact that the contracts were foolishly fixed in dollars

rather than in yen.

BHP is rapidly transforming itself into an oil company. Last year the revenue from oil and gas sales grew rapidly, earning £17.5m, on most of which no taxation has to be paid immediately, although provisions have been made. As new oil and gas strikes are popping up all over Australia there can be little doubt that though oil profits are still smaller than those earned by the company's steel and mineral business, oil will be the moneyspinner through the 1970s. The way things look now it will need to be.

Biba

Growing up

The darling of swinging London shoppers, and of shareholders in Dorothy Perkins, the trendy and exotic Biba boutique, will be turning into a fully-fledged department store in September, 1973. Dorothy Perkins added a 75% stake in Biba to its more conservative fashion chains three years ago. It must be crossing its fingers that the massive expansion from 9,000 cluttered square feet on one side of Kensington High Street to 100,000 square feet of opulence in the House of Fraser store, Derry and Toms, over the road will not destroy that certain something which makes Biba such a magnet that what used to be the staid High Street is never going to be quite the same again.

Dorothy Perkins's stake cost £225,000, and Biba made something like £300,000 pre-tax profits last year out of the group total of £1.2m—accounting for much of the 37% profits jump. It clearly feels that the



Trendy and exotic

The return of electronics

The electronics industry seems to have come out of its bad patch and a report from Hichens, Harrison, the stock-brokers, highlights a number of interesting situations. After two unhappy years there are signs that the decline in Plessey's profits bottomed out in the financial year just ended, thanks partly to the better trading climate in America. The price war in micro-electronic components, which badly affected the profits of Alloys Unlimited, its American subsidiary, is petering out. The market is still competitive, but profits can be earned.

Some of the best prospects are to be found among the medium-sized companies. Aerialite will benefit from a continuing and strong demand from the consumer electronics market, while the building upsurge will further increase demand for its cabling and wiring accessories. The shares have never been highly regarded by investors, but with the likelihood of a record year they are looking attractive.

Louis Newmark imports and distributes wrist-watches—and is in the aerospace industry, a combination which the market has puzzled over. But the watches seem Japanese competition-proof and in aerospace the company's involvement is in an area unaffected by the downturn in the industry. Increasing consumer expenditure is helping Royal Worcester, another rum mixture of fine china and consumer electronic

components which seems to work.

Of the glamour stocks in the medium-sized range BSR and Racal have probably still got good long-term prospects, but as trading stocks they seem fully valued at present. However, Bulgin is still attractive, with a consistent record of increasing profits and high liquidity. This cash availability might tempt Bulgin into the market for some of the multitude of small unquoted companies which could complement its product range. Enfranchisement of the non-voting shares would give the company a lot more appeal.

Fidelity Radio has proved that when it comes to making radios and record players it can hold its own with the Japanese. The company only came to the market towards the end of last year and is not yet fully accepted, although the results for the year to end-March should have dispelled any doubts. Pre-tax profits jumped from £347,000 to £820,000, and are expected to top the £1m mark this year.

An electronic batch

	Price p	p/e
Aerialite	130	13.8
BSR	580	19.1
Bulgin	27	16.2
Fidelity Radio	200	16.5
Louis Newmark	235	12.5
Plessey	150	21.8
Racal	216	26.5
Royal Worcester	170	15.0

goose needs more room to lay its golden eggs: catering, furnishings, wallpaper and even coloured refrigerators will be added to the traditional Biba range of fashion accessories and the odd exotic item of furniture. Ultimately it hopes Biba will spread into the whole 200,000 square feet available in the store. If it works, Biba could soon swamp the 318 traditional stores in the group. Unless the golden goose dies of indigestion.

Sindona

He's popped up again

Officials of Franklin National Bank insist they do not know exactly why Signor Michele Sindona, the Milan financier, laid out \$40m for one million shares, or an 18.4% interest in the holding company, Franklin New York Corporation. The bank, with \$3.3 billion assets, originated in, and continues to be dominant in, Nassau County, Long Island, adjoining the

city. The officials note that the transaction was strictly between Signor Sindona's Fasco International Holdings and Mr Laurence Tisch, chairman of Loew's Corp, and a Franklin director. Mr Tisch received \$8.25 more a share than the market price on the day of the sale, and this inevitably has given rise to some scepticism about the transaction in the New York banking community.

For its part Franklin National is working hard to build up its international division and is hopeful that Signor Sindona will help to open doors for it abroad, with banks or corporations. Signor Sindona already owns sizeable interests in three American companies, Oxford Electric Corp, Argus and Interphoto. For the past year and a half Franklin has registered declining earnings, and it welcomes the Sindona show of confidence, no matter how obscure. A few months ago, Signor Sindona was spreading the word around that he had money to spend in the United States, and, with his plans for Bastogi in Italy thwarted, he is now spending it.

TENDER

INVITATION TO BID
TSSAY.3
TÜRKİYE ELEKTRİK KURUMU
ANKARA—TURKEY

will accept bids before August 21, 1972 2.00 p.m. for 673 each 170 kV disconnecting switches. Financing contemplated through IBRD loan. Bid documents will be mailed to prospective bidders upon written request with attachments showing ability to produce such goods, to:

TEK
Sebekeler Dairesi
Necatibey Cad. No. 3
Şihhiye, Ankara—Turkey

DIVIDEND NOTICE

noranda
DIVIDEND NOTICE

NOTICE is hereby given that a quarterly dividend of Thirty Cents (30¢) per share Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable September 15, 1972 to Shareholders of record August 11, 1972.

By Order of the Board,
R. C. ASHENHURST,
Secretary

Toronto, Ontario,
July 11, 1972.

Classified
Advertisement Rates

Lineage £0.60 per line
Display £10.00 per s.c.i.

Management Appointments Page
(salary over £7,000 p.a.)
special position— $\frac{1}{2}$ page
minimum £480 per page and
pro-rata

Property Page special position
— $\frac{1}{2}$ page minimum £440 per page
and pro-rata.

Box number provided free of
charge.

Latest date for acceptance of copy,
noon Wednesday.

Telephone JEJ Johnson 01-930 5155

FINANCIAL NOTICE

All of these securities having been sold, this announcement appears as a matter of record only.

Not a New Issue



100,000 Shares

FRANKLIN MINT CORPORATION

Common Stock

The Underwriters of this issue included:

C. E. UNTERBERG, TOWBIN CO.

EASTMAN DILLON, UNION SECURITIES & CO.
Incorporated

KIDDER, PEABODY & CO.
Incorporated

PAINE, WEBBER, JACKSON & CURTIS
Incorporated

WERTHEIM & CO., INC.

LEHMAN BROTHERS
Incorporated

DEAN WITTER & CO.
Incorporated

GOLDMAN, SACHS & CO.

LOEB, RHOADES & CO.

SALOMON BROTHERS

BACHE & CO.
Incorporated

APPOINTMENTS

Economist

ESSO PETROLEUM COMPANY's Operations Coordination and Planning Department wishes to recruit an Economist for its Corporate Planning & Economic's Division. The Department is concerned with the planning of supplies of crude oil and products for the Refineries, with transportation problems and with the formulation of broad corporate objectives and plans.

The Division's economists advise both the Department and Company management on general economic trends, provides forecasts of energy and oil demand which serve as a basis for planning and participates in general corporate studies.

The successful candidate will probably be aged between 22 and 28 and either already working as a Business Economist or able to show high potential for this kind of work. He will be offered good opportunities for career development in the Company.

Replies, giving brief details of experience, should be sent to Head of Recruitment, (Ref: 2865)



Esso Petroleum Company Ltd,
Esso House, Victoria St.,
London SW1E 5JW

Wye College

(UNIVERSITY OF LONDON)

Research Assistant in
Agricultural Economics

Applications are invited for the above post from graduates (or other suitably qualified people) in agriculture, economics, estate management or similar disciplines. The successful candidate will be appointed for two years and will be closely involved with the design of a national survey of farm buildings, the collection of data and its analysis. Experience of survey work is desirable.

Salary will be in the range £1,200-£1,500 per annum with superannuation under the P.S.S.U.

Further particulars may be obtained from the Secretary, Wye College, (TE/22), Nr. Ashford, Kent, to whom applications should be submitted by 2nd August 1972. It is hoped that the appointment will begin on or as soon as possible after 1st September 1972.

Government of
Guam

AGANA, GUAM

DEPARTMENT OF
COMMERCE

Price Index Specialist

Immediate opening for Statistician and/or Economist with training and experience in design and maintenance of consumer price indices to assume position as Head, Cost of Living Office (a section within the Economic Research Center) concerned to maintain Guam Consumer Price Index.

Two year contractual appointment with negotiable salary offers recruitment and fringe benefits including round trip transportation for employee and family, thirteen (13) days annual leave per year, thirteen (13) days sick leave per year, subsidized government housing, subsidized life and hospital insurance, shipment of household effects (1,250 lbs. single, 2,500 lbs. family), and workman's compensation.

Interested applicants apply through curriculum vitae sent via air to:

John D. Gilliam
Chief Economist
Economic Research Center
Department of Commerce
Government of Guam
Post Office Box 687
Agana, Guam, U.S.A. 96910.

The University of
Manchester Institute
of Science and
Technology

The Frank Thomas Chair
in Industrial Relations

The Councils of the University and of the Institute invite applications for the Frank Thomas Chair in Industrial Relations in the Institute which is the Faculty of Technology in the University of Manchester.

The U.M.I.S.T. Department of Management Sciences is one of the oldest and largest centres of management education in the United Kingdom. It has 49 members of staff, including 5 Professors and is an interdisciplinary Department teaching more than 300 undergraduates reading for an honours degree in Management Sciences. There is a substantial research school with some 120 postgraduate students and a number of industry sponsored research projects.

The Frank Thomas Chair in Industrial Relations is one of the 5 Professorial appointments in the Department and applications are now invited from candidates who may be suitably qualified in Labour Economics, Institutionalized Collective Bargaining Systems, or Behavioural Sciences.

Salary within the Professorial range with superannuation under P.S.S.U.

Further particulars and application forms may be obtained from the Registrar, U.M.I.S.T., P.O. Box 88, Manchester M60 1QD, to whom completed forms should be returned as soon as possible.

COMPANY STATEMENT



Results to 31st March 1972 – Prospects for current year

- Turnover rose 29.9 % to £61.3 m (1971 – £47.2 m).
- Group Profit before tax rose 17.8% to £4,517,000.
- Taxation amounted to £2,049,000 leaving Group Profit after taxation of £2,468,000.
- Total ordinary dividends – 18% – cost £1.3m against 17% – £1.1m.
- The growth and development of the Company has been achieved by concentrating on instant detection and positive protection in relation to fire and crime.

“The outlook for the current year, on an over-all view of both home and overseas operations, is encouraging. With our worldwide spread of interests and the opportunities thus presented we are confident of another successful year's trading.”

LORD HAYTER, Chairman

Copies of the Report and Accounts can be obtained from the Secretary, Chubb & Son Limited, 14/22 Tottenham Street, London W1P 0AA. Telephone: 01-637 2377.

COMPANY ANNOUNCEMENT MCINTYRE

PORCUPINE MINES LIMITED
Announcement



Robert B. Fulton

The Board of Directors of McIntyre Porcupine Mines Limited is pleased to announce the election of Robert B. Fulton as President and Chief Executive Officer of the Company.

Mr. Fulton, a graduate of the University of Nevada was formerly a Director and Vice-President of Exploration of the Newmont Mining Corporation, New York.

FINANCIAL NOTICE

These Notes were sold outside the United States. This announcement appears as a matter of record only.

New Issue

\$50,000,000

(Canadian Funds)

Quebec Cartier Mining Company

(A subsidiary of United States Steel Corporation)

7¾% Notes

Dated June 14, 1972 and maturing June 1, 1976-1979

The placement of these Notes has been arranged privately.

**Harris & Partners
Limited**

**Wood Gundy
Limited**

APPOINTMENTS

SURREY COUNTY COUNCIL STRUCTURE PLAN

The following staff are required in the Research and General Section of the County Planning Department.

ASSISTANT PLANNING OFFICER

£3,207-£3,645

A Chartered Town Planner, preferably also an Economist with wide knowledge of current economic and social matters and well experienced in planning procedures and modern research techniques, to carry out detailed investigations on mainly economic aspects of the Structure Plan.

PLANNING ASSISTANT

£1,908-£2,493

A Graduate in Mathematics or Statistics, with some previous planning or other practical experience in connection with Information Co-ordination; population and employment models; monitoring of planning decisions.

Generous relocation assistance in approved cases; assistance with house purchase may be available.

Further details and application form from County Planning Officer, County Hall, Kingston upon Thames, KT1 2DT (specifying post) returnable by 9th August.

The University of Aston Management Centre

Head of Subject Group

Applications are invited for the above post which involves responsibility to the Chairman of the newly established Management Centre for co-ordinating and developing teaching activities within the Subject Group for:

ECONOMICS, ECONOMETRICS, STATISTICS AND MARKETING.

Candidates will be expected to make a personal contribution to teaching at all levels both in the Management Centre and elsewhere in the University.

The post is of professional status. Salary normally in the range £4,850-£6,788 per annum.

Application forms and further particulars may be obtained from the Staff Officer (Ref No. 869/28), The University of Aston in Birmingham, Gosta Green, Birmingham, B4 7ET, to whom applications should be forwarded by 22 August.

Petroleum Economist

Petroleum economist is required by oil industry consultants based in London for responsible and interesting analytical work. Higher educational qualifications and oil industry experience preferably in supply/refining are desirable. Age probably late 20s. Write to Petroleum Economics Ltd, 1 Argyll Street, London, W1V 2DS.

APPOINTMENTS WANTED

JOURNALIST, 33, current affairs specialist, ex-F.O. & BBC, fluent French, Dutch and German, seeks post as asst. news editor, feature writer, information officer, translator. Box 2516.

CAPABLE 22 year old seeks responsible position leading to management with commercial or industrial organisation. Business research and legal experience (2 years of business law). Widely travelled throughout Europe. Replies to Box 2517.

APPOINTMENTS

The University College of Wales

ABERYSTWYTH

Department of Economics

Applications are invited for the post of JUNIOR RESEARCH OFFICER to examine the economic and social impact of tourism on predominantly rural communities. The study is financed by the Welsh Tourist Board.

The successful applicant will commence duties on 1st October, 1972 or on such earlier date as may be arranged.

Further particulars and application forms may be obtained from the Registrar, to whom completed application forms should be returned by 14 August, 1972.

Heriot-Watt University

DEPARTMENT OF ECONOMICS

Lecturer

Applications are invited for a lectureship in Economics, with particular reference to the economics of the public sector, including the nationalised industries and the appraisal of public programmes.

Salary on the scale £1,641 to £3,959 with P.S.U.

Further particulars and application form may be obtained from the Secretary, Heriot-Watt University, Chambers Street, Edinburgh, EH1 1HX, to whom applications should be lodged not later than 15th August, 1972, quoting ref. 32/1/3049.



TUTORIAL ASSISTANT ECONOMICS

Salary: £1356

Requests (quoting Ref. E) for details and application form (returnable by 11th August, 1972) to Personnel Section, UWIST, Cardiff CF1 3NU.

THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

4 Burlington Road, Dublin 4, Ireland

Applications are invited from persons of proven research ability for the following positions:

(i) SOCIOLOGIST

to undertake research in relation to aspects of Irish society.

(ii) SOCIOLOGIST or ECONOMIST

to undertake research related to Irish conditions in one of the following areas: poverty, social administration and social policy, foreign trade and investment.

All research is undertaken with a view to publication. Appointments would normally be made on an initial contract of 5 years, which might be renewed. However, secondments to ESRI for a period of not less than 2 years would be considered.

Research Professor (salary range £5,000-£5,410);
Senior Research Officer (salary range £4,199-£4,814);
Research Officer (salary range £2,777-£3,844).

The superannuation scheme is similar to PSSU.

Application forms, which should be completed and returned not later than 30 September 1972, may be obtained from the Secretary.

Institute of Development Studies

AT UNIVERSITY OF
SUSSEX, BRIGHTON BN1
9RE

Research Officer

economist, to prepare (for publication) an annotated bibliography on AGRICULTURAL MERCHANDISATION in developing countries as preliminary to major research project. Appointment initially for six months from 1 October 72 in salary scale £1491 to £150 - £1841. Application forms and further details from Administrator Research.

University of Kent at Canterbury

Faculty of Social
Sciences

ECONOMICS

Applications are invited for appointment as Temporary Lecturer in Economics for one year from 1st October, 1972.

Further particulars and application forms may be obtained from Mr. J. E. Reilly, Cornwallia Building, The University, Canterbury, Kent. Completed applications (three copies) should be received not later than Friday 11th August, 1972 (Quote: A15/72).

CHAIRMAN'S STATEMENT

Mercury Insurance HOLDINGS LIMITED

The Annual General Meeting was held on July 18. The following are points from the circulated statement of the Chairman, Mr. Charles F. Hughesdon.

- Net retained brokerage for 1971 reached a total of £6,661,233, against £6,075,139 for 1970. Group pre-tax profit reached £2,051,966, against £1,988,745, and successfully maintained our unbroken record of higher turnover and higher profits in every year since the Company acquired the Stewart, Smith Group.
- A final dividend of 5.25p per share is recommended (1970-5p). This raises the total to 9p per share on the new capital as increased by the 1-for-7 scrip issue last year. The amount distributed to shareholders by way of dividends represents an effective increase of 17½%.
- A new subsidiary, Associated International Insurance Company, has been formed in the USA, initially with a capital and surplus of \$2,500,000, which will operate under the experienced management of the successful Transport Underwriters Association of California. In Canada, we are increasing the capital of the Coronation Insurance Company of Toronto, which is also under our control. The Company, which currently underwrites only in Ontario, will then apply for a Federal licence to operate throughout Canada.
- The growth of our overseas Companies continues to be most encouraging. Some 87% of our total income arises abroad or in foreign currencies, the greater part of which is outside the Sterling Area.
- Regarding the proposed merger with Matthews Wrightson Holdings Ltd., our two insurance broking operations are highly compatible, and a merger will have the effect of marrying two great insurance broking organisations, namely Stewart, Smith and Bray Gibb Wrightson, resulting in a large and powerful combination.
- I should like, on behalf of Mercury Insurance Holdings and the entire Stewart, Smith organisation, to pay tribute to Mr. George J. Stewart who retired from our Board at the end of 1971 after almost 50 years of leadership and inspiration as Chairman. I am glad to say he has agreed to become the Company's first President and in that capacity his unique experience and counsel will continue to be available to the whole Group.

Copies of the full report and accounts may be obtained from the Secretary, Mercury Insurance Holdings Ltd., 1 Seething Lane, London, EC3.

APPOINTMENTS

Industrial Consultant

Management Consultant required for major industrial group in the building products, construction and related fields.

The consultant would be required to examine the monthly figures of all subsidiary and associated companies and advise the companies concerned, and the Group. This is an important London based appointment in a wide salary range with long term future prospects after the initial settling-in period.

Please write giving full particulars, including details of past experience, present salary and salary required, stating any organisation to whom you do not wish your application forwarded to: Whites Recruitment Limited (Incorporated Practitioners in Advertising) 72 Fleet Street, London EC4Y 1JS attention of P. A. Watts (Ref. 6057) (EC) Interviews will be arranged by the principal in London.

LONDON SCHOOL OF HYGIENE
AND TROPICAL MEDICINE
Incorporating the Ross Institute
(University of London)
Keppel Street, WCI

Centre for Extension Training
in Community Medicine

Teaching Post in Health Economics
Salary according to experience

The Centre, under the direction of Dr. Roy Acheson, and closely associated with the Public Health Department of the School, will be concerned in the first few years with the retraining of doctors now engaged in medical administration for their role within an integrated health service. In the longer term it is expected that the Centre will provide continuing education for specialists in community medicine in the National Health Service.

This new post at the Centre will provide a challenging opportunity to help to rebuild the Service. The applicant must have been trained in economics; experience in the health field though desirable is not essential. Good facilities for research will be available. The appointee will be based in the London School of Hygiene and Tropical Medicine but will also be expected to participate on a regular basis in some of the activities of the Department of Social Administration in the London School of Economics.

Appointments can be for up to five years in the first instance and may, in suitable cases, be, or become, permanent. Superannuation under the FSSU scheme.

Applications, with the names of 2 referees, should be sent by Monday 14 August to the Dean. Personal enquiries to Dr R. M. Acheson.

Australian National
University

Chair of Administrative
Studies

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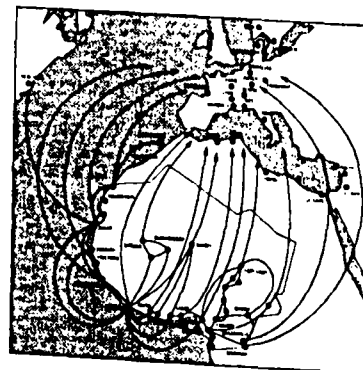
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The Annual General Meeting of the Company under the Chairmanship of Monsieur Paul Richard, was held on June 22, 1972.

The accounts for the financial year 1971 resulting in a net profit of Frs 33,592,916 after depreciation of Frs 69,126,000 and provisions of Frs 31,250,000 were adopted. The meeting approved a total dividend of Frs 4,875 per share (compared with Frs 3,75 the previous year) consisting of Frs 3,25 dividend distributed and Frs 1,625 tax already paid to the Treasury (tax credit).

The Board's report stresses the satisfactory overall expansion in the Company's activities during 1971 with the exception, however, of the Components Division where difficult trading conditions prevailed. Appropriate action taken earlier did, nevertheless, mitigate their effects whilst, in many other fields, the positions attained in the forefront of international competition were being maintained or improved.

The Company's own turnover reached Frs 2,329m including tax of Frs 2,077m after tax, against Frs 1,764m and Frs 1,566m respectively in 1970, the increase being 33%. Export sales contributed 38% with Frs 793m against Frs 530m a year earlier. Orders received during the year were up by 35%, the increase in export orders alone having reached 42%.

The consolidated turnover for the Group amounted in 1971 to Frs 3,823m including tax, Frs 3,404m tax deducted against Frs 3,369m and Frs 2,973m respectively in 1970, which is 13% higher.

The Electronic Equipment Division continued to make good progress and was particularly successful in markets abroad. Its turnover, tax excluded, has gone up a further 30% compared with 1970 and the orders booked are up by 35%. At the year-end, the order book exceeded Frs 3,300m of which over half was for the export markets. In his statement, the Chairman pointed out that the orders placed continued at a high level and that despite severe international competition, substantial contracts were in process of negotiation.

On the Components front, studies are in progress with a view to eliminating current losses and maintaining the Group's technical expertise. In the colour television section, an important agreement has been signed with an American company, the Radio Corporation of America.

In the field of Data Processing, the signing in August 1971 of the second "Convention Plan Calcul" is evidence of the Government's aid in favour of Compagnie Internationale pour l'Informatique—C.I.I., for the financing, in particular, of technical research. The prospects here as well as those opened up by the protocol of co-operation signed by C.I.I. and Siemens early in 1972 for rationalising and marketing their products, can be considered as a very favourable pointer regarding the C.I.I.'s future development.

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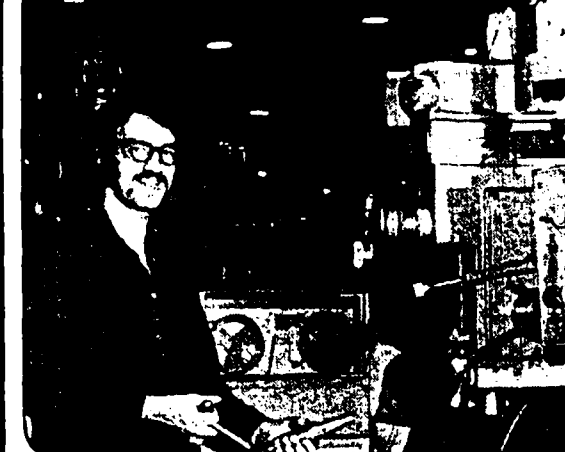
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A high-contrast, black and white photograph of a large crowd of people, many holding signs. The signs read "Five Trade Unionists are inside. WHY AREN'T YOU OUT?" and "WANTED OUT". The image is framed by a thick black border. At the bottom, the text "PRIDE OF WHAT?" is written in large, bold, stylized letters.



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July 29, 1972



Rules of what?

The law lords have given the Industrial Relations Act a chance to work; but most of the establishment have interpreted the past week as necessitating further surrenders to mob violence. This is the tragic road that Britain may now tread, page 11.

The Aldington-Jones proposals for the docks are not a real solution; Mr Jack Jones's ineptitude is confirmed by the way that his dockers have called a national strike to reject them. The strikes in sympathy with the jailed dockers were far less crippling than a newspaperless Britain was led to believe, pages 57 to 63.

A public opinion poll warns Labour that twice as many Britons may broadly support Mr Heath as broadly support the unions, page 21.



Did he mean it?

Ulster's Protestants want real action against the IRA's strongholds, and they believe Mr Whitelaw has promised it to them, page 13. How other governments have dealt with their urban guerrillas, page 38.



Goodbye, Europe

If Mr McGovern did take more than half the American army out of Europe he might turn the clock back to John Foster Dulles's now quite implausible threat of massive nuclear retaliation, page 15.

The McGovern-Eagleton ticket is in bad trouble anyway, and there is growing Democratic pressure to get another vice-presidential candidate, page 42. Mr Nixon will run again with Mr Agnew, but could anything happen to Dr Kissinger?, page 41.



Sand in his eye

Mr Brezhnev is going to get criticised in Russia for the trouble his foreign policy has run into in Egypt and elsewhere, but he's not about to follow Khrushchev out of the door, page 16. Quite a lot of Russians are staying in Egypt, anyway, page 30.

Now the Olympics

What the Munich Olympics mean to athletics—and to Munich, page 54.

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Letters

The economy

SIR—The *Economist's* espousal of a statutory incomes policy enforced through confiscatory surcharges on workers' national insurance contributions is probably the most effective of any of the schemes the Government must be considering. Your latest proposals for the conduct of the revived and renamed prices and incomes board arbitration body along the lines of the American transport legislation before the Congress is especially incisive. But, as you have already suggested, ministers must be trying to formulate a policy that is at once both economically effective and politically neutral, if not favourable. This means they must attempt to curb prices as well as wages at the same time when the depreciating pound sterling float will assure sustained price rises for many months to come. Because Mr Heath regards some form of price restraint as a political imperative, and with the breakdown of the CBI freeze in the coming months, it is desirable that we consider what forms of price control can be imposed that will make a statutory incomes policy more palatable politically, but at the same time doing little economic damage.

As you have noted, the Government should make maximum use of the Monopolies Commission's powers to enforce price competition but, beyond that, it may be advisable for them to act against management when it concedes pay increases beyond the established norm. Last summer the Treasury was considering this in the form of tax penalties against employers granting inflationary wages, but this alone, without the necessary sanctions against labour, could be relied upon only to swell tax revenues and prices, quite the opposite from what was intended. But, as a part of the statutory incomes policy which restrains wages through the tax system, the arbitration body could be empowered to prohibit price rises stemming from wages granted above the established norm. This would place equal burdens upon both labour and management to moderate wages since both would be penalised for exceeding the wage norm and would, with the other provisions already described in *The Economist*, provide the type of equity that incomes policies require to gain political effectiveness, without unduly undermining business confidence and profits necessary for new investment.

Finally, any statutory incomes policy must be followed up by a renewed look at the nationalised and lame duck industries and the subsidies that so expensively and inefficiently sustain them. As the

economy expands, the incentives for the Government's continuing of this unfortunate practice hopefully will be lessened and this sector can be put on an economic, subsidy-free level of operation.

If the Tories act wisely, for once they may find that correct economic policies coincide with their political fortunes.—
Yours faithfully,
OLIVER FISKE
Washington, DC

Gilt-edged market

SIR—The dilemma in which the gilt-edged market finds itself (July 15th) can be clarified by distinguishing between the jobbers' need for ordinary working capital and their need to finance the large occasional losses which can result from providing marketability in large lines of stock in a falling market.

The jobbers at present have few problems financing their normal business from internal sources and the risk capital they can now raise from outside companies with limited liability. The problem is in finding the resources to deal with the situation produced by the authorities' withdrawal of support and the losses that can result from the sharp movements in prices that sometimes follow.

I feel there are three possible solutions, in addition to that of reverting to the old system.

1. The market could become more like the equity market. The jobbers would restrict themselves to dealing in relatively small amounts and thus avoid developing extreme positions. Large lines of stock would be placed outside the market at a negotiated price and put through the market. The major disadvantage is that marketability would contract and the institutions become less willing holders, with a resultant increase in interest costs. This objection should not be overstated, however, since marketability would still be greatly superior to that in other fixed-interest markets.

2. The jobbing firms should be further opened to outside capital so that losses can be more easily borne. This solution would require greater profitability in good years and thus greater official generosity in the handling of the taps during bull markets.

3. A variation on the suggestion made by your newspaper could be adopted. This would involve some form of official insurance against losses made in a bear market and would enable the jobbers to lay off part of the risk of taking large net positions. This would protect marketability, thus avoiding the higher interest costs involved in 1, whilst it would leave the amount of stock held in the private sector unchanged and thus protect the new monetary policy.

Whatever the solution adopted, there seems no way of avoiding an increase in the cost of servicing the debt. Wider swings in gilt-edged prices and a greater potentiality for jobbing losses inevitably result from the emphasis now placed on

money supply. Some method of sharing the cost with the Exchequer will need to be developed if the authorities are to continue to enjoy the apparently incompatible advantages of easy marketability in their debt and the avoidance of wild swings in the monetary aggregates.—
Yours faithfully,
J. J. H. WORMELL
London, SW6

Ireland

SIR—I read once more in your newspaper a reference to members of the Ulster Defence Association as "UDA thugs" (July 15th). This continual use of this phrase implies either a continual lack of understanding or a deliberate attempt to mislead your readers into thinking "UDA = IRA." The Ulster Protestant working class is disgusted by the fact that the men responsible for blowing up its homes and its jobs, for murdering its menfolk and its children, are no longer hunted down and captured.

The UDA is needed to defend Ulster if no one else will; the Ulster Protestant working class knows the misery of the past three years, even if the liberals of *The Economist*, who walk a middle path when there is no middle path, do not.—
Yours faithfully,
BRIAN J. WATTERSON
Newtownabbey, Co. Antrim

SIR—Your article "Stabbing at Willie" (July 15th) makes some useful predictions about the fate of the Protestant extremists in a purely Irish battle, following a possible withdrawal of British troops from Ulster. But it could have posed two more questions that stem directly from these predictions.

If, after 50 years of partition, Ulster has not integrated its minority community, as is evidenced by the civil rights movement, then why should the Dublin government be any more successful in integrating a Protestant minority into a united Ireland? Secondly, the article does not explain why a smaller Irish army should succeed against extremists when the British army, by implication, may fail. Moreover, what would then be the legal status of thousands of Irish people who live and work in this country, not to mention those who are in the armed forces of the Crown?

I believe that the Cyprus situation has a certain relevance to this issue. In 1964 I visited the "no-go" areas in Limassol and Ktima following the breakaway of a Turkish Cypriot administration from the Cyprus government. Despite the comparative peace of the past eight years those Cypriot "no-go" areas are still there. The division of communities on racial and religious lines is a fact of life, however much one may regret its existence.

If, at some future date, the British Government is obliged, for whatever reason, to withdraw British troops from Ulster and public opinion in this country accepts the abdication of responsibility for part of the United Kingdom, then, by the same token, it cannot reject the pro-

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For further management appointments see page 7

posal that the United Nations is approached to assume that responsibility. There may be enormous difficulties in funding and recruiting a peacekeeping force but in Ulster as in Cyprus, where there is still a UN presence, a political solution may take decades. But does it matter if a UN presence is of indefinite duration, like the civil police force of any country, so long as people are not being killed?—Yours faithfully,
I. M. PHILPOTT
Halton, Bucks.

Traffic

SIR—No one can fault the substance of your article (July 15th) on London traffic. However, it does make some surprising statements. In what sense does a moving car take up 12 times as much road space as a parked vehicle? This can be interpreted in a variety of ways, none of them particularly relevant to the topic of traffic management. It, nevertheless, does seem to lead on to your next conclusion: "Surely the person who parks his car most of the day, instead of moving on every hour, should be encouraged?"

Such arguments typically follow from the use of physical engineering criteria to decide the optimum use of road space: a moving car occupies 12 times as much road space as a parked vehicle, therefore parked vehicles should be encouraged! An engineering-economist views it in a different light: you encourage those journeys which produce the highest surplus of value over cost. That is what road pricing is all about. By raising the perceived user cost of each journey the price gradually discourages marginal users (those whose surplus of value over cost—and hence whose willingness to pay—is less than the price) until the optimum volume and distribution of traffic is reached.

The length of journey and duration of parking are only indirectly relevant to this process. The surplus of value over cost is generally a function of the effective alternative means of transport. Long-stay parkers are mostly commuters for whom such alternative means usually exist (although the level of discomfort on most London commuter services greatly reduces their attractiveness). Short-term parkers are more heterogeneous: they include salesmen, mothers taking children to the dentist, visits to people in hospital, other personal business and recreational trips, and—particularly in London—circular rather than radial journeys which are not served by commuter rail lines. The net result is that the short-term parker, who either does not find or does not consider any other means of transport an "effective alternative," is usually the person who derives the highest surplus of value over cost. That explains why so many local authorities, contrary to your own advice, penalise long-term parkers.

One final point. You argue implicitly that parking controls (charges) are less efficient than road pricing. In London this is doubtless true. But there is great

danger in generalising from London premises to national prescriptions. For example, in Oxford, and I suspect the same is true of most small- to medium-size provincial towns, the 1966 traffic survey showed that over three-quarters of the vehicles in the central area stopped and parked. It is doubtless more now that the by-pass and the Marston Ferry link have been completed. Considerable control can, therefore, be exercised over moving vehicles by levying charges on stationary (parked) vehicles. For on-street spaces this requires little more than "pay and display" equipment (which avoids the need for elaborate "street furniture") supplemented, perhaps, by books of daily tickets and season tickets. Public off-street spaces present no problem; private off-street commuter and short-term spaces could be dealt with by giving local authorities the power to raise local taxes (rather like rates) on such spaces.

Since any "efficient" method of regulating urban traffic must deduct the cost of implementation and enforcement from the net benefits attributable to the reduced traffic flows, it may be that a fully fledged road-pricing system does not always represent the most efficient solution outside the major conurbation areas. I would, therefore, argue that a practicable balance between different forms of transport in an urban area can be achieved quickly and efficiently by means of parking charges, without having to wait 10 or 15 years until an elaborate system of road pricing is introduced.—Yours faithfully,
IAN G. HEGGIE
Oxford

Tourism in Britain

SIR—I was rather surprised to read in your article "It's a trade surplus again" (July 15th) that the British package holiday industry has been successful in persuading its clients to take off-season holidays abroad. I am inclined to think that one of the effects of a devalued pound would be a decrease in travelling abroad; this will at least be the case if the exchange rate goes down as low as \$2.20.

On the other hand, a devaluation following a period of floating will draw more foreign tourists to England. I can, however, very well understand why this might lead to an incipient tourist backlash. Being at present one of your foreign visitors, I take your point that London is full of tourists and that the tourist boards have been only moderately successful in their efforts to spread foreigners to other parts of the country.

However, I fail to see why. I spent last week in High Wycombe, only an hour away by train or car from the main shopping centres in London. The countryside is extremely beautiful, there are many interesting places to visit, hotel rooms are easily available at a much lower cost than in London, and the air is less polluted. Oxford, Henley, Marlow, Maidenhead and Windsor Castle are within easy

reach but, nevertheless, you will not find a single foreign visitor in this part of the country.

It stands out a mile that your tourist boards are not clever enough. With a better information service, better advertising and by making the agencies of British airlines and travel bureaux in foreign countries more effective and informative, I personally have no doubt that you will succeed in spreading tourists to other parts of the country and make Britain much more attractive to foreign visitors.

This adds up to the conclusion that because of the increasing costs to Britons of international travel and the decreasing costs for foreign tourists in Britain, your tourist account could be kept out of the red in future.—Yours faithfully,
ODDVAR SVENSDSON
High Wycombe, Bucks.

Bus v. train

SIR—The Tyneside Passenger Transport Executive is responsible for the development of an integrated system of public transport for the area. It was, therefore, with interest that I read your article (July 15th) about the comeback of the bus and the statement about bias in analyses that have been carried out by or on behalf of ourselves.

The bus plays a very significant role in Tyneside today and all of our studies have demonstrated that it must continue to do so in future. However, in all large urban areas there are corridors with high density movements which are especially well catered for by reserved track systems, particularly as traffic congestion increases in the next two decades.

Tyneside already has an existing rail system, which, however, needs to be improved by the addition of links in the central area in order to provide the standard of accessibility necessary as a publicly acceptable alternative to the car, and to tackle its particularly difficult river crossing problem.

This conclusion was not reached without a thorough examination of the alternatives available, starting with a land-use/transport study which recommended a strategy for the future. In this study the balance of investment between road and public transport was carefully examined. The executive nevertheless felt it necessary to satisfy itself that the most appropriate public transport technology would be adopted. Both all-bus and reserved track bus systems were examined by our consultants, Alan M. Voorhees. Although they have recommended such systems in a number of cities in various parts of the world, this was not the case in the particular circumstances of Tyneside. It is not helpful to make sweeping generalisations about the appropriateness of a particular public transport system without detailed examination of local conditions, any more than it is about the balance of investment between roads and public transport.

Tyneside having developed a strategy and the executive having assured itself

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For further management appointments see page 5

of the appropriate technology, a further analysis was carried out to ascertain the return on the total investment to which you refer. This return was most attractive, particularly when compared with a number of similar investments in other cities. It confirms the wisdom of developing urban rapid transit on Tyneside as part of a comprehensive transport system, which is the conclusion that many other metropolitan areas in the world have reached. Furthermore, this return was calculated on the total investment and not on Tyneside's share alone, as implied by you.—Yours faithfully,

TONY M. RIDLEY
Director-General,

Tyneside Passenger Transport Executive
Newcastle upon Tyne

SIR—I read with interest your article entitled "On the comeback trail" (July 15th).

Residents of the eastern suburbs of Ottawa found themselves in the same position as those of Reston, although in Ottawa's case the distance involved was a mere seven miles from the suburb to the central business district.

The community associations failed to obtain a suitable service proposal from the Ottawa Transport Commission and a group of transport engineers and economists organised their own bus service using standard North American school buses. With no stretch of the imagination can these buses be considered luxury equipment, as they are designed for carrying children, yet the service proved tremendously successful, carrying 63 people on the first day of operation in July of 1971 and building very rapidly to over 600. The ridership is still increasing after over a year of operation.

After less than six months the service to and from downtown Ottawa had a working profit of \$3,500. After that time the weekly surplus was used to provide

off-peak services in and around the community. The off-peak service is now extremely popular and almost self-supporting.

The secret of the success lies in the fact that the riders consider it their service and most of them know the driver's Christian name. When a person is late at the stop the bus waits, and when the bus breaks down, as has happened on occasion, riders understand the situation and accept it cheerfully.

I, too, am concerned about the Voorhees recommendation for Tyneside. As an undergraduate in Newcastle I worked as a conductor on bus routes north of the Tyne and, following graduation, was a member of the team that carried out the first transportation study of Tyneside. Before committing large amounts of money to upgrading the railway network, perhaps the consultants should come to Canada and examine our service. It is indeed ironic that Americans are giving the Tyneside PTA bad advice while expatriate British are showing North Americans how to run a profitable bus service.—Yours faithfully,

PETER F. WICKENDEN

Ottawa

SIR—While London Transport agrees that the case for buses is sometimes understated, it cannot reconcile with its own figures the diagram (July 15th) purporting to show bus/underground costs. Nor can it accept that "London Transport pays over £10m a year in signal maintenance for the underground alone"—the real cost is but a fraction of this figure. Add to this the fact that the ratio of staff to buses and trains on the London Transport system is rather closer than that for the world "average" quoted, and it becomes difficult to understand why London Transport was chosen to illustrate the thesis that in economic terms the bus scores over the train. In London Transport's view, both bus and rail have a part to play in creating economic efficiency and a satisfactory environment.

In any case, there is little question of buses replacing Underground trains.—Yours faithfully,

F. E. WILKINS

Chief Public Relations Officer,
London, SW1 London Transport

Hospital insurance

SIR—I recall that a few months ago Dr Wyndham Davies accused you of not having read a book of his before you reviewed it. I am quite sure that he has not read either your comment (June 10th) on the hospital cash schemes or the advertisement for these schemes. Otherwise he would have realised (Letters, July 15th), first, that your criticisms were rightly directed solely at the effect of the schemes on health service patients; secondly, that the money paid out under them, whether to health service or private patients, does nothing to help "an ailing" health service, as he calls it. The tax-free cash goes straight into the pockets of the

patients admitted to hospital. It is not intended as insurance against the cost of private medical care in hospital, for which, of course, it is grossly inadequate. The publicity for the BUPA scheme made this distinction perfectly clear, and I am surprised that Dr Wyndham Davies, who evidently regards himself as knowledgeable in this field, has not grasped it.—Yours faithfully,

ANN GEORGE

London, SW1

Mayor Daley

SIR—In the Illinois primary election this spring, the insurgent candidate for governor and the ex-Daley candidate for state's attorney both won clear victories over Mayor Daley's "machine." Perhaps the Democratic party is merely more in tune with the voters than even the usually realistic analysts at *The Economist*, in excluding the mayor from the convention.—Yours faithfully,

B. L. ROCKWOOD
Blairgowrie, Perthshire

Currencies

SIR—On page 105 of the July 1st issue you suggest that an effective dollar premium of around 10 per cent would be little different from the 8 per cent premium at which the finance franc in France is quoted above the commercial franc.

The purposes of the two rates—and therefore their effects—are quite different. Britain puts a premium on foreign currencies, but France on the franc!—Yours faithfully,

WERNER ROSENMEYER

London, EC2

O1

SIR—In editorials of the issue of *The Economist* dated July 15th references are made in opening sentences to the IRA, the UDA and the IMF without previous statement of the names in full. Happily these initials are not unduly cryptic. Yet as a newly-registered OAP (by no means a VIP or a DBS) recently returned to the UK (neither by BEA nor by BOAC but by VW) from the country in which BAOR is stationed, I am sometimes confused by the plenitude of initials that we are all supposed to understand instantly.

Would it be cheek to remind a paper with an international circulation such as yours has that in Germany, for instance, the initials MCC stand first for the Mainz-Carneval Club and BBC for Brown, Boveri, et Cie? I think your own EIU would confirm this.

But you are by no means the worst offenders. I like to think that this letter may be noted both at PHS and the HQ of the FT.—Yours faithfully,

KR (NHS NR ZH 4711866 N)

Stogumber, Somerset

P.S. Have just addressed a letter to my son, who works at a place known traditionally as Cheltenham but now further identified as GL50 4RQ.

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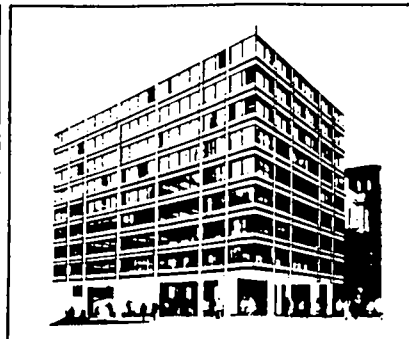
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The Economist

July 29, 1972



Rule of what?

The British people need to recognise the nature of the industrial, social and political crisis that has been confronting them in the past week. Unless we learn and apply the lessons of it, the same crisis is going to occur again and again and again.

The key industrial point is that imprisonment was always the least desirable sanction to use against the dockers' leader, Mr Bernie Steer, and the other four mock martyrs who so eagerly sought their four days in Pentonville jail. In any sensible industrial system the right sanction against the likes of them is not jug, but the sack. If they persist with their unlawful industrial practices, they should be dismissed from the trade union whose rules they will be flouting, and then from the docks where they will be steadily rendering all jobs uneconomic: arguably with due compensation for the loss of those jobs, but more arguably not.

The question now before the country is whether the one happy event of the week—the law lords' reversal of the decision by the court of appeal that had temporarily crippled the sensible working of the Industrial Relations Act—will be sufficient to bring the restoration of some system of this kind. If it does not, if the abiding memory from this week is merely going to be the release of the unrepentant Mr Steer amid tunes of glory, then the country will have passed in these past days from the rule of law to the rule of something very undesirable indeed.

Continuing crisis

This is what the continuing social and political crisis is about. It is not about whether a further emotional split has been created between the apostles of Mr Steer and the implacable middle-class haters of trade unions (although both these minorities have grown this past week). It is not about whether the Conservative Government has been made to look bumbling or hard-faced, or whether the Labour party has been made to look the toady of the shop stewards who control its paymasters

(see page 21). It is about whether Britain is to be governable under any democratically elected administration, with the courts protecting the weak; or whether the real powers of decision are to pass to marauding protection rackets which successive governments, and then gradually courts of law, will consider it "realistic" not to oppose.

If those who use mob violence to break laws they dislike are confirmed in real power, there will be three further results. First, everybody knows that they will become more violent and corrupt—and in a personal and venal sense, not merely their present power-seeking one. Secondly, British governments will keep on yielding to something worse than the present rate of inflation, which is already on course to make the value of the pound less than the value of the penny during the average adult lifetime. Thirdly, Britain will implement any new industrial methods, at a time of breathless technological change, only at the pace approved by those who are operating the old methods. Just as Britain led the world into the nineteenth-century industrial revolution because it was the first to overthrow the protectionist squires in favour of the free trading merchants, so it may have been deciding this week that our children's income will fall behind that of all the rest of the industrial world in the new technological revolution because we are now ready to cede power to the protectionist trade unions.

Politicians of both parties are disguising the extent of this crisis from themselves and from the public by what can politely be called deliberate muddles, but can more accurately be called popular lies.

Nothing to do with the act

On the Labour and trade union side, the most deliberate muddle and most popular lie is that Mr Steer was imprisoned because of the Tory Government's Industrial Relations Act, and that everything will be all right when it is removed. This is the reverse of the truth, because action would have been taken against Mr Steer and his companions under the law in any country; as Mr

Justice Megarry intimated in the Chancery Division last week, an injunction would actually have been enforced more promptly against them under the law as it operated before the Industrial Relations Act came into effect. Under any system of law we would all soon be asked to move on if we tried to stop all tradesmen entering the house of the Archbishop of Canterbury, on the argument that we personally felt that we were better suited than he to fill his job; and Mr Steer's pickets had no greater right than that as they stood all this summer outside the gates of Midland Cold Storage, a workplace where they had never been employed. The peculiarities of the British system are that members of Mr Steer's army were drawing full fallback pay under Lord Devlin's dock labour scheme of 1967 even while they were on these marauding picket lines; they were thus forcibly financed by the timorous port employers from whose industry they were trying to debar the most efficient method of packing. They were also threatening angry lorry drivers with nationwide blacking under the aegis of the trembling Transport and General Workers' Union which was paid equally, not merely by the dockers, but supposedly also to protect those lorry drivers and some of the unfortunate container depot workers whose jobs they were trying to pinch. The five dockers' imprisonment when they refused to obey the judge's order to cease this picketing was not the result of the Industrial Relations Act, but a symptom of the unique British mess and the weakness of British trade union leadership that the act was passed to try to clear up.

Lord Denning's hiatus

The real charge against the act was that it was apparently sufficiently obscurely drafted for Lord Denning and other learned judges in the court of appeal to believe that it had not laid down what its advocates during its parliamentary passage had always proclaimed was its main purpose: namely, to make it possible to fine large trade unions until they dismiss from membership—and therefore, in union-shop industries, from their jobs—those who persist in calling unconstitutional strikes or other unlawful industrial actions. On Wednesday, Lord Wilberforce and four other law lords unanimously decided that the act fortunately had always ruled what its authors had always said. This gives the act a chance to work in the way originally intended, but after a hiatus in which the atmosphere has been made more difficult by Lord Denning's caution. Some Conservatives have started running for cover, and the forced surrogate sanction of marching the martyrs in and then out of jail has made the past week appear to be a triumph for all the glib forces of defeatism again.

Not so much a strike, more a way of life

How British industry reacted to the week of protest strikes and, outside the docks and Fleet Street, carried on with its holidays—and sterling didn't even notice, pages 57 to 63.

The Conservative Government now wants to suppose that a lasting solution will be found through such fashionable seekings for a consensus as the report that has been jointly sired by Lord Aldington and the leader of the TGWU, Mr Jack Jones. One part of that report is to be welcomed, although it is typical lame dockery that the Government is to pay the bill. Since the economics of containers will make it logical to cut the number of Britain's dockers by about another half during the coming few years, it is right and humane to offer large severance pay (see page 57) to ailing and older dockers who will voluntarily depart. But two other Aldington-Jones proposals are typical of the country's most recent mistakes. First, the report seeks to end the "unattached register," on which idle dockers have hitherto rested with reduced fallback pay, by promising permanent employment to all dockers even if they are not really needed; this will allow the grossly underemployed men who slope off to join Mr Bernie Steer's marauding pickets to draw even higher pay while doing so in future. Secondly, this promised retainment of surplus men is matched by an even more undesirable half-promise of the retainment of surplus land. Within a few years cargo handling should have been totally removed from the big cities like London and Liverpool, and the vastly underutilised acres around the ports should be diverted to scarce housing. But the Aldington-Jones report plans to collect singularly inappropriate new industries on these sites, rather than to require generously pensioned-off dockers to take a fivepenny bus ride to other sorts of jobs.

A nation of rearguards

On Tuesday, when the television and radio news was talking of near-paralysis, some 80,000 workers were taking industrial action in sympathy with the five men in Pentonville; 24½m other workers were not. The Trades Union Congress's reaction was merely to authorise a one-day sympathy strike next Monday which would have been a fairly painless way of taking a long summer weekend. One-day strikes are a way of doing one's thing without seriously disrupting much; providing the TUC would give more notice, they might be an inexpensive European habit to pick up. But the composition of the 80,000 who took sterner and earlier action was interesting. The two biggest groups were two distribution foci which, like the docks, must soon be moved out of the central cities: Fleet Street, from which the machining and distribution, as distinct from the writing and composing, of daily newspapers must surely be switched within the next two decades; and the Smithfield and Covent Garden markets, which are likely to be replaced by a collection of telephone lines and a computerised master-distribution plan even earlier. The other workers voting for early sympathetic action with the docks included some mainly marginal coal mines, London's loss-making but not unanimous busmen, parts of the aircraft and airport industries, parts of Rolls-Royce. . . .

It is natural that the embittered rearguards of dying industries should become the sullen vanguard of protectionist trade unionism. But reformers should be very

careful about supposing that there is anything progressive in marching in step with them. The dockers are now being built up into a privileged and undismissable hereditary class who will be paid about one-third more than the average industrial wage even when they are not wanted; they pass this hereditament from father to son in a system that reeks of nepotism, and in London offends against such things as racial discrimination legislation; they are now being further rewarded for breaking the law and trying to steal poorer workers' jobs.

Mr Reg Prentice, Labour's shadow employment minister, who knows how many non-martyrs make five, courageously said last week that Mr Steer and his companions "had been looking for martyrdom for weeks and did not deserve the support of the workers." He was promptly contradicted by Mr Wedgwood Benn and Mr Tom Driberg. To nobody's surprise, Mr Wilson and Mrs Castle then straddled between the two camps. Mr Vic Feather told Mr Heath that he was "not prepared" to keep his word to talk to the Government about incomes policy last Tuesday, because this was obviously "absolutely impossible" while any trade unionists were in jail. Mr Feather often is "not prepared" for a lot of things, and habitually does find it "absolutely impossible" to keep his previous promises about anything. That is why it always seems futile to pretend that an incomes policy can be based on any voluntary agreement with him. There is now so much manoeuvring by both the unions and employers to try to avoid any direct responsibility for a compulsory incomes policy that the Government should recognise how little it can expect from either, and hurry the inevitable statutory policy along.

Unfortunately, the probability is that it will still try to do the opposite. Mr Heath came in with many good intentions, which he has done his best to make good. But the record now shows one retreat after another in the face of the implacable conservatism of the British unions. The unrepeatable moment of opportunity for the Heath Government came in the winter of 1970-71 when Mr Robert Carr should have torn up the first Wilberforce report which pretended to recommend a rise of around

12 per cent for the beaten and hugely resented electricity supply workers, but on a formula which all except the wilfully blind could see would mean something like 20 per cent. Mr Carr could have changed the history of the Government if he had stood before Parliament and declared that he utterly rejected that men who had killed old people by interrupting electricity supplies should be rewarded in this way. Instead, he thanked the court of inquiry for what it had done; and the course was set for the cruel inflation, unemployment, Government surrenders and union violence that have disrupted British society ever since. The miners learned for the next winter that it would pay to interrupt electricity and other vital supplies, and the railwaymen prepared to do so too.

Rent strikes next?

The fear must be that this latest confrontation over Mr Steer will be widely interpreted as another defeat. This could still be averted if the law lords' decision caused both nationalised and private employers to press forward determinedly to draw damages from unions unless they discipline those who run unconstitutional strikes. But it is rather more probable that this week's further retreat will lead to further debacles. As an example, the Housing Finance Bill is due for implementation in the winter. Some Labour-controlled councils may now refuse to raise council rents even for richer tenants; when action is taken against them, there may be calls for rent and rates strikes, which it may become popular to obey; and another lurch will have been taken towards ungovernability in Britain under any sort of government. The awful fascination this week has been to see the British public once again kissing the rod that they so love to lay in pickle for their own backs. The national press was shut down, but television predictably talked of "new hope" when the Official Solicitor appeared and of new dangers when the law lords fined Mr Jones; stock market prices rose as the dangers of surrender rose, and receded as they temporarily receded. Perhaps when the gods would destroy a country they first make its communicators and financiers mad.



They want action

Ulster's angry Protestants want to know if Mr Whitelaw meant what they thought he meant about destroying the IRA

Many Protestants in Northern Ireland say they are waiting hourly for the army to recover the Bogside and Creggan areas of Londonderry as well as dominating and searching the Catholic districts in Belfast which have been sheltering the Provisional IRA. They like what they hear about the discovering of explosives, although they wonder why the army was not searching before; but they insist that even more drastic action is their due after the 27 explosions in central Belfast last Friday, which killed nine civilians and injured 130. They say that even street-fighting in Londonderry would be under-

stood by many Catholics in the north and accepted in the republic because people everywhere in Ireland were horrified by what the IRA did. They say, above all, that this is what Mr Whitelaw has promised them. In the Commons on Monday Mr Whitelaw declared:

No one can deny that the Government have now an unchallengeable right to ask this House, this country and indeed the whole world for their support in an absolute determination to root out the IRA and destroy their capacity for further acts of inhumanity. Mr Whitelaw was also understood to say something else

which the Protestants are not going to forget. When the Unionist leader, Captain Orr, asked for an undertaking

that neither he nor his ministers, nor his advisers, nor any emissary on his part will ever again sit down with representatives of the Provisional IRA,

Mr Whitelaw was heard to reply

You can have that now.

These are very strong words; they express Mr Whitelaw's disgust for what the Provisionals had done, once more, to ordinary people in Northern Ireland, but were they words of the moment, heartfelt at the time but not committing him to a dramatic change in policy? In short, did Mr Whitelaw really mean what the Protestants think he meant?

The chance to go in

People in Britain and Ireland alike have been repelled by the Belfast bombings; noticeably more than they were after the Abercorn restaurant went up in Stormont's day. Few have tried to justify the Provisionals: certainly not Mr Lynch in Dublin, not the Labour left wing, not Miss Bernadette Devlin. Mr Whitelaw himself knows that the Provisionals who are now in charge have had only one aim: to discredit and nullify him. So, the Protestants argue, there could have been no better time for the army to go into the Bogside, or anywhere else that the bombers are harboured, than last weekend. It may be that the army will still go in, that the patrols which the IRA has not troubled to fire on are the serious beginning to such an operation, not a public relations exercise to convince some Protestants that the army actually has things under control. But if the army delays much longer the Protestant reaction is likely to be that the opportunity to carry out Mr Whitelaw's promise has been missed because he got no support in London.

If the army does not go in, then the Ulster Defence Association and other militant Protestant groups are themselves committed to take action. And if they do it will be the first stage in a civil war. Some Catholics have always affirmed that the UDA does not have the arms to take the IRA on. But it may have that potential (or could readily acquire it) and, as a working-class movement, it could probably count on greater British sympathy, especially in the Labour party, than the Vanguard movement, which the UDA despises because it is run by Stormont politicians. The UDA, by refusing (like Mr Brian Faulkner) to go along with Mr William Craig's rent and rates strike, has improved its political standing in London: eventually, if it plays its hand right, it could even eclipse the Rev. Ian Paisley in the trusting estimation of English politicians of all parties. But a settling of scores in the Bogside would not be the way to achieve that. So far the UDA is saying no more than that it will start to operate an economic blockade, something that the Protestants have regularly called for from the authorities. If it were to look even partly successful the IRA would be bound to retaliate.

Against this, the conciliators say that the IRA's bombings have finally appalled the Social Democratic and Labour party, so that it has agreed to talk to Mr Whitelaw without insisting on the release of all the interned first (see page 22). This is a useful step forward, and the SDLP's brave condemnation of the Provisionals is particularly helpful. But this sort of step, although it would have been invaluable to Mr Whitelaw just three weeks ago when his first initiative still seemed to be making headway, may not be enough to satisfy the Protestants. There is very little real political life in Northern Ireland since Stormont was shut down; that is why the initiative has passed to those in the streets, like the UDA, who depend on force for their authority and support.

The British Government was so committed to conciliation and a low military posture right up to the Belfast bombings that it is still difficult to envisage a radical change in tactics now. A Government that attaches importance to getting on terms with the SDLP may not wish to jeopardise things by risking widespread Catholic resentment, even by authorising too many assiduous searches for arms, far less by going through the Creggan. This is a matter of judgment about the feelings of the majority of the Catholic community in Northern Ireland. It is also a matter of judgment about feelings in the Lynch government and the republic generally. Mr Lynch and the other party leaders in Dublin have no love of the IRA at all, but how would they react to what would be presented as the suffering of harmless Catholic families? Even more, could Mr Heath risk a situation in which he might have to present himself at the gates of Europe on January 1st at war, or something like war, with another member of the community?

The risks grow greater

It seems that the army has been told to do enough to make life difficult for the IRA again, and especially to pick up suspects who may or may not be ready to sing to the authorities but who will be supposed by their colleagues to have done so. If this is made evident enough it may just keep the Protestants content to stay on the defensive themselves. It may not alienate the whole of the Catholic community or Mr Lynch. So something can be built up slowly in reviving a form of political life in Ulster and preparing the way for the consequences of both Irelands joining Europe together. But the risk of Protestant action is now much greater than it was a week ago—precisely as the IRA intended. If the Protestants do try anything they will lose what new, temporary British sympathy they have acquired since the bombings. That, too, is what the IRA wants. If the army had gone in immediately last weekend the political fallout would have been nasty but perhaps tolerable. Mr Whitelaw knows better than anyone that if the army goes in now and a bloody battle ensues then it will be something the Provisionals and their reviving apologists will use, with all the parade of heroes and martyrs and innocent victims, in the next round. But it may be necessary one day, just the same.



John Foster McGovern?

The trouble with Mr McGovern's ideas about defending western Europe is that they could take us back to the days of massive retaliation

President McGovern, if that is what he ever manages to become, is not going to cut the number of American troops in Europe from 300,000 to 130,000 at a stroke. That was the figure he gave to the Senate in January, and he repeated his arithmetic to a congressional committee as recently as June 16th. But at least in June he did say that the withdrawal would be done gradually, and would need consultation with the European allies, if not exactly their consent; and since then he has seen the Democratic convention draw up a platform which carefully avoids specifying how big the cut should be, and he has said in accepting the Democratic nomination that he will keep the American armed services strong enough to "meet any danger" to "our old allies in Europe."

The saving grace that pulls politicians back from unconsidered promises as election day approaches is already at work on Mr McGovern, and it will very likely extract further qualifications from him by November. Yet the fact remains that his own commitment to that figure of 130,000 has not yet been retracted; that the promise to withdraw more than half the American army in Europe apparently does not depend on the Russians cutting their forces, or the west Europeans making good the difference; and that, on any examination of what such a unilateral American withdrawal would do, it is hard to believe that Mr McGovern has thought this business through.

That is why, if those west Europeans who spend any time at all thinking about the problems of defence had the vote in November, most of them would be voting for Mr Nixon; and that probably includes most members of Europe's social democratic parties, who would otherwise find a lot to attract them in Mr McGovern's attempt to make the Democrats into something more like their own sort of party. Of course, self-interest comes into it too. It is very comfortable for Europeans, even if it is also increasingly unfair, that the three main countries of western Europe should be spending less than 4 per cent of their combined gross national product on defence when the Americans are spending more than 7 per cent of theirs. But even if you assume that defence budgets, like income tax, should be raised on a progressive basis—the richer you are, the more you contribute—there is no longer any reason why the United States should be that far up in the supertax bracket all by itself. The European members of Nato have already started to show that they feel embarrassed about it. They are putting up an extra \$1 billion for defence this year, and although much of that will probably go on the rising cost of new weapons and soldiers' pay it should do something to redistribute the burden between Europe and the United States. Who knows, it might even be possible to provide a bit more money in the shape of offset payments, that rather bogus arrangement by which the Europeans claim to be covering

most of the foreign exchange cost of the American forces in Europe by buying American goods (most of which they would probably be buying anyway) or by lending money to the American government—at interest, of course.

The trouble is that no amount of playing about with money would repair the physical gap created by the removal of 2½ out of the 4½ American divisions now stationed in Germany, which is what Mr McGovern says he would do. It is highly unlikely that the other countries with troops in Germany could find the necessary extra men. For Britain to make any serious contribution—apart from returning the equivalent of 4 or 5 battalions that it has taken out of Germany for use in Ulster, and no one can see when that would be possible—would mean bringing back conscription, which is virtually inconceivable in the present state of British politics. The French are certainly not going to help. For the Germans to make up the difference would mean putting back up their just-lowered 15 months' conscription for an army that already has probably the worst morale problem in western Europe. Well, then, the Belgians, the Dutch, the Canadians? But they are all looking for convenient excuses to put less into the defence effort, not more. No one else has troops in Germany. There remains the armchair strategist's resort of borrowing, say, three Turkish or Italian divisions to replace the departing Americans.

Those few days of grace

The probability is that an American withdrawal on this scale would make it even harder for European politicians to argue, against the tide of public opinion, that the western end of the continent should seriously try to provide for its own defence. But it would also have an immediate military effect. Those four and a bit American divisions in Germany play a major part in the western alliance's ability to put up what is known as a "flexible response." This is the calculation that, if the Russians did attack, Nato's forces would be able to go on fighting against them for a few days without having to call for the use of nuclear weapons. No one knows exactly how long this pre-nuclear battle could be kept up; it might be as little as two days, it might be as many as seven. To a layman it sounds like arguing about how many minutes an angel could dance on the rim of hell. But to the men who would be responsible for trying to prevent a nuclear cataclysm—above all, to the President of the United States—every few hours won in this way, and thereby made available for negotiating on the hot line before the nuclear missiles go off, would be worth a year's gross national product.

The withdrawal that Mr McGovern is proposing, if it were not matched by the Russians or made up for by

the Europeans, would make this period of grace much shorter, and might even abolish it altogether. There are barely enough troops under Nato's command at the moment to make even half a week's non-nuclear resistance look very credible; some people believe that in fact they would not even last a couple of days. The removal of two of Nato's better divisions could come very close to making it impossible. This is why Mr McGovern's claim that he would keep six American-based divisions ready for use in Europe, and that some of them could be flown back there "well before the first 30 days of fighting had been completed," is less of a comfort than he seems to think. By then, unless the Russians courteously gave enough advance notice of their intentions, there might be no airfields to fly into, and maybe no defenders left to reinforce. In fact, the likelihood is that the McGovern withdrawal would destroy the strategy the western alliance has been working on since John Kennedy's time, and leave it no alternative but a return to John Foster Dulles's old, brutal and now thoroughly implausible threat of massive retaliation: you just cross the line, and we let fly with everything we have.

That will not worry people who believe that the Russians no longer present any sort of military problem for Europe, or that the west need not bother to conduct its affairs on the assumption that they might. It should worry Mr McGovern. It is a criticism of Mr McGovern that he does not seem to realise the resemblance of his strategic ideas to those of Mr Dulles, and that the people who have been advising him so far have not realised it either; but it is not because he is incapable of thinking, or caring, about these things. It is much more likely that he has just not had time this year to take a proper

look at the meaning of some of the things he has been saying. All the more pity that he has declined to come to Europe before November; he ought to talk to Herr Brandt and Mr Heath and M. Pompidou, and to the social democrats of France and Britain.

Where realism comes back in

He is not, on present evidence, an isolationist. The force he does seem to represent in America today is a rather self-conscious revival of what is believed to have been good old-fashioned American idealism. There is a lot of myth about the role of idealism in American politics: the men who ran the cities of the United States in the nineteenth century were no idealists, and even the township politics of the eighteenth century were perfectly familiar with compromise and back-scratching and the pork barrel. But there is a recognisable strand in the American tradition which insists that ends should be answerable to the moral judgment, and that means should be kept as pure as ends. Mr Nixon would not disagree with the first part of that: he is a moralist too. Where the forces of McGovernism may be ignoring the American experience of this century is in thinking that the exercise of power—which is, after all, the pursuit of the ideas one believes in—can be undertaken without having to make difficult moral decisions, without ever using unpleasant means, without sometimes paying an unwelcome price now for a still hypothetical future benefit. For Europeans the trouble about Mr McGovern's present position is not that he does not feel genuinely committed to the protection of western Europe, but that if he became president he would apparently remove most of his ability to carry out that commitment.



Tough at the top

The fact that there are now several visible punctures in Leonid Brezhnev's diplomatic balloon does not mean that he cannot keep aloft for a good while yet

Mr Brezhnev's trouble is that when things go wrong for Soviet policy, as they have done in Egypt, they make people wonder whether he will be made to carry the can. That is what a cult does. The man who succeeded Khrushchev, the successor of Stalin, as first secretary of the Soviet Communist party has also followed his predecessors' examples by authorising the launching of a campaign of personal adulation. As usual, this follows a period of several years of lip-service to "collective leadership" and deprecation of "the cult of personality." But in May Mr Brezhnev took pains to make it very clear that he was President Nixon's principal host in Moscow. The Russian-American agreements on strategic arms limitation were signed, on the Soviet side, by Mr Brezhnev alone—a constitutionally bizarre departure, since in theory he is not a member of the government. Now it is becoming normal for, say, Moscow radio commentators to dwell on the great significance of "the

large-scale foreign policy programme that Comrade Leonid Brezhnev presented at the 24th party congress." Absolute power not only corrupts. It also pins total responsibility on to the absolutist ruler. If Soviet foreign policy is indeed Mr Brezhnev's personal policy, then he alone is answerable for setbacks such as the Russians have just encountered in Egypt.

If, having ousted Khrushchev in 1964 partly on the ground that he had fouled up Russia's relations with China, Mr Brezhnev now has to admit that those relations are worse than they were in Khrushchev's time, and that the Chinese and Americans have short-circuited Russia by getting together without it, then it is clear whose policies have produced this situation. If Herr Brandt is defeated in this year's west German elections, it is to Mr Brezhnev that Russians must put the question whether the whole project of Russian-German rapprochement is going to be jeopardised. The buck stops at the

Brezhnev desk.

His large-scale foreign policy does not look too good just now. Lavish official whitewashing of the news from Cairo cannot wholly disguise the fact that Russia's position in Egypt has been sharply undercut. True, this is to some extent offset by the creation of a stronger Russian position in Iraq. Baghdad, being nearer than Cairo to the Gulf oilfield regions and to Russia itself, may be a more logical *plattsdam* (a handy Russian port-manteau word for a jumping-off place, military base, or political pivot) for Soviet penetration of the Middle East. But Mr Brezhnev may be asked why, that being so, he had put so many eggs into the Egyptian basket, where some of them have now cracked.

He may also be asked why he had shown such demonstrative goodwill to Herr Brandt—receiving him, for instance, in shirtsleeved informality at his Crimean palace—if he was not prepared to go a bit farther and make concessions that would help the German chancellor to prevent the Christian Democrats regaining power in Bonn. Their bid for a link with China, symbolised by Herr Schroeder's visit to Peking, must worry not only Herr Brandt but also Mr Brezhnev, who, moreover, can hardly expect a Christian Democrat restoration in Germany to improve his chances of bringing about a European security conference. Mr Brezhnev has been calling for such a conference for three years, and it is still not quite in the bag.

Even his triumphant co-starring with Mr Nixon in Moscow in May was marred because it was so obvious that his American guest's visit to China in February had forced Mr Brezhnev's hand. Whether Russia had encouraged the North Vietnamese to launch their offensive in April with the tanks and guns it had supplied, or whether it had vainly tried to discourage them, was of little importance. What stuck out a mile in May was that Mr Nixon, having just been to Peking, had to be cordially received in Moscow despite his having reacted to North Vietnam's offensive by mining its ports and bombing its supply lines. What has stuck out ever since has been the failure of its offensive—against a background of recriminations between China and Russia, each accusing the other of betraying their friends in Hanoi. And Hanoi's faith in Moscow as a dependable patron cannot have been increased by President Sadat's revelation this week that it was the Russians' excessive "cautiousness" that had led him suddenly and spectacularly to oust large numbers of them from Egypt.

The odds on survival

But these difficulties are probably not going to prove fatal for Mr Brezhnev. Although in some respects it is more humiliating for a power such as Russia to have to yield to a prod from Egypt than to back down from a confrontation with another great power, Mr Brezhnev has still not suffered any defeat as spectacular as Khrushchev's in the 1962 crisis over the Soviet nuclear missiles in Cuba. And it took two years after that debacle before Khrushchev's rivals felt able to bring down the man who had laid himself wide open to charges of being both "adventurist" and "capitulationist." It seems

unlikely that Mr Brezhnev will ever face such charges. It was Khrushchev's ebullience and unpredictability that alarmed other members of Russia's ruling few. The Brezhnev style is as ponderously colourless as the man, and this must reassure even those of his fellow hierarchs who have doubts about his policies.

Anyway, the axiom that foreign policy seldom determines the fate of a ruler or a government applies to Russia as to other states. But there are at least two riders to this. One thing that must be added, for any regime that does not rest on the consent of the governed, is that it must keep its army happy. In Russia this is traditionally done mainly by giving the officer corps astonishing privileges. But the marshals also have an effective power of veto over any foreign policy move that would dismay or embarrass them. Will they stand for it if, for instance, Mr Brezhnev decides that he must hand back the southernmost Kurile islands to Japan, in order to match China's new bid for Japanese goodwill? No Soviet territory has been ceded since March, 1918, when a desperate Lenin surrendered the whole Ukraine to Germany.

But he's given China a handle

The second rider is a political one. Whereas democratic politicians usually regard any advance towards peace as a vote-winner, rulers of autocracies usually find it easier to keep their subjects quiet when international tension is fairly high. Too much detente, for a ruler of Russia today, involves risk of mutiny among his client states, of restiveness among minority peoples in the Soviet Union itself, and of troublesome demands even from some Russians for civil liberties, democracy, freedom to travel and all that. Mr Brezhnev's current approach to this problem seems to be to offset the dangers inherent in a policy of relative relaxation in the west by preaching the "yellow peril." Czechs, Ukrainians, Jews and dissident Russian intellectuals are warned that they must toe Mr Brezhnev's line not because of any real threat from Mr Nixon or Herr Brandt, who are quite nice chaps with whom he can sign all sorts of treaties, but because of those 750m Chinese, led as they are by the evil progeny of Genghis Khan and Dr Fu Manchu.

One snag in this, for Mr Brezhnev, is that both east Europeans and Soviet minority peoples may come to see China as a lever they could use to extract concessions from him. The Chinese are now happily forging special links with Rumania and Yugoslavia as well as Albania, and they are also, if Moscow's bitter complaints are to be believed, backing the latest upsurge of Ukrainian nationalism. Another snag, with less immediate significance, is that Mr Brezhnev's acceptance of personal responsibility for the arms limitation deal with the United States, and for the subsequent boom in Russian-American trade, may some day enable his rivals to denounce him as the man who tried to deliver the country into the Americans' hands. But no such denunciations will be heard until they have got him down; and that day still looks a long way off, for he guards his flanks more cautiously than the boisterous Khrushchev did.



No job for Herod yet

British families seem to be shrinking nearer to the replacement level of only two children for 9 out of 10 couples. Draconian measures to cut population growth are not needed just now

One thing can be said in favour of the report from the ginger group, Population Stabilisation, which was introduced by two MPs and Baroness Gaitskell on Wednesday: it is a sight less coy than the select committee of their fellow MPs which has been crying indecisively for a population policy for Britain. Only Mr Neil Kinnock was, on Wednesday, prepared to stand by the report's most controversial recommendations: for the abolition of family allowances, tax allowances and maternity benefits for third and subsequent children. But this is the first time such a proposition has received even this modicum of parliamentary recognition. It is another indicator of the growth in the belief that a (usually unspecified) form of social engineering to check population growth is both feasible and necessary.

The doom-calculators' case is quite simple and can be illustrated graphically: that by the end of the century the United Kingdom will contain more than enough extra people to fill another Greater London, and that the United Kingdom will be correspondingly more unpleasant to live in. The calculations of the danger are based on family size. The difficulty is that it will not be possible to calculate completed family size for the average couple marrying now until within a few years of the year 2000. So the pollsters estimate intended or "ideal" (which is rather different) family size. In a government survey carried out in 1967 and published last year, the mean of families' ideals was 2.5 children. A much more recent but smaller survey in Hull produced a mean of 2.23. The mean family size by which the British would just replace themselves (without allowing for net outward migration) is at present estimated at 2.1.

But if, as the government's statisticians did, one asks couples how many children they would have if they had no money worries, they give a much higher figure: the mean was 3.4. Does the birth rate depend on prosperity? The rate has been falling throughout the late 1960s, against government predictions. In 1970 it levelled off. When the first quarter's figures for England and Wales were released in May, they were a startling 9 per cent below the corresponding figures for 1971. For some reason, figures for the January-March quarter always do vary particularly sharply, and the comparable figures for 1971 had been unusually high. But it is now possible to calculate the change for the full first half-year of 1972. They still show a drop of 8 per cent.

It would have been quite understandable if the demand for a population policy had gained momentum in the early 1960s. Then, Britain was achieving a rate of natural increase of 355,000 a year. But natural increase for 1972 could be as low as 100,000. It has been almost ludicrous to watch the doomwatchers' case shrink in their hands, as estimates of Britain's population in the year

2000 shrank from 74m (the government actuary's guess in 1965) to 63m (the latest estimate, released by Sir Keith Joseph last week).

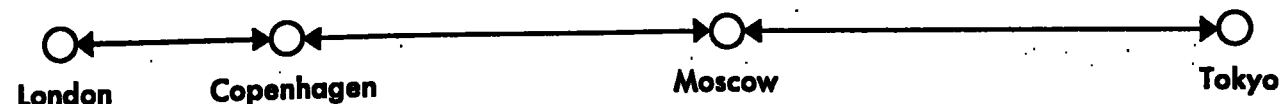
It can be argued that a population growth of 100,000 a year (against which one must set off net outward migration) is still too great for the United Kingdom's countryside to sustain. Another argument is that the recent drop in births is only temporary; that just as unemployment and economic depression were blamed for the low birth rate of the 1930s, so births will pick up, when the economy revives; that families will increase to nearer their worry-free "ideal" of 3.4 children. That is an uncomfortable possibility. But the argument ignores both the fact that the birth rate has already fallen below the very low level in the 1930s, and the fact that few people ever think they have no money worries.

Think of a policy

There is another reason for the latest rush of propaganda against overpopulation, although it sounds misleadingly trivial. Britain now possesses a minister responsible for population (Mr Robert Carr, wearing his hat of Lord President of the Council) who can be called to give evidence or criticised for apathy and inaction. It also has a population panel, albeit very part-time, to whom pressure groups can submit reports.

In the early 1960s, the struggle was to spread the knowledge of birth control and change the law on abortion. It is not over: Britain still, with criminal stupidity, does not offer a comprehensive system of free family planning, because what is known as the "permissive" act of 1967 gave local health authorities the power, but not the duty, to provide this service. The drive still continues to eliminate unwanted pregnancies (variously estimated at about 30 per cent of all pregnancies). But this campaign was centred on the individual; population control was very much a secondary consideration.

The danger inherent in a population policy is that the emphasis shifts from eliminating pregnancies unwanted by the parents to discouraging pregnancies unwanted by the state. Of course, people do already try to discourage poor families from having huge broods of children; but the emphasis is still on the welfare of any one particular family. Mr Kinnock argued cogently that he only supports disincentives now as an alternative to harsher measures later; that education was the primary aim of a population policy. But it was heady talk on the unintoxicating trend of a declining birth rate. Mr Carr, who has been promised a report from his population panel by the end of the year, is unlikely to be stampeded into the sort of fierce financial measures proposed this week. But there is always a danger that ministers will say anything because they are expected to say something.



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BRITAIN

Labour isn't exactly sure what to think about the dockers, or the law

It was the Labour party and not the Government which was chiefly on the spot during the angry Commons debate on the industrial crisis on Tuesday. Mr Wilson did his best to paper over the cracks, but he could not hide completely the Opposition's divided state of mind on how it should respond to the imprisoning of the five dockers in Pentonville.

There was complete agreement on the Labour benches, naturally, that the cause of all the trouble was the Industrial Relations Act, and Mr Wilson inevitably pledged that a Labour government would immediately repeal what he called "the most expensive and irrelevant judicial bauble in history." There was plenty of Labour enthusiasm, too, for some of Mr Wilson's repartee. The Government he described as "a bench of right honourable Franksteins" who had become the prisoners of the "monstrosity" they had created. Mr Heath's face had "stopped a thousand ships" (Tory groans). The Government could only wait for that "fairy queen," the Official Solicitor, to get it out of difficulties of its own making.

Mr Wilson did say, and he repeated it under Tory pressure, that the law should be obeyed, even if he did think that this particular law was "manifestly bad." But unlike Mr Reg Prentice, he did not criticise the jailed dockers. He declared that the law of contempt should not have been invoked but he was reminded by Mr Carr that even the 1966 Prices and Incomes Act, like any other law, had carried the penalty for contempt for those people who threatened to ignore it.

It was Mr Heath, in a counter-attack which won him a standing ovation from Government backbenchers, who exposed the ambiguities

of the Labour position. How could the Opposition justify a firm being put out of business and union members being thrown out of work because of blacking and picketing which were in defiance of official trade union authority? No one had the right to pick and choose what laws he should or should not obey. A similar action for contempt could have been brought against the dockers under the 1906 and 1965 Trades Disputes Acts. Mr Wilson had denied that his government's proposals, "In Place of Strife," in 1969 had carried any threat of imprisonment, but what if a striker who faced restraint on his earnings had simply decided to ignore the law? Would not such a person have found himself in contempt? Mr Heath asked whether employers would have had any justification to defy the Restrictive Practices Act just because they disliked some of its provisions. He reminded the House that on three separate occasions during the last Labour government injunctions had been taken out by the courts against pickets for "wrongfully interfering with contractual relations." On those occasions the men had complied with the law.

To the Government, Mr Heath said, the issue was not one between the Industrial Relations Act and the unions, but a clash between "conciliation and persuasion" on the one side and "bullying and disruption" on the other. He asserted that if the Labour party divided the Commons it would be voting against the "constitutional authority of the trade unions," against "the rule of law."

After Mr Thorpe had suggested that the act had changed the climate of opinion towards the courts and questioned the choice of Sir John Donaldson to head the Industrial Relations Court, most of the rest of



Prentice: one just man

the short debate degenerated. It was Mr Norman Atkinson, the burly MP for Tottenham and a member of the engineering workers' union, who breathed the most root and branch defiance. His declaration that "we should be selective in the laws we accept" went down well with his left-wing colleagues. He appeared to believe the TUC's old policy of non-co-operation with the act meant disobeying the law. On Monday in the Commons, Mr Tom Driberg, MP for the dockland constituency of Barking, had claimed that it was "an establishment myth that bad laws should be obeyed." In his opinion they "should be resisted and defied."

Such bellicose talk was not confined to the left. Mr Wedgwood Benn, this year's party chairman, took the opportunity of a fraternal message to a commemorative meeting at Tolpuddle on Sunday to give another display of opportunism. "Millions of people, whatever they may think of the rights and wrongs of the dockers' action," would, he claimed, "in their hearts respect the men who would rather go to jail than betray what they believe to be their duty to their fellow workers and the principles which they hold." On Tuesday night, on television and far from the Tolpuddle martyrs, he suggested it was a matter of individual conscience whether a person obeyed or broke the law.

At the Tolpuddle rally, Mrs Barbara Castle, forgetful as ever of her own proposal of three years ago, claimed that the act was "just the latest in a long lineage of repressive laws." On Tuesday, the former Labour attorney general, Sir Elwyn Jones, called the act "a piece of political mechanism which had been infiltrated into the system of justice."

Only Labour's frontbench spokesman on employment, Mr Reg Prentice, spoke out in criticism of the dockers in prison. He told the Commons that he did not retract his initial remarks that they had been "looking for martyrdom for weeks" and that they did not deserve the support of other workers. In his opinion, "the Industrial Relations Act is a bad law, but it is the law and nobody can claim to be above it." A poll by the Opinion Research Centre for Independent Television News, taken in the midst of the troubles, has raised the awful suspicion for Labour MPs that Mr Heath may be speaking for twice as many of the British people as they are. Only 24 per cent of respondents to that poll thought that the unions were "mainly" or "completely" right in their recent actions, while 50 per cent thought the Government was; the other 26 per cent did not want to say.

Northern Ireland

The bombs get the SDLP talking

Much of Ulster's heavy industry was at a halt on Wednesday, but this had nothing to do with the five dockers in Pentonville. The Ulster Defence Association called a national day of mourning for those killed and mutilated by the Provisional IRA's bombs in Belfast on Friday last week. The bombings have led not merely to a more determined army response to the gunmen and bombers (see below), they have stiffened the resolve of the Social Democratic and Labour party to make the break with the Provisionals and to meet Mr Whitelaw for talks on Ulster's future.

In the Commons on Monday Mr Whitelaw won general support for his dual policy of rooting out the Provisionals and continuing to work for a reconciliation between the communities. Once again Mr Merlyn Rees, from Labour's front bench, promised his party's general support for what the Secretary of State was doing. The left wing's Mr John Mendelson



Hume: ready to talk

attacked the mass media for romanticising the gunmen, and Miss Bernadette Devlin suggested that the IRA was "fighting British imperialism in the wrong way."

Naturally, some MPs wanted a clearer indication of what Mr Whitelaw had in mind for further military measures. Unionists like Mr McMaster and Mr Kilfedder wanted martial law, while Captain Orr declared that the Ulster Defence Association was a fine body of men who only wished to serve the Queen. Mr Reg Paget, the lone Labour hawk, wanted capital punishment for convicted gunmen and bombers. He thought that conciliation was just "a trendy word for appeasement."

There was more comfort for Mr Whitelaw from the Rev. Ian Paisley, who condemned talk of a Protestant rent and rates strike, and repeated his hostility to any further internment without trial. He suggested that if the ordinary processes of the law no longer worked in Ulster then a special military court should be set up under an Order in Council, which was renewable every 30 days.

The most refreshing and cogent speech came from a Labour MP, Mr John Mackintosh, who was blunt enough to aver that no amount of discrimination against Ulster's Catholics could ever have justified "one broken leg." A persistent supporter of moderate reform in Ulster, Mr Mackintosh believed it was impossible to meet the IRA demand that the British army should be used to force a million Protestants into a united Ireland which they had no wish to join. His answer was what he called "a Sudetenland solution" with the separation of Catholic majority territory along the

border with the Irish Republic and the removal, if necessary by force ("appalling though it might be in its brutality"), of Catholics from their enclaves in Belfast. Such a suggestion is unlikely to find many supporters yet at the top of the Government.

There is now some chance of political talks getting under way in Northern Ireland. After two days at a hide-away in Co. Donegal, the SDLP decided to end its 12 months in the wilderness since its MPs walked out of Stormont last July; it agreed to join in discussions with Mr Whitelaw. It looks as though Mr John Hume and Mr Gerry Fitt have found a common approach at last, even though there are doubts about whether the SDLP counts for as much as it did in the Catholic community. And the Republican Labour party, which has also kept away from normal politics over the past year, also decided to talk to the Secretary of State at Stormont Castle. Its leader, Mr Paddy Kennedy, seems to have dropped his affection for the Provisionals.

The Unionists have liked Mr Whitelaw's tough talk of rooting out the IRA. Mr Brian Faulkner pledged his support when he met Mr Whitelaw on Tuesday. Even when Mr Bill Craig of the Vanguard movement called for a rent and rates strike by loyalists because of what he believed was a deteriorating security situation the Ulster Defence Association and the Loyalist Association of Workers lost no time in denouncing any such thing. A UDA spokesman suggested that such a strike "would help to disrupt Ulster and result in unemployment."

No more than tougher?

In their indiscriminate bombing attacks in Belfast on Friday last week, the IRA Provisionals were presumably hoping to bring the UDA out raging in the streets. They failed and, in the event, the precautions the army took that Friday night against inter-sectarian fighting were not needed. Instead, these bombs produced, first, an intensification of the army's operations against the Provisionals (still kept however, in a comparatively low key), and, second, a statement from Mr William Whitelaw in the debate on Monday that the IRA Provisionals would be destroyed (still, however, without any clear directive of how, when or where).

So far, the army has not been let



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Mr. Giles was outraged at the prospect. He was sure it would ruin his pasture.

But we promised him, "In two years' time you won't know the pipeline's there".

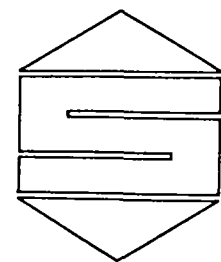
Here's what the pasture looks like today. A promise kept.

We had to cross a lot of people's land in the course of laying over 1700 miles of mains, and we have to admit that on the odd occasion in the depths of a damp winter our name was mud.

But now there's peace along the pipeline.

If you can tell where it is!

GAS-THE NATURAL FUEL.



Selection Trust Limited

International Mining Finance and Exploration

Statement by the Chairman Mr A Chester Beatty at the Annual General Meeting

Results for year ended 31 March

	1972 £	1971 £
Revenue less expenses	5,438,000	7,792,000
Profit after tax	4,441,000	5,680,000
Dividends	3,672,000	3,664,000
Net assets at valuation	102,736,000	120,641,000

During the course of his statement to shareholders at the Annual General Meeting of Selection Trust Limited in London on July 19, 1972, the Chairman, Mr A Chester Beatty, said:

Our profits for the year which ended last March were lower than expected, largely due to the considerable reduction in dividends from our investment in Tsumeb Corporation. However, despite the fall of some £1½ million in our net profit after tax, we feel justified in recommending a final dividend for the year of 11½p which maintains the rate for the year at 18p per share.

Looking at our revenue possibilities for our current year to March 1973, I do not see any significant change in the dividends we will receive, but an important item is, of course, the profit that we make from share dealings. The results in this context so far this year have been most satisfactory as market conditions, particularly in relation to gold shares, have been favourable.

You will have seen from our annual report that during the past year arrangements were made for a bank borrowing of £10 million in this country, for general purposes, and another in Australia, equivalent to just over £2 million, to finance current activities in that country. In the past I have pointed out our strong asset position, with virtually no debts outstanding. We decided therefore, that we could give ourselves the flexibility considered desirable at this time by arranging these borrowing facilities.

At present £7½ million of the £10 million loan facility arranged in this country remains uncalled and, additionally, our cash balances have been improved, giving us total cash resources of some £15 million at this time, after allowing for the final dividend due to be paid. In view of this we do not expect to be asking shareholders for funds in the foreseeable future. Our eventual needs will, of course, depend on our conclusions about our various current activities, particularly the Agnew prospect in Western Australia and I should like to turn to that subject now.

Agnew Developments

The developments during the year at Agnew, which is situated some 250 miles north of Kalgoorlie in Western Australia, have been extremely encouraging.

As you know, we have so far outlined an orebody in which No. 1 shoot has nine million tons with an average grade of just over 2 per cent nickel, taking a cut-off grade of 1 per cent nickel.

Our work has also shown that there is a second and deeper shoot and I can now tell you that drilling has already indicated some fourteen million tons averaging about 2 per cent nickel in this body. It varies in width and is still open in depth and strike length and we have yet to establish its extent. Our work at Agnew is therefore directed at defining No. 2 shoot and this will require

months of deep drilling. I am optimistic that this work will add substantially to the tonnage of reserves.

The supply of water at Agnew is of vital importance and I am happy to report that our studies on this in co-operation with the Western Australian Government clearly indicate that sufficient water to meet all reasonable needs will be available in the general area.

While we are drilling to establish further reserves at Agnew we are also examining the economics for a mining operation. We have already done a lot of work on this aspect but we have a lot more to do. It is therefore, at this stage of our studies too early to come to any conclusions on what would constitute the optimum scale of operations.

There is every reason why we should all be highly satisfied with the results of the work done at Agnew in the short time we have been there and we consider that the whole of the 300 square miles of land held by our subsidiary company, Western Selcast, merits intensive investigation. We are thus basing most of our Australian exploration in this current year in that area.

Development for the mining of nickel ore in the Spargoville area by our Australian subsidiary, Selcast Exploration, has been proceeding. There have been some delays, including difficulties in sinking the shaft, and we do not now expect production to start until early in 1974.

Further Exploration

The operation at Spargoville will be small but in deciding to start mining there we had in mind that this would also provide the most effective way of exploring the immediate area of the known deposits for further mineralisation, particularly at depth.

This consideration also influenced us in deciding to bring into production our South Bay mine in Canada. Since the mine has been opened up a small tonnage of ore has been added to reserves and exploratory drilling from underground is continuing.

The first year of operations at South Bay resulted in an operating profit of C\$2 million but after depreciation based on the presently proven ore reserves there was a loss of C\$1 million. The current year is, however, expected to produce a modest profit.

In Iran, we were unable to come to any agreement with the Government of Iran for the development of the San Cheshmeh copper deposit, but we have been assured that the work done by our Group will be recognised. I hope the position will be clarified as soon as possible.

Copies of the Statement and of the Annual Report may be obtained from The Secretary, Selection Trust Limited, Selection Trust Building, Mason's Avenue, London EC2V 5BU.



Tuzo: pastures new

very far off the political leash in its operations against the gunmen. It has been allowed (or ordered) to conduct more searches for arms and explosives and has turned up some important finds; it has arrested more people on suspicion, releasing many soon afterwards but holding a few in RUC custody; it has put patrols for just a few hours into the Bogside and Creggan districts of Londonderry; and it has patrolled more openly and knocked down Catholic barricades in Belfast.

Its operations have all had the stamp of a tightly controlled, minimal response, reflecting a political desire not to alienate the Catholic communities on which the Provisionals batten (and which they often intimidate). But it may not be surprising in Northern Ireland that rumours should fly around that the forthcoming promotion of the GOC, Sir Harry Tuzo, to being a full general in command of BAOR, is a sign that the army is at odds with the politicians and is pressing for much more vigorous action against the IRA. (That promotion is, in fact, very fast but it is no less a recognition of merit.)

As the army did not immediately sweep through the IRA enclaves in Belfast and Londonderry after last Friday's bombings, it has to be assumed that either further military escalation is still being ruled out or that the latest operations (including the establishment of a fourth brigade headquarters in Ulster) are a run-up to far more wide-sweeping searches and arrests by the security forces (which would make Mr Whitelaw's promise stand up). But where would an active, positive policy against the Provisionals end—at something less than the reintroduction of internment or not? The Government may be hoping that the arrest, interrogation and subsequent release of IRA suspects will be enough to discredit them in the eyes of their fellows.

Crime

Cautionary tales

Those who seek signs that every day in every way the world is becoming a nicer place to live in should steer clear of the Criminal Statistics* for 1971. As usual, they clock up a new record total of indictable offences known to the police: 1,646,081, an increase of 5.8 per cent over 1970. The trend continued in the first three months of this year compared with the same period in 1971; the rise has been slightly less sharp—5.3 per cent—but it would need an invincible optimist to find much comfort in that. Murder statistics are never quite what they seem to be on the surface, but the most acceptable comparison puts the number of murders known to the police in 1971 at 176 as against 138 in 1970. Last year's total is by far the highest of those for the past five years. But the number of murders classified as "normal" is actually one down on 1970.

Violent crime went up sharply again, although there was a small drop in sexual offences. Burglary and robbery, receiving and various forms of theft all registered substantial increases. The overall picture in England and Wales is similar to that in London, on which the metropolitan police commissioner reported last month. But there is one interesting variation. In the capital more and more indictable offences were attributed by the police to young people under 21 and the commissioner's report told of gangs of young criminals at work. Nationally, the under-21s were responsible for a slightly lower proportion of all indictable crime. The comparison must not be taken too far because the metropolitan figures are for arrests, whereas those for the country are for convictions, but as the London statistics are contained within the national ones, it is reasonable to suppose that youngsters—especially those under 17—are less criminally minded outside the capital than within it. On the other hand, the national figures show that the police were much readier last year to give young people a caution as an alternative to prosecuting them for indictable offences. Cautions to boys under 14, for instance, went up from 21,816 in 1970 to 27,389, and those to the under-17s from 14,317 to 20,160. Another table then adds the number of cautions to the number of convictions and

*HMSO. £2.05.

shows that the total for 1971 is well up on 1970. "It is desirable to notice the effect" of this exercise, says the report. But is it? It cannot be significant unless, improbably, it is assumed that all those cautioned would have been found guilty if prosecuted.

Of the total of the male population, one out of 76 was found guilty last year of an indictable offence, and there is a better than one in three chance that a person given a suspended sentence of imprisonment will within the period of suspension commit another offence for which he can be sent to jail. Suspended sentences have had some effect in reducing the numbers who would otherwise be in prison—as did the releasing on parole of a higher proportion of prisoners—though not enough to prevent the prison population also reaching a new record of 40,470 during the course of last year. (It was 20,000 in 1950.) The population did fall by nearly 3,000 in the later part of the year but, not surprisingly, the annual report of the Prison Department says the prison service must continue to plan on the basis of more and ever more prisoners. Fortunately recruitment of prison officers has been going so well that special arrangements had to be made to cope with the numbers entering the service. The only disappointment was in recruiting medical and nursing staff, who will be needed no doubt to deal with a new problem in boys' remand homes. Because of the fashion for long hair, "infestation with head lice has now become not uncommon."

There are paragraphs in the department's report, however, of a much more hopeful kind. An experiment, relaxing the censorship of letters at Appleton Thorn open prison, seems to have gone well and will be repeated elsewhere. Of 22 prisoners at Wakefield and Albany taking part in the first Open University degree courses, two gained distinctions and 15 passes in their end-of-year examinations. Nearly 3,000 prisoners took "O" and "A" levels and achieved a 68 per cent pass rate, an achievement which one or two expensive schools might envy.

Labour party

Taverne goes down

The story of Mr Dick Taverne's fight to keep both his conscience and his seat in the Commons as MP for Lin-



Taverne: unfair dismissal

coln has ended as lamentably as it began. On Wednesday, Labour's national executive committee rejected his appeal against the Lincoln party's decision to disown him. Mr Taverne's crime in the eyes of his local party—or of a powerful ruling faction in it—was to stick to his principles on the common market issue. That, it seems, was also the predominant factor in the minds of the NEC, for it is hard to offer any more charitable gloss on its repudiation—by 12 votes to 8—of its own organisation committee's recommendation.

That committee had the job of looking into the circumstances in which Mr Taverne was sacked. It recommended that the party's rules should be amended so that a constituency party wanting to get rid of its MP must tell all affiliated and party organisations of the decision to hold a special meeting. Mr Taverne was denied the opportunity to have his case discussed by the whole constituency party; the decision to demand his retirement was taken—on a vote of 75 to 50—by a special delegate meeting of the general management committee of the Lincoln party.

Implicitly, the NEC's organisation committee decided that the Lincoln decision was unrepresentative and Mr Taverne's appeal should be upheld. By voting to dismiss his appeal, the national executive has sanctioned the power of the local caucus. Mr Taverne will cease to represent Lincoln, where he has been MP for 10 years, at the next election. His hopes of finding another winnable constituency cannot be high. Labour is not only likely to lose one of its most able younger ex-ministers; it has also demonstrated once more just how destructive and intolerant its left wing can be when it is riding high. Mr Benn, the party chairman, can be relied upon, however, to discover a more palatable explanation which will satisfy him, if no one else.

Housing

What the bill will do—or not do

The Heath Government's main piece of social legislation, the Housing Finance Bill, made its positively last appearance in the House of Commons on Tuesday night. It becomes law two weeks after the royal assent, but that still leaves little time for local authorities to introduce the first stage of the new "fair rents" for council houses and the accompanying national rebate scheme by October 1st. And Labour councils have discovered 101 ways of delaying implementation quite legally: talk of illegal defiance is dwindling, although Birmingham, Liverpool and the London borough of Camden continue it.

Right up to the last minute the Government was unwilling to give any estimate of the bill's average effect on council rents, although opposition had centred on this very point. Earlier this year the Government had clearly surprised itself when it discovered how near to supposed "fair rent" levels many council rents already were. It had to carve a huge loophole through the clause in the bill which imposed a £1 a week average rent increase in October on councils which had not already raised rents for 1972-73. Authorities which could show that more than two per cent of their dwellings would thereby rise above the likely fair rents were to be allowed smaller increases. So far four authorities have received advance permission for this. Mr Walker has said that only one in five council tenants will pay as much as £1. All this muddle might have been avoided if the Government had not chosen what seemed the easy political option of fair rents as defined in Labour's 1965 rent act.

The loophole, if fully exploited, should meet most of the objections of people who saw the progression to fair rents as too steep, although there will still be sharp effects on people at two extremes. Modern council blocks in attractive locations could in theory attract rents indistinguishable from the private sector, with the rebate system inadequate to cushion most of the occupants. At the other extreme, tenants in areas of traditionally low rent council houses (mainly old industrial Labour strongholds) will suffer now for the indulgence they or their predecessors have enjoyed in the past. Many of these areas have had no experience

hitherto of rent rebates.

Rent rebates (or allowances) will now be available for both council tenants and unfurnished private tenants. The Government believes that about 2.5m will be eligible, though of course this must vary with the level of rents charged and the rate at which incomes continue to increase. But what is still less certain is the level of take-up, which may well be low, as it is with existing rebate schemes even in high rent areas. For local authorities means-testing on this scale represents a major new function which few are equipped to cope with.

The philosophy behind the bill—"subsidising people not houses"—is expressed on the one hand in the rebate system and on the other by the rapid withdrawal of existing building subsidies to councils and their replacement by a series of complicated deficit subsidies, with a diminished exchequer share over the years. A growing portion of the exchequer contribution will be matched by payments from the surpluses on local housing revenue accounts produced by fair rents—after certain deductions, half of any surplus must be paid to the central government. But the arithmetic of the bill, which aims to hold central government housing subsidies (including the share paid through supplementary benefits) down to the 1971-72 figure of £350m appears to depend on a faster increase in rent income than now seems likely.

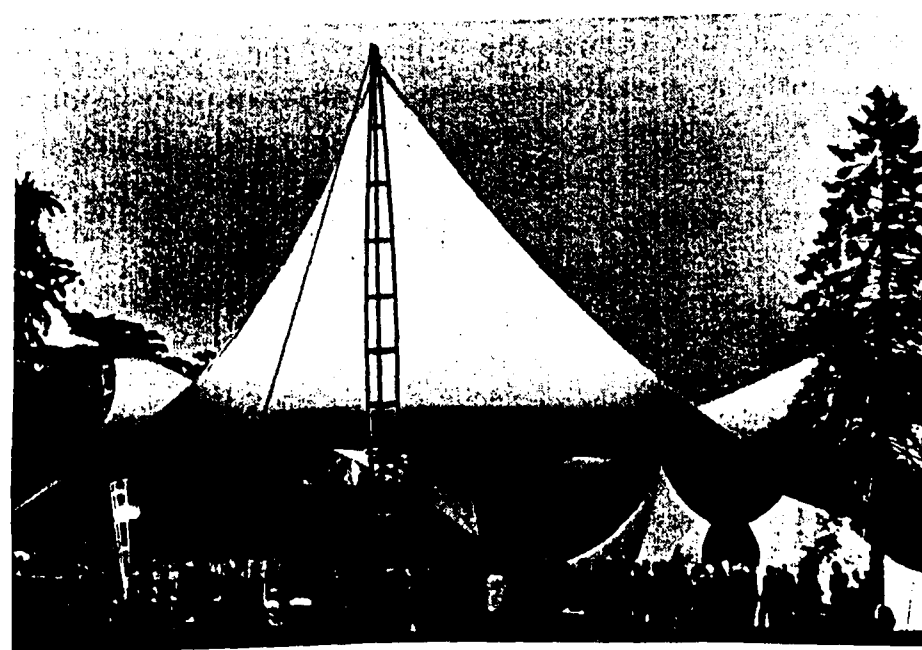
Architectural Association

The lady says no

Mrs Margaret Thatcher, the education secretary, has refused to give the Architectural Association's school the fairly small amount of annual grant it requested (*The Economist*, July 22nd). She is unwilling to fill the gap between the school's fees of £580 and the £180-odd that local authorities pay in fees for students at schools of architecture maintained by central government: local authorities must continue to pay the full fees for students already at the AA, and are asked to be generous to those hoping to go this autumn, but are released from the duty to support subsequent applicants. She is "satisfied that existing schools of architecture could absorb future students."

The students are not. They apply in droves to the AA in preference to other schools of architecture. And the cost to the state of keeping a student at a university department of architecture is around £860 a year.

Hoechst keeps thinking ahead



10,300 people in research and development with a research investment this year of more than £60 million.

Hoechst in Britain

Hoechst UK Ltd is an independent company within the international Hoechst group. Its British staff know their country, its problems, its people; and they realise where Hoechst know-how can inject into Britain's economy the experience gained by the parent company during more than a century in chemistry. In pharmaceuticals, for example, where Lasix — the modern diuretic — has revolutionised therapy. In the textile industry, where Trevira polyester fibre has brought an entirely new concept to fashion. And where membrane structures from Trevira high tenacity fabric have at long last rendered outdoor events independent of the weather. Or in dyestuffs where experiments are proceeding to make the grass look greener in football stadiums and other sports arenas. Whether your problems are in plastics or paint raw materials, in dyestuffs or pigments, in fibres or pharmaceuticals, in agrochemicals or films, Hoechst UK can help you promptly and efficiently.



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Hoechst research beats the weather

Outdoor events are very much affected by the caprices of the weather. Rain-sodden sites, with the bedraggled participants about as enthusiastic as fifth formers during a history lesson, have hardly ever given rise to memorable occasions. Not infrequently, the event has had to be cancelled altogether, hardly to the delight of the organisers. In collaboration with famous architects, Hoechst research has now developed a temporary cover that renders outdoor activities independent of the weather. Sports arenas, for example, holding up to 100,000 spectators, or swimming pools, can be protected in this way. The flexible cover is a coated fabric in Trevira high tenacity, a material of extreme strength. Rot-proof and tear-resistant and yet light-permeable and so flexible that it can be erected quickly in bad weather.

A new form of architecture has arrived. Trevira high tenacity takes sports arenas under its wings in all weathers to the benefit of all sports lovers.

Ahead through systems thinking

Trevira high tenacity for large scale covers — the result of Hoechst knowledge and experience in many fields: man-made fibres where Hoechst has an immense amount of know-how in production and processing; plastics where Hoechst is equally expert in manufacturing and laminating techniques. Thus, Hoechst is the forward-looking partner of architects and the building industry.

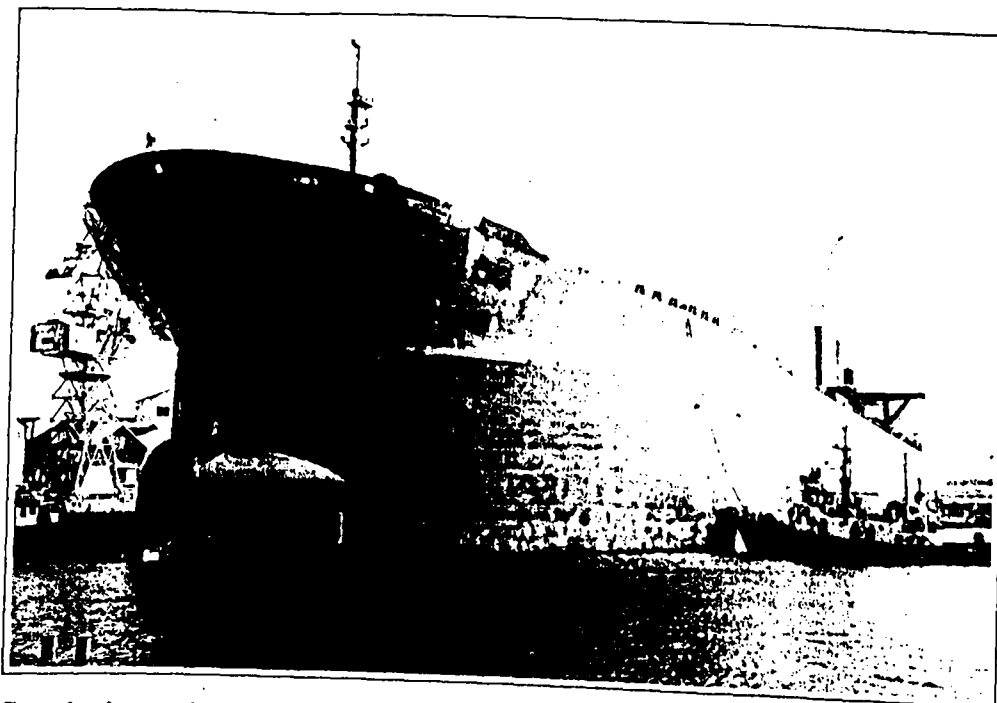
Systems thinking is the Hoechst strategy. Research, development and product experience in many areas are concentrated on the solution of specific problems. Interdisciplinary thinking, systems analysis and systems technique to bring success.

To keep thinking ahead — to solve the problems of today and tomorrow — Hoechst employs more than

Sasebo sets new standards

Shipping operators favour ever-larger ships because they are more economical to run. Many are showing great interest in Sasebo's new series of standard 250,000 and 270,000 dwt tankers which are being built in the No. 4 dock at Sasebo. Building the perfect hydrodynamic shape for maximum speed with minimum water resistance could be a very costly exercise, so Sasebo has come up with a simplified bow which is relatively easy and inexpensive to construct.

Sasebo's twist is to carefully balance the benefits of the lower costs of construction against the advantages of hull configuration to produce the best shape for economic operation. The standard 250,000 and 270,000 dwt tankers are Sasebo's answer to the call for low cost bulk oil transportation. And they are designed with the owner's pocket book in mind.



Sasebo's engineering techniques also extend into the various fields of machinery-making, industrial plants and steel structures. Sasebo is ready to work for you...building, repairing, jumboizing and providing after-service for ships of every description.



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THE WORLD

International Report

The last red fruits of April are falling from the tree

FROM OUR SAIGON CORRESPONDENT

South Vietnamese troops at last fought their way back into the citadel of Quang Tri this week, and seemed about to remove from North Vietnam its biggest prize in this year's offensive. The storming of Quang Tri's fortified citadel coincided with a new counter-offensive farther south which brought two of the three lost districts of Binh Dinh province back under government control. North Vietnam now has very little indeed to show for its enormous effort and immense sacrifices of men and equipment over the past four months.

But it is still too early to say the battle is over. Even as paratroopers re-entered the Quang Tri citadel the communists kept up a determined

resistance, fighting from deep bunkers which had remained impervious even to concentrated air attack. At the same time communist strength in the province was being reinforced by troops moved from the now quiescent Kontum battlefield and from North Vietnam and Laos. It is one thing to regain control of the flat coastal plains of Quang Tri province, quite another to drive the North Vietnamese out of the inland mountains to the west, from which they will continue to pose a threat to both Quang Tri and Hue, 35 miles farther south. In fact this week saw renewed communist pressure on Route 1 south of Quang Tri, and on the western defences of Hue.

The few civilians who remained in Quang Tri under communist control say they were reasonably well treated but that food was strictly rationed. The communists were evidently too busy preparing their military defences to get their announced revolutionary administration functioning very effectively.

The recapture of the districts of Bong Son and Tam Quan in Binh Dinh province was achieved with greater ease than expected, and South Vietnamese officials were confident of quickly regaining the last communist-held district, Hoai An. It will take very much longer for Binh Dinh, a longtime communist stronghold, to be thoroughly repacified, but the reassertion of government control there means that no politically significant areas of the country now remain under the red flag. President Thieu is well on his way to fulfilling his pledge to regain all territory lost in the opening weeks of the offensive—providing, of course, that the North Vietnamese do not pull another surprise just when everyone believes they are becoming less and less capable of it.

An unknown factor in the situation is just how badly the North Vietnamese have really been hurt. There can be no doubt that they have suffered appalling losses; some estimates put them between 50,000 and 60,000. But units that have been badly mauled by B-52 attacks have apparently been able to replenish their ranks from manpower pools held in reserve in Cambodia, Laos and North Vietnam. On the southern side it is just as difficult to obtain completely reliable figures. The published casualty estimates—about 12,000 killed since April 1st—are thought to be too low. But even allowing for errors, there can be no doubt the North Vietnamese have had the worst of it. And South Vietnam's own manpower reserves are still far from exhausted.

On the waterfront

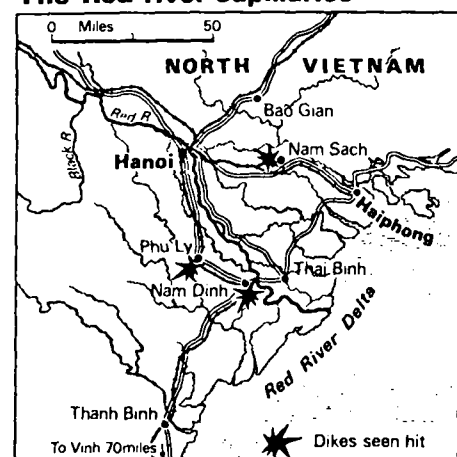
There have been fresh accusations this week that North Vietnamese dikes are being systematically bombed by the Americans. Mr Kurt Waldheim, the UN's secretary-general, and Mr Eugene Carson Blake, the secretary-general of the World Council of Churches, have both appealed to President Nixon to stop bombing the dikes. The United States denies any deliberate and systematic bombing of dikes and considers both men to have been taken in by North Vietnamese propaganda. Indeed, Mr Waldheim, just back from a visit to Moscow where he was given his information, admitted on Tuesday that he could not verify the claims.

But some people have seen damaged dikes. They include Miss Jane Fonda, the American actress, and other rather more objective observers. How many places they are talking about is difficult to tell because only a French journalist has given exact locations—three in all. Given the closeness of many dikes to military targets, some damage is not surprising. In some areas dikes form the only firm platform for anti-aircraft guns, and many dikes carry roads and even railways. There may



The going's tough on Route 1

The Red river capillaries



also have been some slap-happy letting go of bombs on unauthorised targets. But if their new laser-guided and television-aimed bombs are as accurate as the Americans have been claiming, only a very small proportion of these should fail to hit their targets.

If the dikes were bombed, as Mr Nixon said at the end of June, "the results in civilian casualties would be extraordinary." Nearly three-quarters of North Vietnam's 22m people live in the Red river delta, protected by more than 2,000 miles of dikes. The mud washed down with the seasonal rains has over the years raised the level of the Red river and its tributaries to 40 feet above the surrounding area in some places and to 20 feet above Hanoi itself. Any breaching of the dikes can therefore cause widespread destruction. On Tuesday Hanoi radio was claiming that "our dikes are now big, high and solid"—the implication being that any flooding will be the result of bombing. But in view of past statements of concern about the bad state of the dikes since last year's floods, this seems meant for external consumption.

World Council of Churches

Out of one side of its mouth

By appealing publicly to President Nixon to stop bombing dikes in North Vietnam, Mr Eugene Carson Blake, the secretary-general of the World Council of Churches, may have earned the applause of Mr Nixon's critics, but he has also raised questions about the council's conduct in world affairs. Mr Blake had convinced himself on the basis of some Swedish television films and a French newsman's reports from Hanoi that—despite strenuous denials

from Washington—American bombers were deliberately being used to destroy dikes in the heavily populated Red river delta. He asked for a personal interview with the President and when Mr Nixon could not—or would not—see him Mr Blake decided that publicity was the only channel left to him to raise "an issue of supreme urgency and moral import."

Nobody would question Mr Blake's right as an American to tackle his President on any issue of American domestic or foreign policy. The fact that he did so in his capacity as chief executive of a world-wide religious body, without as much as hinting at North Vietnam's present offensive against South Vietnam, was an act of partiality which will do little for the reputation of the council's present leadership.

Under its 1948 constitution, the World Council of Churches, which officially describes itself as a fellowship of more than 200 Protestant, Anglican, Orthodox and Old Catholic churches in more than 80 countries, may not control its member-churches, or legislate for them. It may take action on their behalf only in such matters as one or more may commit to it. Many Christians whose churches belong to the council have in recent years been disturbed by the apparent readiness of the council's top policy-making body, the 120-man central committee, which meets every year, to speak for the member-churches. In the non-communist world determined minorities of militant activists have increased their influence in bodies which select delegates for the council's main body, the world assembly, which meets every four years and picks the central committee. The influence of these militants is even stronger in various commissions set up by the council to study current problems.

One of these commissions recommended in May that the council should officially adopt a policy of helping Portuguese deserters—just as various church-sponsored organisations in Canada and Sweden help American deserters and draft-resisters. Another proposal, which will also be put before next month's WCC central committee meeting in Utrecht, is for all foreign investment to be withdrawn from South Africa. It is not clear yet whether the central committee will accept these ideas, but it is a fact that the WCC is already giving material assistance, albeit very small, to revolutionary movements in southern Africa and elsewhere.

Few practising Christians, with the exception perhaps of members of the Dutch Reformed church in South Africa, would quarrel with the World Council's condemnation of apartheid and other forms of racial discrimination. But quite a few would disagree that violent revolution is for Christians the best or the only way to get rid of racial discrimination. Anyway, the council remains very silent on the subject of various forms of political and religious persecution in the communist countries. It is easy to see why: many churchmen representing churches from communist countries are strictly government-controlled and will not let any condemnation of their governments' policies get past the council.

Egypt and Russia

Some gone, more staying

On Wednesday, after a week of stunned silence, the Israeli government applauded the expulsion of Soviet military advisers from Egypt. If this was indeed the hour for change, said Mrs Golda Meir in a speech to the Knesset, it should not be missed. She suggested that she and President Sadat should now sit down together to discuss a peace settlement and said rather generally that the present ceasefire lines need not be the permanent frontiers. The trouble is that the Egyptians have stood out against direct talks with the Israelis because they say that as a defeated people they would come out of them badly.

It is gradually becoming a little clearer what has happened. The exodus of Russians from Egypt would seem to be less momentous than Mr Sadat made it sound in his announcement on July 18th. True, the Soviet military experts attached to Egyptian units, probably around 4,000-5,000, have left or are going. But about twice this number of Russian military men are believed to be in Egypt engaged mainly, though not necessarily exclusively, on anti-Nato operations. The signs are that they are not being turned out—as yet.

President Sadat's words were precise: military installations and equipment established on Egyptian soil after the 1967 war were forthwith to be considered Egypt's private property and to be operated by Egypt's own forces. But on July 22nd Mr Mohammed Zayyat, the minister of state for information, told a press conference

Now...from the Dominican Republic... nickel for world markets



La Española was discovered by Christopher Columbus back in 1492. It became the isle he loved best. His tomb is enshrined in a cathedral in Santo Domingo, the country's picturesque capital.

And only 50 miles from the great discoverer's shrine, in the hills of the Yuna Valley, Falconbridge has just unlocked nickel ore deposits that have lain undisturbed for countless centuries.

It was 1955 when Falconbridge became interested in the Yuna's promising nickel-bearing deposits. From a miner's standpoint, they were easy to extract; from a metallurgist's, there was no known process that would permit



economic recovery of the nickel.

Falconbridge research evolved the answer, a patented pyrometallurgical process that made economic production of ferronickel from these ores technically feasible.

International financing was arranged, and in 1969 Falconbridge Dominicana, C. por A., commenced work on the huge \$180 million mining and smelting complex, the largest industrial undertaking in the history of the Dominican Republic.



First commercial production ingots were poured and shipped in December, 1971. And on June 21 this year at inauguration ceremonies, the Dominican Republic officially joined the ranks of the world's nickel producing countries.



Falconbridge... an international group of companies mining, smelting, refining and marketing worldwide...

FALCONBRIDGE
Toronto Canada





Sadek and Shazli got tired of saluting Russians

that the decision to get rid of the advisers would not affect the facilities afforded to the Soviet navy. The complication here is that the "facilities" which the Russian Mediterranean fleet looks for from Egypt go well beyond normal harbour use. Without aircraft carriers, the Russian navy has been using Egyptian airfields, including an area in Alexandria that is believed to be under exclusive Russian control, both for air support and for reconnaissance. Presumably Russia will still have the use of these.

A further watering of Mr Sadat's original words is the distinction, made by Mr Zayyat among others, between "instructors" and "advisers." Russian instructors are to remain until they have fulfilled their contracts. This can be interpreted as broadly as the Egyptians want, and the Russians allow: it could include the men controlling Egypt's relatively new Sam-6 missiles against low-flying planes, possibly some other missile crews (the Sam-2s and most of the Sam-3s are already under Egyptian control but it is reckoned that Egypt may still need instruction on maintenance problems), and no doubt a fair number of pilot trainers. These exceptions to the rule mean that Egypt's air defence system will be less suddenly exposed than it initially appeared to be. Egypt's claim on Monday, denied by Israel, that its missiles had brought down an Israeli Phantom over the canal front was a rather too obvious demonstration that all was as good as, and even better

than, before.

President Sadat's long speech marking the 20th anniversary of Egypt's July 23rd revolution confirmed the speculation that he had been forced by domestic discontent into a demonstrative gesture against the Soviet Union. A report that the timing of the gesture was imposed on the president by an ultimatum from his senior military officers, including the war minister, General Sadek, and the popular chief of staff, General Shazli, makes sense of what seemed senseless: a bold anti-Russian move at a time when the Americans, preoccupied with their election, could not respond. The whole business looks more and more like a temporary expedient designed to carry Mr Sadat through until some hoped-for new stage after the American presidential election.

The Russians have reacted with noble public forbearance: their version of the affair is that Soviet military personnel have by common agreement completed their mission in Egypt. This saves face and dignity; it also suggests that the Russians have struck, or are hoping to strike, a deal with Mr Sadat about their extracurricular activities in Egypt. But Russia must now be even more keenly aware than before that if America, after its election, responds to the changing scene in Egypt by applying genuine pressure on Israel to reach an acceptable agreement, the Russian forces, equipment and installations, if still in Egypt, constitute President Sadat's bartering power.

Egypt

Copts and Moslems

FROM OUR CAIRO CORRESPONDENT

A snippet in President Sadat's speech on Monday has caused an untraditional religious fuss in Egypt. Appealing for national unity, the president spoke of leaflets coming from the United States designed to stir up trouble between Egypt's Moslems and its Christian group, the Copts. The religious leaders of the two communities, Grand Sheikh Mohammed el Fahham and Pope Shenouda III, promptly denounced all treasonable, Zionist-inspired efforts to create dissension.

There have been no serious disturbances between the two communities since 1949-50 when there was trouble, attributed to the Moslem Brotherhood, in Suez and upper Egypt. But there have recently been some stone-throwing incidents in Alexandria. These were apparently provoked by the conversion of some Moslems to Christianity: an event which outraged one or two of the more sensitive Moslem societies. The Copts say that these conversions were not sought by them but took place at discussion groups organised by young, university-educated priests. In fact neither community engages in proselytising, but Moslems say that Copts sometimes convert to Islam in order to divorce their wives, and Copts say that Moslems sometimes become Christian in order to get a scholarship in America.

According to official statistics there are 3.5m Copts in Egypt's total population of 34m but many Copts say that the true figure is closer to 5m. A group of young Copts recently wrote to Mr Sadat protesting that their community was inadequately represented in the cabinet and in other government bodies (there is one Coptic minister). This shows an unusual boldness but hardly constitutes a threat to national unity.

Ireland

Mid-Cork and beyond

FROM OUR DUBLIN CORRESPONDENT

The Irish prime minister, Mr Jack Lynch, has moved on two fronts to avoid being outflanked by developments in Northern Ireland. At home, he has accepted an opposition challenge, meant only to embarrass the government, to hold forthwith the

by-election in Mid-Cork which he had earlier announced would not take place until the autumn; polling day will be August 2nd. In doing so, he has dared the IRA, through its political Sinn Féin organisation, to subject itself to a test at the polls. Not surprisingly, both the Provisional and Official wings of Sinn Féin refused to run the risk of an electoral defeat which would have shown that they lack any real public support.

However, Aontacht Éireann (the Irish Unity party), founded by the ex-Fianna Fáil minister, Mr Kevin Boland, is putting up a candidate for the by-election. Mr Lynch hopes the poll will show how little claim the IRA has to justify its pretensions to negotiate the political future of Ireland with Mr Whitelaw or Mr Wilson. But he is throwing all his own weight into the campaign for another reason. The Mid-Cork election will be the first public trial for the new Fine Gael-Labour coalition arrangement. Between them, these two opposition parties polled 22,633 votes at the 1969 general election against the ruling Fianna Fáil's 16,700. A Fianna Fáil win this time would be a large political advantage for Mr Lynch.

His second move to keep ahead of events in the north is to increase the pressure on the British Government to bring his own government in on the negotiations for determining the future of Northern Ireland. Last Friday's meeting between Mr Patrick Hillery, the Irish foreign minister, and Mr Whitelaw was the first of the ministerial meetings Mr Lynch now plans in order to keep his government in the picture. Mr Lynch is likely to seek another Chequers meeting even before the more informal meeting with Mr Heath planned for the EEC summit in October.

As events develop to a possible crisis, Mr Lynch, with typical caution, is elaborating his own approach. Although he has unveiled no very new proposals, he is pressing the British Government to speed up the pace of its decision-making. The most urgent step, he believes, is the holding of constitutional talks on Northern Ireland. These, he thinks, should be on two levels, the first involving only the elected representatives of the Northern Ireland people, the second involving the British and Irish governments.

He is also bringing diplomatic pressure to bear on the British to abandon, or at least postpone, the plan

for an autumn plebiscite in Northern Ireland on the area's constitutional future. He opposes it on principle—in his view, all Ireland is the appropriate constituency for such a plebiscite—and for the practical reason that, in his view, the minority will boycott it and the pre-plebiscite campaign would heighten community tensions. But Mr Lynch recognises the British Government's need to mollify the Unionist majority and he is resisting pressure at home to mount a similar plebiscite in the republic on the same day to show world opinion that the majority of the Irish people favour unity.

Switzerland

The priest at the door

FROM A CORRESPONDENT

Another of Switzerland's little oddities may soon be coming to an end. Last year the Swiss boldly decided to grant their women, so long voteless, the right to vote in federal elections. Now the government has published the text of a constitutional amendment which, if approved by the people, will remove from Switzerland the distinction of being the only nation that refuses—officially, at any rate—to tolerate the Jesuits.

The proposed amendment would abolish the articles in the constitution which since 1848 have banned the Jesuits from Switzerland and forbidden the establishment of new monasteries and convents. That part of the constitution was the result of the civil war of 1847, fought between the Sonderbund of mainly Catholic, rural cantons and the mainly Protestant big cities. The immediate cause of the war had been the decision of the government in Lucerne to invite the Jesuits to take over higher education in that canton. After the war the Protestants banned the Jesuits from the country, and also took reprisals against the monasteries, which were accused of abetting the rebellion.

In modern times the ban has not been strictly enforced. Monasteries and nunneries now flourish and last year there were 164 Jesuits in Switzerland, of whom 121 were priests. They are free to publish and to broadcast, to work in hospitals and youth organisations. But they are still forbidden to preach in church, or teach in school.

The amendments will be submitted

to the electorate in a referendum, probably early next year. Most people believe these constitutional sanctions should be abolished. Yet one meets some Swiss, liberal and well educated, who resent the tolerance already extended to the Jesuits. Some Protestant extremists still claim to fear an organisation whose members, they claim, represent an authoritarian interpretation of religion, based on absolute loyalty to the Pope. Paradoxically, there are others who see the Society of Jesus as a left-wing Trojan horse; one newspaper has spoken of "maoists in priests' clothing." But their opposition seems unlikely to prevail.

Spain

Europe's odd man out

FROM OUR SPAIN CORRESPONDENT

The original six-member European Economic Community posed Spain a tricky enough problem, so the switch in French policy that opened the way for Britain's admission was about as welcome as rain during a bullfight. Worse still was last Saturday's agreement between the enlarged EEC and the rump of the European Free Trade Association which established a 16-member free-trade area in western Europe from which only Spain is excluded.

Spain's predicament can be summed up in a few statistics. In 1969 Spanish exports earned \$1,900m. Over 31 per cent of these went to the common market countries and 18 per cent went to Efta. By 1971 Spain was exporting goods worth \$2,900m, of which 37 per cent went to the EEC. Exports to Efta rose less fast, but the combined total of trade with the two European trading blocks accounted for over 53 per cent of all Spanish exports.

Being so dependent on a club of



Lopez Bravo needs a friend

which it is not a member adds to Spain's trading worries. A dangerously high proportion of Spanish exports to north America, which jog along at about 15 per cent of the total, are dependent on increasingly uncertain political goodwill in the form of the willingness of the American government to resist lobbies demanding protection for shoemakers, olive stuffers and other deserving campaign-contributors. Changes in governments or cabinets during the coming year—in Spain or in America—could disturb Madrid's present cosy relationship with Washington.

Exclusion from Europe is potentially more dangerous even than this. It is not only that Spanish wines, fruit and vegetables are going to face slightly tougher competition in Britain and Scandinavia from Italian, French and Israeli products. More worrying is the possibility that Spain's vital industrial revolution may be compromised by continued exclusion. Since the devaluation of the peseta in 1967 exports of manufactures have soared, and they are now earning half as much again as agricultural exports. The biggest and fastest expanding market for these industrial exports was the EEC.

Understandably, leading economists and bankers are worried, and scarcely a week goes by without chambers of commerce, study groups and professional associations passing resolutions urging Spanish membership of the EEC. In 1970, after eight years of haggling with the common market, the best the government could achieve was a somewhat disadvantageous trade agreement which its propagandists tried unsuccessfully to pass off as equivalent to association with the community. Sr Lopez Bravo, the foreign minister, wants to reopen negotiations for association and ultimately full membership. But he insists that it will not be necessary to democratise Spanish institutions first.

Some distinguished Dutch, Belgian and German voices have contradicted him on this point, and Sr Lopez Bravo now hopes that diplomatic support from Britain, France and Germany will enable Spain to disregard EEC "doctrinaires." Britain, he believes, will help Spain into the community in return for a prolonged truce over Gibraltar. The French government wants Spain in as a Latin counterweight to the EEC's new Nordic members. France, Britain and Germany are also well aware that some of their major industries have a large and growing stake in Spanish prosperity.

But on the other side Spanish democrats are urging their political friends in the EEC to insist on substantial liberalisation inside Spain as a precondition of its entry. The Treaty of Rome describes the furtherance of "peace and liberty" as one of the set aims of any member or would-be member of the EEC. Until now the Dutch and others in Europe who are hostile to the Spanish regime have successfully relied on this wording to keep Spain at arm's length from membership or full association with the community. Opponents of General Franco inside Spain want it to continue that way.

Holland

Perils of purity

Proportional representation, as is well known, inevitably produces a mass of little political parties and disastrous instability. Inevitably? No, not really. In Sweden, the effect has been to keep the Social Democrats in power, either alone or with smaller coalition partners, for 40 solid years. Over those same four decades, politics in the Republic of Ireland have been dominated almost as continuously by Fianna Fáil. And nobody accuses the Irish of being as politically stable as the Swedes. Neither in Sweden nor Ireland nor Germany, to name but a few, has PR produced a parliament full of tiny splinter groups. So what is it about the Dutch?

The 13th government of the Netherlands since the second world war fell on July 20th, after only one year in office. Two days later Queen Juliana asked the outgoing prime minister, Mr Barend Biesheuvel, to try to form a new government. It is widely predicted that anyway fresh elections will be held soon. The last elections, held in April of last year, had produced a lower house in which 14 parties were represented. After two months' hag-

gling, Mr Biesheuvel emerged last summer at the head of a five-party coalition with a visible lack of coherent unity. Its members could not agree on the shaping of a budget that would adequately meet the country's severe inflationary problems, and the withdrawal of one of the five parties left the coalition with only 74 of the lower house's 150 seats. Hence the new crisis, and hence, also, the current speculation about an attempt being made before the next elections to form a single Christian Democratic party out of the Catholic party and the two main Calvinist ones, the Christian Historicals and Mr Biesheuvel's Anti-Revolutionaries.

Such a fusion would go right against the tendency to fission that has marked recent Dutch politics. New parties have been springing up so thick and fast that some of them have felt obliged to distinguish themselves by the dates of their birth: for instance, D-66, a group formed in 1966 that has aligned itself with, but not joined, the Labour party, and DS-70, the group that broke away from Labour in 1970, joined the centre-right coalition last year, and broke with that coalition earlier this month. If this trend continued, there would soon be splinter parties labelled by the month of their origin—August Catholics, September Radicals, October Anti-Revolutionaries and so on. Already there are six parties of the left in parliament, while on the far right the voter faces a puzzling choice between the Liberals (who are really conservatives), the Reformed Political and Political Reformed parties and the Middenstands Partij.

The formation of a single Christian Democratic party could transform the political pattern, but only if it did not set off a further proliferation of splinter groups. A more basic problem is the apparently excessive purity of the country's PR system. If, as in west Germany, parties failing to win 5 per cent of the total vote were barred from parliament, only seven parties would have got in last year: the five coalition partners, Labour and D-66. True, the Swedes managed without such a "threshold" until 1970 and then they set it at only 3 per cent; the Irish do not have one—but they have reduced the purity of their PR, which was never all that pure, by increasing the number of constituencies and thus reducing the number of seats to be shared in each of them. The Dutch might do worse than take a look at the Irish system, if they really want to make their own more stable.



Will Biesheuvel try again?



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1971		1971	
Liabilities, Dec. 31		Assets, Dec. 31:	
Capital	Escudos 300,000,000	Cash & Banks	1,908,179,238
Reserves	526,848,636	Investments	2,939,208,702
Circulation	2,882,199,540	Loans & Discounts	13,358,261,547
Deposits & C.	19,488,110,032	Contra A/cs.	13,509,606,909
Contra A/cs.	13,509,606,909	Premises & C.	124,297,233
Profit & Loss	105,870,150	Other Assets	4,973,081,638
Total	36,812,635,267	Total	36,812,635,267

DIVIDENDS: 1966 to 1971, 10 p.c. p.a. SHARES: E. 1,000 MEETINGS: May 27

BRANCHES: Angola 27; PORTUGAL METROPOLITAN 13. See "GEOGRAPHICAL INDEX"

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Jugoslavia

Mopping up operations

Monday's official announcement from Belgrade that a group of Croat extremists, which had crossed over into Yugoslavia earlier this month with the intention of starting a popular uprising, has been tracked down and destroyed ends three weeks of anxious speculation in Yugoslavia. The Yugoslav government's assurance that only two out of the original 19 terrorists are still at large, apparently trying to escape across the frontier, will be reassuring for many people outside Yugoslavia as well. So will the fact that the group was apparently operating alone, and not as part of a larger guerrilla army. An outbreak of serious guerrilla conflict in an ethnically heterogeneous state like Yugoslavia could easily push this strategically important country into full-scale civil war and, very likely, Soviet armed intervention.

Nevertheless, the fact that it took the Yugoslav troops three weeks to kill or capture these men—a group of wild ones calling themselves the Croat Revolutionary Brotherhood—must worry the authorities in Belgrade. So must the fact that the terrorists were able to inflict a number—so far undisclosed—of casualties on government troops. The Yugoslav leaders were clearly relieved by the lack of support which these would-be revolutionaries met in the predominantly Croat areas of Bosnia-Herzegovina where they had apparently hoped to stage their popular uprising. Quite clearly, they had misread the mood of the Croats, which certainly does not appear to be revolutionary.

But that could change, especially if the present seemingly endless series of purges and trials of students, intellectuals and party officials associated with the popular Croat leaders who were deposed by President Tito last December continues to give the impression that the government has got it in for all Croats, and not just Croat nationalists. Another bunch of guerrillas in a few months' time might then stand a better chance of holding out longer—with appalling consequences for everybody in Yugoslavia. Sophisticated arms and equipment which are now hurriedly being provided for the Yugoslav security forces will certainly help against this danger, but only if they are reinforced by moderate internal policies.



Everything's going Tanaka's way

Japan

Tanaka's flying start

FROM OUR TOKYO CORRESPONDENT

For Mr Kakuei Tanaka the first few weeks in office could hardly have been better. He has been invited to confer with President Nixon—and this time the rendezvous is to take place in Hawaii, roughly half-way between Tokyo and Washington. He has also received signals that he is welcome in Peking, although the details of a visit to China still have to be worked out. Even the opposition parties are playing ball.

Signs of a Chinese-Japanese rapprochement are now appearing at every turn. Early last week a Japanese Socialist leader, Mr Kozo Sasaki, reported that in a conversation he had with Mr Chou En-lai the Chinese leader had said that Mr Tanaka would be welcome for talks in Peking and that this should be regarded as an official invitation. A few days later the foreign minister, Mr Masayoshi Ohira, met two Chinese officials in Tokyo: the first on-the-record contact between Japanese and Chinese officials. This week the trade ministry approved the first export-import bank loan to China, and it was announced that a delegation from the China-Japan friendship association would pay a three-week visit to Japan next month. And, in addition to a troupe of international beauty contestants, the Japanese have also been playing host to a visiting Chinese ballet company.

The grand announcement of Mr Tanaka's visit to Peking is yet to come; the prime minister and his

advisers first want to be more sure of their footing. Before they start negotiating the conditions the Chinese will finally insist on as the price of normalising relations, officials in the foreign ministry want to eliminate—or at least greatly reduce—the previously essential role played by unofficial intermediaries like Mr Sasaki. The ministry also wants to lay the groundwork for Japan's retention of economic and cultural ties with Taiwan.

Taiwan is likely to take up much of the discussion on China at the meeting between Mr Nixon and Mr Tanaka on August 31st and September 1st. The Americans are still committed to defend Taiwan, and the front-line troops and planes they would need for that unlikely contingency are stationed on the Japanese island of Okinawa. But Mr Nixon and Mr Tanaka will no doubt want to range over the broad question of the power balance in east Asia, for both men will be assuming that the other will be in power over the next four years.

Sanctions against Rhodesia Still in action

Apart from the world of ballet, in which they excel, white Rhodesians are notable outside their own borders only in the world of sport. And if, as now seems likely, sanctions against Rhodesia fail to keep its sportsmen from the Olympics in Munich next month, all those many Rhodesians whose normal garb is blazer and shorts will feel especially pleased. But an invitation to Munich does not herald the general collapse of sanctions.

Two months after the publication of Lord Pearce's report on the acceptability of Sir Alec Douglas-Home's attempted settlement, there seems to be no detectable relaxation in the enforcement of sanctions. Britain has reported prima facie evidence of 170 breaches of sanctions to various governments over the past four years—which, incidentally, have led to only four prosecutions. But notification by Britain of such breaches has continued at much the same rate over the past two months as it did before, suggesting that sanctions are observed with about as much, or rather little, rigour as in the past.

Rhodesia is probably still able to export as much as, but no more than, it has been doing recently, which is very nearly as much as it exported in 1965. But its export earnings still constitute the main constraint on imports. So long as sanctions deny Rhodesia

access to the world's money markets and so to foreign capital it can still import only what it can pay for in cash. Since much of Rhodesia's capital equipment now needs replacing, the demand for foreign exchange is building up very heavily. The dearth of Scotch whisky reported in Salisbury's shops is reflected much more seriously in the scarcity of new tractors in the countryside and the shortage of new machinery in the factories.

Yet the war to intensify sanctions is not exactly being waged with vigour in London or at the United Nations in New York. The United States, which has been importing Rhodesian chrome under a Congressional amendment passed last autumn, has now also imported a shipment of nickel, for which there is no justification similar to that used over chrome, namely that strategic requirements demand it. But no protest has been made either by the UN or by Britain. The UN's Security Council sanctions committee met in May and made various proposals for strengthening sanctions, and the Commonwealth sanctions committee did likewise last month. But neither the General Assembly nor the Security Council as a whole has debated Rhodesia in the past two months. It now seems likely that this will not happen until September, when the Assembly next meets and when a China supposedly sympathetic to black Africa will preside over the Security Council for the first time. White Rhodesians may not fear this day, but it will be a reminder that their battle is not yet won.

Nigeria

Time to stop

The public execution in Nigeria on July 22nd of 14 men, convicted of armed robbery, brings the total to be shot by firing squad to 150 in the past two years. To counteract the crime wave that broke upon Nigeria at the end of the civil war in January, 1970, military tribunals were set up with power to sentence armed robbers to execution by firing squad. Most of the executions that have since taken place have been public, many of them deliberately held on a Saturday to draw the maximum number of people. Crowds of 30,000 are common, and sometimes—as in Ibadan in June, 1971—the audience has numbered 100,000.

There is no evidence to suggest that these public executions have had an appreciable deterrent effect on



Just one of 150

Nigeria's potential armed robbers: the crime wave, and the rate of execution, continue much as ever. The roots of the problem probably lie in a combination of unemployment and the postwar availability of weapons, coupled with disillusionment about unpunished corruption in military and government circles. Nigeria's military rulers have enhanced their stature abroad by their generally magnanimous treatment of the Biafran rebels. The continuation of public executions detracts from this high reputation.

Australia

The aborigines lose their tent

FROM OUR CANBERRA CORRESPONDENT

"The Aboriginal Embassy" is gone. On July 20th the Canberra police removed a few tents which had been standing on the lawns opposite parliament house for many months housing the aboriginal "diplomats." And a further attempt to put up the tents was frustrated by the police last Sunday. The government says it recognises that aborigines should have some visible presence in Canberra and is trying to provide space, but a Canberra court ruled that the "embassy," which was an embarrassing feature of Canberra for so long, had no legal right to its camping site. It was a symbol of aboriginal protest and its removal is being treated as symbolic too.

The aboriginal question in Australia, like the Indian question in the United

States, is that of the neglect of a small minority that has had little chance of putting its case and has not had an integrated case to put. Aborigines constitute less than 1 per cent of the Australian population and are grouped in three sorts of areas with different problems. A minority of fullbloods live in tribal conditions in the far north and the distant interior. A majority, of mixed blood, live on cattle stations and are fringe dwellers in outback towns. But a growing number of these have been coming to the cities, especially Sydney, to form an urban group whose members have begun to demand changes to give them equality with whites. Young Australians at universities, shocked at their parents' lack of concern for the aborigines, have taken up the cause with fervour. An alliance of urban aborigines and student radicals lay behind the "embassy."

There are too few aborigines for them to swing elections anywhere in Australia, but state governments could possibly lose some support for not showing increased interest in them. Responsibility is divided between the federal government in the Northern Territory and the state governments, especially those of Queensland and Western Australia. The federal government could take control of the whole aboriginal situation if it wished, but prefers to encourage the states with money and persuasion. Anyway, it is divided within itself about whether the aborigines should be merged into the general population as quickly as possible or whether special efforts should be made to preserve their culture.

The one issue on which public discussion has been sharply focused is that of land rights. Aboriginal leaders maintain that they should be given tenure of tribal lands and of other formerly tribal lands—some of them in the Northern Territory owned by big British companies—which are not now being actively developed. The official reply is that this cuts across the whole established system and that development would be impeded if aborigines could establish a claim on the basis of past occupancy. Active discrimination in such matters as drinking is disappearing, but the legacy of being despised and rejected for nearly 200 years lies heavily on the aborigines' shoulders. The whites are sympathetic in general terms but often impatient in particular cases. The "embassy" was an attempt to shame the politicians into taking bigger steps; its disappearance will not remove the sense of shame which many of them already feel.

The other guerrillas

How the others handle the gunmen

It is depressing to have to say that the IRA has been more successful than any other urban guerrilla group in recent years. That does not mean that it has much more hope than the Palestinian commandos or Uruguay's Tupamaros of achieving its final goals through violence. But it has shown an undeniable survival capacity; it has steadily increased the cost (in cash and in human lives) of maintaining order in the province of Northern Ireland; and it has sabotaged the prospects for a political settlement. Perhaps one of the greatest sources of strength of the Ulster gunmen has been the weakness, in military terms, of a democratic society that has to respond to the menace of organised violence.

In a functioning democracy, the government has to secure popular consent for the actions of the security forces, which sometimes means that effective measures have to wait upon a general mood of revulsion. After Belfast's "Bloody Friday," when nine people died and 130 were injured in a wave of bombings organised by the Provisionals, the climate in Britain—and even in some quarters of Dublin—has changed. Students of earlier urban terrorist campaigns may remember how the FLN bombings in the European sector of Algiers enabled General Massu to launch his tough clean-up operation in the Casbah in 1957; or how the slaughter of a trainload of innocent day-trippers by Venezuelan guerrillas in 1961 provided the pretext for the use of sweeping emergency powers by President Romulo Betancourt; or how the Baader-Meinhof group's merry month of bombing and killing in west Germany in May created a mood that allowed the police to mount massive search operations that led to the break-up of the terrorist cells.

Have we reached a similar stage in Northern Ireland? However Mr Heath finally decides to play his cards, it is worth examining the ways in which other governments have dealt with urban guerrillas to see whether we have something to learn from them. The strategy that Mr Willie Whitelaw was

sent to Belfast to apply was based on the first principle of all counter-insurgency operations: that victory hinges on isolating the rebel from his civilian supporters.

But it is very doubtful from past experience whether it is possible to isolate a terrorist organisation by purely political measures once it has already built up strength and established its grip over a section of the population. In most of the other countries where important terrorist movements have flourished over the past couple of years, governments have used quite a lot of force. In Uruguay, for example, the government of President Bordaberry has achieved some notable successes against the Tupamaro guerrillas since the army took charge of counter-insurgency operations and persuaded congress to declare a state of "internal war" early this year.

The Tupamaros have life in them yet. This week they bumped off Colonel Artigas Alvarez, the chief of civil defence and the brother of the man in charge of counter-guerrilla operations. But over the past months a galaxy of guerrilla leaders have been



They go hooded in Argentina too

rounded up, hostages have been freed from the "people's prison," the Tupamaros' underground medical service has been destroyed, and important caches of arms and supplies have been confiscated. According to the Uruguayan army's critics, the reason is simple enough: the army has not scrupled to use very rugged interrogation methods designed to make up for its initial lack of intelligence (which was compounded by the fact that the guerrillas had infiltrated the police) and to make mass arrests that pulled in liberal intellectuals along with marxist extremists. It is officially admitted that there are some 1,600 people in jail.

So at present Uruguay is saddled with yet another political crisis on top of its security problem, with the opposition attacking the army and a powerful group of officers attacking congress for mounting an inquiry into the death of a civilian under interrogation. Some people are even talking about the possibility of a "Brazilian solution" for Uruguay under a tough military man like General Gregorio Alvarez. So, wherever else they may have failed, Uruguay's urban guerrillas did succeed in dragging the security forces into politics for the first time since policemen staged a coup in 1933, and in provoking the kind of backlash that the late Carlos Marighella saw as the trigger for civil war. Maybe the only lesson we can learn from this is the danger of leaving effective action so late that a right-wing protest movement will have time to grow into just as serious a menace to democratic institutions as the terrorists who got the snowball rolling.

The problems of tiny Uruguay, marginal to the world economy and the balance of power, are relevant only as a disheartening example of the problems that can confront a liberal democracy with a declining economy that has to contend with a disciplined urban guerrilla movement. Some people will argue that the force of the backlash in Uruguay shows up the dangers of adopting a "tough" approach to urban terrorism. But the new vehemence of the Uruguayan army, like the new strength of the Protestant militants in Ulster, grew out of the failure of moderate governments to deal effectively with the problem of organised violence. Neither can be justified, but both could have been foreseen.

How have other governments tackled the military problems that confront the British army in Ulster? It is possible to single out four key issues: the border problem, the control of the



The first thing in Gaza was to open it up for the patrols

civil population, the legal framework, and intelligence-gathering.

The border problem. The importance of the IRA's sanctuary south of the border is hotly disputed, but there are said to be between 200 and 300 northern gunmen who are in the south for "rest and recreation." Since it is clearly impossible to seal off the border completely by physical means, the British Government has preferred to angle for greater co-operation with the security forces in the republic. The Israelis, faced with an even more serious border problem, opted for much more drastic methods. They laid electronic sensors and booby-traps along the west bank of the Jordan river and sent their patrols across the border into Jordanian territory when they were fired upon from the other side. Although the Israelis were able to claim by early last year that only one in five Palestinian raiders got back alive from a mission into Israel, they provided an additional deterrent to those who played host to the guerrillas by making retaliatory strikes over the border.

Population control. The Israelis' attempts to winkle the Arab terrorists of the Popular Front for the Liberation of Palestine (PFLP) out of the crowded ghettos of the Gaza Strip were based on two principles: tight control of the movement of population, and collective punishment. They drove wide roads through the Gaza refugee camps in place of narrow alleyways where only one man could walk,

making them easier to police. They enforced night curfews and sealed off areas containing as many as 27,000 people (the Shati camp) or 40,000 (the Jabaliya camp) in order to make thorough searches lasting for several weeks. The second part of their policy, collective punishment, involved the destruction of houses used by the terrorists. It is a method that inspires some unsettling memories, and it is arguable that its long-term effect is to unite a minority group in resistance to the authorities.

The legal framework. A lot of emotion has been expended over the introduction of internment in Northern Ireland, but most governments have been prepared to accept that you cannot deal with urban guerrillas as you deal with (say) shoplifters. Unless the security forces are allowed to exercise some exceptional powers, society is exposed to the risk that dangerous gunmen will be immune to punishment because of the lack of evidence or the intimidation of witnesses.

Intelligence-gathering is in a way the whole art of counter-insurgency. The British displayed themselves in colonial situations as the masters of "exotic" methods of intelligence-gathering: the use of double agents, informers, and counter-gangs. In Malaya, they also proved the effectiveness of a proper "rewards system" and of a very flexible approach to defectors. Rehabilitated terrorists often make the best intelligence sources. But in the absence of sufficient inside sources pro-

viding tactical intelligence about the movements and location of the terrorist cells, the security forces are obliged to resort to less selective and politically more unpopular devices: large-scale search operations, mass arrests, and detailed interrogation of prisoners.

In west Germany, these methods led to the destruction of the Baader-Meinhof group, but through a series of events that at first seemed entirely fortuitous: a policeman would flag down a speeding car that turned out to contain two young terrorists, for example. In Brazil and other Latin American situations, the use of torture as a means of interrogation and regular mass arrests have probably injured as many innocent civilians as genuine guerrillas, although in Brazil the successes of the security forces have forced the remaining terrorists to go underground or migrate to the jungle.

If there is one lesson from the experience of other countries in handling urban guerrillas, it is that it is totally wrongheaded to march out with a shopping list of military techniques and try to apply them mechanically. How can you compare Ulster and Brazil, or west Germany and Israel? But there are two general points that can be made. The first is that the problem is fundamentally political. The real battle is for minds, and government response to a terrorist campaign must be geared both to the state of public opinion and to a painstaking evaluation of the real nature of the threat.

The second point may seem to contradict the first. It is that there is not always a political solution for the problem of organised violence. How many contemporary urban guerrilla groups really reflect the just grievances of oppressed minorities—or that entity of platonic abstraction, "the people," in whose name they so often profess to act? The weakness of most urban guerrilla groups has stemmed from their isolation as predominantly middle-class rebels inspired by a half-digested theory of global revolution, without allies in the major left-wing parties or the union movements. At least in western societies, they have to be dealt with as armed gangs, not as partners in a political dialogue. Even where, as in Northern Ireland, a terrorist group has managed to find roots in genuine grievances, it must be remembered that a guerrilla movement has its own character and serves its own ends. It is not just a symptom of a social malaise that will miraculously fade away when the government administers a soothing lotion.

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THE WORLD*American Survey***Agnew stays, but what about Kissinger?**

Washington, DC

Mr Nixon, when he had to choose the Republican nominee for the Vice Presidency in 1968, presumably felt comfortable in considering first the kind of election campaign he wanted to wage, secondly the need for a subordinate compatible with himself and only thirdly and lastly the implications (at that time fairly remote) for the succession to the Presidency. He chose Mr Spiro Agnew. Their 1968 campaign succeeded, though it was a close call. Vice President Agnew has served President Nixon well, and Mr Nixon has decided to choose him again.

Mr Nixon, who was Vice President as long as anybody, himself had to face some contention and dispute when the question of his renomination came up in 1956. This was because the age and medical record of the then President, Mr Eisenhower, made it seem more than normally likely that the Vice President might succeed to the highest office through the President's death.

President Eisenhower lived through his second term and well beyond it. Re-election as Vice President did, however, make Mr Nixon practically unchallengeable as candidate for the Republican presidential nomination four years later. This time there are no particular facts of age or health to cast doubt on Mr Nixon's survival through a second term. But what about the national leadership in 1976, when Mr Nixon will be disqualified from succeeding himself? Renomination this year gives Mr Agnew an excellent chance of the Republican nomination for President. That he is interested in seeking the Presidency there is no doubt: he said in an interview not three weeks ago that it would be "rather ridiculous to seek re-election as Vice President" if he were not. At 53, Mr Agnew is full of health and vigour and not empty of ambition.

It is this train of thought that makes some Republicans, particularly those of the moderate or liberal kind, feel that the choice of Mr Agnew for a second term is some concern of theirs. Whatever Mr Agnew's inner feelings or convictions, and whether from his own choice or not, he has taken on the role of conservative champion in the Republican ranks. He has performed eloquently in that role, with what looks very like enthusiasm, denouncing the young, the intellectuals, the press, the dissenters and the unconventional with great dash and attack.

In adopting him out of deference to the President, are the Republicans committing their party to a future right-wing course, not only in political but also in cultural and sumptuary questions, and cutting themselves off from the young? Considerations of this kind caused liberal Republicans such as a Senator Javits of New York and Senator Saxbe of Ohio to urge the President to think twice before selecting Mr Agnew again. But their pleas only decided him to make his choice known early, to put a stop to contention, and

thus to deprive the Republican national convention of what little suspense it might have had.

Half a dozen Republicans had been briefly talked about as alternatives should the President decide against keeping Mr Agnew on. But the only name around which speculation revolved persistently was that of a Democratic politician, the former governor of Texas, Mr John Connally. The only time Mr Agnew let himself show feeling about the future of the Vice Presidency was at a news conference in May, when somebody asked him what he thought of Mr Connally taking his place. He answered that he did not see "how anyone can seriously believe" that a man who was a registered Democrat in May could be the Republican nominee for Vice President in August. Mr Agnew, as it turned out, was right, but the idea that Mr Connally has a future in Republican politics is still very much alive.

On two occasions, in 1960 and 1968, Mr Connally played some part in denying to President Nixon the presidential electoral vote of Texas. To the general surprise he joined the Nixon cabinet early last year as Secretary of the Treasury. His 15 spectacular months in the post brought complete reversals of home and foreign economic policy and earned him some signal marks of Mr Nixon's rarely-bestowed friendship. Many people supposed that if Mr



Kissinger seems unworried as Nixon turns to Connally

Nixon were worried about carrying Texas this year he might adopt Mr Connally as vice-presidential candidate. Mr Connally never showed any public sign of expecting this himself. How much hold he still has over the voters of Texas is not entirely clear but is not likely to be tested so long as Governor George Wallace does not re-enter the campaign as an independent candidate. His call on Texan money, in case the President's campaign needs any, is still strong.

Mr Connally got back from a world-wide tour on the President's behalf in time to denounce Senator McGovern's policies when the Democratic convention ended. The President had him to dinner on July 22nd to tell him of the announcement about Mr Agnew to be made on July 23rd. Last Sunday, the 24th, Mr Connally spoke on television of his willingness to help in Mr Nixon's re-election: he was talking to Democrats around the country, he said, and a "Democrats for Nixon" organisation might result.

Mr Connally is not ready to turn Republican yet and insisted that he was interested in the Nixon-Agnew campaign alone: his organisation would do nothing to get Republicans elected to Congress, but would spend its money on teaching voters how to split their tickets—that is, vote for a Republican President and Vice President and elect Democrats to lesser offices. Thus his eventual political intentions remain ambiguous, but his attachment to President Nixon does not.

Mr Connally is 55, gifted, energetic, ambitious and strong-willed. What he had in mind when he left the Treasury in May remains mysterious. But the likelihood that Mr Nixon (assuming his re-election) will want Mr Connally back is great. Since he is not to be Vice President, he might come back as Secretary of State. The trouble with that idea is that Mr Connally would be temperamentally incapable of being anything but a strong Secretary of State. With him in charge of it the decline of the State Department would be arrested and indeed reversed, but this would involve a large change in President Nixon's method of conducting foreign policy.

The personality of the President's assistant for national security affairs, Dr Henry Kissinger, is one reason why the foreign policy of the Nixon Administration is managed in the particular way it is. Dr Kissinger does not like to share responsibility, his intellectual grasp and his capacity for

Nasty shock for McGovern

Senator McGovern must by now be wishing that he had done at Miami Beach what Mr Adlai Stevenson did at Chicago in 1956 and left the Democratic convention a free choice of the vice-presidential candidate. The choice of Senator Thomas Eagleton has become a grave embarrassment; it certainly seems to have been made without a full knowledge of the facts. Senator McGovern's staff lacked the time, it is said, to vet all the vice-presidential possibilities.

Mr Eagleton, with Mr McGovern at his side, disclosed on Tuesday that he had had three spells in hospitals between 1960 and 1966 for psychiatric care, including on two of the occasions electric shock treatment for "nervous exhaustion and fatigue and the manifestations of depression."

Americans resort to the psychiatrist more freely and with less embarrassment than do probably any other people and they have been told more often than most people to think of mental illness as simply a kind of illness. Some Americans may accept this as a sufficient explanation, but many others are unlikely to do so—and the ticket is going to suffer badly.

Electric shock treatment was used more indiscriminately 10 years ago than it is today, but even then first-class doctors, such as Mr Eagleton had, would not have used it for anything less than a severely depressed condition.

Mr Eagleton claimed that he was fully restored and had been perfectly all right since 1966 and the observation of people who know him, including political associates and opponents in his state of Missouri, support him in this. No reason exists for supposing that he is not fully fit now and Mr McGovern, once he had been told the

Washington, DC facts, declared him "fully qualified in mind, body and spirit" to be Vice President and, if necessary, President.

All the same, when Mr McGovern asked Mr Eagleton to be his candidate for the Vice Presidency he also asked if there were any problems in Mr Eagleton's past that were worth talking about and Mr Eagleton said there were not. The facts came out when an anonymous caller telephoned the Detroit Free Press (a newspaper which belongs to the Knight chain) claiming to be worried that the Republicans might make use of them.

Mr Eagleton has admitted to reporters that the fear of having his medical history known had nagged at him for years. He and his wife, he added, had decided that if he were selected for the vice-presidential nomination a spontaneous disclosure would be best.

But he failed to make it. A forced disclosure was the result. That done, Mr McGovern and his campaign advisers had to wait to observe the impact. They did not want to drop Mr Eagleton from the ticket, but it could still be done. In that event the Democratic national committee would have to be called together to select a new nominee in Mr Eagleton's place. That would be a fresh test of the effect of the current party reforms.

By Thursday the impact was visibly both greater and more adverse than Mr McGovern can have expected. A new allegation also became public—that Mr Eagleton had a history of drunken and reckless driving in Missouri in the 1960s. Mr Eagleton will have damaged the coming McGovern campaign whether he withdraws or stays a candidate, but it had become evident that he would do less harm by withdrawing.



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work are quite unusual and his confidence in his own judgment is exceptionally solid. Mr Nixon's confidence in Dr Kissinger's judgment appears to be no less than Dr Kissinger's own, or the President would hardly have allowed the control of what he considers the most important aspects of foreign policy to be so rigidly centralised in Dr Kissinger's hands.

Still, the elevation of the National Security Council's staff, and the consequent continuous seepage of control away from the State Department, does also flow naturally enough from Mr Nixon's view of the Presidency and of foreign affairs. The management of subjects that Mr Nixon cares deeply about has to be orderly and visibly systematic. He cares most deeply about foreign affairs. But his interest is not a general interest in foreign peoples, economies, societies or cultures; it is concentrated on the limited areas of foreign policy that involve global strategy and the greatest powers. It is these areas that have been made the monopoly of the National Security Council's staff. They are also the areas in which Mr Nixon wanted to make changes, notably the new China policy and the overtures to the Soviet Union. Dr Kissinger's staff is the agent of change, while the State Department is the repository of continuity in foreign relations.

Things go wrong under this system when a subject which has been thought to be marginal turns out to involve global strategy (as it did in Bangladesh), or sometimes when the President's desire for a spectacular, surprising, perhaps sudden result causes the need for consultation and explanation to be neglected, as it did when he decided to go to Peking. The State Department and the foreign service contain most of the officials who could save things from going wrong in those ways, and it is bitter for them to be bypassed and ignored as they are.

The thought of Mr Connally as Secretary of State putting up with this kind of thing, as Mr William Rogers patiently does, is as unlikely as the thought of Dr Kissinger leaving relations with Moscow or Peking to Mr Connally. One or other would have to go. A decision to bring Mr Connally to the State Department would be, in effect, a decision to conduct foreign policy in a different way. There is no sign that President Nixon is thinking of any such thing. December and January, when (and if) he is assured of his second term, would be the natural time for him to consider changes.

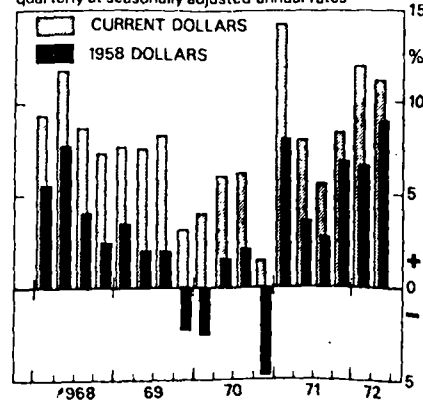
Glorious growth

This has been a joyful week for the President and his economic advisers. The good news came pouring in, after years of doubt and hope. In real terms the gross national product rose by 8.9 per cent in the second quarter (at seasonally adjusted annual rates), the biggest expansion in over six years. Revised figures also show that economic growth in the preceding two quarters had been faster than had been reported. Moreover, in June the consumers' price index went up by only 0.1 per cent and stood only 2.9 per cent above the level a year earlier. Not since 1967 have prices risen by less than 3 per cent in a full year.

Real earnings of the average family were 4 per cent higher than they had been a year earlier, the biggest June-to-June rise on record. People are saving less and spending more, which is good news for the shops and factories. Profits are looking bright. Mr Herbert Stein, the chairman of the President's Council of Economic Advisers, called the figures on the gnp and on prices "the best combination of economic numbers to be released on any one day in a decade—I won't say in the Christian era," he said, poking gentle fun at Mr Nixon's fondness for hyperbole.

The growth in incomes and numbers of jobs has benefited the budget for the fiscal year 1972 which ended on June 30th. Receipts, from both corporate and individual taxpayers, were higher than expected and the budget deficit—the fourth of an Administration dedicated to fiscal prudence—some \$3 billion less at \$23 billion. But there the good news ran out abruptly. The Secretary of the Treasury, Mr Shultz, pointed out that the budget for the new fiscal year, 1973, could be well above the estimated \$27 billion; some analysts talk of \$30

Percentage changes in GNP
quarterly at seasonally adjusted annual rates



billion to \$40 billion. The executive departments are now being shorn mercilessly by the head of the Office of Management and Budget, Mr Caspar Weinberger. But it is Congress which worries Mr Nixon and on Wednesday, in a special message, he called on it to fix a ceiling on expenditures of \$250 billion. If it persisted in spending which was damaging to the economic interests of Americans, he promised to meet its extravagance with presidential vetoes.

Monetary good will

Washington, DC

The decision of the central bank, the Federal Reserve System, to intervene in the foreign exchange markets for the first time in the postwar period has primarily symbolic importance. The United States has not become like all other countries, with the obligation to defend its own currency's exchange rate and lose reserves in doing so. That could come in a new world monetary system, but it is not the case yet, as the Treasury was at pains to point out after the fact of the Federal Reserve's sale of German marks last week became known. Intervention will be only to combat "speculation" and thus help, in that sense, to preserve existing exchange rates.

But the symbolism involved has some real importance. Above all, it is a signal by Mr Arthur Burns, the chairman of the Federal Reserve Board, that the United States wants to show at least the spirit of co-operation in maintaining an orderly monetary world during the long transition period between the Smithsonian agreement on exchange rates and negotiation of a new set of monetary rules. This was the spirit that Mr John Connally, the former Secretary of the Treasury, more or less explicitly rejected, for reasons that were not based on simple nationalism.

Mr Connally and Mr Paul Volcker, the Treasury Under Secretary, have felt that monetary reform stood no real chance of success unless other nations came to grips intellectually with the real problem, as they saw and see it—namely, that the world must again tolerate a very large American trade surplus and that other nations must understand the consequences of this for the future course of currency exchange rates, including probable periodic upward revaluations of strong currencies. The two men have felt

that symbolic gestures of co-operation would only paper over the cracks.

Mr Burns, supported by most bankers, felt otherwise. It was he who played a major part last November in persuading President Nixon to overrule Mr Connally and accept a symbolic increase in the price of gold in order to help win international agreement on a new set of exchange rates. Now Mr Burns has clearly taken the lead in a new American gesture at a time when, in fact, the United States did not have to do anything. The dilemmas—to take in more dollars, to float upward or to impose more controls—were all the problems of other countries and the United States seemed to have nothing to lose by keeping quiet and doing nothing.

Now the gesture has occurred. Its longer-run significance remains in doubt, in monetary terms, but the important point may be that the President approved it and so did Mr George Shultz, the new Secretary of the Treasury—and that it was backed by the reactivation of the Fed's swap network (see page 74). Whether a better monetary world is to be built upon gestures is debatable, but at least the United States—in the words of one private banker—has "rejoined the human race."

Labour's divided

Mr George Meany, head of the big trade union federation, succeeded last week in pledging its executive council to strict impartiality in the race between President Nixon and Senator McGovern. But he succeeded only by demanding a vote of confidence in his leadership and by agreeing that, once he had it, individual trade unions could endorse whom they pleased.

Already several unions which are members of the federation have declared for Mr McGovern and during the next month or two many more are likely to fall in line formally, not only because many trade unionists detest Mr Nixon, but also because their leaders and members do not share Mr Meany's passionate support for the Vietnam war or his alarm over Senator McGovern's intention of cutting spending on defence. The machinists, the third largest trade union, are virtually pledged to Mr McGovern; so are the communication workers. Even the steelworkers are in some doubt although their president, Mr I. W. Abel, attacked Mr McGovern and his record viciously at the Democratic convention, saying that ordinary working Americans were



Fitzsimmons repays his debts

sick and tired of hypocritical candidates "who tell us they're for the workers and then turn around and vote for right-to-work [anti-union] laws and against minimum wage programmes." This probably helped to bring Senator McGovern hot-foot from South Dakota to vote for a higher minimum wage than Mr Nixon wants. But his record as a whole is notably pro-labour and some strong voices are being raised for him inside the steelworkers' union. Outside the federation Mr Leonard Woodcock of the big automobile workers' union is trying to set up a fund-raising organisation for the Senator, although it cannot hope to rival the funds of Mr Meany's Committee for Political Education.

Thoughtful trade unionists fear that Mr Meany has not only damaged his own reputation but has splintered labour unity so badly that it will take years to mend. Mr Nixon is assiduously widening the cracks, as, indeed, he has been doing for years with his wooing of the "law and order" unions—those of the police and firemen—and of workers in the maritime and dock unions by his support for a larger merchant marine. The unions in the building trades also lean his way. But the largest juicy plum fell into his lap last week when the biggest union of all, the independent Brotherhood of Teamsters, endorsed him as labour's true friend and a man of "vision and experience."

Many people saw a blatant bargain with the teamsters when the White House, in turn, announced that it was no longer pressing for early passage of controversial new legislation to deal with damaging strikes in the transport industries, since Congress seemed disinclined to approve it in the time left this year. But the wooing of the teamsters' president, Mr Fitzsimmons, is of long standing; he even obtained the

release of his former leader, Mr James Hoffa, from prison and he has enjoyed many White House favours.

Nobody, not even Mr Meany, pretends that trade unions can control how their members vote. If they could, there would certainly not have been the outpouring of votes that there has been in the primaries—the intraparty nominating elections—for Governor George Wallace, the unions' bete noire. But in this example there may not be much consolation for Senator McGovern; many of those Wallace votes seem likely to fall to Mr Nixon.

Safe at any speed?

It was only a small defect in the shoulder belts but the Ford Motor Company offered to check 4m cars for this fault rather than risk any bad publicity from Mr Ralph Nader and the crusaders for safety on the roads. Ford is in good company. The General Motors Corporation has already called back its small car, the Vega, three times this year—once for defects in the fuel and exhaust system, once for trouble with the carburettor and once for faults in the rear axle. The Chrysler Corporation has ordered repairs to be done on 100,000 of its cars. In all 11m cars have been called in for repairs in the past 12 months, a figure which makes many people highly suspicious of the standards of efficiency in the industry. But Mr Nader has had his setbacks too. Last week the Department of Transportation released a painstaking study which claims that, contrary to the allegations of Mr Nader which hit the headlines in the mid 1960s, the Corvair car made by the General Motors Corporation was at least as stable as other models of the same period. It was as a result of Mr Nader's insistence that the Corvair was both unstable and unsafe that GM discontinued the model.

Some people are now beginning to wonder how much the public actually benefits from these free repairs known as recalls. They make the roads only marginally safer; mechanical failures account for a small fraction of the 55,000 deaths on the roads each year. Some people dispute the theory that calling back cars helps to keep the owners' bills down and the customers happy. A large number of motorists ignore the manufacturers' offers to put defects right and it is argued that it is the owner who is out of pocket in the long run because the makers of cars just add the cost of recalls into their prices. A Senate committee plans hear-

ings to throw light on the matter.

One thing is certain: it is the customer who will have to pay the price for safety on the roads. For example, the stronger bumpers, able to resist a collision at 5 mph, which may be required by law after July, 1973, are supposed to save car owners both the cost of repairs and a certain amount on their insurance premiums. But those new bumpers with which the manufacturers have already fitted many of next year's models may cost a buyer an extra \$100 or more.

Car manufacturers also claim that the air bag, a controversial device which is meant to inflate immediately on heavy impact, providing a cushion between those in the front seat and the windscreen, will be very expensive to install and may not be all that effective. They may push up car prices by about \$300 apiece.

Suspect police

FROM A CORRESPONDENT IN CHICAGO

Within the past few months, there have been many charges of brutal treatment of black people by the Chicago police. In that city, however, these abuses of authority were considered to be fairly normal for a force of 13,000. But Chicagoans were startled out of their usual lethargy recently when it was revealed that five or more policemen were under investigation for involvement in the murders of seven black men shot to death last winter.

All seven were killed in the same fashion: they had bullet wounds in the head and their bodies had been dumped in the Chicago river or the Sanitary and Ship canal on the city's southern outskirts. Most of the victims were relatively wealthy, drove expensive motor cars and had been known to be carrying large sums of cash. By mid-June, reports circulated around police headquarters that the victims had been pushers of heroin and other narcotics and that they had been killed—or at least some of them had—because they had threatened to stop paying bribes to the police to avoid arrest and prosecution.

The first official confirmation came when the Superintendent of Police, Mr James Conlisk, conceded that four officers, all, it seems, black men, were balking under questioning. He said that they would be suspended if they failed to co-operate. Even more of a sensation was created when another top police official disclosed that a sergeant implicated in the investigation was mis-



Will Conlisk follow his leader?

sing, amid reports that he had been seen entering a car at pistol-point. However, a few days later the police said that the "kidnapped" sergeant had telephoned in the report of his abduction and taken it on the lam. Two other police officers were recently jailed indefinitely when they refused to answer a grand jury's questions.

Mayor Richard Daley, at a press conference, was as firm as a mayor could be in backing Mr Conlisk. But Chicagoans wondered whether the "bad old days" had not perhaps returned and whether a new superintendent of police was in the offing. Mr Conlisk was appointed in 1967 to succeed a noted reformer, Mr Orlando Wilson, with whom he had worked in cleaning up the department. One reason for the periodic scandals was that local politicians had the power to veto officers chosen to command police headquarters in their districts.

After the "Summerdale scandals" in 1960, when a ring of policemen was found to be abetting burglaries, Mr Wilson, an austere former policeman who had become dean of criminology at the University of California's branch at Berkeley, was brought in. He stood the force on its head, retired many beefy old-timers growing rich on graft, improved recruitment and training and insisted on professionalism. But he came up against the politicians and went back to Berkeley. Political influence returned to the police force in spite of Mr Conlisk's efforts to keep it out. Recruits once again needed political sponsorship (which often meant paying for an appointment). Standards and morale fell. Recently eight policemen were indicted for extortion, two of them have been convicted. Respect for the police has almost disappeared.

Commercial space

How practical it is is anybody's guess, but an earth-mapping, resource-photographing satellite has been put into orbit by the National Aeronautics and Space Administration. The Earth Resources Technology Satellite (ERTS) circles the globe every 103 minutes, taking photographs with its three television cameras and devices for sensing temperature and radiation. Its range and orbit are such that as the earth turns it will scan the entire surface of the planet, apart from the extreme polar regions, every 18 days. Because the photographs produced by ERTS may contain commercially valuable information, Nasa is for the first time making them available to the general public at the same time as to the scientists involved in the project.

Sceptics say that a satellite costing \$78m is an inefficient and expensive way of collecting generalised data and that high-flying camera-carrying aircraft, working toward specific objectives, are a better buy. But ERTS is popular with Congress and the enthusiasm of its backers, the Department of the Interior chief among them, is almost unbounded.

Because the satellite will photograph the same areas repeatedly, it will record the variations caused by the seasons, by changes of temperature, by the melting of ice and by the movement of wild animals, crop diseases and pests. It may even be of some use in census-taking, in so far as it can show alterations in the use of land from residential to commercial and from agricultural to industrial. Its spying potential is negligible—it cannot see objects smaller than 300 feet in width.

That even the clean-cut all-American boys within Nasa are not immune from desire for money has been demonstrated once again with the scandal of the Apollo-15 astronauts. The crew of three, acting without permission, took about 600 stamped envelopes to the moon and back last July. The journey added about \$1,500 to the value of each letter, to judge from the prices paid for some which were sold in Europe. The astronauts confessed that they had expected to be compensated in the form of trust funds for their children but also said that they had changed their minds, even before the story was made public. Such trouble is endemic at Nasa, which may forbid future astronauts to carry personal belongings on the last moon flight.

Books

Social arithmetic

TRENDS IN BRITISH SOCIETY
SINCE 1900

Edited by A. H. Halsey.
Macmillan. 604 pages. £4.95.

One kind of trend-hunting—making absolute comparisons between then and now—makes for heady reading: since 1900, the British have become larger, longer-lived, richer, more extensively educated, more leisured and have acquired a clutter of televisions and fridges and cars. Or rather, they have been replaced by other larger, richer Britons who spend longer at school and leisure, run cars and watch television. Society is not immortal; its continued, if changing, existence is a convenient linguistic convention.

Is it more of an entity at one moment in time? Social scientists measure "cohesion" in a society, by which they usually mean conformity or uniformity. The other kind of trends that are picked out by Messrs Halsey and company, along with innumerable other social statisticians, show not the changes in society as a lump—the progress of the average Briton, so to speak—but rather the expansion or contraction in the distance between the two extreme Britons: the best-off and the worst-off. This is a familiar tool for demolishing complacency, used in this book to great effect. Figures for declining infant mortality are punctured by statistics which show persistent class differences in mortality rates; statistics of expanding higher education by those which show how class representation at university has become even more unbalanced; accounts of increasing affluence by figures that show how the share of the nation's wealth held by the richest 1 per cent had only declined from 65.5 per cent in 1911-12 to 42 per cent in 1951-56.

This is an entirely legitimate method. It does not always tell a regressive or, at best, neutral story. In their chapter on the economic environment, for example, Messrs Bacon, Bain and Pimlott demonstrate a marked redistribution of after-tax incomes in the middle years of the twentieth century. But it can be misleading. It is no sur-

prise that taxes on wealth do not greatly affect the distribution of wealth, because the money is taken from Peter, not to put capital in the hands of Paul, but to put income in the hands of the Exchequer. That does not mean that the taxes are not biting. One can quarrel more fiercely with the contention that class representation at university is more unbalanced than ever, and not just because this is still consistent, as Messrs Halsey, Sheehan and Vaizey fairly point out, with a marked improvement in a working-class child's chances of getting to university. Other authors, notably in the Fabian society's recent "Labour and Equality," have demonstrated convincingly that class representation has become more equal. It is more than right to emphasise the continuing class difference in infant mortality, but the absolute reductions at both top and bottom do modify the significance of this. The range between the top and the bottom shrank from over 40 deaths per 1,000 births in 1921-23 to 8 in 1964-65.

The authors do not, to be fair, wed themselves to the comparative approach. The bulk of this book consists of tabulations from which one can draw one's own conclusions. It is a formidable and valuable collection, bare of such frills as graphic representation. There is not a pie chart to be seen. The economy, welfare and education are covered at some length, but it is, ironically, these basic chapters that are the least satisfactory, for no other reason than that they cover familiar terrain which has been frequently worked over at a higher level of sophistication. In the chapter on the economy the authors eschew Lorenz curves, for example, in the interests of simplicity and brevity, contenting themselves with providing a bibliography (which was, incidentally, compiled too soon to include a highly technical and useful study, "The Distribution of Personal Income in the United Kingdom, 1949-63" from Cambridge University Press, £4.60).

In his introduction, Dr Halsey lists the "functional prerequisites" of society as five institutional systems: of production, reproduction, authority and power, ritual and communication.

By far the best part of this book deals, curiously, with reproduction and ritual—in the chapter on population, which is ample and satisfying, but also in the chapters on crime, immigration and Dr Halsey's own short chapter on leisure. But by far the best is on religion. The range of the copious statistics is unique. They are manipulated with skill and interpreted with intelligence. From this chapter one can discover not only the predictable difference between Northern Ireland and the rest of the United Kingdom (in Ulster the proportion of marriages which are celebrated in church has actually increased this century to about 96 per cent of all marriages in 1967; in England the figure had by then fallen to 66 per cent and even in Scotland to 75 per cent). But Messrs Currie and Gilbert also quantify the extraordinary recovery of the Church of Scotland. While Church of England communicants declined from 2.4m in 1926 to 1.9m in 1966, Church of Scotland communicants increased from 762,000 to 1.2m. The authors discuss the connection with nationalism; point out that there has been no comparable upsurge in Wales; discuss surprising latent similarities (in England) between the trends in Protestant and Catholic allegiances; cover the rise in minor churches and estimate "densities" of worship. That is the stuff that raises this book above the status of a useful compendium of standard social arithmetic.

The last of the galaxy

THE POUND ERA

By Hugh Kenner.
Faber. 620 pages. £8.50.

It is notoriously difficult to recognise degrees of pre-eminence among one's near-contemporaries. We talk now of the age of Donne, a label that would have seemed bizarre to Ben Jonson. Will "The Pound Era" seem an appropriate designation, 50 or a 100 years hence, for the epoch we think of as "modern"? Mr Kenner's brilliantly written book establishes an excellent case for supposing the answer to be "Yes." Even if he had not devoted the major part of his study to demonstrating and elucidating Ezra Pound's achievement as a poet, the dominance of this extraordinary man asserts itself in the sheer energy of his association with other experimental, innovating artists of his time. And not only writers; Gaudier-Brzeska and Wyndham Lewis, besides Eliot and Joyce, appear as significant figures.

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VOL. 1, No. 4 Summer 1972

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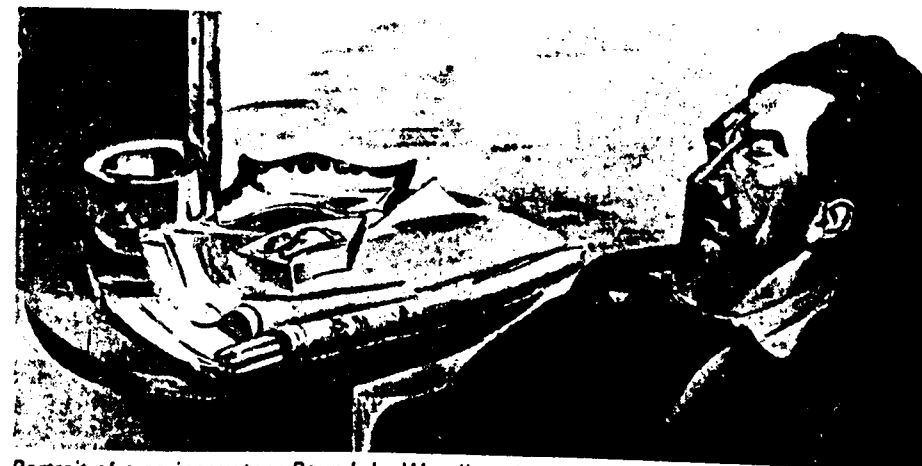
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Portrait of a co-innovator: Pound, by Wyndham Lewis

All of them were young at a time of intellectual ferment. The principle of relativity was in the process of being established; philologists were proclaiming the organic nature of language; ancient artefacts of extreme beauty were being disclosed by archaeologists, and objects of primitive art by anthropologists. Freud was opening up the psychopathology of everyday life. In "Ulysses," in "The Waste Land," as in "The Cantos," one sees how the minds of their receptive and sensitive makers responded to the innumerable stimuli.

Pound's capacious intellect, less scholastic than Joyce's or Eliot's, was equally apt to assimilate impressions and notions. He was not, to start with, particularly eccentric. Mr Kenner points out that plenty of other people at the beginning of this century were interested in Dante and his precursors, in Provençal poetry, in Italian quattrocento art. The impact of Fenollosa is very fully explored, and the fascination of the Chinese ideogram expounded in much detail. Why Pound took so readily to the ideas of Major Douglas is also made plain. A chronological scheme underpins Mr Kenner's wide-ranging survey, and he does not ignore biographical facts—such as Eliot's first marriage or Pound's incarcerations—that bear on works of art.

At the very end of the book (which contains many valuable illustrations) there is a shadowy photograph of Ezra Pound in old age, the one survivor of the galaxy. His leonine head is inclined forward, as if in profound thought. Whatever his follies during the fascist years, it is the head of a sage. The chances are that, with expositors like Hugh Kenner and Christine Brooke-Rose and many another, the idiosyncratic "Cantos" will eventually become no more impenetrable than "Ulysses."

Chinatowns

CHINA AND THE OVERSEAS CHINESE

By Stephen Fitzgerald.
Cambridge University Press. 280
pages. £5.90.

After Gestapu—that thwarted, sinister-sounding coup in Djakarta in 1965, which led to the fall of Sukarno—it was alleged that 250,000 Chinese in Indonesia perished in provincial pogroms. The epidemic of cruelty spread from germs of jealousy and fear. After the establishment of People's China, newly independent south-east Asian governments—socialist Burma as much as the capitalist Philippines—took Peking's radio broadcasters at their belligerent word. They feared that the overseas Chinese (whose labour supported these governments' exchequers) would become China's fifth column for future aggression.

Dr Fitzgerald considers whether the domestic evidence from the Chinese side confirms these apprehensions; he concludes (with several buts) that it does not. On the contrary, he believes that the overseas Chinese, especially the ones who have gone home (with their bourgeois standards), have been an embarrassment to Peking, even if remittances from those who have stayed put have been worth having. He has researched a long list of communist publications, and has been to China, but still does not escape the debt for materials, incurred by most writers, to the American consulate-general in Hongkong. He shows that Mao did continue Chiang's possessive ("colonialist") attitude to the overseas Chinese at first. The change came in about 1955 with such developments as dual-nationality negotiations with Indonesia at the time of Bandung. Dr Fitzgerald attributes it to a sincere wish

to "decolonise" the overseas Chinese rather than to the Khrushchev international line; but subversion, after all, is the art of the possible.

In the event, there has been no apparent fifth-column activity. But then there has been no war. Treatment here of the nearest thing to a war, the Malayan emergency, is skimpy. There is, for instance, no mention of the late Mr Tan Kah Kee or his Singapore newspaper, which was suppressed. So, too, the treatment of the Cultural Revolution demonstrations in Macao and Hongkong is scanty and occasionally naive. This book is not a survey of available knowledge on its subject, but rather a student's thesis on limited if reliable sources. It lacks maturity of presentation and judgment. Yet its grand format is modelled on the Harvard East Asian Series from the other Cambridge.

Hurd without Osmond

TRUTH GAME

By Douglas Hurd.
Collins. 254 pages. £1.50.

Douglas Hurd is Mr Heath's 42-year-old political secretary at Downing Street, now the prospective candidate for a safe Conservative

seat, and a very probable future British cabinet minister. With Andrew Osmond, formerly of Private Eye, he was also the author of three light-hearted, deliberately quick-moving, but in a subtle way very sophisticated "political thrillers" about imagined future crises in Rhodesia, Hongkong and Scottish nationalism. This is Mr Hurd's first solo venture in the genre.

"Truth Game" is the story of how a Conservative government is defeated in a future general election because it is inveigled unwillingly, at just the wrong moment, into sending British troops unsuccessfully to try to fulfil Britain's treaty obligations to Dr Lall, the Indian and capitalist president of the Indo-Arab island of Rajnaya, who is overthrown in a bloody coup d'état by the Cambridge-educated Johnnie Revani, an Arab and a revolutionary. The unfashionable feature of the story is that Dr Lall, although not always a strong character, is thoroughly decent, democratically elected, and has built up his country's prosperity with great devotion, honesty and good sense. But the bloodthirsty Revani is made to appear the more liberal to the British public by the great inanity (and small corruption) among trendy British lefties,



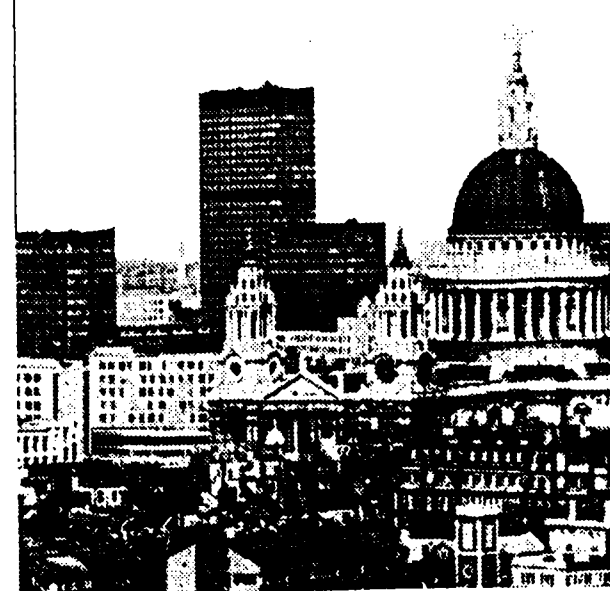
Hurd: his own thing

by television and newspaper reporters of the "study-in-depth" type who are out for a good story, by some ill-timed accidents, and by Labour political opportunism at election time.

Compared with the three joint products of Hurd and Osmond, this book gains something in cohesiveness of style, which helps to make the wit even more pointed. It loses in not having so large an intermingling of so many bright ideas, with the result that a possible gain in readability in the middle is outweighed by a loss of the outstanding brilliance of denouement shown by the

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earlier three books. Obviously, however, its biggest change is in political bias, with the caricatures of Conservatives slightly (although not obtrusively) more kindly, and the caricatures of trendy lefties much more cruel. Since the object of reading the book should be enjoyment, this bias should be an annoyance only if Mr Hurd falls into one of two traps: if he makes his caricatures unbelievable (which he doesn't), or if he spoils his readers' pleasure by a snarling sense of morbidly-enjoyed bitter frustration at the end. There is a touch of this latter fault, and it makes the book just slightly less fun than the previous three.

A cell in every office?

HOW TO BE AN EFFECTIVE SECRETARY

By Lance Secretan.

Pan. 249 pages. 30p paperbound.

SECRETARY: AN ENQUIRY INTO THE FEMALE GHETTO

By Mary Kathleen Benét.

Sidwick and Jackson-New English Library. 172 pages. £2.50 cloth, 40p paperbound.

According to the Shorter Oxford English Dictionary, a secretary is "one whose office it is to write for another; especially one who is employed to conduct correspondence, to keep records, and (usu.) to transact other business, for another person or for a society, corporation or public body." That would cover anyone from the most junior of copy typists to the company secretary, but it is misleadingly anodyne. The word has acquired its own antipathetic, anti-lib image of mindless Hermes-scarved efficiency at doing someone else's job for him, and both of these books are doing their bit to contribute to it.

One wonders what Miss Benét would have to say about Mr Secretan's views; and vice versa. Presumably both would become apoplectic. The blurb describes the book by Mr Secretan, the so-aply named managing director of Manpower, as "sound and practical advice, easily understood, which will help you meet the challenge of being an effective secretary." The advice (only too easily understood) ranges from "Broadening Your Outlook" to "The Telephone: Terminating Calls." If Mr Secretan had been a little less free with it, this book would have been informative without being irritating: there are good sections on grammar, spelling, proof correcting and so forth, which many would-be secretaries would be the bet-

ter, if crosser, for reading. But every minute detail of a secretary's working day is covered, even her nights:

Of course, we all need time to relax and to socialise, but too much time spent butterfly-flying about can be wearying and a waste. Wouldn't you be happier if some of your off-duty hours were involved in something more productive than watching the late night film on television?

Miss Benét's highly-charged "Secretary: The Female Ghetto" is an effort to rouse apathetic and bored secretaries to full-blooded revolt. Miss Benét panders to their discontent, and barely acknowledges that plenty are in fact fulfilled and happy in their work, or that the great demand for their services has given an upward impetus to girls' social mobility:

At the moment, although secretarial work is still an opportunity for many girls, it is a trap for many more. And it is composed of all the various traps that women now complain about. The vicious circle is all too familiar: lack of education and training comes about because a girl is not expected to have to use such things; job opportunities are closed because of this lack; low earning power makes marriage attractive; and the existence of the dependent housewife confirms the theory that women don't need careers of their own. . . . The secretary has the power to get out of this trap, but she doesn't yet know how to use it.

Ironically, Miss Benét sounds quite as patronising as Mr Secretan. Of course, there is the major category of misfits (or girls who think they are misfits) in the secretarial world: graduates who embark on a degree course with no thought of what they will do with their final qualifications, take a secretarial course as the fastest and most easily available means (faster even than teacher training) to secure a well-paid job, and are resentful that their specialist knowledge can rarely be put to good use in an average secretarial post. They join the same ranks as the complaining graduate housewife: bitter about a situation which they have themselves to blame for. At least, they should blame their schools or universities—who kept the knowledge that a dozen essays on Beowulf or Gide were poor preparation for job-hunting from them until the last minute—but not their employers.

The real irony is that both Mr Secretan—in the interests of efficiency—and Miss Benét—in the interests of equality—are reinforcing an unattractive image at a time when there have never been more or better-paid secretarial jobs. Is that the trouble? Is it the unoriginality, when the dullest soul longs to be different, of being a secretary that leads Miss Benét to wail about drudgery and Mr Secretan to design a prig?

Danger: modern medicine

PRIVATE AND CONTROVERSIAL

By Robert Platt.

Cassell. 188 pages. £3.50.

Lord Platt was president of the Royal College of Physicians for five years and professor of medicine at Manchester University for 20. So one is brought up sharply when one sees that he has headed a chapter "Modern Medicine and How to Avoid it." But that chapter sets the tone for the whole of this book. It is part-memoir and part-musing, and his musing ranges in detached and ironic fashion—though lightly—over his profession and its controversies: transplant surgery, human experiment, euthanasia, abortion, the health service, private medicine—the lot. His dictum in the chapter referred to, "Never have anything investigated until you know what it is," sums up perfectly the whole matter of over-doctoring, of being submitted to a procedure not because it is necessary but because it is technically feasible.

Although Lord Platt is critical of medical scientists who do not count the cost of their investigations and treatments, he is in favour of one of medicine's new tools—statistics—provided it is used correctly. He has an interesting chapter on this subject, another on the Royal College of Physicians, on common misconceptions about the medical profession (like equating Harley Street with good doctoring) and on smoking. On Harley Street, as on over-enthusiastic medical scientists, he writes that the protection of the public lies in the hands of the good general practitioner, who must not be allowed to die. Outside his profession he writes knowledge-



Platt: support your GP

ably and warmly about music. And he has a deeply personal and rather curious last chapter about ageing, depression and—apparently—the break-up of his marriage on his initiative. He admits to a certain amount of vanity, which is occasionally a little obtrusive in these pages. But on the whole they reveal a humane and enlightened physician.

The rocks remain

THE FIRST TIGERS

By Alan Hankinson.

Dent. 214 pages. £3.

This is an extraordinarily nice book about happy men: a bunch of late Victorians who, scrambling up and down the rock faces of the Lake District and Snowdonia in tweeds and with a thoroughly unsafe system of roping themselves together with washing line, started the vogue for a sport which has grown steadily in popularity throughout the twentieth century. Rock-climbing was, as Mr Hankinson says, junior to mountaineering both in years and status; the Victorians had been killing themselves falling off the Matterhorn long before they turned to their English crags, and the rather different sport of climbing off snow. Wordsworth had made the Lake District popular, but only Coleridge hauled himself up the rock faces. Mr Hankinson places the "golden age" of rock-climbing in the 1880s and 1890s.



The barn door traverse

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he coped with the death of the fourth republic and the birth of the fifth. He found de Gaulle as he had found Churchill: humanly magnificent but politically exasperating, and ultimately futile. By 1957 the implications of British decline as a power, as revealed at Suez in 1956, converted him to a fervent advocacy of British participation in a European community. He has since devoted himself to this cause.

Paradoxically, in retirement Lord Gladwyn has found himself in many ways more at home in the pro-Europe movement. By nature he is a politician rather than an officer of the civil service. Constantly in these memoirs there is the refrain: "The only trouble was that when I was given a chance I could only express myself in what I suppose might be called 'political' language. It was my nature and I could not help it." His speciality at the Foreign Office was as supremely fertile

"ideas" man; a one-man think-tank. His great opponent in the UN days, Malik, rebuffed his rather apologetic efforts to assert that he (Jebb) was just as much a good Foreign Office man as William Strong or Ivone Kirkpatrick: No, said Malik, "kindly but firmly," "I would not regard you as a *chinovnik*."

No doubt this was one reason why Lord Gladwyn never got the top job in the Foreign Office; but it is also why, of all the Office men, he has exerted more effective influence on the shape and course of British policy in his time than the mass of the *chinovniki*. He has the gift, by reason of an extraordinary range of cultural sympathies, to deepen the two-dimensional technical and diplomatic aspects of things into a profound three-dimensional insight into the British predicament in the post-empire and post-special relationship world.

BOOKS THIS MONTH

Brinley Thomas

MIGRATION AND URBAN DEVELOPMENT: A REAPPRAISAL OF BRITISH & AMERICAN LONG CYCLES

Shows how migration and capital movements influenced urbanization, productivity and real income in the Atlantic economy. Methuen

£3.80
University paperback: £1.90

Edited by: D. V. Glass and Roger Revelle

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Bernard Lawrence

THE ADMINISTRATION OF EDUCATION IN BRITAIN

A study of the power structure and administration of our educational services. B. T. Batsford Ltd

£2.00

Editors: W. D. C. Wright and D. H. Stewart.

THE EXPLODING CITY

A study of problems of urban growth by architects, planners, legislators, sociologists, demographers, economists, geographers.

Edinburgh University Press £3.00

Włodzimierz Brus

THE MARKET IN A SOCIALIST ECONOMY

Written by a distinguished European economist this is a work for economists of all political affiliations.

Routledge & Kegan Paul £2.50

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THE ECONOMISTS' BOOKSHOP
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Wilful intelligence

JAMES BURNETT: LORD MONBODDO

By E. L. Cloyd.

Clarendon Press: Oxford University Press. 212 pages. £4.50.

Anyone of a speculative turn of mind living today, when the bulk of ascertained knowledge is so overwhelming, must sigh with envy at the thought of the liberty enjoyed in the eighteenth century by men of intellectual curiosity. Polymaths now are very rare, but in those days a Scottish law lord could write copiously and with a show of authority on ancient history, metaphysics and the origin and progress of language. Lord Monboddo was, by any standards, a learned man, and the topics which fascinated him are still exercising the wits of linguists, anthropologists, theologians and philosophers. His ideas often struck his contemporaries as outrageous, and his eccentric behaviour did nothing to recommend them.

Miss Cloyd's examination of some of his theories, however, shows that Monboddo's independence of mind really was worthy of respect. This book gives a balanced and lively account of a man of powerful, wilful intelligence. Most readers will be content to pursue Monboddo no further, for the bulk of his published works is formidable; but should they be browsing in Boswell and encounter his name, they will have the satisfaction of feeling that they have more than a nodding acquaintance with a truly remarkable personality.

Economics and industry short list

Industrial Relations by Richard Lowndes (Holt, Rinehart and Winston, £2.45). This is a useful, up to date textbook whose chief value is a detailed account of the recent plans for reforming British industrial relations. The material is not original, but well presented and mercifully free from jargon. It does not quite match Professor Clegg's standard and now enlarged work, *The System of Industrial Relations in Great Britain* (Basil Blackwell, £4), for detail on how unions and employers actually operate; but it is probably the best and cheapest textbook available which explains the various schemes to reform the law.

National Income, Expenditure and Output of the United Kingdom, 1855-1965 by C. H. Feinstein (Cambridge University Press, £10). This is the sixth and last volume in a series of studies of national income which, for one reason or another, have taken over 30 years to complete. These have been done jointly by the National Institute of Economic and Social Research and the Cambridge Department of Applied Economics. This final volume will be the most used since not only does it put together, although with less detail, estimates contained in the earlier volumes but it also extends them further back. Here you can look up estimates of gdp, income from employment and company trading profits back to 1855; and of consumers' expenditure (at current and constant prices) back to 1870—to pull out a few examples. The book offers a feast for research workers; and presumably some political ammunition, too.

Distributed Lags by Phoebus J. Dhrymes; **General Competitive Analysis** by K. J. Arrow and F. H. Hahn (Oliver and Boyd, £7 and £6.50). Both these books are in the publisher's series "Mathematical Economic Texts" and the task of reviewing them at length can be left to other periodicals. One notes with interest, however, that the former includes an investigation of the asymptotic distribution of the maximum likelihood estimators in the autoregressive errors model and that Messrs Arrow and Hahn's discussion of stability has "no results to report on what most economists would agree to be more realistic constructions."

Extracts from the Statement of Mr. John A. Ryan, Governor, Bank of Ireland

The Accounts

These are the first to have been prepared on the modern basis of disclosure proposed some years ago and are also the first to be presented by the new Bank of Ireland, comprising since 31st March, 1972, the unified undertakings of Bank of Ireland, The National Bank of Ireland Limited and The Hibernian Bank Limited. They disclose balance sheet totals of £713 million including £32 million Revenue Reserves and £3 million Capital Reserves.

Advances to customers and other accounts, less provisions, at £277 million covers not only our business in the Republic and Northern Ireland but also our operations in London. These London advances were built up in the last quarter of the year and have not, therefore, materially added to profitability for this accounting period.

Profits

The operating profit is almost £8 million and the Directors view the results as satisfactory.

Developments Overseas

The start of operations in London and New York has taken place and has been encouragingly successful and very well received. I believe that in the future both operations will have a worthwhile effect, not only on the profitability of the Bank but also on the Irish economy.

With the experience of our Shepherd's Bush Branch in London, we have been able to plan the opening shortly of further branches in Manchester and Birmingham, and additional openings in England are intended. These developments depended on the support of staff, who have been outstandingly successful in their roles overseas.

Dividend

Having considered the results for the year the Directors have recommended a Final Dividend of 11½%, making a total of 15½% for the year ended 31st March, 1972, compared with 17½% for the fifteen month period to the 31st March, 1971—equal to 14% for one year.

I have confidence that the progress reflected by this year's accounts will be continued.

18th July, 1972.



Bank of Ireland

Business Brief

The Olympics business

The Olympic fire will be lit in Munich in just under a month. It means money. Between August 26th and September 10th anything up to 1m visitors will crowd in. Munich has been busy for the past six years preparing for the games, and in spending over £250m has set a new record in Olympic investment. Has it all been worth it?

There has been plenty of competition for the 1972 games. Montreal, Madrid, Hamburg and Düsseldorf were all serious contenders (Montreal has been chosen for the 1976 games, in preference to Moscow and Los Angeles). The Germans were particularly keen to get the nod because memories of Hitler's Berlin Olympics in 1936 still linger. Countries which have recently played host to the Olympics, or which have done it more than once (both London and Paris have had two games), are not really in the running; and some of the poorer countries cannot afford the spending which seems to have become a *sine qua non*, although Mexico demonstrated in 1968 that a third-world country could put on a good show.

Munich was chosen because it offered an ideal site, close to the city centre and with first-class communications. The

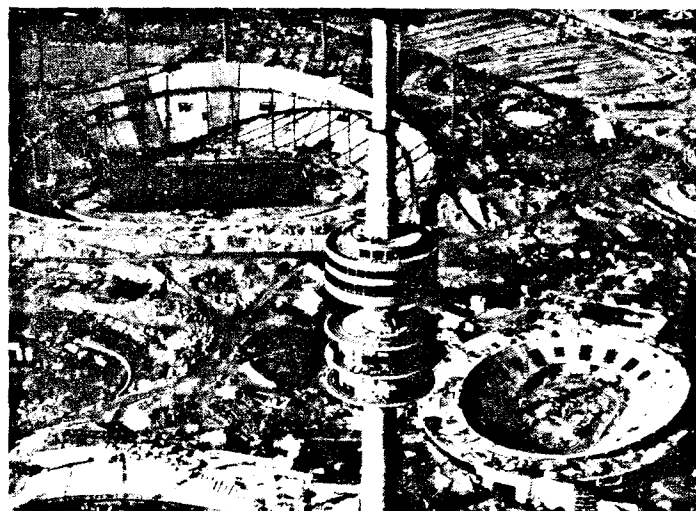
games will further seal the city's reputation as Germany's secret capital. It is already Germany's fastest-growing city; its population of 1.3m is expected to increase by another 500,000 over the next 10 years. Heavy industry is expanding rapidly, to the delight of the Bonn government which has been trying to divert industry from the concentrations in the north and west. But since Munich was already prospering, it did not really need the extra jobs created by the games. In an already tight labour market, the preparatory work unleashed a severe bout of inflation. Building wages rocketed. The 5,000 men absorbed on Olympic building work made it that much more difficult to get labour for other sites.

Irritations

The locals had other grouches too. The city centre has been in a mess for the past five years while the new underground railway was being built, and the townspeople picked their way under ladders, across trenches and through clouds of dust. Some of the more conservative Bavarians see the Olympics as part of the slow strangulation of their culture by modern Germany. A popular car sticker translates as: "Come back King Ludwig II, and to hell with the Olympics."

It is probably a minority view. Anyone who works it out for himself can see that, temporary inconvenience apart, Munich is going to do nicely out of the Olympics. The city has to find only £22m of the £256m total cost. In return for this, it gets:

- Finance from Bonn for massive improvements in its transport system. The city centre has been redesigned to eliminate all traffic from the main shopping area. The traffic is syphoned off into a new inner motorway ring. Suburban fast train services have been extended and improved. Most important, an underground railway has



Preparations were a bit messy

been built.

- A lavish new stadium, which after the games will be used by the local football team, plus a whole range of other sports facilities, a cycle track, a boxing hall and a swimming stadium among them. Munich has been short on facilities of this kind.

- A beautiful new park, the site of the main Olympic events, which was a derelict airfield notable only as the place where Mr Neville Chamberlain touched down in 1938.

- Plenty of economic spin-off. Many of the Olympic contracts have gone to local firms. Some 1m-2m extra visitors are expected and hotel building has been booming even more than in London. Capacity has quintupled since 1966; a Hilton has just opened. Restaurants and taxi-drivers are anticipating a rich haul along with all the other service industries. A minor row has already broken out over the proposed prices for refreshments at the Olympic park: a cup of coffee will be 25p and a glass of beer over 50p, which local consumer organisations consider outrageous.

- International prestige—though this may not last all that long. Not everyone remembers St Louis or Melbourne because they had the games there.

The Olympic planners have taken great care to see that the buildings will still be useful after the games are over. The stadium has a capacity of only 80,000, which is small for the Olympics, because a bigger one might subsequently have become an expensive white elephant. The Olympic press centre will

become a sports training centre, and the Olympic village, which will house the athletes during the games, will provide 4,500 flats, half of them for students. The village has been built by private enterprise at no cost to the organisers.

The transparent roof over the stadium and the adjoining sports complex has been a big worry to the organisers. The final cost, £18m, is well over eight times the original estimate. The roof was copied from the German pavilion at Expo '67 in Montreal, but the Olympic design was 10 times larger and produced a host of new problems. A much more expensive type of plastic had to be substituted at the last moment, at twice the cost. No builder was willing to take on the job at a fixed price, so every rise in wage costs was passed on in full. But everyone agrees the final result looks impressive.

Olympic host cities are getting better at turning the inevitable building work to their own advantage. Rome got a new international airport and a major—and very necessary—road out of the 1960 Olympics, although not all the sports facilities are fully used now: the large covered stadium, in particular, has proved a bit of a flop. In Tokyo the city planners took the chance of streamlining the city for decades ahead. Nearly £130m was spent on the city's infrastructure, more than six times the sum for the sports facilities. This massive investment paid for four new motorways (part of a 40-mile new road network), 25 miles of new underground

railways, a monorail to the new airport and the famous fast train track to Osaka. In retrospect, the Tokyo planners rather wish they had spent even more. Montreal, too, is hoping for some spin-off from its 1976 games, but since the Canadian government poured a lot of money into an underground railway for Expo '67, it is unlikely to be over-generous next time round.

Germany's gains

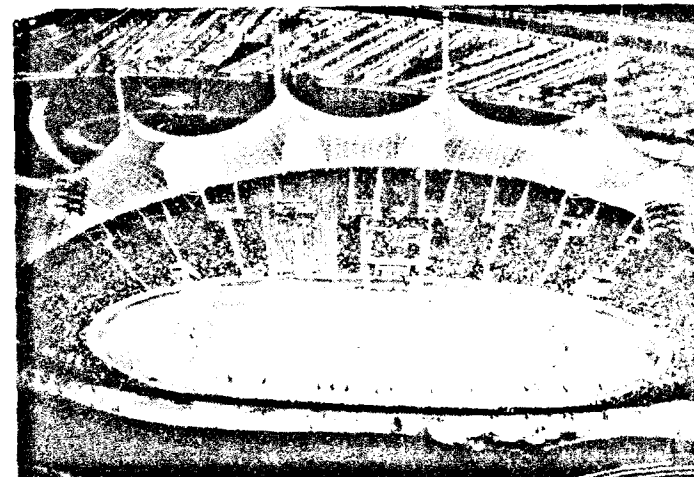
The gain to Germany as a whole from the Olympics is less easily measured, but German business is doing well out of it. Virtually every major German construction company has had a hand in the building work, and altogether 400 different building firms have been involved. Siemens, the German electronics giant, got £8½m worth of orders out of the Olympics, ranging from the floodlighting (bright enough to be indistinguishable from daylight) to facilities for the 60 television stations that will be covering the games directly.

Siemens's biggest single prize was the computer system, which the company won in the face of competition from International Business Machines. The computers will be programmed with data on every single Olympics since 1896. Visitors will be able to call special terminals in Munich and elsewhere in Germany and put questions direct to the computer. Siemens claims that on this particular order it will only just break even, and that many of the other contracts are not particularly profitable. But it is plainly happy with the

free publicity.

Although the Munich games will cost five times more than those in Rome 12 years ago, the financing has been planned so thoroughly that nobody, it seems, will be vastly out of pocket. Only a third of the bill will be footed by the taxpayer. The Olympic Organising Committee has dreamed up some fancy money-raising schemes for much of the rest. The most important is the sale of special Olympic coins, which will be legal tender but are more likely to be kept as souvenirs. Demand for the coins has far outstripped the forecasts, and profits are now expected to run to £83m. Over 100m coins are being issued (more than twice the number planned) which means their chances of becoming rare and valuable are slim. However, the first set of coins, issued in the spring of 1970, has already appreciated by 230%. They were stamped "Olympic Games in Germany," words which drew strong protests from the east Germans. Later series carry the more innocuous version "Olympic Games in Munich," so the first sets now have a rarity value.

The second big money raiser is a levy on every national lottery ticket, with extra prizes to match. This surcharge has been levied since 1966 and will remain until next year. It should bring in £32m. Then there is the revenue from tickets and television rights. Since all the tickets were sold some time ago, the touts have now moved in, asking for a premium of anything from 200% to 400% over face value. A ticket for



But now everything's looking just dandy

the opening ceremony can now cost as much as £70 on the black market. Local people claim that companies with unlimited funds to buy complimentary tickets for their clients have forced up prices out of all proportion.

Government funds

The remaining gap in the Olympic finances, £89m, was originally scheduled to be split three ways between the Bonn, Bavarian and Munich city governments. But Munich's whizz-kid mayor, Herr Hans-Jochen Vogel (who played a key role in bringing the Olympics to Munich), insisted that a third share was still too much for his city. After some tough bargaining, the Bonn government agreed to carry half the cost; Munich and Bavaria are sharing the rest with the help of a small contribution from the regional government of Schleswig-Holstein and the city of Kiel, where the sailing

events will take place. Sadly, Herr Vogel will not preside as mayor at the Olympics; after 12 years in office, he recently left his post.

One of the Bonn government's economists calculates that the extra tax revenue generated by the business springing directly or indirectly from the Olympics will bring in an extra £49m, more than offsetting the large federal spending on the event. Perhaps this figure should be taken with a pinch of salt.

The Munich games will almost certainly set a number of new records; athletic standards seem to be improving all the time. Munich must be fervently hoping to avoid the now traditional Olympic row, either over amateurism (rules to exclude professionals were drawn up in 1904, and have been causing trouble ever since), or some political issue (black power in Mexico). It might just be the lucky one.

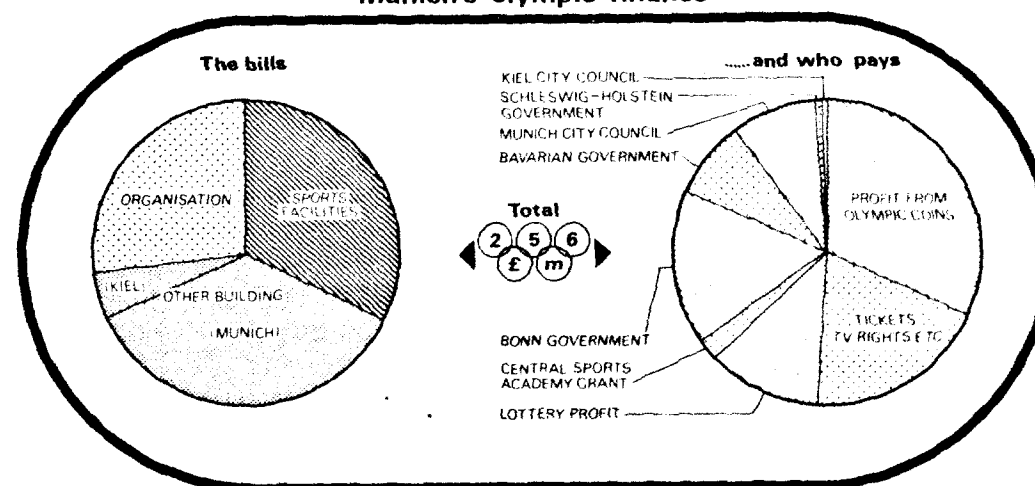
Olympic hosts

1896 Athens
1900 Paris
1904 St Louis
1906 Athens
1908 London
1912 Stockholm
1920 Antwerp
1924 Paris
1928 Amsterdam
1932 Los Angeles
1936 Berlin
1948 London
1952 Helsinki
1956 Melbourne
1960 Rome
1964 Tokyo
1968 Mexico City
1972 Munich
1976 Montreal
1980 ?



Fund-raiser Vogel

Munich's olympic finance



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BUSINESS

It wasn't a general strike after all

The British public and the economy rode with admirable phlegm through what it was told all week was a great crisis in industrial relations but it turned out to be the same old dock strike

The Government's attitude throughout the week was remarkably relaxed and it was plain that Mr Heath had decided this was not going to be his general strike week. By Wednesday it was clear why. The House of Lords handed down its long-awaited ruling on whether trades unions were, or were not, responsible for the actions of their shop stewards. It decided that yes, they were. The National Industrial Relations Court then concluded that this completely changed the role of the five dockers who had been in jail for contempt of the NIRC's orders since the weekend, and ordered them to be let out. The dockers picketing the court cheered; the Official Solicitor, Mr Norman Turner, came down the steps all smiles; and the weather forecasters promised a fine weekend for anyone still considering taking the Trades Union Congress's advice—also given on Wednesday—to make a long weekend of it by turning next Monday into a 24-hour strike. The dockers, however, were not going to be bought off so easily, and at lunchtime on Thursday voted 38 to 28 for a national dock strike starting on Friday.

It had been a remarkably good-natured crisis, which must have been a surprise to anyone who believed the BBC radio's commentators who had promised industrial chaos and armageddon each morning, safely knowing that much of the public was not getting its usual newspapers. Tuesday's big march of dockers and other unions to Pentonville, there to stand vigil in sympathy with the five martyrs inside, was a disciplined and largely cheerful affair in which the students, maoists and others were not allowed to join and were roughly handled by the marchers when they tried. Even Miss Bernadette Devlin was forcefully told her presence was not wanted.

The one long face was Mr Jack Jones's. The House of Lords decision puts him back where he was a few weeks ago, liable to pay fines of £55,000, and now costs of £25,000, because his members have violated court orders to stop picketing such depots as Midland Cold Storage, Heaton's, Craddocks, and Panalpina.

Now the blacked and beleaguered companies are free to sue Mr Jones and the Transport and General Workers' Union instead. Both are easier targets than Mr Bernie Steer and his mates. The decision has wide implications for all unions that continue to stay off the official register, but Mr Jones happens to be the first general

secretary who has to face up to them. Small wonder, then, that he has been earnestly endorsing, and advising his members to accept, the report that he and Lord Aldington prepared on what to do about the growing redundancy at the docks, published on Monday*. After a day's consideration Mr Tim O'Leary, who acts in the docks for the TGWU, was advising acceptance.

It was a downcast Jack Jones who, having gone in person to Thursday's dockers' meeting to speak for the report, saw it voted down. The dockers want everything it has to offer, but as usual, they want more. They argued that with the economy in its present state, any man under 63 who gave up his secure job in the docks in order to take the bait of £4,000 severance pay was buying a ticket to unemployment for the rest of his working life. Their prey is still the container depots, and they are not going to be bribed off their quarry.

The report is a gamble and stores up much trouble, but the Government believed it was the only card that could be played against the clock to avert a prolonged national dock strike. For all the public support it has received, deep reservations are being voiced privately. Some employers feared they were being rushed into something that could cause lasting difficulties.

The report is full of good intentions, if you believe it is right to buy industrial peace at the cost of boosting the dockers' confidence in their bargaining power by increasing still further the unusual privileges they enjoy compared with other workers. It is vague on many matters of implementation and open to different forms of interpretation, which, on the past record of docks negotiation, will be exploited by the unions to drive the best possible bargain. But also it will involve complex bargaining between the employers themselves, inside and outside the docks industry. There is even a fear that the proposal to extend the dockers' sphere of work will accomplish by behind the scenes pressure what the pickets failed to achieve by naked force.

Many of the employers were against taking any decisions on Tuesday at all, for fear that, without having fully understood the report, they would make the wrong decisions, but they were pressed to because the dockers were due to meet on Thursday to decide whether they

*Interim report of the joint special committee on the ports industry.

would endorse it too. In the end the employers agreed to support the report in principle, on one important condition: that it would not cost them any money. Significantly, the long-suffering chairman of the employers, Mr Bill Tonge, who had been wanting to retire for some time but was also known to believe in standing up to the dockers, resigned at the Tuesday morning meeting and handed over to Mr Donald Redford, a member of the Aldington-Jones committee.

The report makes three basic proposals, the most important of which is much better compensation for those leaving the industry voluntarily. Maximum severance for the unfit and over-55s goes up temporarily from £2,300 to £4,000, with the Government footing the bill. This will save the employers money, and create a surplus that can go towards the second proposal: to abolish the register of temporarily unemployed dockers, who at present get £23 a week, by distributing them among employers who, presumably, have no work for them to do. The employers on the committee inserted in the report the words

men now fully employed will make an appropriate contribution to the additional costs that result from the employment of an abnormal number of surplus men. Mr Jones, questioned about what this meant, at first denied that there was any such thing in the report. This could spell further trouble. The third proposal is that container packing should be rationalised, to give more of the jobs to dockers.

Research into the £20m spent so far on voluntary severance suggests that it may have been counter-productive, by getting rid of men who are actually needed, or who would leave anyway through natural wastage. This could make it more difficult to thin the ranks when the next docks crisis comes along: the report keeps politically quiet about the estimates of large reductions in men that will be needed over the next few years, even after this shake-out is over.

The committee pins a lot of faith on getting rid of a lot of dockers fast in the next few months. It could happen, but many employers feel the committee's second main proposal could counteract the attraction of the new severance terms by making it even more attractive to stay in the docks. The men now getting £23 a week

will get nearer £40 a week if Mr O'Leary has his way. Not only would the expected rundown then not materialise, but there would be little money left to provide the higher pay to be distributed to those who are not needed in the industry but have to be kept on. On the other hand, most men in the industry will probably now be paid slightly less than at present, and there are still some hopes that the Government would meet any difference between the money saved by the employers from severance payments and the cost of hiring extra men. Otherwise more firms could go out of business, adding to the surplus to be supported by the few remaining firms, so putting more of them out of business.

If this eventually led to just one employer in each port, it would probably help labour relations, and has been wanted by the Labour party for some time. Indeed, talks are taking place in both London and Liverpool about putting most of the men under one employer.

Then there is the issue of how container handling is to be given, on a greater scale, to dockers. The hauliers and warehousemen especially fear one proposal for implementing this that is being mooted: that ports would refuse to accept cargo stuffed and unstuffed by certain firms. The ports might meet difficulty in doing this because they have statutory obligations to accept cargo, but they might get round that by insisting that, for safety reasons, cargo had to be restuffed inside the ports, so effectively making it uneconomic to stuff outside. The hauliers argue that container stuffing by dockers sometimes costs up to twice as much. A study done for the committee, however, suggests that a major reason for this is unnecessarily high administration costs inside ports, rather than the allegedly high pay and low productivity of dockers.

But this gives rise to another fear. Dockers are only half the workers inside the ports, and the size of this other half is expected to fall just as fast in the next few years as among the dockers. If the ports' administration is so unexpectedly inefficient, then the forecast staff reductions must be revised upwards still further. And these non-docker port workers receive little mention in the Aldington-Jones report. They are likely to feel they deserve the same treatment as the dockers, as other groups of potentially redundant workers may feel too.



We marched to Pentonville, with a bit of clowning,



and threw out the hangers-on



—including Bernadette

Doing without the dockers

A short national dock strike is more an embarrassment to shipowners than to the balance of payments. For shipowners the strike has cost nearly £500,000 a day: £1,000 a day per ship for between 400 and 500 ships now in British ports. This strike was particularly difficult because the lock-keepers were out in sympathy with the dockers, and so ships already in port were literally locked into their berths. Normally, a ship with part of its cargo destined for Britain, and part for the continent, would have been whipped off to Rotterdam and got that half of its work over.

International agreement between dockers in Europe has existed for some time not to handle ships destined for a strikebound country. But there are ways round this. For example, if a ship has London and several other ports listed as optional destinations on its charter contract, it can hurriedly change to one of the other options.

Operators of scheduled freight services are especially hard hit by a strike. One company had 10 ships caught in British ports this week. These will have a backlog of cargo and their schedules knocked awry, so their owners have to charter extra ships at the end of the strike, which could push up freight rates. The cost of the strike to the ports is about half what it is to shipowners, and to stevedoring companies even less, as most of their costs are dock labour and they were not having to pay the wages. If the strike went on for a month, however, it would put the ports' finances back into the red, and the fear that the Government would probably not help them out encouraged them to go along with its plans.

The general lack of panic to ship urgent cargoes was seen in the quietness of the air freight market, which usually goes berserk in a real crisis. There was virtually no extra business, just a lot of inquiries. As one broker said: "A lot of childish minds ring us up, and we ring up the airlines, who think us equally childish, think of a number and double it, and then our party goes back and licks his lost pride." One charter for a freight plane to Amsterdam, which would usually have been quoted at £1,600, was quoted at £3,400, for which you could normally get as far as Athens. At this time of year there is little spare capacity in the airline business. So no one worried much when half of Heathrow was shut down on Wednesday.

Sympathy strikes

What chaos?

Even continental fruit and vegetables were managing to get into the country surprisingly easily. How? A Covent Garden official said: "Mind your own business." It was thought the porters would probably not have gone on strike had it not been for the presence at their mass meeting of some boisterous printers and dockers. As it was, at 5 am and 6 am, company directors were seen carrying the fruit and veg round the garden, and, when the greengrocers arrived, they simply loaded the goods themselves. Some firms were heard to say business was easier without the porters.

As for the lorry drivers—there are about 1.5m drivers of commercial vehicles in Britain—only a small proportion of them were on strike, largely

those closely involved in docks traffic, some of whom had been picketing the dockers the week before and had perhaps been troubled by the dockers' accusations that they were not being brotherly.

If the numbers actually taking time off is anything to go by, there was not all that much sympathy for the five jailed dockers. The best estimate from the Department of Employment is that in the three days from Monday to Wednesday a maximum of 150,000 workers outside the docks were in any way affected. It was probably less than that: some of those counted were sent home because they had no work once their colleagues came out. There were even 46 brave registered dockers who turned up at the London enclosed docks, seven of whom were given work.

The reason for the lack of militancy seems to have been holidays. In many areas plants were shut anyhow. Many of those working were just about to go on holiday and had little wish to lose their last pay check. If they had not found themselves without newspapers, few Britons living outside dockland would have known anything unusual was on.

Apart from the dockers and the lorry drivers delivering there, the most sympathetic workers were apparently on the London buses: although not all the 24,000 busmen stopped work on Wednesday, early morning travellers about London were inconvenienced. The jet-set was also hit: a lack of ground handlers at Heathrow meant that aircraft could not be refuelled. The rest of the sympathy strikers were largely to be found in traditionally militant areas like South Wales, where 9,000 miners had closed nine pits by Wednesday and 1,400 blastfurnacemen had stopped iron-making at BSC's already strike-hit Port Talbot plant.

The numbers might have risen con-



He stopped a bottle.



Vic snubbed the PM.



Heathrow struck for a day,



and it was do-it-yourself Cunard

siderably as the week wore on had the five not been released. Many more miners, steelmen and railway workers (especially on the Southern Region) had announced their intention of taking off either Thursday or Friday. But the early indications on Thursday were that most of the protests had fizzled out. The national stoppage for next Monday, endorsed by 18 of the TUC's general council (7 voted against and 15 were apparently missing) would have just about shut the shop, but one-day strikes are a very useful way, as the French have found, of letting off steam without doing any harm. What remains to be seen is how many unions outside engineering and the printing industry will still take it off. The printers on Thursday were still saying that they will and, since Monday will be the first day back to work for many engineering workers, they can be expected to take it off too.

In the markets

What crisis?

True to fashion, both the foreign exchanges and the London stock market behaved quite irrationally this week, reacting to any moves that seemed to promise a give-away settlement by going up, and vice versa. But in the end, it all amounted to very little. Dealers played a wait-and-see game, mostly convinced that the Government's clash with the unions would not upset its general economic policy. Anyway, August and holiday-making are nigh and markets are thin.

In the foreign exchanges, spot sterling closed on Wednesday at \$2.4491, virtually unchanged from what it had been three dealing days before, last Friday. And London equities moved in parallel: the Financial Times industrial ordinary index at Wednesday's

close was 504.0, compared with Friday's 503.6. On the news of Friday's dock strike, sterling came back only a little, to \$2.4475; while brokers marked share prices down in a thin market.

In the courts

Back to jail?

Although the release of the five dockers temporarily cleared the air, the problem is far from solved. The picketing of container depots continued, even before the dockers voted to throw out the Aldington-Jones report on Thursday. This means that Midland Cold Storage and other container firms are much as they were before, but with the added complication of a national strike.

The firms are ready to take action against Mr Jack Jones's Transport and General Workers' union and the other unions to which the pickets' leaders belong. If such suits were to succeed, Mr Jones would probably be asked to discipline the shop stewards involved. If he did not, the TGWU could be fined again. (It has already had to cough up £75,000 after the House of Lords ruling.) Should the TGWU not pay up, all its possessions can be taken over. No one would have to go to jail.

State of the law

Will the act be changed?

There are not likely to be any early changes in the Industrial Relations Act, despite the alarums of this week. The act emerged in rather better shape at the end of the week than it was at the start, thanks to the House of

Lords ruling. It means that there are not likely to be many more actions brought against individuals. In future, employers will aim their fire at the unions themselves which is what everyone had originally hoped.

If a union is fined and does not pay, its assets can be sequestered. The House of Lords ruling is also likely to put extra pressure on unions to register. The Lords pointed out that the blacking in the docks could only have been legal, if authorised by a registered union. So the advantages of being registered will not now simply be bigger tax relief, as many unions have been thinking.

The Industrial Relations Act has only caught the public eye in the docks and railways disputes. But of course the bulk of the act is not concerned with strikes. Its less controversial sections have been doing small amounts of good quietly.

There have been 186 complaints under the act's provisions for workers' rights and over 2,500 workers have appealed against unfair dismissals. On Wednesday morning the National Industrial Relations Court sat in private to hear an appeal by the leader of the unofficial strike at Pilkingtons two years ago. He claimed that he had been thrown out of his union and his job for taking part in the strike. No judgment has yet been given, but the hope is that merely bringing the case to court means those concerned will reach agreement among themselves.

The sending of the five dockers to jail was not material to the act. They were jailed for contempt rather than any offence committed under it. It seems clear that Midland Cold Storage could have got an injunction against the five men under normal civil law without the Industrial Relations Act.

As the Prime Minister pointed out in the Commons on Tuesday, there

Arc de Triomphe—Japanese brush painting



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The fuzz got cross at times, the buses stopped, they all mucked in at Grimsby—but Bill Tonge had enough

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Sir W. Nicholas Cayzer Bt., reports on 1971

- **Gross revenue** up £9.4 million to £79,500,000
- **Profit after taxation** £4,477,000
- **Ordinary dividend** raised to 17%
- **Profit from shipping** raised from £989,000 to £1,892,000
- **Tour and Travel Companies'** promotion has caused losses of £699,000. With the tour companies now being organised under a single management, benefits should become apparent in 1973.
- **Aviation profit**, with increased contribution from Bristow Helicopter Group, has increased to £802,000
- **Net investment income** continues in the main to meet the whole cost of dividends.
- **Container ship interests.** With the introduction of the Far East service, Overseas Containers Ltd. will require at least a further year before a surplus is earned. With the increase in trades, the Group's interest has been reduced from 15.24% to 7.62%.
- **Air Holdings.** Acquisition of shares by British Air Transport (Holdings) Ltd. has resulted in the Group's interest being increased to 89.57%.
- **Portfolio Investments.** Valuation at 31.12.71 £64,051,000.
- **New Investments** include 12.6% interest in City Offices Ltd. and an 84% interest in Tasmanian Board Mills.
- **Future Prospects.** In spite of vulnerability of shipping to circumstances outside our control, there should be an improvement in other trading activities so that overall trading position should be reasonably maintained with some modest increase in investment income through new monies invested.

The following is a summary of comments made by Sir Nicholas Cayzer at the Annual General Meeting on 26th July, 1972.

The floating of the pound would lead to increased costs. O.C.L. would face the same problems, in addition to the greater cost of servicing foreign loans. The fall in the value of the pound had been brought about by fears that industrial unrest and exaggerated wage claims might price us out of export markets. It would be in the best interests of Unions and others alike first to secure a stable economy from which to move to real growth.

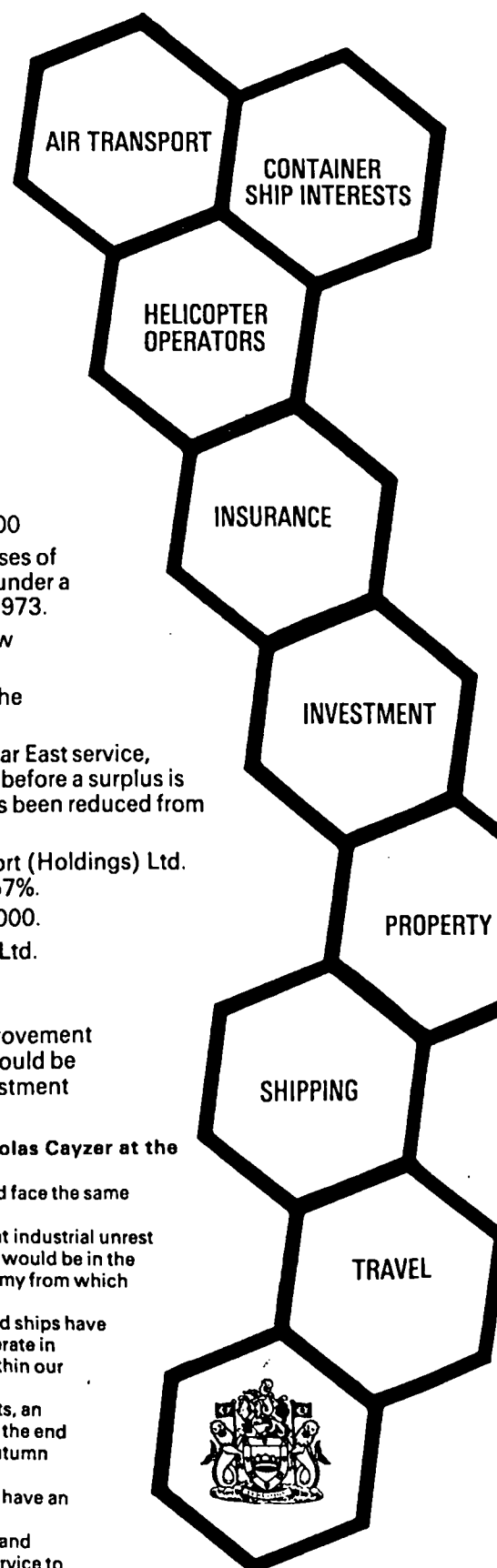
Sir Nicholas said "I feel strongly about this issue for I think many good ships have either been driven off the seas before their time, or been forced to operate in other areas because they are no longer economic when operating within our price structure".

New moves by the company included increased portfolio investments, an increased stake in property, a new hotel at Lanzarote to be opened at the end of the year, and the Wellington Hospital due for completion in the Autumn of 1973.

Unless the present unrest in the docks was quickly resolved it would have an adverse effect on shipping profits.

The Chairman concluded with a tribute to two directors Mr. Bloxam and Mr. Munton, both shortly retiring, who had given long and valued service to the company.

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were three occasions during the Labour Government's period of office when companies successfully got injunctions against wrongful picketing. In each of them, if the orders had not been obeyed, the men might have been jailed for contempt.

Those five

Coming out

There was great jubilation in Chancery Lane on Wednesday evening when the crowd of printers and dockers heard the news outside the National Industrial Relations Court. The crowd believed that, somehow, the trade unions had defeated the Government and forced the court to release the five dockers in Pentonville.

But the court's president, Sir John Donaldson, was emphatic that its decision had not been influenced by the Government. Nor was he prepared to release the dockers simply to avoid sympathy strikes. He said the rule of law was too important to be tampered with just to ease industrial relations difficulties. He also icily rebuked Mr Harold Wilson for describing the Official Solicitor over the weekend as a "fairy godmother."

The dockers had been jailed last Friday for contempt of court. They had failed to obey a court order to stop picketing until the dispute had been resolved. Just the day before the dockers were released, it seemed there was no way even the ingenious Official Solicitor could take action to get them out of jail. When men are committed to jail for contempt in cases like this, the Official Solicitor has a duty to re-apply to the court as soon as he thinks there is a chance that the court might consider releasing them.

At that moment, there were only two grounds on which the Official Solicitor

could ask the court for an order to release the men. He could argue that they had purged their contempt merely by having spent five days in jail, or he could argue that the publication of the Aldington-Jones report on the docks seemed likely to solve the underlying dispute and so remove the source of the original complaint by Midland Cold Storage.

When the Official Solicitor appeared on Wednesday, his counsel made both these points, but the court did not regard either of them as sufficiently weighty to justify releasing the dockers. The key factor was the House of Lords' judgment on an earlier docks' blacking dispute, involving Heaton's Transport and others. The issue at stake was whether unions could be held responsible for the actions of their shop stewards. The appeal court had held that in this case they could not. But a third possibility was presented when, on that same Wednesday, the Lords, under the chairmanship of Lord Wilberforce, reversed the appeal court's ruling.

This gave the Official Solicitor an opening. His counsel put it to the National Industrial Relations Court that if the Lords had made this ruling earlier, things would have been quite different. Midland Cold Storage might never have proceeded against the five dockers, but instead might have sought injunctions against the TGWU.

This argument tipped the balance, Sir John Donaldson agreeing that the Lords' ruling entirely changed the situation. He observed that the union's job of trying to end the blacking would be "immeasurably increased if they are, at the same time, subject to the emotional pressures generated by the continued imprisonment of these men . . . The cause of law will not be advanced by placing an avoidable burden upon the unions."



Jack and Tim smiled for a moment.



the dockers were ecstatic.



and godmother grinned

Newspapers

The fragile press

While the nationals and the London evening papers were out, a group of freelance journalists working for a news agency jumped into the breach with the London News, a hastily-assembled daily eight-page sheet selling for 5p. The print order jumped from 25,000 on Monday to 75,000 on Wednesday, and after the first couple of days advertisers were buying space. The organisers reckon to spend £500 a day in production costs, and hope to clear a small profit from the operation. But they will not carry on competing once the other papers are back to normal. Almost all the provincial newspapers continued to print normally; their staff showed no inclination to follow the London unions' example.

Four days without newspapers was not long enough to precipitate casualties, but it did remind the papers how vulnerable they are. They can never catch up on lost production and some of the advertising—particularly the profitable classifieds—will not wait either. There is also the nagging worry that after a prolonged strike people may not go back to their old paper.

But Fleet Street, for once, was pretty relaxed about it all, although circulation figures in the first half of this year have been mixed. The Daily Express, Mirror and Mail were all down slightly on the previous six months, but have been picking up again recently. The Mail is quite pleased with its performance in its new guise, and reckons to break into profitability in about a year's time. The Sun has put on over 4m, and is now up to 2.6m. The quality dailies have done quite nicely, with The Times, Financial Times and Guardian all up in circulation.

BUSINESS

Britain

They don't like the way the pump is primed

For governments to bale out major industries and major companies in trouble is now accepted practice even in America; and a Commons expenditure sub-committee which has been taking evidence since the beginning of last year on the way this is done in Britain does not question the rightness of the principle. But what hugely annoyed the committee and got under the skin of the normally equable chairman, Mr William Rodgers, were the excuses with which successive governments wrapped up straight-forward salvage operations. In its report published on Wednesday (House of Commons paper 347) the committee commented on how

too often over-optimistic commercial assessments have been used to justify decisions made largely on other grounds, and it is argued that when a future government decides to bale out another company in the same plight as Upper Clyde Shipbuilders, it should say frankly that the decision has been taken in order to save jobs in an area of excessively high unemployment and not pretend that it has any hopes of profit

coming out at the end of it. Likewise, when a government embarks on a project as speculative as Concorde, it should not continue to pretend to the Commons that its cost can be worked out on anything but the most notional basis:

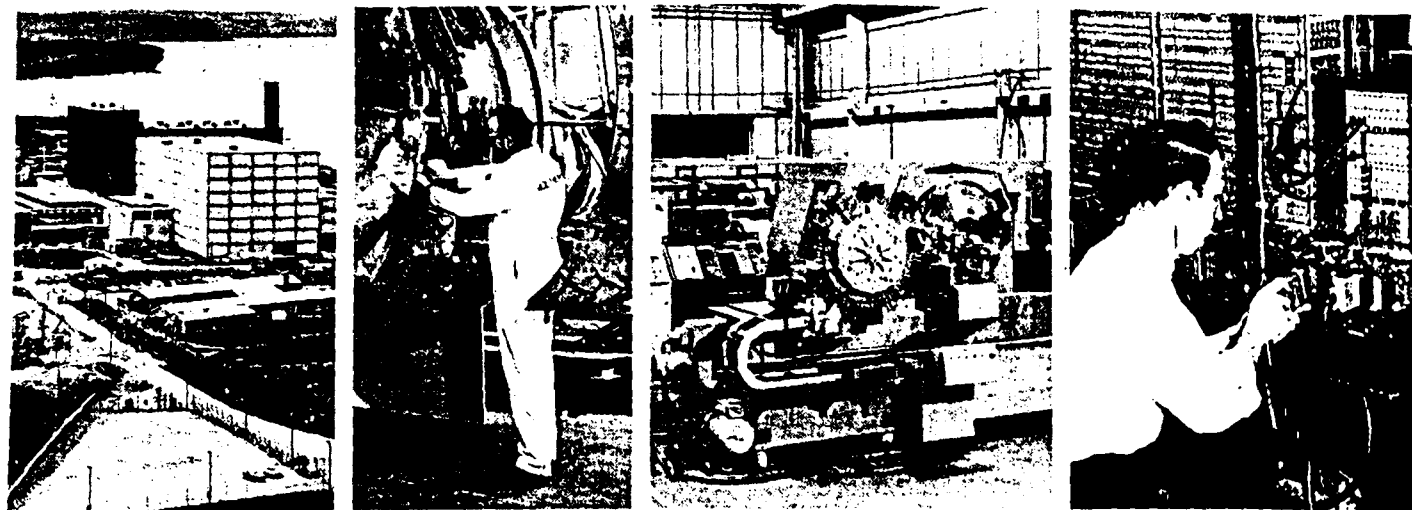
It is wrong to treat the estimates for this type of project, either for decision-making purposes or for public presentation, as if they bore the same degree of reliability as those for a motorway or a hospital.

What does come out of the report is the need for any government in the 1970s to plan on the assumption that emergencies will arise from time to time and to have its policy worked out in advance so that it knows how to react to them. The committee looks at the way both Conservative and Labour governments have handled successive crises in the aircraft industry, shipbuilding, machine tools, the motor industry and the regions and decides that snap decisions were taken without anyone having clearly thought through the consequences. This is a terrible comment on the way that Whitehall

works, but it is almost certainly true.

Then the committee looked at organisations like the Industrial Reorganisation Corporation, and at pump-priming techniques like investment grants, and listened to witnesses from the City and industry taking refuge behind anodyne clichés rather than say anything that might even mildly reflect on a working colleague's soundness of judgment. Only the first managing director of the IRC, Mr Ronald Grierson, was bluntly critical of the way it had worked, and only Lord Stokes was prepared to say just how much it had cost British Leyland (£58 on the price of each lorry) to go to a development area in order to get the grants that went with it. Everyone else, including the Department of Trade and Industry, preferred to pretend that it was impossible to work these figures out.

It also appeared impossible to give meaningful answers to such awkward questions as the effects of investment grants, of regional policies, of mergers, or even of the cost of Concorde, and the committee got increasingly angry as witnesses flannelled and flatly refused to provide the information for which it asked. If the committee was unjust to Whitehall and to the Government in concluding that it did not get its answers because no one had thought through the consequences of any particular pump-priming operation, nor indeed bothered to follow them up,

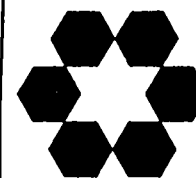


Nuclear power, Rolls-Royce, machine tools, computers: some of the industries supported on public money

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the various government departments have only themselves to blame. They were also blamed—and harshly—for the carelessness with which money was advanced to companies that demonstrably had no internal financial control. Rolls-Royce and Upper Clyde Shipbuilders cannot, the committee suspects, be unique in this respect. So what precautions are being taken for the future? It is a report that is going to confirm some of the worst fears about the way that direct government aid to industry is being handled. Before the Government takes its Industry Bill any further, it should give serious thought to how these criticisms are going to be answered.

Nuclear power

Confusion, as usual

The usual confusion of political and commercial concerns was present in full force on Wednesday when the Commons committee on science and technology questioned Mr Tom Boardman, the Minister of Industry, about the nuclear power programme. This is an industry the expenditure committee did not touch on in its inquiries because it was already being investigated. Because several members of the committee are politically opposed to Britain building an American-type power reactor under licence, a powerful but specious commercial argument for going ahead with the competing steam generating heavy water reactor, of purely British design, was allowed to stand unchallenged.

It was claimed by committee members, including Mr Arthur Palmer, the chairman, that the SGHWR is attractive to countries with relatively small electricity grids because the SGHWR can be built economically in smaller sizes than other reactor types. But this is a dubious proposition because the SGHWR has been offered to many countries over the years without much interest ever having been aroused. Australia, the one strong foreign prospect, finally shelved its project indefinitely. The truth is that most small countries, especially the developing ones, have not much interest in any kind of nuclear power reactor. The lack of sizeable transmission grids is only one problem. Most small countries do not have the industrial infrastructure needed to accommodate nuclear power stations.

Mr Boardman told Mr Palmer's committee only a small portion of what it wanted to know, saying he was bound to silence on Government decisions about nuclear power until a statement is made to the Commons, which should be soon, probably before the summer recess. However, he indicated that the statement would offer a new structure for the industry, as well as announcing which type of reactor the Government wants to build next. Besides the SGHWR and the American light-water reactors, there are two others in the race: the advanced gas-cooled reactor, the kind Britain is already building, and its high temperature version, which would be a continuation of the AGR line.

Mr Boardman said he thought the Central Electricity Generating Board has now modified its opposition to the unification of Britain's design and construction groups. However, he denied reports that the new group will be led by Sir Arnold Weinstock, the head of General Electric. This is in line with what is heard around Whitehall where many apparently feel that Sir Arnold holds quite enough industrial power already.

Steel

Rosy spectacles

The British Steel Corporation will soon submit to the Government the latest of a long and frequently modified series of plans for the industry's long-term future. It will ask this time for a single, massive piece of investment built around one of the corporation's existing sites and aiming at a greatly increased capacity towards the top of the 28m-36m ingot tons a year range, which is the maximum conceivable size that a joint study by the Department of Trade and Industry and the corporation thought that it could possibly reach. The corporation has learned its lesson; it now realises that no government is going to approve the creation of an entirely new, greenfield steel complex if that means a large part of the existing industry would need to be shut to make room for it. It now wraps its schemes in a politically much more acceptable way around existing facilities, and offers a brownfield scheme that at least gives the illusion of creating new jobs beside the old. Even so, it will be at least three months before the corporation gets its answer.

In his annual report this week, Lord Melchett emphasised that delay will cause him and his colleagues much

heartburn, for they have not much time left to make good deficiencies in the industry's investment plans before finding themselves inside the EEC. Nevertheless, the report provides several good reasons why the Government should take its time, not least the fact that turnover in the year ending March, 1972, was 11 per cent down at £1.3 billion and gross trading profit was a mere £53m. After tax and other charges, this meant that the corporation made a loss of nearly £78m, and all it had to set against this were profits of £9.5m from holdings in associate companies. Another ominous piece of evidence was the extent to which the corporation was losing some of its home market to imports, which were 44 per cent up. It is no good arguing that the corporation in its turn did well in foreign markets; the 3.6m tons of steel it exported represented a 28 per cent increase, but at depressed prices.

The Minister for Industry, Mr Tom Boardman, has to conjure up a sensible policy for steel that will somehow balance the industry's present unprofitability—it is still running at the same rate of loss—against its future optimism. He is trying to set a financial target for its rate of return on capital before the summer recess, bearing in mind that it is rationalising, that it cut manpower in the past year by around 10 per cent and that it will cut it a great deal more under the plan to be submitted to the Government. But rationalising is an expensive process. To slim to the extent that the industry did last year cost it nearly £18m, or not far short of £1,000 for every man who left. Cheap at the price, but, together with the effects of a few more months of observing the Confederation of British Industry's price freeze, it must temporarily hurt the corporation's earning power.

Dog-in-the-manger?

Then there is the BSC's attitude to the privately-owned rump of the steel industry. It has shut down numbers of small steel plants across the country rather than sell them even to willing buyers in private industry, and a very small rolling mill at Birchley earmarked for closure is becoming a cause célèbre in the west Midlands. The mill employs only 227 men, and there are two possible local buyers for it. But the corporation refuses to sell. Its argument is that plants like Birchley

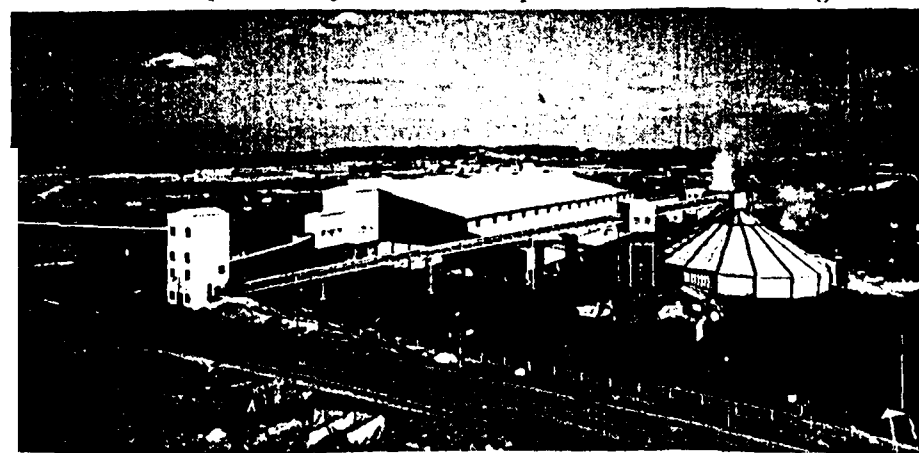
are being scrapped as part of a rationalisation programme that transfers their output to other, existing plant and so improves productivity. To sell even so small a mill as Birchley to private industry would defeat the object of closing it, and increase capacity in a sector of steel production in which there is too much capacity already.

Mr Boardman will have to think carefully about whether he is prepared to go along with this argument, because it is easy to see it being scaled up into an objection to any new investment by anyone else in the steel industry—and this includes the several big European steel companies that have shown signs of being interested in setting up plants in Britain once it is in the EEC. The DTI showed that it is sympathetic to the problems of the private steel industry when it asked Lord Hirschfeld last week to look into complaints that the BSC had been competing unfairly.

Avonmouth

Time to be ashamed

Only a handful of people, the company doctor among them, emerge with credit from Sir Brian Windeyer's inquiry into lead pollution from Rio Tinto-Zinc's modern lead-zinc smelter at Avonmouth (Cmd 5042), which was published on Wednesday. Complacency lay at the root of things, and is proving terrifyingly hard to dispel. Inefficient air cleaning and dust collection equipment, aggravated by breakdowns on other equipment like conveyers, released sufficient lead-laden fumes and dust into the atmosphere to give the plant a consistent record of sickness since it opened in 1968. In the



Avonmouth: the doctor was right

four years to 1971, lead poisoning was certified in 40 men; another 99 were taken off work and moved to other parts of the plant. It was not until the unions cut up rough that an official inquiry was started and the plant shut for two months while the air cleaners were rebuilt. Even so, Sir Brian warns that it will need "unremitting efforts" to keep contamination to safe levels.

How could this have been allowed to happen? Mainly because cleaning and filtering plant that had worked perfectly well in smaller factories was put into a much bigger installation where it could not handle the throughput. Top management was constantly being switched by the original owners, Rio Tinto-Zinc (the plant has since been sold to Australian Mining and Smelting), in an effort to get the smelter to show a profit. With hindsight, the lead monitoring devices were inadequate; the inquiry calls for better monitoring to keep lead levels down to the permitted 0.2 milligrams per cubic metre of air. At Avonmouth, sampling was periodic rather than continuous, but even so showed that well over half the readings in the sinter plant in a single month were above the prescribed threshold and rose on one occasion to the alarming level of 45 milligrams, or more than 200 times what it should have been.

The company's doctor is given the credit for keeping the sickness and pollution levels as low as they were. His position cannot have been easy because, as well as being a company employee, he was the official physician appointed under the 1911 legislation to supervise the monitoring of lead pollution. Together with the factory inspector, he complained repeatedly about the condition of the plant: but with apparently little effect until the affair blew up into a national scandal. RTZ was content to rely on such precautions as respirators for men in danger zones.

Only after there had been cases of poisoning did it install changing rooms in front of the canteen entrance. A mobile canteen with no washing or changing facilities remained in regular use until the end of last year, although admittedly in one of the less contaminated areas.

There will continue to be a great deal of argument about the interpretation of the lead contamination figures. No British worker in the past few decades has been so grossly contaminated that he has shown the classic symptoms of lead poisoning. Sir Brian says that none of the Avonmouth men is likely to suffer lasting harm. But the effects of absorbing lead up to the safe limit of 80-100 micrograms per 100 millilitres of blood vary with an individual's state of health. The assessment has to be made by a doctor using other tests. The same is true about levels of lead in the air. In his report on industrial safety generally, which was published last week (Cmd 5034), Lord Robens called for much more comprehensive powers over all forms of pollution and much stricter penalties for violations of the safety rules; the average fine last year was a mere £40. Lord Robens also proposed that there should be a much greater reliance on voluntary safety codes. The Avonmouth inquiry raises serious doubts whether this would be any good at all.

Inflation

Pushing up again

The most worrying aspect of the acceleration in price inflation is that it has come before some of the most excessive wage settlements have had their full impact on the cost of living. Even without them the official index of retail prices went up 0.7 per cent last month; more significantly, when seasonal rises in lamb, fresh fruit and vegetables are excluded, the underlying rise was at an annual rate of 6.8 per cent, compared with 5.2 per cent in January. It has been a steady and consistent deterioration.

How did this happen in a period which included a cut in purchase tax of £135m a year when the Confederation of British Industry was holding the line on price restraint? It seems that every manufacturer who had not already put his prices up by the CBI's 5 per cent hastened to do so before the agreement expires on July 31st. But, in particular, gas and electricity charges, fares, personal services such as hairdressing and the cost of eating out



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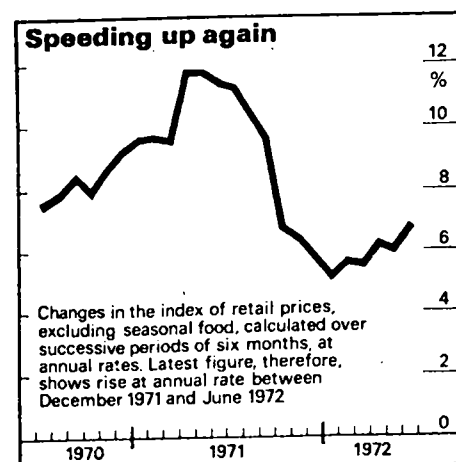
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all went up by between 3 and 5 per cent in the five months January-June; as, too, did clothing and drink. Some things went up more, notably beef, rent and rates. Cheaper butter and sugar, and the usual seasonal decline in eggs, have not, therefore, stopped the housewives' grumbles about almost everything else; and with some more beer prices going up, the wives are not alone.

It is always arguable how closely the official price index reflects what is happening to any individual family's budget. But at least the Department of Employment, which compiles the figures, is trying to be trendy. Since it last published, in 1967, a full list of the items it prices, it has added, among other things, yoghurt, night storage heaters, nylon shirts, subscriptions to motoring associations, paper handkerchiefs and launderette charges—and it has discarded, among other things, plain flour, hake, beetroot, prunes, liquid coffee essence, fully fashioned nylon stockings and cycle tyres. It's all a matter of progress.

Non-trade barriers Cloven hoof

Countries have become much more willing to discuss the lowering or abolition of tariffs on industrial goods since they have found that less unpopularity attaches to other, equally effective ways of keeping them out. Two studies*, published this week, discuss what ought to be done about them. The Geneva headquarters of the General Agreement on Tariffs and Trade has a list of 800 ways of keeping out unwanted exports by means other than tariffs, of which 30 are serious enough for Gatt to have decided to try to tackle them at the rate of one a year, drawing up international codes of conduct that are meant to deal with the worst abuses. But countries then either ignore the code, as America has ignored Gatt's anti-dumping code, or switch immediately to other non-tariff protection.

The top half-dozen are:

- Quotas, including voluntary restraints by exporters;
- Anti-dumping duties;
- Artificial methods of valuation, like the American Selling Price system;
- Deliberate government discrimination in favour of home suppliers;
- Health regulations; and
- Safety standards that deliberately differ from those of other countries.

Dr Brian Hindley describes Britain's stance as generally well-behaved on dumping, but a bit naughty on public sector contracts for computers, aircraft and electrical equipment. His paper was completed before this country's

*Britain's Position on Non-tariff Protection. By Dr Brian Hindley. Global Assault on Non-tariff Barriers. By Professor and Mrs Gerard Curzon. Both from the Trade Policy Research Centre. £1 each.

lapse into protectionism for the paper industry, so he sees nothing particularly sinister in the other recent falls from grace when restraints were put on textiles and Japanese goods. Such restraints, Dr Hindley argues, can be self-defeating. Unlike tariffs, some of these other barriers can end up by doing more good to the exporting country than to the one trying to keep imports out. The voluntary restraints that the European steel producers put on their exports to America keep up the price of steel inside the United States, which must be bad for American steel users. In the short term it means that there are fewer jobs and less investment in steel in Europe than there might otherwise be. But, at the same time, it makes exporting steel to America a profitable business, and it helps big steel-using industries in Europe to boost exports to America.

The solution, he suggests, is the listing of non-tariff barriers much on Gatt's lines, followed by a general trade-off between countries which would bring about the barriers' gradual abolition.

Practical ways of doing this are proposed by Professor and Mrs Gerard Curzon, who blame the weakness of Gatt on its lack of any machinery of enforcement. They would give it power to fine members who break the rules and even to suspend the Gatt trading terms if they persist in violating them. But, they say, it is necessary to understand why countries protect their industries in the first place. It could be (a) to boost their competitiveness in the home market; (b) to ease the process of running such industries down in the face of foreign competition; or (c) to prevent that run-down from taking place. They consider that the first two objects should be respected.

BUSINESS

International

The Japanese and Americans agree to hate Europe

Tokyo

Officials in Tokyo are now dashing cold water on speculation that a special tax might soon be imposed on some of Japan's more disruptively competitive exports in a bid to trim the country's trade surplus and avoid another upvaluation of the yen. They admit that any remaining export tax privileges should go, but they are dubious about the wisdom or practicality of discriminatory taxation against the country's most efficient exporters. None the less the rumours persist that the initially "stubborn" Ministry of International Trade and Industry has "yielded" to a Ministry of Finance recommendation for the institution of just such an export adjustment tax.

Under the reported plan, the tax would affect those companies whose exports rose by more than 50 per cent in a year—a criterion that could catch manufacturers of such key items as cars, televisions, tape-recorders, mopeds and bicycles. The Ministry of Finance is supposed to be pressing for the tax because the mere dismantling of existing export tax privileges would throttle back exports by considerably less than \$100m in a year—small beer when measured against the trade surplus of over \$7½ billion expected for 1972. The sceptics point out that Miti's acceptance of any such plan would be a political volte face, of the sort which that ministry always dislikes, and that the partial upvaluation such a tax would imply might only fuel further speculation on a formal revaluation of the yen.

The sceptics could still be proved wrong. It would be intriguing to know whether the Americans raised the point during their trade talks with the Japanese this week. By Wednesday, with two days to go, these sometimes heated discussions had led only to

agreement to disagree on everything except the two countries' approach to their one common enemy, the enlarged common market. Both Japan and America fear that, as non-members, they could face growing discrimination against their exports. The United States has now accepted a Japanese proposal to work towards multilateral safeguard arrangements, in place of the bilateral safeguard clause—aimed at Japanese exports—that the EEC is pressing for in its trade talks with Japan. A multilateral safeguard arrangement, which would require a change in Gatt's rules, would presumably allow a country to put a clamp on a given category of imports only if it satisfied an international watchdog that its total imports of that category had risen intolerably; a country could not just impose emergency restrictions against imports from an individual country, as many governments try to do now. America and Japan also exchanged sympathetic moans about the spread of preferential trade agreements between the EEC and Mediterranean and African countries.

Italy and EEC

Stretching rules

Sceptical and not-European-minded Britons could learn a lot from the Italians about how to stretch the Rome Treaty's rules, and the commission's patience—at least on past performance. But maybe there is always an end to patience. The commission has put its foot down and said no to the Italian government's request for a renewal of the special rebates of part of the social security charges paid by small and medium-sized Italian firms—and all Italian textile firms, big and small.

These were introduced in Italy a year ago, when the commission approved them as falling within one of the four categories of industrial aids which the Rome Treaty allows: temporary aids when a particular country is passing through a sticky patch. (The other three are: regional aids, subject to the limits the community agreed in 1970; aids for particular sectors of industry in hard times, subject to community rulings; and other types of aid specifically approved by the Council of Ministers.)

The rebuff must come as a surprise to Italy, both because its economic recovery has not gone very far yet and because it operates such a multiplicity of types of aid to industry, not least through the semi-obscure activities of the numerous state-holding companies, of which Iri is only the best known. A possible way out would be for the Italians to be allowed to maintain the rebates for small and medium-sized firms (which is where the political sensitivity is greatest), but to scrap them for the rest of the textile industry (meaning the likes of Montedison). The commission has already been pushing the idea of dismantling EEC textile tariffs to slim the industry down and divert resources into more advanced industries; but has met a predictable hostility from all European textile manufacturers, who are plagued with over-capacity.

In fact, the commission faces a formidable problem. Belgium, for instance, used to provide various aids to industrial investment. When the commission began to protest, it reclassified them as regional aids, although they applied almost everywhere in Belgium. Now that the rules for regional aid have been laid down, Belgium has had to backtrack and scrap some of them. But as fast as the commission closes one loophole, the more acute governments find another. Whitehall will have to learn this game of being one jump ahead; for instance, when the Industry Bill comes into effect, which may provide help to some industries outside the already extensive development areas in Britain.

Key indicators: British economy

Retail prices
Rise accelerating.

Money stock
Increased in the past three months at an annual rate around 30%.
Big increases in deposits and in lending to private sector.

Cars
Record registrations in June after allowing for seasonal factors.
Production for export only about half that for the home market;
total output 10% up on a year ago.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	May	131.2	+2.9	+15.6	+4.6
employment*	May	88.7	-0.1	-0.6	-4.4
productivity*	May	147.9	+3.0	+16.1	+9.4
Export trade*†	June	157	+6	+11	-½
Eng'g orders on hand*	December	114	nil	-2½	-9
Retail trade*	May	114.8	+0.4	+2.4	+3.3
Unemployment*	July	159.9	+0.6	-7.8	+6.8
Average earnings*	May	202.2	+0.8	na	+10.8
Retail prices	June	158.0	+0.7	+2.1	+6.1
Export prices	May	151	+½	+2	+7½
Import prices	May	135	nil	+½	+3

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

As a final tour de force, the Italian senate this week approved the plan to postpone yet again the introduction of value-added tax, this time until January 1, 1973, or three years later than the EEC's deadline. An exasperated Brussels grudgingly approved this further postponement, on the grounds that Italy was undergoing its familiar prolonged process of forming a government in the wake of its May elections. But it stipulated that Italy should at least modify its export rebates—of the business turnover taxes it operates instead of Vat—to the extent that they are excessive and exceed the indirect taxes actually borne by the exports. Italy complied. But it also juggled with the classification of goods to such a degree that an infuriated and suspicious commission complained that effective subsidy to exports remained much as it was before.

French economy

Just a worry or two

Paris

While 3½m Parisians have already left on their summer holidays, to be followed next week by thousands more when the city's motor and engineering factories close, some anxious faces are still to be seen at the ministries concerned with running the economy. Their worries are that industrial investment is not responding to the economic upsurge; export competitiveness is threatened; and the Bank of France this week reported some shortages of skilled labour and some production bottlenecks, despite high unemployment and general under-utilisation of industrial capacity.

Because French wages are now rising at an annual rate of about 11 per cent, faster than those of most of France's competitors, the government knows that it will not be able to count for much longer on manufacturers' co-operation even in the present limited restraints on their pricing. M. Jacques Ferry, long the powerful spokesman for the steel industry but now also the president of a new grouping of 20 of France's largest industrial firms, complained bitterly a week ago that costs were rising much faster than productivity and that French industry would lose against other European competition if it remained unable to fix its prices freely and so restore its profitability.

Certainly, squeezed profit margins

could account for some of the lacklustre prospects for investment plans. But the government is plainly not anxious to inflame wage demands by taking off what surveillance it still has on consumer prices, already increasing at a rate of 5.8 per cent a year. It sets much store, in theory, on annual contracts with the unions that would guarantee real wage increases in exchange for productivity gains. In practice, wage increases are now effectively linked to retail prices, which does not deter the unions from pushing hard for additional claims.

What surveillance of pricing remains does not, of course, extend to exports. The competitive edge that French exporters have enjoyed since the 1969 franc devaluation could become blunted. But so far France's economic growth continues to be strongly exported and the OECD, for one, is still foreseeing increases in real terms this year of 5 per cent in France's gdp and 9 per cent in exports. Not bad going. If, as is widely expected, President Pompidou calls a spring election next year, he should be able to count on several months' boom beforehand. But this means taking a calculated risk with inflation, and the French public is growing increasingly sensitive to the sharp price rises in food and services.

EEC competition

Sweet life for some

Brussels

Under the spur of Herr Willy Schlieder, the director-general in charge of competition, the EEC commission is intent on proving that there are teeth in the Treaty of Rome's rules on the subject. Its new accusation is that the com-

munity's sugar refining industry carves up the national markets of the Six in a cosy cartel that keeps prices unnecessarily high. The 22 firms concerned have two months to refute the charge, or else face fines of up to 10 per cent of their turnover. The case is almost certain to be fought in the Luxemburg court, where it could drag on for years. But the commission has just secured a judgment there upholding the fines levied on European chemical companies for fixing prices of dyestuffs. The shape of European anti-trust law is becoming steadily clearer.

The commission's suspicion that the sugar market was not free was aroused in 1968 when a brief breakdown in the Dutch cartel sent prices reeling by 20 per cent. Later the Belgian refining company, Tirlmont, was fined for refusing to give information on its marketing arrangements. The commission has also found that although sugar prices vary considerably within the community there is remarkably little growth in cross-frontier trade. This is because the leading sugar producers in each country tightly control their national markets; any intra-community trade is arranged almost entirely between the producers themselves, enabling the importing firm to keep its domestic price levels unruffled by outside competition. Even distributors and food-processing industries can buy sugar from another community member only at the price prevailing in their own markets. And sugar producers in the two countries with surplus supplies, France and Belgium, are alleged to have a joint policy designed to maximise their export subsidies from the EEC agricultural fund.

The sugar industry enjoys such comforts throughout Europe. Last month in Britain the Public Accounts Committee



At the root of Tirlmont's trouble

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of the House of Commons uncovered an agreement which effectively divided the domestic sugar market at the housewife's expense: Tate and Lyle (with 60 per cent of the market) was working in close agreement with British Sugar (with 25 per cent). Prices were being pushed up to guarantee profits without regard to competition. Tate and Lyle also has a substantial share in Europe's largest sugar refiner, formed by the merger this month of two French companies, Beghin and Say. But then Tirlemont and the Italian Eridania also have stakes in the French firm. The commission has a lot to unravel.

Italian television

Colour politics

Rome

Officially M. Pompidou was due to talk about the European summit, the European security conference and monetary union in Rome on Thursday and Friday of this week. But unofficially he is likely to have had a good deal to say about colour television, and the particular virtues of the French system of transmitting it.

For three or four years the French have been pressing Rome hard to opt for their system, Secam (which is also used in east Europe) rather than the German system of Pal (which is used—or something very like it) across northern Europe and which is more or less identical with the American system from which it evolved.

Pal started as the odds-on favourite for Italy. In 1966, RAI-TV, the Italian state television monopoly, came out in favour of Pal on technical grounds, and bought some expensive hardware for experimental transmissions. Since then there has been silence, broken only by periodic announcements of an imminent decision and bursts of press speculation. Italian television manufacturers are increasingly impatient.

Four months ago, after the Italian manufacturers had boycotted the annual European radio and television exhibition in protest, Signor Andreotti, the prime minister, assured the industry that a choice really would be made. But the stakes are high. Italy's decision could swing countries like Spain and some Arab states. Even the Chinese are reported to be waiting to see how the cat will jump. Juicy carrots have been offered to the Italians to opt for the French system, including joint Italo-French companies to push Secam in other markets, joint Secam production companies in Greece and Spain, and

aid for Italian electronics firms. The Secam lobby claims its system is technically on a par with Pal. In most circumstances it is, but among Italy's mountains the Italian television authorities felt happier with Pal. Most Italian set makers are also pro-Pal, and many are already making colour sets for sale in Germany. At the centre

of the battle is the new post and telecommunications minister, Signor Giovanni Gioia. His lack of practical ministerial experience ought to be offset by his years in the rough and tumble of Sicilian politics. Attempts to find a compromise formula have foundered on opposition from both lobbies. In the end, cash and high politics will decide.

That American swap network

So oversold was the dollar when President Nixon suddenly reversed his hard-nosed policy of leaving surplus countries to buy all the dollars offered on the market (on pain of otherwise seeing their exchange rates float up) that even minor repurchases of dollars by the New York Federal Reserve Bank have been enough to produce a sharp recovery in the dollar's rate against the major European currencies. The world has seemed momentarily stunned by the reminder that America can, again, underwrite any active defence of the dollar by its vast swap network which had been immobilised since August 15th.

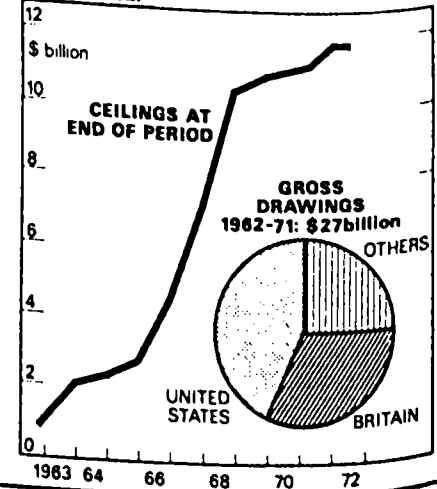
The network is a series of reciprocal currency credit lines, negotiated by the Fed with 14 other central banks (plus the Bank for International Settlements), under which either party can draw, on demand, up to an agreed maximum of the other's currency. If all the lines were clear, the Fed could draw over \$11.7 billion, the bulk of it in the currencies of the enlarged common market, Switzerland and Japan. From this must be deducted its debts. Despite a further rundown in its sterling debts since March (the last date for which figures were published), the Fed probably still owed roughly \$2½ billion to its partner banks. Awkwardly, the bulk of this (over \$2 billion) was concentrated in Swiss and Belgian francs. Size apart, the network's beauty is its flexibility, its low cost and (from the point of view of the strong currency countries), its built-in protection against exchange risks. If the Americans want \$100m worth of D-marks, the Fed activates its stand-by credit with the Bundesbank by drawing DM317m (at the ruling exchange rate) and credits the Bundesbank in return with \$100m; simultaneously both banks agree to reverse the swap (in effect the Americans agree to repurchase their own currency) at a specified date, at a specified rate of exchange. A 3-month credit could be rolled over indefinitely.

So long as the Fed simply held the D-marks thus acquired, the swap would be virtually interest-free, both banks receiving the same return on invested balances. But the Fed could obviously choose to use its D-marks (or the Bundesbank its dollars) to intervene in

the exchange markets or to finance transactions with other central banks. Intervention in the markets to mop up surplus dollars would not only buoy the dollar rate against the D-mark; in effect it would substitute exchange-guaranteed dollars (under the swap) for outright holdings of ordinary dollars in Germany's reserves.

Drawings under swap lines are supposed to be made only to finance swings in short-term capital flows that can be expected to reverse themselves quickly. Until the beginning of 1970 most transactions did conform to this rule, more or less. There was then a change; a pointer to August, 1971. In those intervening 20 months the Fed found that almost none of its own swap drawings proved reversible through market transactions. Increasingly, debts had to be cleared through issues of special foreign-currency securities, drawings on the IMF, and even the use of America's dwindling primary reserve assets.

This was not surprising. Swaps were being used simply to provide a straight devaluation cover for the swelling dollar reserves of surplus countries. The last big drawings made by the Fed (\$1,000m in Swiss francs, \$750m in sterling and \$135m in Belgian francs), on August 12th and 13th, just before the axe fell, were made at the specific insistence of these loss-conscious partners. The dollar's devaluation then probably cost the Fed some \$200m in swap debts still outstanding after mid-August. Yet the Fed is apparently prepared to play the game a second time round.



Egypt

Spare a rouble



Goodbye Boris and Sergei

Now that a fair number of Russia's military advisers have been ejected from Egypt, the future of Soviet economic aid is in the balance. The Russians will not do anything so drastic as to sever all their links. There was a noticeable slowing down in Soviet credits in 1971 while Mr Mahmoud Fawzi was premier. But once he had been replaced by Mr Aziz Sidky in January, the timetable for the iron and steel complex at Helwan, just outside Cairo, was advanced, so that a third blast furnace should be operating next January, six months ahead of schedule. The Russians may slow down the flow of new aid while they watch political developments, but are unlikely to turn it off altogether. Egypt is a principal shopwindow for communist economic aid. The Russians will hardly throw away the kudos of their investment. Thus on July 14th, after the Russians had been told that their advisers were to go, Mr Sidky got them to agree to talks on a new economic co-operation agreement, linked to Egypt's 1973-77 development plan.

Russia is by far Egypt's largest trading partner. The total trade between them was £300m in 1971; trade exchanges with Germany (the second largest) were £60m. Russia is financing 102 projects in Egypt, half in the energy, or energy-producing, industries. The Aswan dam is the biggest (£100m, of which Egypt has paid back £43m). Helwan will account for £310m, including development of the iron and

coal deposits at the Bahariya Oasis. In the 10 years to March, 1971, Egypt had drawn total foreign industrial credits of £210m, of which £130m came from Russia, and most of the rest from other east European countries. In that month Russia offered a further £170m, none of it used yet, including £60m for an aluminium plant and £66m for a phosphorous plant, both using Aswan power, and with work due to start this year and next.

Pakistan

It's hard to adapt

Rawalpindi

Industrial output in Pakistan fell by nearly 6 per cent in the year ending June 1st. But there are signs of a recovery as exporters find new outlets to replace the captive market that turned itself into Bangladesh. May's devaluation of the rupee helps; it gives yarn manufacturers 8.5 rupees to the US dollar (after export duties), compared with the previous 7.7 rupees, and even higher margins on other exports. Textiles, the principal industry, has been boosted by a bumper cotton crop and higher world prices.

But devaluation has given a push to the already acute domestic price inflation, which President Bhutto's government is trying to check with subsidies and tax reductions. A 14 per cent rise in the cost of living over the year had already touched off violent strikes in Karachi in which 14 people died, although this turned out to be kids' stuff compared with the language riots a month later. Workers have been battling with managements all over the country to safeguard their jobs and maintain real wages. Firms taken over in President Bhutto's brief nationalisation spree have not been immune. In one chemical plant, government-appointed managers had to be replaced after workers evicted them from the premises.

The Smithsonian pound

	USA	July 26
Despite the	Germany	106½
suspense over	France	108
the course of	Italy	109
Britain's dock	Belgium	106½
dispute	Holland	109
sterling remained	Denmark	108
surprisingly	Sweden	106½
strong.	Switzerland	108½
	Japan	108

Table shows the cost, in Britain, of goods which could have been bought from other countries for £100 at Smithsonian central rates. The method was explained on page 90 of The Economist for July 1st.

Key indicators: world commodity prices

Iced coffee
The effect on Brazil's coffee harvest of a frost in Parana on the night of July 8th is only beginning to be assessed. At least a fifth of the 1973-74 crop has been destroyed including all top quality arabica coffee. Arabica prices have soared 25 per cent in the past few days to 62 cents a pound. Robusta coffee, not grown in Brazil, has climbed 13 per cent. These gyrations are almost certain to break the international coffee agreement.

	Index 1963=100	Percentage change on one month	Percentage change on one year
	July 19	July 25	
All items	133.1	132.9*	+ 2.7 +10.9
Food	147.8	147.0*	+ 3.6 +12.3
Fibres	103.0	103.1*	- 0.3 +22.0
Metals	183.7	182.1*	+ 3.2 - 4.4
Misc	117.9	120.9*	+ 1.0 +18.3

*provisional

BUSINESS

Investment

Suddenly, it's really summer in Wall Street

New York

It took one official release to jolt Wall Street upwards. But what a good one it was, bringing the news that America's gnp grew in the April-June quarter at an annual rate of 11.2% in money terms and 8.9% in real terms. It was the sharpest real gain since the fourth quarter of 1965, when the country was beginning to step up production for Vietnam and exceeded by over 1 percentage point most expectations, certainly those of the Organisation for Economic Co-operation and Development presented at the same time. Not least of the sweetness was the confirmation that inflation had been curbed: to an annual rate of only 2.1%, less than half the pace in the previous three months. So although growth in dollars was marginally less impressive, real growth was much more so, up from 6.5%. Moreover, to Wall Street's delight, it had been propelled by private investment.

The sun shone. On Monday the Dow Jones industrial average went up 14.9 points (after putting on 10 points the previous Friday, when the news was being leaked) to 935.4. A batch of reports on corporate profits helped the uptrend, since they pointed to increases of around 16% in after-tax earnings in the second quarter of 1972 over the year before. Inevitably there was some profit-taking on Tuesday, when the Dow slipped 0.90, and a little more on Wednesday, when it shed 1.8 points. But that meant the market had held on to nearly all of its remarkable gain, the index closing on Wednesday at 932.6.

In this hopeful glow other problems, such as Senator McGovern's anti-business bias, seemed to be falling into place. Brokers said investors appeared to feel better about the international monetary situation, comforted by the Federal Reserve's newly proclaimed policy of intervening in foreign

exchange markets to help to defend the dollar. With its confidence restored, the market moved emphatically to favour companies reporting good earnings, in contrast to indifference under similar circumstances only a few days earlier.

But one stock the rally did not help was Occidental Petroleum, long a speculative favourite. Oxy spent the previous week running up \$3½ to the year's high of \$18½ on news of its broad business accord with the Russians. Late that week, however, the stock was hit by a deluge of selling after the Secretary of Commerce, Mr Peter Peterson, was quoted in Moscow as saying it was premature to consider the deal commercial. Even in the best markets accidents will happen.

London market

While Fleet Street slept

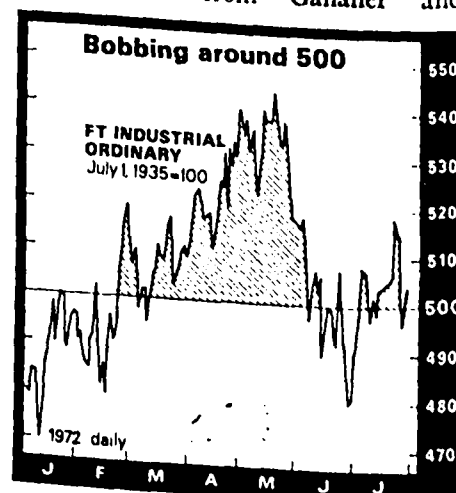
The day the Londonpudde martyrs went to jail, the Financial Times industrial ordinary share index fell 10.3 points to 503.6. When they came out five days later, the index was a fraction higher. On Thursday morning the index recovered a bit of steam, and went up 0.9 points to 504.9 by midday. The main effect of the industrial dispute was for buyers to halt buying while they worked out what was going on. The City found that without newspapers it was almost impossible to gauge the nuances of the situation, and that the stark facts and hotly contrasting opinions of the television screen did not give them enough ammunition for the delicate sifting of sentiment that moves the market one way or the other. A few stockbrpkers, like Phillips and Drew,

issued a daily newsletter. But turnover on the market fell even further than the already low levels reached since the trouble at the docks started. On Wednesday there were only 6,700 bargains marked, the lowest figure for years.

The company news has, however, been fairly cheering. The Dowty Group went better in the second half, to produce profits of £4.3m against £3.1m after tax for the year, but one of its customers, Vauxhall Motors, reported a loss of £2.5m back to the parent, General Motors, in Detroit. The best news in the heavier end of industry came from Davy-Ashmore with a 58% rise in profits on turnover which hardly moved. The p/e of 8½ at 60p does not quite do credit to a company engaged in a sweeping modernisation programme (which cost £3m in extraordinary items).

The better-than-expected results of Redland (up from £7m to £12m pre-tax) and Taylor Woodrow, up slightly at the half-year, brought some movement to the building and construction sector. But the long tussle by Consolidated Gold Fields for the Amey Group, and by Amey for British Dredging is still unresolved. The attacked directors advised their shareholders not to make a move; until higher bids materialise, this advice is probably right.

There was good cheer in the fags and foodstuffs sectors on Wednesday with results from Gallaher and



ETIBANK

Etibank, which was set up as a State Economic Organisation in 1935, has achieved tremendous progress in recent years and has increased its capital to 2 thousand million Turkish pounds. With its production of substances such as mercury, chrome ore, blister copper, sulphur, copper pyrite, colemantite, tincal, lead and zinc concentrates, sulphuric acid, borax, boric acid, ferro-chrome and floatation pyrite, Etibank is a large contributor to the economic life of the country. In addition, the units which will be commissioned for the mining and chemical works of the Organisation will further enhance the scope of its function.

Etibank, whose banking activities were only limited during the early stages of its establishment, has, in subsequent years, expanded its operations in this field and by 1955 started to provide all normal commercial banking facilities. At present Etibank operates 49 branches in the larger centres and new ones will shortly be added to these.

1971 PROFIT AND LOSS TABLE

Debit		Credit	
I Personnel Expenses	74,819,755.94	I Interest Received	109,494,544.08
II Tax and Fiscal dues	438,516.06	II Stocks and Shares Receipts	3,237,513.35
III Other Administrative Overheads	25,189,789.82	III Bank Charges and Commission Receipts	14,030,351.44
IV Interest and Commissions Paid	63,808,833.68	IV Sundry Receipts	37,922,305.05
V Savings Promotion	4,690,111.63	V Cover against General Directors and Branch Expenses	57,883,222.34
VI Depreciation Fund	3,387,829.08	VI Profits from our Participations	1,572,000.—
VII Covers Set Aside	3,381,530.57	VII Profits from our Enterprises	18,420,395.55
VIII Sundry Expenses and Losses	18,028,322.97	VIII Profits transferred from our Establishments	61,081,687.71
IX Losses from our Enterprises	19,746,277.84		
X Profit	90,153,061.71		

1971 BALANCE SHEET

Liabilities		Assets	
I Capital	2,000,000,000.—	I Unpaid Capital	1,378,791,553.15
II Reserves	209,313,383.93	II Cash	158,139,881.03
III Covers	56,934,379.26	III Legal Covers Fund	160,123,387.40
IV Our Obligations	1,591,204,651.42	IV Banks	139,990,155.47
V Deposits and Current Accounts	1,398,125,089.53	V Stocks and Shares Portfolio	49,369,340.—
VI Participations Capital to be Disbursed	70,344,000.—	VI Bonds Portfolio	100,885,795.83
VII Our Establishments Capital to be Disbursed	6,000,000.—	VII Advances	255,534,693.18
VIII Payment Orders	7,224,092.50	VIII Debtors' Current Account	598,779,973.84
IX Sundry Creditors	270,417,745.02	IX Our Participations Capital Allotted to our Establishments	1,865,000,000.—
X Sundry Liabilities	683,921,450.44	XI Fixed Assets	1,928,792,306.68
XI Exercise Year Profit	90,153,061.71	XII Sundry Debtors	422,008,108.03
		XIII Commodity Stock	3,780,005.15
		XIV Sundry Assets	652,259,989.56
		XV Initial Establishment Expenses	4,055,944.03
		XVI Special Costs Equivalent	4,540,140.51

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Consolidated Balance Sheet

30th June 1972

ASSETS	
Cash and Due from Banks (Including \$868,004,600 in 1972 and \$521,051,500 in 1971, due from banks at interest)	\$1,710,070,700
United States Government Securities	184,445,300
State and Municipal Securities	401,982,600
Other Securities	78,884,000
Trading Account Securities (valued at lower of cost or market value)	56,434,700
Loans	2,574,257,600
Federal Funds Sold	105,861,900
Customers Liability for Acceptances	66,075,700
Banking Premises and Equipment	105,485,600
Other Assets	122,036,400
TOTAL ASSETS	\$5,405,534,500
LIABILITIES	
Demand Deposits	\$1,778,176,400
Savings Deposits	281,662,900
Time Deposits	774,124,600
Overseas Offices Deposits	1,328,053,600
Funds Borrowed	146,397,100
6½ per cent Notes due July 15, 1979	100,000,000
Federal Funds Purchased and Securities sold under Agreement to Repurchase	380,862,500
Acceptances Executed	66,638,200
less those held for Investment	20,907,700
Accrued and Deferred Income Taxes	13,342,800
Unearned Income	37,992,300
Accrued Expenses and Dividends Payable	23,873,200
Other Liabilities	57,907,700
Reserve for possible Loan Losses	57,907,700
CAPITAL ACCOUNTS	
Common Stock	\$75,000,000
Surplus	175,000,000
Retained Earnings	119,921,400
Reserve for Contingencies	25,674,100
TOTAL STOCKHOLDERS EQUITY	395,595,500
TOTAL LIABILITIES	\$5,405,534,500

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Unigate. Gallaher was the big surprise; its interim profits rose by 12% to £12.2m. Only three months ago the company was making sour noises about needing to do something (raise prices) to restore margins, which were 4.7% at that stage. In the second quarter they have suddenly improved to 5.7%, their highest for a long time. The shares responded by going 10p better to 200p.

Unigate's big efforts at reorganisation—its large capital spending programme, its promotion of profitable dairy products, the rationalisation of its grocery business, and the reorganisation of the transport and engineering division—have attracted keen eyes for some time. The share price has risen 50% over the past year. It rose again this week to 178p after the year's 24% profit rise to £13.3m.

Finally, Madame Tussaud's profit for the first half of 1972 has zoomed up to £206,000 from £132,000. They also boom who stand and wait.

Clearing banks

Where there's money, there's money

All the big four clearing banks have submitted their interim profit figures. National Westminster, last to report but first in size (on some criteria), came out with good figures on Tuesday. These followed lousy ones from Lloyds, fair ones from Midland and excellent ones from Barclays. The moral is simple: some banks are going to do better than others at certain times.

The ending of the cartel means that managements take a different view of the situation and actually compete, as

the latest moves on interest rates show. That the banks' base rates had to go up again was obvious: the run on sterling squeezed their liquidity precisely when the cost of marginal funds in the money markets was being pushed sharply upwards and a more sustained rise in industrial loan demand was being added to buoyant personal, property and financial borrowing. NatWest took the plunge in pushing its base rate to 7%; Lloyds was the last of the four to fall in line. All four have narrowed the margins between their blue-chip lending rates and their deposit rates on seven-day money, from the 3% customary since 1969 to 2½%-2¾%. Moreover, none of the banks has raised the already-high charges on their fixed-interest loan schemes for personal and corporate borrowers. But while NatWest, Midland and Lloyds have raised their seven-day deposit rates 1½ points to 5½%, Barclays has taken an even bigger gamble, marrying a 1-point rise in base rates to a full 1½-point rise (to 5½%) in its deposit rate. If the extra carrot offered does succeed in attracting more deposit funds, it will be cheap at the price—recourse to the money market for extra funds would cost much more.

The difference in management dynamics shows up particularly perhaps in a comparison of NatWest with Lloyds. NatWest enthusiastically backed the British Petroleum financing (July 22nd, page 70), and Lloyds opposed it. NatWest shows continuing profit increases and forecasts a "satisfactory improvement" over last year; Lloyds actually turned in less profit at the per share level for the six months, and forecasts no improvement for the year. NatWest has been lending more aggressively and to the more profitable sectors, like property development and personal loans. Lloyds has

not been adventurous with its advances, and is still more tied to the less-generous returns of traditional industrial lending. It will be interesting to see from the annual reports how well they compare on handling the portfolio of gilt-edged securities. Lloyds is thought to have taken something of a caning. However, Lloyds's relatively poor showing could be the prelude to a rapid turnaround. When banking profits were first revealed, Lloyds was a star.

The fundamentals for banks are good: secure profits on very moderate price/earnings ratios in an industry which is bound to grow. But the institutions have been very heavy in bank shares and are now sitting on vast profits. The trend of profits in the first half, which shows much stronger increases over a year ago than over six months ago, has led them to think that the best of the goodies may now be over and that it is time to cash some of their holdings. They are also worried what will happen to margins, as banks bid in the money market to fulfil the growing (one hopes) industrial demand for loans. Probably not enough to dent profits—but the time to buy bank shares is after the shake-out is over.

Sime Darby-Clive Holdings

Gilts and ginger

Quite unexpectedly, Sime Darby, the successful Far Eastern merchant, has bid for the City's sixth largest discount house, Clive Holdings. The price tag of £25m is the equivalent of 257p a share: a 44% mark-up on the pre-bid price.

Never before has a discount house been taken over by an outsider. Only the most gentle mergers, watched over

by the Bank of England, have ruffled the rarified atmosphere of the discount market. What can Sime Darby, whose profits are generated entirely in the East, do with its new acquisition? Little in the short run. The tightly regulated rules of discount business cannot be tampered with. This side of Clive's business must remain isolated from the rest of Sime Darby's activities. It will clearly help in the discount market to have the £160m capitalisation of Sime Darby backing Clive's positions: discount houses have always been under-capitalised. But where Sime Darby will gain is in developing Clive's growing money-broking business. This will not merely give the trading house much better access to London's money markets but could, in time, enable it to develop a merchant banking operation of its own.

That will be a long pull, however. In the meantime the main benefit of the acquisition must be that it gives Sime Darby a profit base in Britain, where 70% of its ownership is. But profits from the discount business are very volatile, and with rising interest rates Clive will have trouble matching last year's bumper profits with any regularity in the future.

The deal is the most spectacular yet engineered by the Rothschild Investment Trust. RIT already has a 7½% holding in Sime Darby, bought for £1½m odd and now worth £7½m, and 20% in Clive, acquired for about 66p a share.

The takeover of Clive comes after a frenetic year for Sime Darby. It has taken adept advantage of the booming Hongkong stock exchange (now at its all-time high and 80% up on a year ago); and has made almost a dozen acquisitions. After the offer of 11 convertible shares for every five ordinary shares of Clive, Sime Darby shares moved up by 9p to 145p in London: a price which is still at a considerable discount to the Hongkong stock exchange's quotation. Since this puts the shares on an absurdly high p/e of well over 50, Clive shareholders might wonder quite how to value the bid if the Hongkong market recedes.

This was the strongest argument used last year by Seaford Rubber in its unsuccessful fight against Sime Darby. Ironically, since that time Seaford's plantations have not been turning in the expected profits, because of the low world rubber price. This is undoing Sime Darby's forecasts for 1972. That is perhaps one reason why it wants to shift to London.

Rank Organisation

More and more

If the profits were not quite so good one could almost feel sorry for Sir John Davis, chairman of the Rank Organisation, and his board. He wants to diversify, but the shareholders simply want the Xerox profits to roll in. And roll they do. This week's interim figures show Rank's earnings per share up by a huge 30%—and all the big rise, once again, comes from the Xerox concession: the share of Xerox profits is up 25% to £19m. Sir John's report sensibly says of these figures that "they speak for themselves."

It is of almost academic interest how the rest of the company is doing. Profits there have, however, improved to £6.8m from £4.6m in the equivalent period last year. But more important than this eventual take-off of Rank's conventional business is the prediction that the next six months will be better than the last. This means that Rank's Xerox pretax profits should top £40m for the year, well justifying the share at £10.50: 10% up on a week ago.

De La Rue, for whom Rank bid almost £4 a share in 1968, must be looking forlornly at Rank's results. Four years after getting the Government to prevent the bid, De La Rue's shares are valued at only 25p. After long years of unfulfilled promise, the first quarter results do show a substantial improvement. Pre-tax profits are up 53%. But this is no real guarantee of a sustained increase, and earnings per share are only up by 9.5%. In an attempt to find a solution to the recent undistinguished performance the company is doing yet another management reshuffle, the

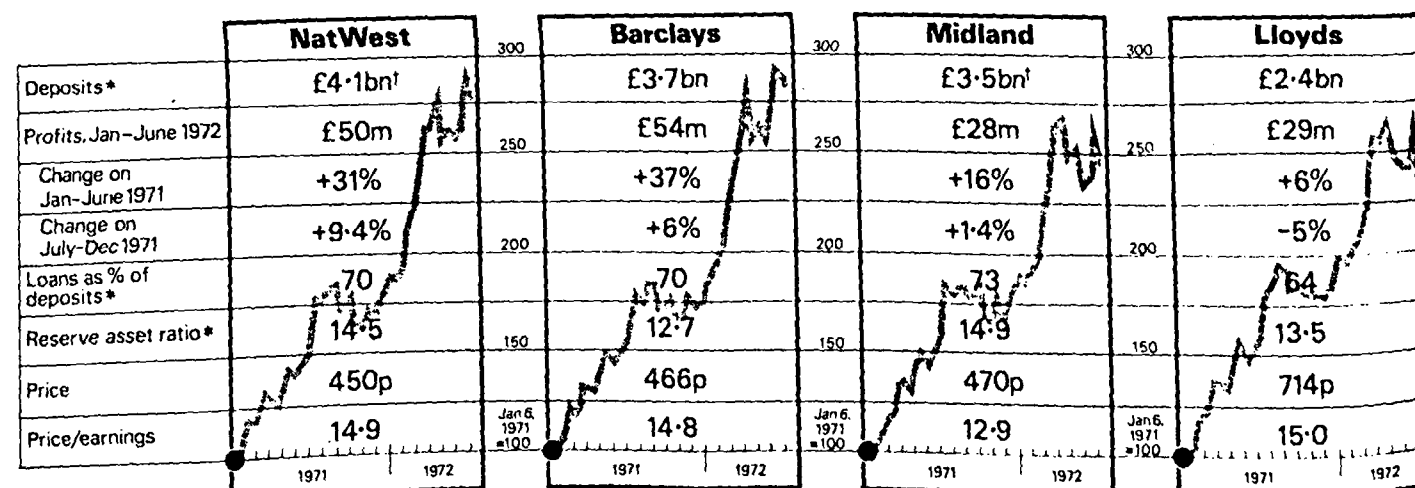
last being less than two years ago. The stock market will have to wait another year to be convinced. But even then many shareholders must be sore at their management for having rejected Rank.

Stores

Some are doing fine

The recovery in retail sales since the autumn is underlined yet again—but from an unusual source—by the latest results from Great Universal Stores. Gussies are chiefly noted for their steadiness, so the 14.8% rise in profits to a record £60m, on turnover up 13% to £½ billion, should put heart into the enthusiasts. The key figure is that of £6.8m worth of deferred profits, showing a tenfold increase on last year. These are the profits on outstanding hire purchase contracts which are brought in gradually as payments are made, living proof of what the durables boom has meant to a prominent High Street trader. While renewed credit controls can never be discounted entirely, GUS's historic p/e of 21 at 320p looks undemanding.

The interim results from F. W. Woolworth were inevitably a bit of an anticlimax after the excitement of the first quarter figures when outstanding profit and sales rises were distorted by the timing of the Easter trading period. The second quarter was much quieter and the combined profit rise was 21% over the very dull January to June of last year. The slight shading of margins in the second quarter was depressing, but the hope is that the accelerated store improvement campaign will help later figures as they have hindered these.



* as at June 21st

† includes wholesale banking deposits

Key indicators: world bourses

	Stock price indices			Percentage change on			
	July 26	1972 high	1972 low	one week	one month	one year	record high
Still waiting around in London, taking profits in New York, and making them in Tokyo. Firm markets in continental European bourses.							
London	504.0	543.6	470.4	-2.8	+3.7	+22.7	-7.3
New York	932.6	971.3	889.2	+1.7	+0.2	+6.9	-6.3
Canada	218.5	220.2	187.5	+1.3	+2.0	+18.0	-0.8
Australia	580.1	639.3	490.1	-0.4	-2.2	+21.0	-12.6
Japan	298.6	298.6	199.9	+3.0	+9.3	+46.2	-
H'kong	506.2	506.2	324.0	+2.9	+17.1	+79.6	-
Belgium	115.6	115.6	96.9	+1.1	+5.4	+8.3	-
France	82.4	85.7	67.6	+2.1	+2.1	+4.0	-4.3
Germany	118.2	119.3	97.1	+4.9	+6.9	+11.4	-21.8
Holland	152.9	152.9	105.4	+1.8	+5.2	+25.3	-
Italy	48.6	49.9	43.9	-2.6	-1.6	-2.2	-58.3
Sweden	352.5	355.7	308.7	-0.2	+4.7	+24.7	-6.1

Stock prices and yields are on pages 88 and 89

CHAIRMAN'S STATEMENT

WILLIAM PRESS & SON, LIMITED



	1971	1970 (9 months)
Group Profit	£'000	£'000
Taxation	2,719	2,295
Dividends (gross)	667	950
Retained	985	918
Group Net Assets	14,558	13,458

Copies of the Report and Accounts may be obtained from the Secretary, 22 Queen Anne's Gate, London, SW1H 9AH

INDUSTRIAL, CIVIL AND MECHANICAL ENGINEERING CONTRACTORS

PROGRESS IN SEEKING OUT AND LAYING THE FOUNDATION OF NEW ACTIVITIES AT HOME AND OVERSEAS.

★ A final dividend of 23% is recommended making 30% for the year covered 2.6 times compared with 19% for the previous nine months. Earnings per ordinary share of 5p are 3.71p.

★ We believe that the future prosperity of your group will be ensured by our traditional business at home and overseas, augmented by new work in connection with the discoveries of oil and gas in the North Sea and the growth areas of pollution and environmental control.

★ Your group has orders in excess of a year ago and we have every reason to think the latter half of the year will show a marked improvement which will continue into 1973 and beyond.

MICHAEL MILNE-WATSON *Chairman*

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—½ page minimum £440 per page
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Telephone JEJ Johnson 01-830 5165

COMPANY STATEMENTS

BOOSEY & HAWKES
LIMITED

Music Publishers, Musical Instrument
Manufacturers and Distributors.



Extract from Report and Accounts 1971

	1971	1970
	£	£
GROUP NET PROFIT AFTER TAXATION	422,321	468,336
DIVIDENDS—Preference	20,071	20,109
—Ordinary	183,125	170,043
RETAINED	176,751	288,021

Group profits for 1971 have not continued the trend of record profits achieved annually over the previous ten years. This is the result of difficulties in certain of our world markets, which are receiving our close attention, and your directors hope and expect that the profit reduction is only temporary. Results were also affected by exchange adjustments arising out of currency revaluations. However, the directors recommend an increased final dividend of 19% making 28% for the year (1970—26%). A 1-for-2 bonus issue is also proposed.

The music publishing division increased its sales and also benefited from higher royalty revenue. Sales of musical instruments were satisfactory and the demand for Hammond organs continues to be strong.

The directors are hopeful that for 1972 they will be able to maintain both profits and dividends, adjusted by the proposed bonus issue, at the 1971 level.

Thanks are expressed to employees throughout the group.

TESCO

EXTRACTS FROM THE ANNUAL REPORT 1972

Record profit up
19%...total
distribution again
higher...currently,
we expect another
good year.



Mr. H. Kretzman *Chairman*
Sir John E. Cohen *Life President*

The benefits of further streamlining operational costs, together with increased sales in the Home 'n' Wear and Fresh Food Departments, have further increased our margins on sales to 5.5% (1971 5.3%).

We are pressing ahead with a programme of super stores in central locations, and have just received planning consent for three major units totalling 135,000 sq. ft. selling area at Gloucester, Mansfield and Weston Favell.

We are now having discussions which could give us a launching platform to the Continent.

Year	Turnover £000's	Net Profit Before Tax £000's	Dividends £000's	Dividends per Share (new pence)	*Earnings per Share (new pence)	Cash Flow £000's
1968	136,323	8,313	2,011	0.80	1.83	4,343
1969	191,405	10,307	2,239	0.85	2.11	5,714
1970	238,427	12,508	3,371	1.23	2.52	8,361
1971	259,383	13,808	3,923	1.42	2.99	8,040
1972	299,701	16,542	4,843	1.68	3.58	9,586

*Earnings after tax adjusted for capitalisation and rights issues
† Adjusted for capitalisation and rights issues

A full copy of the Annual Report and Account is
obtainable from the Secretary at Tesco House,
Delamare Road, Cheshunt, Waltham Cross, Herts.

TESCO STORES (HOLDINGS) LIMITED

CHAIRMEN'S STATEMENTS



COALITE and CHEMICAL PRODUCTS LTD

55th Annual General Meeting

The following points are taken from the Statement
of the Chairman, Mr. Francis L. Waring

- ★ Given normal external circumstances, the successful commissioning of new batteries at Grimethorpe and the new Works at Rossington, would have been duly reflected in the financial results for the year. Instead, we have a reflection of the serious effects of coal shortage over a protracted period due to the labour dispute in the mining industry.
- ★ Profit before tax totalled £3,122,336 compared with £4,611,898. The tax charge of £1,265,131 compares with £1,611,207 last year. Depreciation continues to increase and totalled £1,761,700 compared with £1,071,489. This, together with the net profit of £1,857,205 gives a cash flow of £3,619,045 compared with £4,072,180.
- ★ A final dividend of 8% is recommended making a total of 15%, the same as last year.
- ★ Expenditure on capital additions during the year totalled £9,349,162 easily a new record. The new Works at Rossington was virtually completed on 31st March. The various extensions and additions required at the Central Refinery to permit the treatment of the additional liquid crudes forthcoming from Rossington have also been completed.
- ★ It is proposed that £5,786,250 of the amount standing to the credit of General Reserves should be capitalised and applied in the issue of one new 10p share for each share held.
- ★ To conserve coal, throughput at each carbonising plant was substantially reduced even before the end of December 1971 and more drastic reductions and battery closures followed when the miners overtime ban evolved into a national strike. The position was gradually restored as coal supplies were resumed and, with the exception of Rossington, the return to full throughput coincided closely with the end of the financial year on 31st March, after nearly four months of continuous disruption.
- ★ Although many local authorities continue to push ahead with clean air drives, there is still a large number of others reluctant to proceed. An expected shortage of domestic solid smokeless fuel can no longer be used as an excuse for further delay.
- ★ Whilst we have not completely avoided the difficulties with which the chemical industry has had to contend during recent times, those products derived from the liquid by-products of Coalite manufacture continue to perform strongly in relatively shortage-type markets.
- ★ Provided there are no unpredictable influences over which we have no control, it is expected that the results this year will revert to a more normal pattern.

INTERIM STATEMENT

ANGLO-INTERNATIONAL
INVESTMENT TRUST LTD.

INTERIM STATEMENT

REVENUE FOR HALF YEAR

Gross revenue for the six months ended 30th June 1972, amounted to £108,280 against £108,717 for the same period of 1971.

INTERIM DIVIDEND UNCHANGED

An interim dividend of 1p per Dividend Share will be paid on 8th September, 1972, to Dividend Shareholders on the Register on 11th August, 1972.

ASSET VALUES HIGHER

On 30th June, 1972, net assets were £5,220,000 equivalent to 179p per Asset Share (end 1971—156.60p) not taking into account tax liability on unrealised capital gains and with full dollar premium. On the same basis the break-up value of the Dividend Shares would have been 27.4p. All figures are unaudited.

HOUSE OF FRASER

LIMITED

SUMMARY OF RESULTS FOR 5 YEARS (£'000)

Year ended January	1968	1969	1970	1971	1972
	£	£	£	£	£
Sales	101,172	109,284	117,893	140,183	161,523
Profit before Taxation...	5,974	6,167	5,613	7,289	10,614
Taxation—On Profit ...	2,410	2,592	2,244	2,567	3,471
—On Dividends	1,165	1,219	1,268	1,429	1,768
	3,566	3,811	3,512	3,996	5,239
Net Profit available to Members	2,063	2,356	2,092	3,247	5,329
Dividends paid to Members (net)	1,660	1,736	1,807	2,167	2,704
Profit retained	479	620	258	1,324	2,545
Depreciation	614	620	775	922	1,086
	1,093	1,432	1,033	2,246	3,631

The Chairman, Sir Hugh Fraser, Bt., in his Statement with the Accounts for the year to January 29, 1972, comments:

Turnover shows an increase of over 15% and this is mainly responsible for the extremely satisfactory results.

The policy of the Board of disposing of uneconomic units and of improving and expanding profitable ones has been of benefit to the Group.

During the first four months of the current year turnover and profits have continued to increase.

The Directors recommend a one-for-one bonus issue of Ordinary Shares and it is proposed to increase the authorised capital of the Company to £50,000,000.

I should like to thank all members of the staff for their magnificent co-operation which has resulted in the excellent results now submitted.

APPOINTMENT

UNIVERSITY COLLEGE GALWAY

Industrial Liaison Officer

Applications are invited for the above post from suitably qualified University graduates, to assist in the promotion of co-operation and interaction between University College, Galway, and industry (including agriculture, fisheries, etc.) particularly in the fields of Science and Technology.

SALARY within the range £3,296-£3,836

Further information may be obtained from:

SECRETARY-BURSAR,

UNIVERSITY COLLEGE, GALWAY,

to whom completed applications should be returned not later than SEPTEMBER 15th, 1972.

APPOINTMENTS

ROBERT GORDON'S INSTITUTE OF TECHNOLOGY

SCHOOL OF BUSINESS MANAGEMENT STUDIES

LECTURER IN ACCOUNTING

Applications are invited from persons able to make a positive contribution to degree level teaching in the field of financial accounting. Candidates must be qualified Chartered Accountants and preferably possess a university degree. Relevant business, professional or research experience would be an added recommendation.

SALARY SCALE (under review)—£1,482-£3,309.

Initial grade and salary placing according to experience and qualifications. Assistance with removal expenses. Details and application form from Director, Robert Gordon's Institute of Technology, Schoolhill, Aberdeen, AB9 1FR.

New Zealand University of Canterbury CHRISTCHURCH Chair of Accountancy

The Council of the University invites applications for a Chair of Accountancy which is the second established in the Department. The appointee will take up his position on 1 February 1973 or at such later time as may be arranged. Applicants should have wide experience in both teaching and research in any of the main areas of accounting but preference may be given to applicants qualified in management accounting, business finance, or management information systems and computers.

At present the salary for a Professor is within the range of \$NZ11,698 to \$NZ14,947 per annum. The commencing or subsequent salary of the appointee may be increased as a result of the review of individual professional salaries which the University makes at the beginning of each year.

Particulars, including information on travel and removal allowances, study leave, housing and superannuation may be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on 31 October 1972.

University of Aberdeen

Lectureship in Political Economy

Applications are invited for above post. An interest in Micro-economic Theory would be an advantage. Salary on scale £1541-£3852 with appropriate initial placing. Superannuation (F.S.S.U.) and removal allowance.

Further particulars from The Secretary, The University, Aberdeen, with whom applications (3 copies) should be lodged by 19 August, 1972.

University of Sydney

F. H. Loxton Post-Graduate Studentship or Scholarship in Agriculture

Applications are invited from male graduates of any Australian or overseas university for an F. H. Loxton Post-Graduate Studentship or Scholarship tenable in the Faculty of Agriculture. The value of a Studentship is in the range of \$A2,000 to \$A3,000 per annum. The stipend of a Scholarship is in the range of \$A3,200 to \$A4,150 per annum. Whether an applicant is awarded a Studentship or Scholarship will depend on his qualifications and research experience. The award is made for one year in the first instance, but may be renewed for a second or third year and, in exceptional circumstances, for a further year. The applicant may be of any age.

Further information and application forms may be obtained from the Registrar, University of Sydney, Sydney, N.S.W. 2006, Australia, with whom applications close on 30 September 1972.

University of Queensland

AUSTRALIA

Senior Lecturer/Lecturer in Business Administration

Expertise in one or more of these fields desired: Organisation Theory and Human Behaviour, Social Environment of Business, Business Economics, Quantitative Methods (incl. O.R.), Industrial Relations, Business Policy, Doctorate preferred.

Salary: Senior Lecturer \$A9644-\$A11,224 per annum; Lecturer \$A6801-\$A9390 per annum.

Other benefits: Superannuation similar to F.S.S.U.; housing assistance, study leave, and travelling and removal expenses.

Additional information and application forms will be supplied upon request to the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close in London and in Brisbane on 31 August 1972.

APPOINTMENTS

University of Durham

DEPARTMENT OF ECONOMICS

Applications are invited for the post of LECTURER IN ECONOMICS from 1st January, 1973. Preference will be given to candidates who combine an interest in international trade theory or regional analysis with experience of applied econometrics.

Salary on the scale £1641-£3999 plus P.S.S.U. benefits.

Further particulars from the Registrar and Secretary, Old Shire Hall, Durham, to whom applications (three copies), naming three referees should be sent by the 9th September, 1972.

University of Canterbury

CHRISTCHURCH NEW ZEALAND

Applications are invited for the following positions:

Senior Lecturers or Lecturers in Economics

Applicants may have qualifications in any of the main areas of Economics, Econometrics or Operations Research.

The salary for Lecturers \$NZ5589 to \$7149 per annum; for Senior Lecturers \$NZ7278 to \$8579 (bar) \$8839 to \$9388 per annum.

Particulars, including information on travel and removal allowances, study leave, housing and superannuation may be obtained from the Association of Commonwealth Universities, 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on 31 August 1972.

University of New England

ARMIDALE, NEW SOUTH WALES

Lecturer

Agricultural Economics & Business Management

Applications are invited for appointment as Lecturer in the Department of Agricultural Economics and Business Management. No one field of specialisation is preferred.

Salary: \$A6,697-\$A9,286 per annum (Base plus 7 increments).

Conditions include provision for travel and removal expenses. In addition, superannuation is available, together with assistance in buying or building a home and study leave. Study leave grants are available and credit may be granted for existing study leave entitlement.

Further information can be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF, (Tel: 01-387 8572).

Applications close on 19 August 1972.

University of New South Wales

Wollongong University College

Professor of Accountancy

Professor of Geography

Applications are invited for appointment to the above chairs. The professors will organise and participate in teaching and research. The College will become an autonomous University by January, 1975.

Salary—\$A15,368 per annum. Salaries are under consideration.

Details of appointment, including superannuation, study leave and housing scheme, may be obtained from the Secretary-General, Association of Commonwealth Universities, 36 Gordon Square, London W.C.1. Applications close in Australia and London on 31st August, 1972.

NEW HOLLAND

DIVISION OF SPERRY RAND CORPORATION require

MARKETING RESEARCH ANALYST

for their Brussels office:

to plan, devise and implement marketing research studies on the European agricultural and machinery market.

Minimum requirements are: Bachelor of Science degree, fluency in English and, preferably, a second language.

An attractive salary will be paid together with the usual Belgian fringe benefits.

Applicants should write and send their curriculum vitae in English to:

NEW HOLLAND, European Division, Marketing Research Dept, 148 Chaussée de Charleroi, B-1060 Brussels, Belgium.

Senior Economic Advisers (£5525 - £7451)

Department of the Environment

To head a team of economists advising those in the Department who are concerned with environmental protection—including water and sewage, clean air and pollution issues. You will be involved in economic aspects of water supply and sewage disposal in the light of proposals for major reorganisation of these services; anti-pollution policy, including international work; and study of future world trends in, for example, economic growth, resources and environmental effects.

Candidates, aged at least 34 (or at least 32 if exceptionally well qualified), should normally have a degree with first or second class honours, or a higher degree, in economics or a closely related subject, and preferably have published work to their credit. They must have experience in an economics advisory capacity, or in research or in teaching advanced economics.

Starting salary could be above the minimum of the scale shown. Appointment could be on an established basis or for a

HM Treasury

To head a Division in the National Economy Group responsible for providing Ministers and senior officials with an intelligence and briefing service on the UK economy. The work is wide-ranging but is orientated towards parliamentary debates and questions and towards consultations with, and meetings of, international organisations. You will be called upon to brief Ministers and to undertake representational visits abroad.

period. There are prospects of promotion to posts carrying salaries in excess of £8425. Location, London.

Fuller details of these appointments may be obtained by writing to the Civil Service Commission, Alencon Link, Basingstoke, Hants, or telephoning BASINGSTOKE 29222, ext. 500 or LONDON 01-839 1696 (24-hour "Ansafone" service) quoting reference A(3)/623/S. Closing date 21st August, 1972.

CIVIL SERVICE COMMISSION (NORTHERN IRELAND)

DEPUTY ECONOMIST

Applications are invited for the pensionable post of Deputy Economist in the Manpower Intelligence Service of the Labour Affairs Department of the Ministry of Health and Social Services.

QUALIFICATIONS

Candidates must have a First or Second Class Honours degree in Economics, including statistics, together with at least three years' practical experience in economics or statistics.

DUTIES

The work will involve:

- 1 (a) Analysis and interpretation of the results of the Census of Employment;
- (b) the linking of the employment series created from the Census of Employment with the existing system and the reconciliation of employment data from other sources;
- (c) the introduction of geocoding and the transfer of the present manual system to a computer (some experience in the use of computers would be an advantage but is not essential).
- 2 (a) An examination of the problems to be solved in the proposal to introduce Computer techniques into the Employment Service;
- (b) reporting on various surveys carried out by the Manpower Division and such other manpower intelligence duties as may be assigned.

SALARY SCALE

£2,798-£3,873. Entry point will be related to experience and qualifications. Application forms and further particulars obtainable from the Secretary, Civil Service Commission, Clarendon House, Adelaide Street, Belfast, BT2 8ND. (Tel: Belfast 44300 Ext. 26.) Completed application forms should be returned by 16 August, 1972. Please quote SB 138/72/60.

APPOINTMENTS



THE POLYTECHNIC, Huddersfield

Readvertisement

SCHOOL OF BUSINESS AND MANAGEMENT STUDIES

Applications are invited for the post of **SENIOR LECTURER/LECTURER II** in **ECONOMICS** in the Division of Business Studies. Applicants should hold a degree and/or a professional qualification.

Salary scales: Senior Lecturer £3,131-£3,495 (bar)—£3,768. Lecturer II £2,355-£3,063.

For application forms which should be returned within 14 days of this advertisement please write to:

The Establishment Officer, The Polytechnic, Queensgate, Huddersfield, HD1 3DH.

University of Otago

DUNEDIN, NEW ZEALAND

Vice-Chancellorship

The Council of the University of Otago has under consideration the appointment of a Vice-Chancellor in succession to Dr. R. M. Williams, who will take up the position of Vice-Chancellor of the Australian National University early in 1973. The Council's Advisory Committee will welcome suggestions of names worthy of consideration, and would also welcome communications from any persons who wish their names to be considered. Further particulars are available from J. W. Hayward, Registrar, to whom all communications should be addressed; they are also available from the Secretary-General, Association of Commonwealth Universities (Appts), 38 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

University of Essex

DEPARTMENT OF ECONOMICS

Applications are invited for a post of

Research Assistant

In the Department of Economics (1993-11719) for one year from 1 October 1972 to assist with various research projects being undertaken in the Department. These projects at present include: Economics of Medical Care, Distribution of Income and Wealth, and Contractual Savings Schemes.

Applicants should have knowledge of economics, statistics and basic econometrics. Applications (three copies, quoting reference ES/22/E), including a curriculum vitae and the names of two referees, must reach the Registrar, University of Essex, Wivenhoe Park, Colchester CO4 3SQ, from whom further particulars are obtainable, by 11 August 1972.

University of Glasgow

INSTITUTE OF LATIN-AMERICAN STUDIES

Lectureship in Economics

Applications are invited for a Lectureship in Latin-American Economics in the Institute of Latin-American Studies. The salary scale is £1,641 to £3,852 per annum. Initial salary according to qualifications and experience. F.S.S.U. There are already permanent posts in the Institute in Literature, History, Geography, Politics and Sociology.

Applications (8 copies) should be lodged not later than 15th September, 1972, with the undersigned, from whom further particulars may be obtained. In reply please quote Ref. No. 3215 U.

ROBT. T. HUTCHESON,
Secretary of the University Court.

The Open University

POST EXPERIENCE COURSES

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Applications are invited from persons with knowledge, experience and interest in the use of economic and social data sources to develop and write a course on *Statistical Sources for presentation by correspondence, radio and television*.

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Further particulars and application forms are available from the Secretary (SP4), The Open University, Walton Hall, Walton, Bletchley, Bucks. Closing date: Friday 11th August 1972.

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Australian National University

Lecturer in Geography

Applications are invited for appointment to a vacant post of Lecturer in the Department of Geography in the Faculty of Arts of the University. The appointee will be required to take up duty early in 1973.

Preference will be given to a well-founded economic geographer capable of handling teaching in that field. Scope exists for the development of regional interests in East Asia or Australasia, and for advanced teaching in urban, applied and theoretical geography. An applicant's secondary interests could however be in other fields.

Salary on appointment will be in accordance with qualifications and experience within the range \$A6804 x \$A369-\$A9387 per annum.

The University provides reasonable travel and removal expenses and assistance with housing in the case of an appointment from outside Canberra. Superannuation is on the FSSU pattern with a supplementary benefit. Financial assistance towards study leave is also available.

Further information and the forms which should accompany an application may be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 38 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on 18 September 1972.

APPOINTMENTS

University of Salford

Lecturer in Management Studies

Applicants should have a good honours degree. A relevant post-graduate qualification, together with appropriate teaching, research or industrial experience is desirable.

The post is concerned with a range of courses including the MSc in Management. It may be filled in one of the following fields:

- (1) Marketing, with special interest in consumer-buyer motivation and behaviour, or
- (2) Organisation Behaviour/Industrial Relations.

Salary scale: £1,641-£3,999 p.a. FSSU.

Further particulars and application forms may be obtained from the Registrar, University of Salford, Salford M6 4WT, quoting reference SOC/43/TE. Applications should be returned by 1st September 1972.

Oxford Information Department

seeks Economics graduate to join team of three. One or two years' experience in development or industry/commerce useful but not essential.

Write for details and application form to Personnel Officer, Oxford, 274 Banbury Road, Oxford OX2 7DZ quoting reference E.8.

The University of Sheffield

DEPARTMENT OF POLITICAL THEORY AND INSTITUTIONS

Applications are invited for a Lectureship in Political Theory and Institutions with special reference to the politics of one or more West European countries and the relations between the West European States. Salary in the range £1,641-£3,999 with F.S.S.U. provision. Further particulars from the Registrar and Secretary to whom applications (4 copies) should be sent by 18 September 1972. Quote Ref. R.65/C.

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UNITED NATIONS Cadre of Young Economists

The United Nations is initiating the establishment of a Cadre of Young Economists to assist the least developed countries in the field of development planning. For this purpose the United Nations invites applications from highly motivated young men and women up to 30 years of age who believe in the principles and ideals of the United Nations and who possess a Master's degree (or equivalent) in economic specialization in development planning and/or statistics. Some practical experience in these fields of activity and fluency in more than one language are highly desirable.

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AK APPOINTMENTS

PROFESSIONAL AND MANAGEMENT SELECTION

APPOINTMENTS

The University College of Wales

ABERYSTWYTH

Department of Economics

Applications are invited for the post of JUNIOR RESEARCH OFFICER to examine the economic and social impact of tourism on predominantly rural communities. The study is financed by the Welsh Tourist Board.

The successful applicant will commence duties on 1st October, 1972 or on such earlier date as may be arranged.

Further particulars and application forms may be obtained from the Registrar, to whom completed application forms should be returned by 14 August, 1972.

Heriot-Watt University

DEPARTMENT OF ECONOMICS

Lecturer

Applications are invited for a lectureship in Economics, with particular reference to the economics of the public sector, including the nationalised industries and the appraisal of public programmes.

Salary on the scale £1,841 to £3,999 with P.S.S.U.

Further particulars and application form may be obtained from the Secretary, Heriot-Watt University, Chambers Street, Edinburgh, EH1 1HX, with whom applications should be lodged no later than 15th August, 1972, quoting ref. 32/1/3049.



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Requests (quoting Ref. E) for details and application form (returnable by 11th August, 1972) to Personnel Section, UWIST, Cardiff CF1 3NU.

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BUSINESS ANNOUNCEMENT

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With reference to the announcement concerning the above subject that appeared in earlier issues of this paper, the Government of Abu Dhabi wishes hereby to inform interested parties that the bidding period concerning the (14827) sq kms in question has now been extended to 30th September, 1972.

For further details application may be made to the
Minister of Petroleum and Industry,
Abu Dhabi,
Post-Box No. 9.

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Minister of Petroleum and Industry and
Chairman of the Board of Administration,
Abu Dhabi National Oil Company.

APPOINTMENTS

The British Council

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Work.

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Qualified persons interested in these appointments should write to Appointments Division, The British Council, 29 Bressenden Place, London SW1E 5DD, giving details of their present post and stating when available to take up an appointment in Bangladesh. Further details of posts will be sent to selected candidates later. 72/0088-101.

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High	Low	Ordinary stocks	Price, July 26, 1972	Change on week	Yield July 26	High	Low	Ordinary stocks	Price, July 26, 1972	Change on week	Yield July 26	High	Low	Ordinary stocks	Price, July 26, 1972	Change on week	Yield July 26		
383 1/2	268	Banks, other financial	Fr 383 1/2	+10	4.5	118	89	Breweries, etc.	100p	-5	3.4	74.9	58.7	Hoesch	DM 68.1	+5.2	4.8		
84	57-8	Algemeine Bank	Fr 84	+5	4.3	69	55	Allied Breweries	\$ 65 1/2	...	0.9	220.3	145 1/2	Mannesmann	DM 214 1/2	+9.6	5.3		
370	270	Amsterdam-Rot	Fr 345 1/2	-2	2.9	194	148	Anheuser-Busch	165p	-10	3.0	66	52	Hoogoven	DM 91 1/2	+4	4.7		
45	37 1/2	Aust & NZ Bank	\$ 44 1/2	...	2.6	165	132.8	Bols NV	Fr 163	+4 1/2	2.2	104.8	65.2	Mannesmann	DM 214 1/2	+9.6	5.3		
500	370	Bank of America	\$ 43 1/2	...	2.6	167	106	Courage	155p	-7	2.8	85-68	68	Nippon Steel	Y 66	+4	7.6		
1131 1/2	886	B of Ireland	\$ 45 1/2	-5	3.4	212	153	Distillers	200p	-4	2.8	34 1/2	28 1/2	Rheinstahl	DM 91	+5.7	...		
116 1/2	84	B of Montreal	\$ 98 1/2	+45	3.2	412	33 1/2	Disull Seagrams	\$ 40	-1 1/2	1.8	117.1	85.9	Thyssen Huette	DM 75	...	4.7		
465	298	B of Mexico	P 91 1/2	...	8.2	470	420	Dormund Union	DM 459 1/2	-1 1/2	2.2	52.2	40	US Steel	\$ 29	...	5.6		
740	525	B of NS Wales	\$ 45 1/2	-2	2.1	244	184	Guinness	187p	-7	3.9	185 1/2	132 1/2	Usinor	Fr 105.8	...	8.5		
2680	2310	B of Scotland	715p	-5	2.9	343 1/2	238 1/2	Heineken	Fr 316	-1 1/2	1.1	295	236	Wendel-Sideler	Fr 44	...	11.1		
252.1	220	B de Paris Pays Bas	Fr 228.2	...	4.9	314	234	Kirin Brewery	Y 304	+1	2.5	218	169						
24 1/2	53 1/2	B de Bruxelles	Fr 8 2550	...	4.9	199	155	Nat Distillers	\$ 19 1/2	+1 1/2	4.7	558	402						
24 1/2	298	Bankers Trust	\$ 58 1/2	+1 1/2	4.9	114	88 1/2	Scottish & Newc	103p	-2 1/2	3.2	128 1/2	108						
250	298	Barclays	\$ 460p	+10	2.1	97	70	Sch African Br	83p	+2	4.1	75 1/2	52 1/2						
121 1/2	78	Canap Corp	\$ 131 1/2	+4 1/2	2.2	272 1/2	163	Whitney, Mann	245p	...	3.7	232	163						
60 1/2	52	Charrerhouse Group	\$ 103p	+1 1/2	4.0	114 1/2	84	Whitbread A	99 1/2p	-3 1/2	3.6	298	181						
59 1/2	49 1/2	Chase Manhattan	\$ 59	+1 1/2	3.5	346 1/2	273					295	257						
257	225.2	Chemical Bank NY	\$ 49 1/2	+1 1/2	5.7	205	10					558	408						
182	148 1/2	Commerzbank	DM 237	+2 1/2	3.6	364	252					128 1/2	102						
450	370	Credit Commercial	Fr 173	+3.9	4.6	191 1/2	149 1/2					75 1/2	52 1/2						
4440	3695	Credit Foncier	Fr 437	...	5.1	246 1/2	177					232	163						
250	298	Credit Suisse	Fr S 4065	...	2.1	346 1/2	273					298	181						
285	255	Deutsche Bank	DM 364	-8	2.8	139	95					295	257						
62 1/2	43 1																		

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The moderates' hour

There are better prospects for a return to political life in Northern Ireland now that the Bogside and Creggan no-go areas have been recovered, but it's still touch and go, page 11. The mood, and the doubts, in the province, page 17. Mr Lynch has won the day for common sense in Mid-Cork, page 26.



Sapping the will

The British establishment has already agreed to lose the dock strike on terms that will bring more violent strikes elsewhere later, page 12. The state of emergency, and the moves for peace, page 75. The huge wage offer to the building workers shows why the new TUC-CBI conciliation body will merely pour fuel on a raging fire, and price policies are going wrong too, page 77.

World money

Fred Hirsch, formerly of the International Monetary Fund, and before that of *The Economist*, sets out his own proposals for international monetary reform, pages 55-68.



Exit, pushed

The way in which Senator McGovern dropped Senator Eagleton has aroused further doubts about his political capability, page 14. The old Democratic stalwarts and money-raisers want no part of McGovernism anyway, page 37.



Goodbye to all that

China pays its official farewell to the long-dead Lin Piao, and brings back the men the cultural revolution kicked out, page 15.

But westward, look

It's hard for Mr Brezhnev to combine holding east Europe down with trying to persuade western Europe to vote communist, page 16. The French communists attack the Prague trials, page 29. The repression widens in Russia itself, page 30.

It might even happen

Egypt's so big, Libya's so small, that the latest go at Arab unity could upset all precedents and just possibly stick, page 25.

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Letters

European summit

SIR—In your report on the Brussels meeting of foreign ministers preparing for the summit conference (July 22nd) you imply that Britain shares France's objections to strengthening European institutions and to the establishment of a political secretariat. Whilst it is true that Britain's views on the development of the European community have been mooted whilst we are still outside, it is odd that you should assume that Britain's interests lie with gaullist ideas of ultimate national sovereignty. Your assumptions are hardly confirmed by the Prime Minister's clear call for Europe to speak with one voice in world affairs, or informed press reports that Mr Heath was firm in resisting the French president's demands that the political secretariat be established outside the community framework in Paris.

In the face of America's almost certain reduction of her military presence in Europe after the presidential elections, and the need to evolve a common policy in preparation for next year's security conference with the Soviet block, the establishment of effective European machinery to develop a common foreign policy is becoming urgent.

Delaying the summit is no answer to these problems, or, for that matter, in ensuring that, once the community is enlarged to 10 members, the existing institutions do not grind to a standstill for want of a more effective way of reaching decisions on progress in the economic and monetary spheres.—Yours faithfully,

London, SW1 ERNEST WISTRICH
Director,
European Movement

Handling the gunmen

SIR—In your wide-ranging survey of how other governments have dealt with their urban guerrillas (July 29th) you omit one essential element in continental experience of postwar subversion—namely riot police. I suggest that the big error in Northern Ireland from the security angle was the recruitment of the military Ulster Defence Regiment instead of using the same volunteers, from both communities, as riot police.

The function of any kind of police is different from that of troops. It is the function of police to think in terms of arrests. As it is the function of troops to be the ultimate deterrent, it is axiomatic that troops should never be brought into contact with a civilian crowd.

Two events have led directly to most

serious consequences: January 30th in Derry, and the recent trivial incident on the Lenadoon Estate, which led to the ending of the truce. Both could have been avoided if there had been a riot police force in between the ordinary police and the army.

I cannot imagine a French riot police commander ordering his men in on that fatal day in Derry. In fact, Chief Superintendent Lagan of the RUC told the Widgery tribunal that he advised against the use of troops. But what can the generals do if London has habituated them to making arrests a police function, even when martial law has not been declared?

The Lenadoon affair was fantastic. Troops should not have been involved in anything so trivial. Riot equipment is police equipment, not military. The presence of troops merely enabled the ancestral bogey of the oppressive British army to be conjured up again.

One final point. From the point of view of naval strategic defence, Northern Ireland and western Scotland form one unit, as they did, in another sense, in St Columba's day. The North Channel, like a river, unites rather than divides. The effect of all the trouble is to weaken the defence of the Western Approaches—and, simultaneously, our Rhine frontier, as units have to be brought over from Germany.—Yours faithfully,

Manchesters GEORGE A. SHORT

Dock strike

SIR—At my last T&GWU branch meeting I put forward a resolution supporting the efforts of the general secretary and other union officials to end the dockers dispute, and called for the withdrawal of membership from the militants' leaders for causing unnecessary public conflict between brother workers in haulage and the docks. No other person in the branch was interested, so we all passed on to a discussion about the different kinds of communism in Ceylon.—Yours faithfully,

London, SW8 PETER BOTTOMLEY

The two McGoverns

SIR—One facet of the Nixon-McGovern contest has been overlooked: McGovern's geostrategic inconsistency in proposing to abandon south-east Asia but doing "even more for Israel."

South Vietnam is directly vital to an Asiatic power balance, while Israel is only indirectly critical to the European equilibrium. In 1941 your military chiefs concurred with ours on that score prior to Pearl Harbor.

In Vietnam there is almost no likelihood of a ground-force confrontation with Russia or China. Russia is not contiguous. Below the 17th parallel China is unable to send substantial ground forces in combat-ready condition in the face of American naval and air superiority. But in Israel the risk of confrontation with Russia is substantial, in the air, on the

ground, and on the water.

Also Vietnam, like Korea, is the apple of discord, the bone of contention, between the major Pacific powers—China, Russia, Japan, India, Indonesia—that fear any other regional potential enemy controlling it militarily. Both have their counterparts in Europe—the Low Countries and Switzerland.—Yours faithfully,

New York CHARLES WEIL

Gold

SIR—You write (July 15th): "a thumping rise in the gold price . . . will get no one very far." But surely a big enough rise would enable the United States to resume convertibility of the dollar, to the accompaniment of a vast sigh of relief in London, Paris, Frankfurt and Zurich. True, the relief would persist only until the rising tide of production, and the consequent demand for increased bank reserves, beat up against the new gold price; but then we can consider a further rise.

The Economist is a strong advocate of floating exchange rates. Every argument for such a float applies equally strongly to the price of gold. Only a floating gold price will ensure that bullion moves smoothly and automatically to those quarters where demand is strongest, and that there will always be enough gold bank reserves to effect the exchange of any volume of goods that future industry may be able to produce.—Yours faithfully,

London, SW19 HENRY MEULEN

Sand on their boots

SIR—It must have been galling for the Russians to see you (July 22nd) swallow the Egyptian propaganda line hook line and sinker. You echo Egyptian accusations that the Russians have delivered "inferior" weapons while failing to supply "offensive" ones. As every military analyst knows, there is no such animal: weapons are offensive or defensive according to the manner of their deployment.

In fact, the Russians have supplied an impressive canal-crossing arsenal to the Egyptians:

—1,500 artillery pieces for direct fire support and shallow interdiction (0-10 miles from the canal bank);

—200 close-support aircraft (Mig-17s) for fortification-busting and rear-area interdiction (0-100 miles from the canal bank);

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—1,500 battle tanks for penetration.

This array of "offensive" weapons is covered on base (east of the canal) by the thickest anti-aircraft system in the world: more than 130 Sam batteries and several hundred radar-guided AA guns. (This is more than adequate for an airspace of 100 miles by 200 miles.) In addition, for the air-air defence of Egyptian aircraft operating over Sinai and

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Israel, the Russians have supplied 200 Mig-21 interceptors to the Egyptian air force as well as a further 120 (J-H-G versions) with their own pilots; these aircraft could fly top cover to protect the Su-7s and Mig-17s from Israeli fighters. (The latter would be heavily outnumbered.)

If this impressive and well-found inventory is not sufficient to allow the Egyptians to plan an invasion of Sinai with any confidence, it is certainly not the Russians' fault. The heart of the matter is the inability of the Egyptian air force to deploy an integrated team of pilots, ground staff and operational controllers that can beat the Israeli team ranged against them. It is men the Egyptians lack, and not weapons. Ground-to-ground missiles are virtually useless unless they have nuclear warheads. With median accuracies of 1,500 ft CEPs, their half-ton or one-ton warheads (Shaddock, SS-4 etc) have a much smaller effective punch than one quarter of a strike-fighter payload. The Russians have already supplied the Egyptians with some G-G missiles: they are strictly for parades.—Yours faithfully, EDWARD LUTTWAK
Jerusalem

SIR—I believe you will find that your statement (July 22nd) regarding North Yemen being the first Arab state to resume relations with the United States is incorrect. When I was in the Islamic Republic of Mauritania last summer I found that they had resumed relations with the United States during the first part of 1971.—Yours faithfully,
London, W1 NEVILLE S. LONG

Bus v train

SIR—In your article "On the comeback trail" (July 15th) the figure of £10m given for signal maintenance on the London Transport underground is clearly an error and is not from my paper. This cost in 1971 was £2,329,000, but the point is still valid that maintaining the signalling for the underground is many times as expensive as for all the road traffic in London.

The operating costs shown in the diagram accompanying your article accurately represent the figures in my paper. However, it should be mentioned that these figures represent the economic cost to the community—not the accounting cost to London Transport—with eight-car trains and large buses, both one-man-operated.

The staffing figures exclude train guards and bus conductors. On this basis the London Transport railway staffing is 6.2 staff per car in peak service and the bus staffing is 4.7. London Transport constantly complains of a staff shortage but, in fact, the staffings of both the railways and bus operations are more than twice those of Hamburger Hochbahn (2.5) and Atlanta Transit System (2.2), even excluding London Transport's train guards and bus conductors. Nevertheless, London Trans-

port costs are comparable with those of the best foreign undertakings because London wages are so much lower.

Often more important than the operating cost is the track cost, for which it is necessary to distinguish (1) new track, (2) existing track with an opportunity cost, and (3) existing track with no opportunity cost. Where urban railway and express bus proposals both require new track, the construction cost for the railway is likely to be six times the cost of new road capacity needed by equivalent buses, giving a total cost for the railway (using discounted cash flow) three times that of the express bus service. This might seem good reason never to build a new urban railway without properly examining the best bus alternative. However, neither London Transport nor the GLC nor the Department of the Environment examined an express bus alternative before approving the first stage in the expenditure of £90m (plus alarming escalation) for the Fleet Line. And to the cost of the Fleet Line must be added the lost opportunity of converting most of the Stanmore branch of the Bakerloo Line into a road.

Better use of existing railway assets could be achieved if public bodies were required to pay into the Exchequer interest on the opportunity cost of all transport facilities owned. This would give a picture of the railways' true costs and politicians would be better able to judge whether railways are worth their deficits.

The benefit to commuters of express buses running on urban motorways has been demonstrated by the many services operating successfully in North America and Japan. And yet no account of the motorway's value to buses has been taken in the design and evaluation of the motorway network proposed for London.

My paper is now expected to appear in the Journal of Transport Economics and Policy in January rather than September.—Yours faithfully, EDWARD SMITH
Beckenham, Kent

SIR—Dr Tony Ridley in his letter (July 29th) claims that the conclusions of the Tyneside transportation study were reached after a thorough examination of the alternatives. In fact the busway alternative was effectively killed by an arbitrary decision, unsupported by any evidence and taking no account of operating experience, to insist on a 30ft-wide formation for it, although it will be carrying at most a trickle of 34 buses per hour each way. A two-track rail formation is amply wide enough for a busway.

In this country buses operate on narrow overcrowded roads, 80 per cent of rural roads are less than 20ft wide and traffic lanes in city streets seldom have a width of more than 10ft, yet the safety record for their passengers is, according to the Road Research Laboratory, slightly better than British Rail's. There can be no doubt that with a design more fitting for its purpose the busway would have shown a

vastly more favourable rate of return on investment.

The busway system was expected to be the most effective in attracting riders from their cars initially. The buses would run on the city streets to distribute passengers in the town centre and it was thought that increased traffic congestion on these streets in the 1980s would negate the busway's advantage in this respect. That the correct solution might be restraint measures to prevent the congestion was not considered. The introduction of the proposed light railway system would mean diverting direct bus services to act as feeders to it. The resulting compulsory change of vehicle in the course of quite short journeys could hardly be bettered as a way of encouraging commuters to stay in their own car seats. It is to be hoped that more realistic proposals are evaluated in future studies of this type.—Yours faithfully,
Chertsey, Surrey ANGUS DALGLEISH

Wales

SIR—May I compliment Felicity Bryan on the comprehensive résumé of factual information contained in her special survey on Wales (July 15th). But may I sympathise with her in her lack of understanding and in her naivety in believing official pronouncements.

I am a nationalist and my comments, of course, are biased. But so are those of writers who descend on us from England. The difference is that they do not realise they are biased and the worst bias of all is to imagine that one is impartial and then to look at a problem entirely from one's own perspective!

It is "plain folly," we are told, to require a knowledge of Welsh for certain jobs in Wales. It drives young people away. They leave not because they are anxious to go or because of the language, but because the political establishment has failed to create enough jobs. In any case, is Felicity Bryan seriously suggesting that in a bilingual country a knowledge of one of the country's languages should not be a requirement for any jobs whatsoever?

Felicity Bryan is quick to quote the Welsh Broadcasting Council's estimates for an all-Welsh TV Channel, adding that they were "more than enough to demonstrate how ill-considered the proposal was." Was she unaware of the fact that their estimates were dictated by political motives, and that the engineers and technicians' union produced a counter-report to show the project was feasible at a fraction of the cost put forward by the Broadcasting Council?

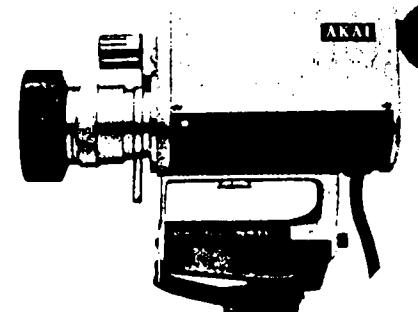
With a similar gay naivety, Miss Bryan says that Treasury figures published last September refute claims that Wales could survive as "an independent economic unit." The Treasury figures, in fact, whatever other politicians might try to make of them, prove how right we are. It is true they show a deficit for Wales, but a deficit produced by the scores of millions of pounds which we are forced to contri-

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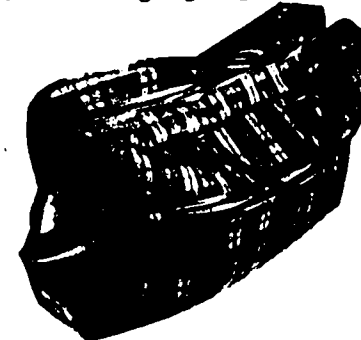
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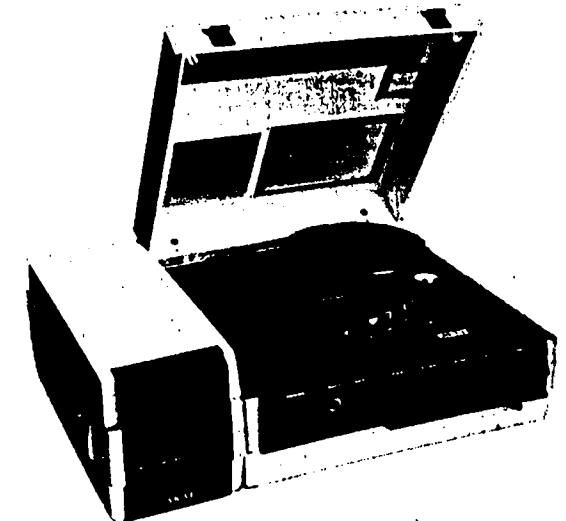
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bute every year to the so-called "defence" programme. We produce more than enough to pay for all government services and all government financial support in Wales and if we controlled our own purse-strings—even after paying for our own government, a reasonable defence programme, repayment of national debt, etc—we should have something like an additional £80m a year with which to promote economic development and improve social conditions.—Yours faithfully,
EMRYS ROBERTS
Cardiff

After the Tupamaros

SIR—You describe (July 1st) the Tupamaro urban guerrillas as now running down a blind alley. With only four months in office, our new President Bordaberry has certainly got two great achievements to his credit, namely the virtual collapse of the Tupamaro movement, except for sporadic sharpshooters, and the national agreement among the traditional political parties to give him a parliamentary majority.

But this good work may be completely undone by the disastrous economic policy of his government guided by Sr Forteza, whose one object seems to be "grind the people and private business down to provide funds for the increasingly inefficient and expanding bureaucracy and state corporations." Rigid wage controls are giving the workers just enough to buy food—a 20 per cent wage increase in April against a 40 per cent rise, which has gone up another 20 per cent at least since that date. In Argentina, Krieger Vasena successfully clamped on a wage freeze which held for many months until his policy exploded with bloody revolutions in Cordoba and Argentine cities.

Faced with the practical impossibility of raising more taxes, devaluation of the

Uruguayan peso is the method being used to filch more money from the whole population. In March, 1972, the government cut the official value of the peso in half by devaluing from 250 to 500 pesos per dollar; raw materials and other imports, thus costing 100 per cent more, jolted up the cost of living, but huge surcharges were imposed on exports so that primary producers shouldn't profit from the devaluation—the government coffers taking the difference. Since April, mini-devaluations, on the Brazilian model, have taken the rate to 572 pesos, and there are more to come, at roughly 5 per cent per month. In effect, this method of taxation through continuous devaluation is a form of robbery, stealing part of every peso note or cash deposit and affecting the poor—in their wages and cash savings—nearly 100 per cent while the middle class or rich feel it on a reducing scale, because real assets owned by the two latter groups move up in price with the inflation. Strangely enough, the trade unions don't seem to have realised yet how these devaluations are heavily weighted against workers.

President Bordaberry is not an economist, but he must apply his undoubted common sense to economic policy, and not leave it to his ministers. Otherwise, the tragedy of our small but lovely country will be deepened.—Yours faithfully,
EDUARDO ERICA
Montevideo

Norway's economy

SIR—You are wrong (July 1st). Our government's white paper presenting the results of the negotiations with the EEC to parliament states explicitly that it is not possible to calculate the economic effect with any precision. An example of what a reduced rate of growth of 1 per cent might mean is given as an illustration, not a prognosis.

The government's assertion that growth will increase as a result of membership is, by the way, strongly disputed by Norwegian economists.—Yours faithfully,
Stortinget, Oslo GUNNAR GARBO, MP

Iranian troubles

SIR—Mr Dehnavard's reference (Letters June 24th) to "dead old Dr Mossadeq and his fossilised National Front" tells us a great deal about the kind of persons who support the Iranian regime and the type whom Persian intellectuals are determined to challenge once and for all. In the 2,500 years of our history, Dr Mossadeq's government was the only democratic regime that ever came to power. The military coup d'état, backed by foreign governments and supported by internal reactionary groups, which led to his overthrow in 1953, installed a military dictatorship whose evil and oppression are unmatched in our long history.

The young intellectuals who are martyred every day in front of the firing

squad, unlike what Mr Dehnavard thinks, are not "burdened with a sense of failure," as a close examination of their educational backgrounds will reveal. They are "burdened" with the "failure" of the regime to comply with the Persian constitution, which allows for freedom of thought and expression of every Persian citizen. They are "burdened" with the "failure" of the regime to listen to their lawful demands for returning the political power to its rightful owners, the people. When such demands are met with extreme oppression in the forms of kidnappings, mass arrests, torture and executions they see no alternative but to pick up arms and fight in order to restore democracy.

I must admit, as an economist, that this is a rather painful and inefficient way, but in the face of the present situation it is the only way.—Yours faithfully,
St Louis, Missouri AHMAD JABBARI

Who's who in Sind

SIR—Your special correspondent (July 15th) categorically asserts that "at least 40 per cent of the 14m people in Sind are Urdu-speaking." The true facts as recorded in the Government of Pakistan Census Report, 1961, Volume I, Table VII, are as follows: Sindhi-speaking: 8,459,538 or 82.4 per cent; Urdu, Gujarati, Punjabi and Pushtu etc, speaking 1,757,261, or 17.6 per cent.

Revised calculation of the basis of the last census show that at present the Urdu-speaking population in Sind stands at around 19 per cent as against 81 per cent Sindhis.—Yours faithfully,
Woodford Green, Essex MAZHAR S. KAZI

Illinois and the Presidency

SIR—You say (July 22nd): "Indeed, no President in modern American history has managed to secure the White House without the blessing of the majority of the 11m citizens of the state." This is in error. In 1916 Woodrow Wilson won the Presidency although losing Illinois to the Republican, Charles Evans Hughes. Illinois was, I think, the third largest state then, behind New York and Pennsylvania, which Hughes also carried.—Yours faithfully,
New York IVAN N. KAYE

The Tokyo sound

SIR—I was startled by your report (July 8th) of Mr Tanaka's "grunting and modulating . . . raspy voice" and its comparison with "ordinary Japanese in everyday conversation."

In experiencing the calm restraint and etiquette of the ordinary Japanese firsthand and the extraordinary respect and modulated tone of all Japanese I have met I must say the only rude grunt I have heard is that of *The Economist*.—Yours faithfully,
New York DONALD F. X. FINN

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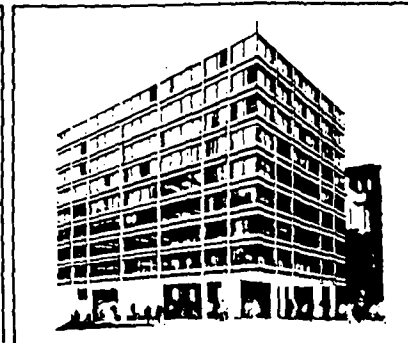
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The shy man who matters in your life

Robert Carr is the Quiet Man of the Heath Government. If you met him at the bus stop, you probably wouldn't recognise him. But he's moved from a factory floor to the pinnacle of political life. He is one of Heath's inner circle. A man who has now held three major posts in the cabinet. The man who piloted the Industrial Relations Bill through Parliament, and is now in charge of the Home Office. That means he makes decisions which will affect the lives of millions of people - decisions about immigration, the police, drugs, licensing laws, Ulster, demos, civil defence.

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The
Economist

August 5, 1972



The revolt of the moderates

The army's recovery of the Bogside and Creggan in Londonderry in the early hours of Monday morning, done without creating martyrs, is a great success for Mr Whitelaw and his policy. Of course, the IRA Provisionals will have to do something in reply, and since Ulster is a place where men go to bed at night in one mind and wake up next morning in another, the Catholic community's acceptance of the troops is unlikely to last. The shooting and bombing are going on, and it is particularly disturbing that there have been upwards of 30 assassinations of Catholics in recent weeks; even although there have also been Protestant deaths that is not a wound that any community, far less the Belfast Catholics, can endure without retaliation. It is politically wise that the army is now searching Protestant as well as Catholic streets. Even so, and after all that has happened since direct rule, it is actually possible now to talk more plausibly of a return to political life in Northern Ireland than it has been for a long time.

By sending the troops into the Bogside Mr Whitelaw has removed the most obvious of the Protestants' irritations. But he has done more than just that: he has kept his promise that he would do so. That is an important step in recovering the confidence of moderate Protestants who had become increasingly unhappy as the Provisionals seemed to be getting away with murder. He has done this at a time, after Bloody Friday in Belfast, when moderate Catholics have had enough of the IRA, and when the Irish prime minister, Mr Jack Lynch, and the Dublin newspapers have been ready to agree that the gunmen had to go. Mr Lynch has been rewarded by a stunning by-election victory (see page 26), a remarkable vindication of his moderate policy. Naturally there has been a row in the Social Democratic and Labour party, which Mr Lynch has done his best to resolve (see page 17), and any new Catholic accusation against the army might make the SDLP draw back from Mr Whitelaw's invitation to talk, but that has not happened yet. It may even be that the moderates have begun to rebel at last against the horrors of Ireland.

It is too early to tell. The troops cannot stay in the

Bogside and Andersonstown in strength for ever. They are not trained to be policemen, and the Royal Ulster Constabulary are not, and are never likely to be, accepted as policemen in a number of Catholic districts (although the chief superintendent in Londonderry has won respect ever since his evidence to the Widgery tribunal). Mr Whitelaw, who lives on the switchback of Ulster's moods, knows better than anyone that in his job the hardest part is always just beginning. But Mr Brian Faulkner is talking to him again, Mr Gerry Fitt is ready to talk and even the Ulster Defence Association is prepared to go into politics.

Get the referendum over

Mr Whitelaw is now committed to holding an early referendum on Northern Ireland's constitutional future. The result is a foregone conclusion (which is why the Protestant politicians want it and some Catholic ones do not), and the cohesion of the Protestant majority on the border issue since direct rule has been such that it is not going to be shaken in a hurry; to some people's surprise there even seems to be a Catholic silent majority that does not want to be cut off from Britain, although how it votes when the time comes is another matter. Given the inevitability of the result this time, and Mr Lynch seems to accept it, then the sooner the vote is held the better. Until it is taken both communities will coalesce around their political hard cores, individual moderates will not get a hearing and moderate parties will not pick up many members. Since the aim must be to try to get a new political life going, the referendum should be out of the way by November, and the local elections delayed for at least two months afterwards, so that voices other than the old tribal ones can be heard in them.

Looking farther ahead, if he dares to do so, Mr Whitelaw has to decide about an Ulster assembly, from which some form of provincial government could emerge, and the type and timing of the elections for it. The Northern Ireland parties' views on this differ

appallingly. The Sinn Feiners and the old Nationalists want union with the south and might not even participate in a body that accepted the border, the SDLP is talking of a condominium (however that might be run), the Alliance party would seem to prefer something like the assembly that Mr Heath and Sir Alec Douglas-Home once promised the Scots with as little governmental tophammer as possible, Mr Faulkner's mainline Unionists want the old Stormont back, and so on.

Add to that the complications of running some type of proportional representation system, which successive British governments have been thinking about for Northern Ireland and which the Ulster parties have accepted in principle at one time or another, and the party balance that could emerge becomes almost unreckonable. Many of the toughest fights would not be between the old extremes but between parties with much in common. The SDLP and the Alliance, for example, will be at odds for the moderate Catholics (the Alliance appears to be doing well today in the newer Catholic housing estates), and the Northern Ireland Labour party will also have to settle accounts with both the UDA's new party and what will remain of the Rev. Ian Paisley's working class support. Yet it is precisely on the composition of such an assembly that any formal way of running the administration of Northern Ireland and organising the relations between the communities will depend. Against those who say that the sooner Ulster gets back to parliamentary business the better, there are

those who want a lengthy run-up to the election to enable the moderates to be heard. Against those who say that a profusion of parties will help coalition and even community government, there are those who think any such coalitions would be unstable and irresponsible. It is hard to be dogmatic, but these all appear to be arguments to let a fair amount of time elapse before the election to allow the divided groups either to become serious parties or melt away.

A lot to hope for

It is encouraging that people are speculating about such things in Northern Ireland again, but it will all collapse like a house of green papers if the Provisional IRA can resume its campaign with a more effective tactic than indiscriminate bombing. Under that bombing the Protestant community stood together, as people do stand together under aerial bombardment, too. The Protestant backlash happened and set up its barricades and did its occasional murders and shootings, but it did not go as far as taking out Catholic streets or even carrying arms openly. So the moral and political effect of Bloody Friday was the reverse of what the IRA intended. If the army is not provoked into some mess or other in the next few weeks, if Mr Lynch can keep the IRA in check in the south, and if, above all, political nerves do not break all round, more time still can be won for talking. It is a lot to hope for, but it is less impossible than it was.



Sapping the will

How are we to deal with the growth of violence that will follow the eventual settlement of a dock strike that the British establishment has already agreed to lose?

Of course, the great current debate should be about violence, and about the encouragement to law-breaking by some foolish public men. But this debate is muted, because it is so embarrassing to admit that Britain is caught in another strike which the forces of reason have already agreed to lose.

It would be well worth resisting a national dock strike in order to re-establish some major point of social order (such as that notices of dismissal from work in the docks can at last be handed to Mr Bernie Steer and other contract-breakers), or in order for once to expedite, instead of resist, what must happen one day (such as hastening the transfer of most dock work from the hopelessly uneconomic docks in big cities with congested, narrow streets like London and Liverpool, towards efficient and therefore profitable new-style ports on greenfield sites like Felixstowe). There should then certainly be generous severance pay for London and Liverpool dockers who had to move to other jobs.

But the present strike is being fought through on the familiar British formula where the public interest is on a hiding to something slightly more damaging whatever happens. The Aldington-Jones proposals—put to the

dockers before the strike started—are that port employers, who are already employing about 10 per cent more dockers than they need, should take on another 3 or 4 per cent of men for whom they have no real jobs, and should agree never to get rid of them. As this will drive a lot of port employers into bankruptcy, starting with those in the outdated ports like London, the next Aldington-Jones recommendation will be that efficient and profit-making ports like Felixstowe should pay a levy to keep their inefficient competitors alive.

With this copper-bottomed surrender in place, at least that the dockers will get, a national dock strike has been safely started which will follow either of two scenarios. One is that the strike may continue for a long time if the well-rewarded communist organisers (who are now in full charge of the stoppages) deliberately want to cause disruption for political or other reasons. It is quite possible that they will. A long strike in the docks is easy to organise nowadays. A lot of the men have become used to moonlighting in outside jobs since Lord Devlin's "reforms" allowed them to draw some pay from the docks without actually working there.

The second possible scenario is that the Aldington-

Jones team will secure an ending of the strike by winning for the dockers a dozen or so extra jobs at each of the small container and refrigerator depots they have been picketing, at the ultimate expense of the unfortunate and less militant workers at present employed there. Since there are not more than 200 or so stripping and stuffing jobs at all the inland container bases in the country, this would be economically irrelevant in an industry where around 6,000 surplus dockers will soon be subsidised in £42 a week non-jobs anyway. But the supporters of Aldington-Jones think that this concentration on the places that have been picketed might be "psychologically important" and greatly please Mr Steer and his immediate comrades. This is because the wide advertisement of success from violence is an important and deliberate objective of the militants now. They know that the 20 per cent wage rise handed out as a reward for the electricity go-slow in the winter of 1970-71 led directly to the miners' interruption of electricity supplies in the winter of 1971-72, and that the rewarding of the miners' violent picketing then led directly to the picketing of the container depots this summer. A spectacular rewarding of this will make it easier to arrange tougher picketing in whatever strikes are billed as the next stage in the class struggle, probably again in the power industry. Yet this is the bait which Lord Aldington and Mr Jones are busily trying to provide, as supposedly the cheapest way of buying the dock strike off. In reality, it is the most expensive thing the country could do.

Hounds eat hares

Theirs is not just a recipe for national economic decay, but for social breakdown in Britain. The leadership of successful and violent mobs, to whom these surrenders are made, will quickly pass out of the hands of men who are actually employed at these places into the hands of men who will gain mobsters' excitement or political glory, and then personal protection racket money, from leading such displays of force. And all the time excuses for the slide will be made by public figures who will increasingly prefer to run with both hare and hounds. The institutionalisation of this running is now to be vested in a special "conciliation body" which the Trades Union Congress and the Confederation of British Industry have this week jointly agreed to set up. And Mr Heath's incomes policy is temporarily and vainly to be based on an almost permanent conference with such hare-and-hounders, designed to secure an agreement with Mr Vic Feather, which Mr Feather will then break.

Mr Jack Jones, of the Transport and General Workers' Union, is a more considerable union figure than Mr Feather, because by now he probably does recognise the fruits of his own incompetence. His whole philosophy as leader of the transport union has centred on encouraging a "democratic devolution" of decisions to the shop floor. In a union whose constitution was tailored to fit Ernie Bevin, this has meant that he has lost his trousers to the best organised of the disruptive groups, whose nous is sometimes underestimated by the press. The Sunday Times has argued that, although Mr Steer is a prominent communist, so was one of the leaders

of the lorry drivers who first organised a transport union picket against the dockers (thus embarrassing Mr Jones) and who then withdrew the picket with full television publicity after Mr Steer's arrest because all workers were "united now"; this convinced it that if there was a "communist conspiracy, it must have been singularly poorly organised." Why?

Are there any roads out of the mess? If the dock strike did last for a long time, a wise Government would not use its state of emergency to bring in many supplies by troops unloading in the big city ports; it would be much better to use protected and volunteer civilian black-leg labour, working through the efficient greenfield ports, showing that London could be permanently closed. But there is no prospect of the Government doing this.

Not through parties

Conservatives lay more emphasis on the argument that a long dock strike, accompanied by more and more violence—or else the very violent next strike that will come over whatever is chosen when Aldington-Jones have spectacularly rewarded Mr Steer—might turn public opinion so fiercely against the trade unions that Mr Heath could win a landslide victory in a sudden general election. Not everybody will be comforted by this thought. It is not clear why the country would be better served then by re-electing a Tory Government that has sometimes spoken out against trade union bullying, but has constantly run away from it: rather than electing Labour which has knuckled under appallingly to the trade unions in most of its recent utterances, but which in all but the last year of its last government did not run away from them quite as fast as the Tories have done.

It may have to be from outside the ranks of government that the least hopeless chances of rescue come. One counter-action would be if big industries—preferably led by the nationalised industries—started to make it clear to the trade unions that they must either be free to sack shop stewards who lead breach-of-contract strikes (with full and expressed union backing for such sacking) or they will sue the unions under the Industrial Relations Act. It would be worth risking some strikes for that.

Another need is that the ordinary public must become readier to cross picket lines. At present this is left to little girl clerks who go to work in picketed industries, and who get precious little police protection when they are spat on for doing so. The ordinary man whose immediate earnings are not at stake tends to duck away from picket lines, because he thinks it more tactful to avoid certain vituperation and sometimes something worse. When a lorry driver tragically ran over a member of an intimidatory miners' picket, when he was accosted coming out of (note, not going into) a previously unpicketed power station, Labour MPs in the safety of the House of Commons instantly accused him of murder; at the subsequent inquest the coroner specifically absolved the driver from all blame whatsoever, but the MPs made no amends. It would certainly be right for thinking people selectively to withdraw support from individual politicians who have disgracefully pandered to violence in this way.



The Eagleton affair

In shooting down his vice-presidential nominee Senator McGovern may have winged himself as well

Senator Eagleton has been squeezed out of his nomination for the Democratic party's vice-presidential candidacy, a sadder and a wiser man, but by no means a defeated one, after a week of unprecedented pressure from both his party and the press. He may be correct to think that sympathy for him, obviously widespread, would have made up for any votes lost by the revelation of his mental illness and that, anyway, the whole affair would have been forgotten long before November 7th. But that will never be known. Senator McGovern decided he could not afford the risk of keeping his unfortunate running-mate; he felt that he had to put an end to an argument which was obscuring the real issues. Much as Mr Eagleton has suffered in the past week, Mr McGovern has probably suffered more.

There have always been people, independents as well as devoted Democrats, who recognised that Mr McGovern had what it took to become his party's presidential nominee this year but doubted whether he had what it would take to govern the United States for the next four years and, in particular, to lead it through the painful changes which lie along his chosen road. These doubts have grown with his mishandling of the Eagleton affair. Mr McGovern seemed to have been hasty and lacking in judgment when making what could be the most important choice of his career—that of the man who might have to succeed him as President. He now seems to have been indecisive and unfair in getting rid of Mr Eagleton—or else too kind to him. There are excuses for both lines of conduct—lack of time when choosing the vice-presidential nominee at Miami Beach, desire not to hurt an enthusiastic and promising young senator last week. And certainly Mr Eagleton should have told Mr McGovern of his health history before accepting the nomination. Nevertheless Mr McGovern comes out of it all with his armour tarnished and his white horse mud-spattered.

Part of the blame is also attached to Mr McGovern's famously efficient staff who should have saved him from at least some of the mistakes of the Eagleton affair. So it has strengthened the impression that these bright, but inexperienced and over-confident, young people, who organised his campaign for the nomination so effectively, may not do so well in the presidential contest. One of Mr McGovern's most urgent tasks is to lay down lines of authority and divisions of responsibility for their future efforts.

This should have been done during his two weeks of post-convention retreat at home in South Dakota, time that instead had to be spent coping with Senator Eagleton. Perhaps more important, this has also delayed consideration of the detailed policy papers which are now at last being drafted for Mr McGovern by teams of expert advisers, to replace the vague and contradictory promises on defence spending, welfare benefits and tax payments

which he offered during the primary elections. It may be a political error to make definite commitments during an election campaign but for Mr McGovern this is unavoidable since he has based his appeal on issues, not personalities. "Come home, America," he declares, and so must tell America what it is to come home to.

All this means that the McGovern campaign is still stuck in its post-convention mud instead of starting to roll well before the Republican convention, which opens on August 21st, puts President Nixon on the path to what now seems almost inevitable victory. Particularly depressing for Mr McGovern are the latest Gallup polls, showing no improvement in his position immediately after the Democratic convention, an almost unbelievable standstill for a newly-nominated candidate. Only 37 per cent of those surveyed favour Mr McGovern while Mr Nixon's share has risen from 53 per cent before the Democratic convention to 56 per cent after it. Perhaps even more serious, Mr Nixon is also gaining among the younger voters, although there he still lags behind Mr McGovern. It is on the new young electorate, the 18 to 24-year-olds who vote for the first time this year, that the new Democrats depend to counter their candidate's expected loss of some of his party's traditional support in labour, Roman Catholic and ethnic groups and even more in the southern states.

The miracle he needs

Mr Eagleton was chosen as Mr McGovern's running-mate because he would keep at least some of these people from going over to the Republicans this year. The same considerations enter into the choice of his successor; he must be someone who can unify the party, smooth away the bitterness and divisions that have been accentuated by the affair (these are discussed further on page 37). But above all he must be someone well-known and experienced in national politics, about whom there can be no doubts or suspicions. Among those being discussed Senator Muskie comes first, followed by a long list of possibilities, most of whom were also under consideration at Miami Beach. All are Roman Catholics, all are liberals, all are experienced politicians with good contacts in the party's local organisations. Whoever it turns out to be, the choice seems sure to be confirmed by the Democratic National Committee next week.

Mr McGovern can still build a victory on the most unpromising start that any presidential campaign has yet known—if the luck turns. It seems unlikely that either the economic tide or the Vietnam war, both now flowing in the President's favour, will change before November. But Mr Nixon normally does himself more harm than good as he goes out among the voters, while Mr McGovern does just the opposite. He is likeable, Mr Nixon is not. And Mr McGovern has nowhere to go now but up. If he can avoid disillusioning too many

of his original idealistic followers in his efforts to broaden the base of his support; if he can restore his famous credibility; if the "new coalition of people dissatisfied with the status quo" extends through all classes and all regions and is not confined merely to the new

Democrats who nominated him; if the revulsion against politics as usual is nationwide: then, just possibly, Mr McGovern may repeat the miracle of the primary elections and become the next President of the United States. But the odds are still lengthening against him.



The resurrected soldiers

Now that China has announced what everybody else had guessed about Lin Piao, it is bringing back more of the men who opposed the cultural revolution

The Chinese are putting a brave face on their revelations about the apostasy of Lin Piao. Mao Tse-tung himself chose to drop the first private confirmation a month ago that his former closest comrade-in-arms had tried to assassinate him and then died in an escape flight to the Soviet Union last September—even though the Lin saga casts a humiliating reflection on his own judgment of men and, indeed, on his whole political philosophy. And this week, in the wake of worldwide reports of Mao's disclosures, the Chinese celebrated the 45th anniversary of what used to be Lin's army with due pomp and the claim by the remaining ranking soldier, Yeh Chien-ying, that "our army is now more united and more powerful than ever before." It was a fine show of bogus confidence. The evidence of the military men who lined up for army day in Peking this week suggests that Mr Yeh was indulging in wishful thinking. Eleven months after the fatal Trident crash, the People's Liberation Army is still leaderless and divided and China is just beginning to sort out the consequences of the Lin Piao affair.

The army was an inevitable casualty of Lin Piao's clash with Mao not only because other officers were implicated with Lin in the attempted coup but because, as Mao told the French foreign minister, M. Schumann, last month, a disagreement over the role of the army was the basic cause of their conflict. Mao chose Lin Piao as his successor at the start of the cultural revolution in 1966 in the belief that Lin was a uniquely political soldier who would put Mao and maoism above any vested military interests. And Lin himself may well have thought he fitted this image at the time. But by 1969, after helping to set hundreds of heads rolling in the cultural revolutionary purges, Lin had probably come to realise that even his formal endorsement as heir-apparent in the party constitution could not guarantee him the succession. The only way he could be certain of sitting in Mao's chair would be through the support of the army, and then only if the army retained the dominant position it had assumed during the cultural revolution. So Lin dragged his feet in implementing Mao's orders to rebuild a civilian communist party; he continued, in Mao's words, to "infiltrate" his men into key positions of power; and he opposed Mao's decision to start negotiating with the United States.

Mao did not reveal to his foreign confidants whether

Lin Piao ever actually attempted to carry out his coup or whether the plot was foiled in advance; rumour has it that Lin's daughter gave the game away. Nor did he explain why the Trident crashed, who else was on board and who else was implicated in the conspiracy. But the military lineups since September, 1971, give a measure of the extent of Mao's counter-attack. More than a third of China's 300 most senior officers have failed to appear since September, including four politburo members. The fact that almost none of them has been replaced indicates great uncertainty about how the army problem is to be handled. On the other hand, it was fascinating on army day to note the rehabilitation of a number of military leaders who have not been seen since they were attacked by the Red Guards five or six years ago. The most unlikely Lazarus is Chen Tsai-tao, the former commander of Wuhan who defied Mao in July, 1967, by kidnapping his envoys and pitting his local troops against the forces sent in to suppress him. And next to Chen but one on the rostrum was Yang Yung, the former Peking commander who had been denounced in June, 1967, for opposing Lin Piao.

Yes, it did go wrong

A common link connecting at least 10 of the resurrected soldiers is their association with one of China's grandest old soldiers, Marshal Ho Lung. Ho himself was accused during the cultural revolution of plotting a coup against Mao. Soldiers who had served with him showed a significantly higher mortality rate in the purges than any other faction of the Chinese army. The reappearance of a block of Ho Lung's men this week must represent an attempt to return to the safe old policy of maintaining a careful balance between the army's five main field armies as one means of helping the soldiers to regain their shattered morale. It is also, along with the depersonification of Lin Piao, an admission that the cultural revolution went badly wrong.

Mao may have rid himself of Lin Piao and hundreds of his "revisionist" supporters. But he is still far from achieving his goal of putting the party back in charge of the gun. The army is as powerful as ever within local party committees and the only way Mao is likely to unseat it in the short run is by another extended purge. And that would set China rocking all over again.



The prisoners of Prague

Mr Husak needed these political trials in Czechoslovakia, but they could torpedo what Mr Brezhnev is hoping for in western Europe

No doubt the sentences that Czechoslovak courts have been handing out to some of Mr Husak's opponents in the past three weeks will do what he wants them to do: they will stop the embarrassing demonstrations of continuing public opposition to his regime. Seven political trials, involving more than 30 people, have taken place so far. That will make any would-be protesters think twice before deciding to publish another illegal leaflet or slip some more information about the way things are going in Czechoslovakia into the briefcase of a sympathetic visiting Italian communist. Those appear to have been the main charges against the most senior politician to have been tried so far: Milan Hübl, the former director of the party college and once a good friend of Mr Husak. Mr Hübl was sentenced to six and a half years' imprisonment on Tuesday.

But even if the trials manage to buy Mr Husak a trouble-free fourth anniversary of the Soviet invasion of Czechoslovakia on August 21st, they will have done so at a price. To start with, there is that broken promise of Mr Husak's. Ever since he came to power in 1969 he has gone on saying that he would have no political trials like the stalinist ones in the 1950s, of which he too was a victim. But it is perfectly clear that the present trials are political ones: people are being jailed for nothing more than trying to get their views known. The leaflets distributed on the eve of last November's election by some of the men who have just been sentenced merely informed voters of their right to cross names off ballot papers or not to vote at all. To make that illegal, even under Czechoslovak law, the prosecutor had to invoke article 98 of the 1961 penal code against "actions calculated to overthrow the social and state order." Even the French communist party (see page 29), not to mention the assistant secretary of the relatively open-minded British one, says it was really no crime.

Indeed, the reaction the trials have caused in the west is a major problem not only for Mr Husak but for Mr Brezhnev too. It is the open criticism of the left that will worry him most. Czechoslovakia's brief experiment with "socialism with a human face" in 1968 appealed to many communists in Italy and France because it seemed to show that communism could recover from what Stalin did to it. It seemed to be the long hoped for first flower of democratic communism. The people to whom this needed to be demonstrated were not only some doubting communists but also the sceptical electorates of western Europe. The invasion of 1968 apparently confirmed all the doubts and all the scepticism. It was a blow to the strenuous attempts of the Italian and French communist parties to present themselves as genuine democrats firmly wedded to the principle of political pluralism.

Now the renewed protests about the trials in Czechoslovakia may do even more damage to the com-

munist prospects in Europe, which in some ways have never been so good since 1945. In France the communists managed at the end of June, for the first time since the 1930s, to forge an effective electoral alliance with the socialists. This policy, known in the communist vocabulary as the tactics of the "united front," sees close collaboration with social democratic parties—normally the communists' bitter rivals—as a means not only of winning power but probably of bringing these other parties under communist control. In Italy the communists are closer to taking part in government than they have ever been since 1947. It is no longer impossible that the communists will come to power in Italy and France in the 1970s as part of a left-wing electoral alliance which their superior discipline and sense of purpose could eventually enable them to dominate.

The fact that last week, after 10 days of silence, the French communists decided to issue an admittedly mildly worded condemnation of the Czechoslovak trials shows how seriously they regard the threat to their new relationship with the socialists. A few days earlier the Italian communist paper *Unita* had condemned the trials much more forthrightly. If the persecution of the opposition in Czechoslovakia continues, the west European communists will find people becoming increasingly suspicious about their own public commitment to pluralism in politics. They will be asked, yet again, the old question. If a communist party comes to power in an election will it submit to the will of the electorate, and go back to opposition, if the vote turns against it? There is no comfort for anybody in authoritative documents from Moscow, like the article in the March issue of *Kommunist*, which say that under socialism there is no ground for the existence of opposition parties.

The western parties matter now

Ever since Stalin's days, the Soviet Union's leaders have put the needs of the western communist parties pretty low on their list of priorities. But Mr Brezhnev's present policy in Europe, which is based on the bland argument that Soviet power has ceased to be a problem for the western half of the continent, gives the Soviet Union a new interest in the western communists' chances of coming to power. It would be very welcome for the Russians if at some future European security conference the delegations from western Europe included a number of left-wing coalitions with communists in them. It would be a long step towards the neutralisation of western Europe which has so far always eluded them. This is the hope that the trials in Czechoslovakia endanger. Mr Brezhnev may well decide, once again, that discipline in eastern Europe matters more than anything else; after all, that is his real power base. But it will not be an easy choice.

BRITAIN

Ulster: the troops go in, and Jack lends a helping hand

So far, the army's occupation of Ulster's former no-go areas has helped the chances of getting talks going this month on the province's political future. The Unionists are not now likely to put up any objections. Mr Brian Faulkner lost no time in saying he approved of what the army had done and he pledged his support for Mr Whitelaw. There was a welcome, too, from moderates in the Alliance party and the New Ulster Movement. And even the Ulster Defence Association sounded co-operative. Men of the UDA helped soldiers to dismantle the barricades they themselves had put up in the past two months. The UDA, in combination with Mr Billy Hull's Loyalist Association of Workers, is intent on having a seat at any future conference table. Neither body had much left in the way of formal ties with Unionism but now they have both broken away completely to form their own political party, based on the Protestant working class.

Popular Catholic reaction in Ulster to the army's occupation has been subdued. The troops may not have been welcomed as liberators, but they did not have to put up with much in the way of stoning or abuse either. Just the same, their arrival was condemned by the multifarious republican clubs. The response of the IRA Officials stopped short of violence; they called on the Catholic community to ostracise the troops. After two of its MPs, Mr John Hume and Mr Ivan Cooper, had spoken publicly of their grave doubts, the Social Democratic and Labour party, the main Catholic opposition, issued a statement accusing Mr Whitelaw of "playing a dangerous game" and of "turning Roman Catholic areas into occupied zones."

Then Mr Lynch, the Irish prime minister, gave the SDLP a helping hand and saved it, perhaps, from casting itself again into the political wilderness. Late on Tuesday night, he flew some of its leaders down to Dublin by heli-

copter for talks with his top ministers, Dr Hillery and Mr Colley. The Irish government does not want to see the SDLP boycotting future political talks in the north. The SDLP and the Irish government plan another meeting in the next few days (see page 26).

The British Government is likely to experience renewed diplomatic pressure from Dublin in the coming weeks, but there are no plans for Mr Heath and Mr Lynch to meet before the EEC summit conference in October. The Irish government wants Mr Whitelaw to promise Ulster's Catholics that there will be no return of the old Stormont regime. It is also worried about the rising number of openly sectarian murders in the north and about the large number of guns and rifles held there legally. Mr Lynch's decision this week to call in all arms over .22 calibre might stimulate the British Government into similar action; Mr Wilson voiced Labour's anxiety in the Commons on Monday. But what matters most to the Irish government is that it should build a close enough relationship with London to make sure its voice can be heard in any future political talks.

The Labour party, with very few exceptions, backed up the Government's decision to go into the no-go areas, although such frontbench spokesmen as Mr Merlyn Rees and Mr Roy Hattersley have doubts. The Government got Commons acceptance of an Order in Council to enable this autumn's Ulster district council elections to be held under proportional representation, and it appears to have postponed the promised referendum on the border issue until later in the year. But a return to normality is still a long way off. Policemen may be seen again in the old no-go areas, but the Irish government and the Labour party are questioning whether there is any future for even a reformed Royal Ulster Constabulary as the main law enforcement body in trouble spots like the Bogside and Creggan. Yet any prospect of the alternative—a permanent army garrison there—could write off any political talks succeeding.



That was a no-go barrier, that was

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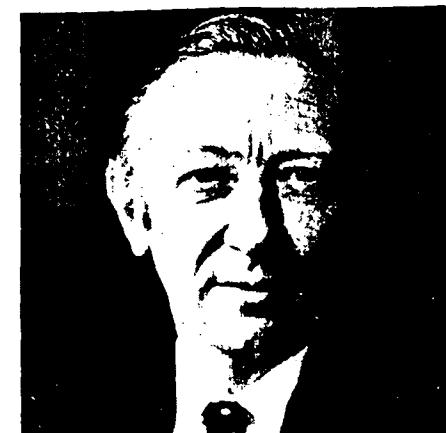
All fall down

Where once the IRA was cock of the walk the army now dominates, following its swift and highly successful sweep early on Monday morning. The warning sirens wailed in "Free Derry" as the Centurion bulldozers and the soldiers moved in but the people stayed indoors, as they did in Belfast. There were no more than a few shots. Operation Motorman went off very quietly, as Mr William Whitelaw hoped it would.

The Provisional IRA was given warning of what might be in store by the establishment of a fourth brigade HQ, the sending of 4,000 more troops (bringing the number up to 21,000) and Mr Whitelaw's warning on Sunday evening. He was as careful and deliberate in his actions as President Nixon was when Haiphong was mined. He wanted no IRA martyrs. Some of the better-known members of the Provisionals, it seems, slipped across the border while the younger gunmen tucked their arms and explosives away and faded back into the crowd. Since then, there have been a few shooting incidents and explosions; some arms and explosives finds; some searches (including some Protestant streets in Belfast); and some arrests. But in all their actions so far, the army and police have tried not to cause resentment, let alone retaliation and riot.

What the army might have to do next turns on what the Provisionals may manage to do. The Provos could concentrate their attention on the border, but that may not be as easy as it was now that the army has the equivalent of nearly three armoured car regiments in Northern Ireland. Tip and run forays over the border would put the onus on Mr Jack Lynch to do something more in cracking down on the IRA in the republic. The Provisionals cannot afford to abandon their tactics of violence and intimidation in the urban areas to try to revive the active support of their Catholic sympathisers in new riots or in the kind of walk-out which occurred in Lenadoon Avenue last month.

So the army will have to be seen to be here, there and everywhere in large numbers (which means that the present garrison cannot be much reduced for several months yet), and its tactics will have to continue to be tightly disciplined, cool-headed and unprovocative. It will have to seek to express an apparent contradiction—a low profile with a big presence.



Carr: middle man

Industrial relations

Two men, three voices

It needed no particular skill in political divination to see in a weekend speech by Mr Robert Carr, Home Secretary and Leader of the House, a clear hint of the Government's wish to cool the industrial situation and to draw back from a collision with the unions.

For the most part Mr Carr's speech was sensible and ruminative, if unsurprising. His theme was "One Nation" and he directed the thoughts of his Young Tory audience to the need to hold the middle ground of politics, inhabited by the great majority of voters. He saw no need to placate the "infra-reds" and "ultra-blues," the "loud-voiced minorities of the extreme left and right of the political spectrum who create a sound and fury out of all proportion to their insignificant numbers." He took a neat knife to Harold Wilson and derided a Labour party which "has convinced itself that politics is the art of the plausible."

But, while proclaiming the need for a strong and well enforced framework of law which would apply to trade unions as to everyone else, his tone was moderate and conciliatory. He wanted much more thought to be given to the role of law "as a constructive rather than as a mere constraining influence." In industrial relations, as in economic affairs and in Ireland, the Government must develop a long-term strategy and stick to it; but not, he added, "stick to it in every detail with the pig-headed obstinacy of the weak." Stick to the essentials of the strategy, yes, but be prepared "to modify the detail in the light of new experience."

Mr Vic Feather, the general, secre-

tary of the TUC, was much less pacific in his weekend speechmaking. On the Industrial Relations Act, he was heard to say that while the unions had always respected the law of the land and had never refused to accept a judgment of the High Court,

we do not accept that this Act is the law of the land. It is part of the political dogma of the Tory party to shatter the trade union movement in this country.

The next day Mr Feather complained of having been misreported. But his explanation of what he had really meant did not make it sound much better. He did not regard this act like other acts, he said, because it was uniquely directed against one section of the community—an argument which could be cited as a reason for defying all progressive income taxes and most specific indirect taxes, all nationalisation proposals or factory acts. Not for the first time, he had got himself into a mess in trying to sound just as bellicose as the union bully-boys.

Mr Feather annoyed a lot of people, especially Tory MPs. They are wrong, though, if they allow themselves to get too angry with him. As Tuesday's talks between the Government, employers and unions seemed to suggest, what Mr Feather feels he really must say in public and what he may say in private can be two very different things.

National Health Service

Fourth time final?

Ever since the bill setting up a national health service for England and Wales was introduced—26½ years ago—the tripartite structure of hospitals, local authorities and general practice laid down for the service has been criticised. The division is historical; and the health service would probably never have got off the ground in 1948 had its historical roots not been preserved. But in 24 years those roots have produced three trees.

One—the hospital service—is enormous, growing too fast for its own strength. The second is the local health services, whose growth was held back but which, though still small, are now progressing steadily. The third—general practice—which was nearly allowed to die from neglect in the 1950s, is at last showing sure signs of recovery. Functionally, the three parts of the service have been coming together in recent years, particularly the general practitioners and local

services, but the administrative and financial divisions remain an obstacle to planning and efficient operation—and the real needs of the patient are only too likely to be overlooked.

Sir Keith Joseph's white paper (Cmnd 5055), published on Tuesday, is not the first attempt to abolish these divisions. Mr Kenneth Robinson produced a sketchy green paper in 1968, Mr Crossman a fuller one early in 1970, and Sir Keith himself in May, 1971, a "consultative document" on which the new proposals are based. One can assume that legislation embodying them will be passed next session, to enable the integrated health service to come into operation at the same time as the reformed local authorities in April, 1974. Joint liaison committees are already at work in some parts of the country, composed of representatives of the three branches of the health service; they have the task of assembling the information on needs and resources necessary to ensure a smooth transfer to the new area health authorities.

These authorities, which will be appointed in shadow form as soon as the legislation has been passed, will be the key bodies in the new service. They will be responsible for planning all the health needs, not just the hospital needs, of the population of their areas (which will be coterminous with the new local government areas) and for seeing that they are met. Their functions will comprise some of those now exercised by hospital management committees and regional boards and nearly all the health services of local authorities. They will also take over the school medical and dental services.

The future of the child guidance service is left vague in the white paper—deliberately so, perhaps, as there is something of an intra-professional wrangle about whether it should be the responsibility of the health or education service. There is also something less than full integration for general practice. Because family doctors, like dentists, pharmacists and opticians, have insisted on retaining their status as independent contractors, the area health authorities will have to set up family practitioner committees (taking the place of the existing executive councils) to administer the contracts. These committees could be an obstacle to integration, but fortunately the area authority is to have full responsibility for the development of health centres, which doctors are at last coming to see can benefit them as well as their patients.



Joseph: a healthier service

In Scotland, whose health service reorganisation bill is virtually through Parliament, ombudsman and all, and in Wales, the area health authorities will be in direct relationship with their central departments. Only in England is a regional tier to remain. The regional health authorities, whose boundaries will be nearly the same as those of the regional hospital boards, adjusted to allow for the local government changes, will have some planning functions and some executive and supervisory ones. From what the white paper says about them, it looks as if their functions will be heavily weighted on the hospital side, particularly as they will be closely associated with the medical schools and the teaching hospitals. This imbalance may be unfortunate, since it is the regional authorities that are to be responsible for allocating resources to the areas and the community health services may feel that the hospitals are getting more than they deserve.

As in Scotland, the day-to-day running of the area authority's services will be based on districts, the number depending on the size of the authority but each with a population of 200,000 to 500,000, and containing a district general hospital. They will not be a separate administrative tier below the areas, but will be the place where the integration of services will be most clearly seen in action. A body to be known as the district management team is envisaged, highly professional and probably overweighted with doctors, one of whom will be that shadowy figure, the community physician.

To the complaint that the consumer—the patient—has no place in the new organisation, Sir Keith Joseph points to the community councils, one for each district. They will be composed of local people, and half their membership will be appointed by the local

authority. They will have the right to be consulted, to visit and to publish reports. But to be really effective they ought to be given more independence of the area authority, which will appoint the other half of their members and will be their sole source of income.

Some other welcome reforms promised in the white paper are the integration of the teaching hospitals within the health service, a modern budgeting and accounting system and—what successive health ministers, including Sir Keith, have always said was impossible—the right of health authorities to carry over unspent balances so that there will no longer be the mad rush by hospitals to spend money in the last months of a financial year. But there is still a lot of unfinished business. For instance, the area boundaries in London have still to be determined, and the report of the study on the detailed management arrangements in the new health service has still to be published. But at least the reformed health service will have one advantage over the reorganised personal social service departments (the Seeborn services), which came into being in April, 1971. Unlike them, it will not be undertaking new tasks with new people and discovering new needs. The hope is that the known, but now poorly served, needs—like the sick old, the mentally ill and the chronic sick—will get a fairer share of what is available to treat them.

Welsh courts

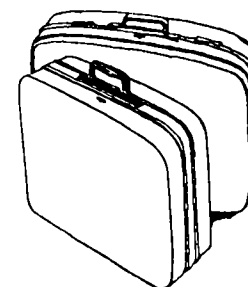
Free speech?

The crowd which turned up to demonstrate its Welsh nationalism to the Lord Chancellor when he went to Bangor to speak to the Magistrates' Association on Saturday had been aroused by a recent remark on Welsh protest in Lord Hailsham's customary colourful style; but they had two specific legal bones they wanted to pick with him. At the 1961 census, only a quarter of those living in Wales claimed to speak Welsh, and a survey carried out five years later suggested that not much over half of those could do so with any fluency. (It will be interesting to see if the resurgence of middle-class interest in the language, and the overactive encouragement given in 1969 by Labour's last education secretary, Mr Edward Short, to Welsh language primary schooling, have affected the 1971 census results.) To the nationalists' anger, there has

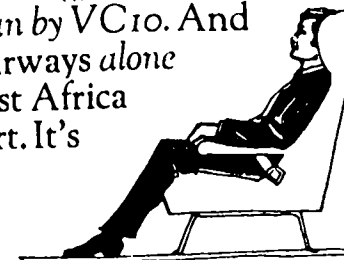
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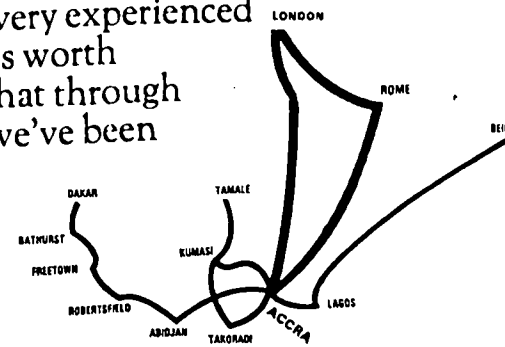
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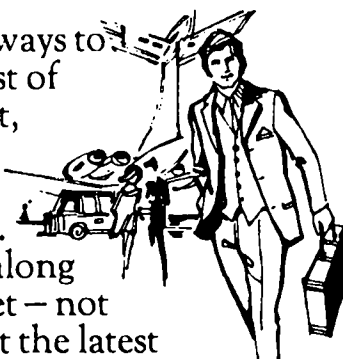
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Actions speak plainer than Welsh

been a steady decline in Welsh-speaking recorded in the censuses this century. A minute, unidentified fraction of Wales's inhabitants is monoglot Welsh: but it is obviously right that these and other bilingual Welshmen should be entitled to speak Welsh in their courts, and a well-meaning piece of Westminster legislation, the 1967 Welsh Language Act, sought to make this plain. It is a perfectly good nationalist technique, therefore, to insist on speaking Welsh in court both in the north (where the majority is Welsh-speaking) and in the county boroughs of the south (where only 3 per cent claimed to be so in 1961). It is up to the courts to provide interpreters.

Some Welsh nationalists go further and demand that legal proceedings should be carried out entirely in Welsh. Under the 1967 act, however, if anyone is entitled to speak Welsh if he wants to, so is he entitled to speak English. That applies to judges (though a fair number, right up the judicial hierarchy, can speak Welsh) but most important of all to juries. The law does not permit juries to be selected only from among Welsh-speakers.

But Lord Hailsham has also been wrestling with a few magistrates in the north who were reluctant to fine members of the Welsh Language Society guilty of protest offences. The most blatant example came recently when Welshmen who had refused to pay their television licence fees, because the BBC put out so few programmes in Welsh, were given an absolute discharge. The BBC provides an average of one hour's Welsh-speaking programmes every day: even to do that it has to suffer the complaints of those deprived of preferred programmes going out on the rest of the network, and it frequently resorts to English

subtitles. The amount of Welsh language broadcasting has trebled since 1959. All this is, of course, beside the point. Non-payment of the licence fee is a peaceful sort of protest, but Lord Hailsham must be right that magistrates who do not want to enforce the law should stop being magistrates.

Covent Garden

The lady vanishes

Have the Covent Garden protesters thrown out the baby with the bath-water? Lady Dartmouth resigned last week as chairman of the Greater London Council's committee which is steering through the proposed 96-acre comprehensive development area. Her reasons were that she no longer felt that so much massive rebuilding was justified in view of the total lack of public support. She proposed, but the committee rejected, that they should ask Mr Peter Walker, the environment secretary, to grant them powers only over the 15 acres being vacated by the produce market. Her resignation coincided neatly with the submission to Mr Walker of his inspector's report on last summer's inquiry into the CDA proposals, and may well encourage him to reserve judgment until he has received the report of the strategic planning inquiry (the Layfield committee) into the Greater London development plan. He is also expected any day now to announce a public inquiry into the notorious Piccadilly scheme.

Comprehensive redevelopment has never had a worse name than at present. The Covent Garden Community Association, though, now says that it is not against it, but simply wants a bigger say. The logic of Lady Dartmouth's stance is that the plun-

sites outside the immediate market area should be redeveloped individually, there should probably also be some new council house building, and the rest should be left much as it is—unless the GLC still succeeded in getting permission to plough a new main road parallel with the Strand.

The logic of the community spokesmen's stance is that nothing should be rebuilt unless the people who happen to live in the neighbourhood agree. Would they apply this to, say, suburbanites who resist council estates in their midst? But the Covent Garden area is changing anyway. It should surely be possible to retain some of the advantages of the CDA system without the elephantine character of the present proposals—although the net cost to GLC and exchequer would most likely be more.

Careers

Advice, please

There are some 19,000 students at art colleges in England and Wales. Their courses and qualifications—particularly the Diploma in Art and Design—have been the subject of a lot of criticism, not least from the students; and there have been reasonable and growing doubts about the employment prospects for this huge phalanx of specifically-educated students. Surprisingly, a report from the Government Social Survey*, which tried to question every student who completed an art course in 1967-68, makes quite cheerful reading, though a survey carried out now might well present a sorer picture. Of those who responded, three-quarters were in "activities" (which includes further courses as well as jobs) connected with art or design some 20 months after their course had ended; 6 per cent were unemployed and 14 per cent were in unconnected jobs. Only 11 per cent had not been involved in some art or design activity at some time since they finished their courses, and it seems that the majority of those made very limited attempts to find a connected job.

The college leavers were remarkably practical: their principal complaint was that their courses had been insufficiently related to commerce and industry. Their employers agreed. The students would have liked more careers advice; this is a theme that comes out strongly, too, in a curious report published this Friday by the National Foundation for Educational Research†. This is an offshoot of a project carried

*HMSO. £3. †NFER. 70p.

out for the vice-chancellors' committee, for which it became necessary to trace all those who had been second-year sixth-formers in October, 1967, and had not gone straight from school to university or college after taking "A" levels.

It is difficult to know how much weight to give this report, because though the total of completed questionnaires amounted to well over 9,000, and about half the respondents had taken the opportunity to comment on school, further education or the gap between them, the report is based on a random sample of only 1,000. But individual criticism of career, exam and course guidance, and in particular the strong support for a year's break between school and higher education, make significant reading.

Helicopters

Down from the clouds

Up in the Cheviot Hills the British army has just completed a trial with helicopters which could be as important for its future as the exercises it conducted with tanks and motor vehicles in the late 1920s. The aim in both was the same: to combat the dominance of fire-power on a modern European battlefield by speedy movement. The lessons the Americans have learned about helicopters in Vietnam are not all directly applicable to Europe. There, for one thing, Nato's helicopter-borne troops would be used to fight a defensive battle and, for another, the threat to them would come largely from the air and not from the ground as it does in Vietnam.

At the "we'll get by" level, the Sky Warrior trial in the Cheviots suggests that the problems associated with moving troops by helicopters and refuelling and servicing those helicopters in the field are being solved and that those arising from inter-service co-operation are solvable. At the "what happens next?" level, the trial has confirmed that:

- To avoid enemy attacks from the ground, the helicopters of a defending army must fly over friendly territory (that is, the rear areas).
- To avoid radar detection, they must fly low (not much more than 50 feet) and hug the contours of the ground.
- So flying, helicopters in flight are not so exposed to aircraft attack as is commonly supposed, but they must guard themselves against such attacks at landing, pick-up and fuelling points.



Helicopter policy is still in the air

● To counter-attack enemy paratroopers or helicopter-borne infantry who have seized a vital position in the rear areas (such as a bridge or a road junction), the defending helicopter-borne troops must have some aircraft or artillery support immediately available to them.

● To block and delay an enemy armoured column which has broken through to the rear areas, such troops must not only have time to take up their battlefield positions, make demolitions, lay mines and the like in close country (such as a wood or a town); they must also pack enough punch on the ground (as well as in the air in the shape of light helicopters carrying anti-tank missiles) to force the enemy to deploy and attack, rather than simply skirt round them.

To move troops by helicopters in threepenny packets may well be right, but to fight in tuppenny packets would be disastrous. That means the army and the RAF have to look beyond the Sky Warrior trial (in which infantry battalions with some gunner and engineer support were moved 50 km or 80 km) and even beyond another big air-mobile exercise planned for Germany next year. They must consider how over the next few years they can build towards the creation of a fully fledged helicopter brigade. Economy will suggest that they should do less than this. Military considerations suggest that this is the least they should do.

The budget for such a brigade would have to extend well beyond the purchase of more helicopters. The ground troops, for instance, ought to be armed with surface-to-air weapons (possibly

in the form of hand-held Blowpipe missiles) and a new generation of anti-tank weapons (relying possibly on infra-red or laser-beam guidance). Their artillery and engineer units ought to have the power of making something more than a nuisance of themselves (which could possibly point to a more extensive use of mines and to the use of lightweight rockets or even artillery rounds that could engage armoured vehicles by scattering small cluster bombs or mines in their path).

All that would be a part of the total bill. The rest concerns the helicopters themselves. They ought to have first-class communications systems and, so as to fly low at night or in thick weather, navigational aids. Above all else, more helicopters are needed. The ideal backing for an air cavalry brigade can be reckoned at two squadrons of medium-lift helicopters (such as the Sikorsky CH 53) and four squadrons of support helicopters (such as the Puma), with each squadron made up of 15 helicopters. At the moment Britain has no medium-lift helicopters and only two squadrons of Pumas. Britain has too few helicopters of the right kind. But with new helicopters just coming into service and with the RAF faced with a massive re-equipment programme for combat and transport aircraft over the next 10 years, more and possibly different helicopters for army support are not likely to figure prominently in any planner's priorities.

The best need not, however, be the enemy of the good. The additional helicopters—and the other bits of kit they and the troops they carry need—do not have to be all bought at once. But, if Britain is not to lag increasingly behind west Germany and France—to say nothing of the United States and Russia—in the military use of helicopters, three immediate decisions must be taken. The first is to make sure that inter-service training in this kind of warfare is more frequent than it has been in the past. The second is to resurrect the order for about 30 medium-lift helicopters (which have a variety of military tasks to perform other than carrying troops and which would be a boon in many sorts of civil emergencies). The third is to make the creation of a helicopter brigade over the next decade a declared aim of British defence policy. If Britain does not, then it will go on playing half-heartedly with a new concept of war—just as it did, with dire results, with armoured warfare in the 1930s.

Standard and Chartered Banking Group

Sir Cyril Hawker reports

GROUP RESULTS

The form in which the Group accounts are now presented represents a major change that I believe shareholders will welcome. For the first time your Company has not taken advantage of the dispensation to make undisclosed transfers to Group reserves. Consequently the accounts before you show the actual strength of your Company and reflect the true profits for the year ended 31st March 1972.

In the light of these results your Directors recommend a final dividend of 8 per cent making, with the interim dividend paid last January, 14 per cent for the year. (Last year 12 per cent for the equivalent period of 12 months.)

PROFITS FOR THE GROUP	1972 £000	1971 £000
Profit before tax:		
The Group	33,343	28,876
Share of Associated Companies	2,331	1,874
	<u>35,674</u>	<u>30,750</u>
Less: Taxation	15,211	13,563
	<u>20,463</u>	<u>17,187</u>
Less: Additional provision for Doubtful Debts (less tax)	1,500	—
	<u>18,963</u>	<u>17,187</u>
Less: Minority Interests	912	811
	<u>18,051</u>	<u>16,376</u>

Group profit before tax is arrived at after making provision for bad and doubtful debts calculated by reference to the experience of the current and four previous years. Following a review at 31st March 1972 the Directors have considered it prudent to provide a further £2.5 million — mainly in respect of doubtful debts in South Africa and Nigeria. In this connection after allowing for taxation relief the net sum of £1.5 million has been charged against the profits for the year.

GROUP DEVELOPMENTS

Standard Bank and Chartered Bank are gradually merging those activities in the United Kingdom which can benefit from the coming together of their separate skills and experience and the streamlining of organisation structure. International Division of Standard and Chartered Banking Group Limited, formed from the International Banking Divisions of the two banks, as foreshadowed in my report last year, became effective from the 4th October 1971. The services offered by the new Division cover the provision of international finance in foreign currency for both commercial and industrial purposes, the taking of currency deposits, including the issue of certificates of deposit, and all foreign exchange operations. The new Division has been most successful and has contributed substantially to the Group's profits.

The Corporate Development Department of the Standard Bank was earlier this year established as a direct department of Standard and Chartered Banking Group Limited. The Department will evaluate proposals for new corporate investments and banking services and will be responsible for the Head Office relationship with the associated companies of the two banks and the Group.

It is becoming increasingly obvious that for a Group such as ours, with its extensive operations in Africa, Asia and the Middle East, a strong position in Europe is desirable. Europe's trade and investment links with these areas are increasing all the time and with the entry of Britain into the Community, the opportunity for using the services of the Group to strengthen these links will become even greater. The Standard Bank and the Chartered Bank are already represented, either directly or through associates, in Hamburg, Paris, Milan, Zurich and Rotterdam but a reinforcement of our presence is necessary. Group plans for expansion to develop the potential of the European connection are well advanced.

A most important area of expansion also is the United Kingdom itself. By widening our geographical scope here we see a good potential for acquiring new business from firms trading with our areas of operation in Africa, Asia and the Middle East. In April of this year a new branch was opened in Birmingham, and representative offices are to be established in Leeds and Glasgow. With our long-established branches in London, Liverpool and Manchester, the services of the Group will then be available in Scotland and in most of the key centres in England. Further selective expansion on a regional basis is being considered.

GROUP PROSPECTS

Shareholders and others who have followed the fortunes of the Standard Bank and the Chartered Bank for the last two decades or so will be aware that the emphasis in our operations and prospects has changed significantly.

While maintaining a substantial presence in Africa south of the Sahara, and in Asia and the Middle East, with increased profits from these areas, we have become more and more internationally orientated. The United Kingdom, Europe, the United States and Japan have become more prominent in our outlook. We have become more involved in international money and capital markets. We are putting together consortia to finance projects, medium and even long-term, for multi-national companies for the benefit of trade and investment in developing and other countries. An increasingly important part of our profits now originates in London and the United Kingdom in connection with our international operations. We expect these areas of profit to increase in importance while maintaining vigorously our activities in the traditional sphere of our overseas associates.

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THE WORLD

International Report

A marriage has been arranged between an elephant and a flea

When their radio plays patriotic songs it is time for Egyptians to get worried. Songs in praise of Arab unity provided a hasty preparation for the announcement from Benghazi on Wednesday that Presidents Sadat and Qaddafi had decided to merge Egypt and Libya into a single state by September 1, 1973. A couple of weeks or so ago this development would have seemed at least as improbable as the expulsion of Russian military men from Egypt. Now Mr Sadat has pulled both surprises, the second following logically enough from the new fighting talk about Arab self-reliance and the galvanising of pan-Arab effort.

More logical, at a guess, than popular—in either country. The merger will be gradual: a "joint political command" is to set up seven joint committees that will plan the union. Possibly the final result will not involve very much more than a tightening of the tenuous federal links that have officially united Egypt, Libya and Syria since last September. Maybe the Sep-

tember, 1973, date is another deadline for Mr Sadat's postponing. On the other hand, outsiders, clinging to what looks to them like common sense, can easily be thrown by the whole business of Arabs and their unity.

Arab unity is a concept that nearly all non-Arabs dismiss as the stuff that dreams are made of. And with reason. It has never been demonstrated that the Arabs' desire for unity can prevail over national self-interest. The only full-blooded union in modern times was the disastrous merger between Egypt and Syria in 1958 which broke up in 1961 with each side bitterly convinced that it had been fiendishly exploited by the other. Other less ambitious permutations among the larger Arab states have, in the past, dissolved even more quickly; the seven tiny Gulf sheikhdoms which are gathered together as the Union of Arab Emirates have more obvious, and maybe more lasting, need of each other's company. But any visitor to an Arab country becomes quickly

aware of the strength of local nationalism and the indifference, suspicion or antagonism felt towards other Arab states. And nowhere are such feelings less disguised than in Egypt.

Arabs will argue that although some or all of this is true the conclusion is false. Past failure does not preclude eventual success. And the Egyptians, despite the contempt they feel towards other Arabs and the dislike they inspire, are the focal point for any union. This is partly because Egypt is bigger and stronger than the others, partly because it is in the forefront of the conflict with Israel, partly because of the legacy left by Gamal Abdul Nasser. Colonel Qaddafi's speech on July 23rd urging union was an ode in praise of Nasser. But while Nasser started this particular ball rolling by signing the Tripoli declaration in December, 1969, it is improbable that Nasser, with the failure of the Syrian experiment burned into his soul, would have tried it again.

True, a union of Egypt and Libya makes better economic sense than the Egyptian-Syrian merger. (Syria, as the third party in the federation, has formally welcomed the new move but it is still not known what it will do about it). Egypt and Libya are contiguous and, to an extent, complementary. Egypt is poor and has too many people, including trained and professional people. Libya, with an estimated population of 2.2m against Egypt's 35m but lots of oil, has more money than it knows what to do with and a shortage of every kind of expertise. There are grounds here for thinking that, if Colonel Qaddafi's enthusiasm lasts until the union is implemented, the enormously greater size of Egypt, and the attractions Libya presents to Egypt, will combine to make the Egyptians see to it that Libya stays digested.

But then the straight swop of money for talent has been going on under the federal arrangement; Libya has been giving Egypt considerably more than the fixed subsidy promised at Khartoum immediately after the 1967 war with Israel, and nearly



Sadat and Qaddafi: how long can a handshake last?

100,000 Egyptians are already employed in Libya. It is still easier to see the dangers than the benefits of the move from federation to union.

One clear danger rests on the supposition that Colonel Qaddafi is way ahead of his fellow Libyans in his passion for union. He appears still to have the authority and magnetism to hold the Revolutionary Command Council, and the country, together but these qualities may not be enough if the Egyptians start absorbing Libya and Libyan money without much regard for Libyan sensibilities. A union based primarily on one man's passion is less than stable, especially when that man is as impulsive and as odd as Colonel Qaddafi.

Another tangible disadvantage for Egypt is the likelihood that Colonel Qaddafi will be even more reluctant than before to be treated as Egypt's treasurer without having a commensurate say in Egyptian policy. This applies particularly to Egyptian policy towards Israel. In his speech on July 23rd Colonel Qaddafi announced that he disagreed with the Egyptian and Syrian battle plan: a disagreement that he qualified in his next sentence by saying that "perhaps because of geographical distance" he had no knowledge of their battle plan. Anyway, he was all for action. Egyptians, smarting under their military limitations and wondering anew about diplomatic possibilities, were not amused by his battle rhetoric claiming that he would fight the Israelis with stones or, if he had none, with his teeth and hands.

To offset this, there would seem to be few real advantages. There have been hints that the Egyptians are again thinking hard about Arab oil as a political weapon: Mr Sadat has told Mr de Borchgrave of Newsweek that American interests in the Middle East would "shortly" become part of the battle but he added a cautious rider about the complexity of the oil business. Egypt has two American companies producing its own oil and may well find itself trying to hold Colonel Qaddafi back rather than urging him on. As for weapons, there is good reason to believe that Egypt is already in a position to get what Libyan weapons it needs; a formal union will have the counter-effect of making it harder for the French government to continue maintaining that its embargo on arms for the embattled states does not apply to Libya. But all this is seeing the new move through western eyes: it could still be that this is one time when Arab unity sticks.

Ireland

Breathing-space

FROM OUR DUBLIN CORRESPONDENT

Mr Jack Lynch, the Irish prime minister, can look with satisfaction on the results of the Mid-Cork by-election, which were declared on Thursday evening. His ruling Fianna Fáil party had mounted the largest by-election campaign in its history in an effort to hold the seat. In the event Fianna Fáil pulled off a remarkable victory against all the odds, thus consolidating Mr Lynch's own position inside and outside the party, and getting the better of the first trial of strength with the newly allied Fine Gael and Labour parties. The temptation for Mr Lynch to go to the country in the autumn will now be very strong.

But Mr Lynch has had to turn his attention beyond Mid-Cork this week. Admittedly the Irish objections to the military operation in the no-go areas of Northern Ireland on Monday were largely ritualistic. Taking their cue from Social Democratic and Labour party leaders like Mr John Hume and Mr Ivan Cooper, the news commentators in the republic referred to the operation as an "invasion." But Mr Lynch, although he criticised it as an "escalation," was relieved that the operation went so smoothly. He recognises that unless the log-jam surrounding Mr Whitelaw's political initiatives is broken the danger of a civil war involving the republic will be very great. For that reason Mr Lynch lodged no formal protest against the move. He strongly believes that unless the interested parties in Northern Ireland itself get round the conference table immediately the time gained by



Hume is told to keep talking

Mr Whitelaw's gamble will be thrown away. For his own part he has undertaken to "act in every constructive way open to achieve a reasonable political solution."

To this end, he is strongly advising the SDLP leaders to abandon any hardline attitude they may be tempted to take. He sharply rebuked Mr Ivan Cooper for declaring he would not take part in talks with Mr Whitelaw if the no-go areas were entered. "Elected leaders should not say that talks are unlikely," Mr Lynch declared. And to press his views on them he brought Mr Hume and three other SDLP leaders to Dublin on Tuesday (see page 17). Mr Lynch will also seek Mr Heath's agreement to a separate, but related, series of talks at governmental level. He wants the Irish government to be fully consulted in any matters concerning political changes in Northern Ireland, and his foreign minister, Dr Hillery, will convey this message when he meets Mr Whitelaw on Friday.

At home, Mr Lynch and his minister for justice, Mr O'Malley, are concerned about the influx of Provisional IRA men flushed out of Northern Ireland by Mr Whitelaw's operation. The migration will pose an additional problem for the Irish security forces, especially if the IRA resort to bank robberies in the republic to replenish their funds or if they mount hit-and-run raids from republican territory. It was, no doubt, fear of this that prompted Mr O'Malley on Wednesday to order the surrender of all guns other than shotguns and .22 rifles privately held in the republic.

EEC

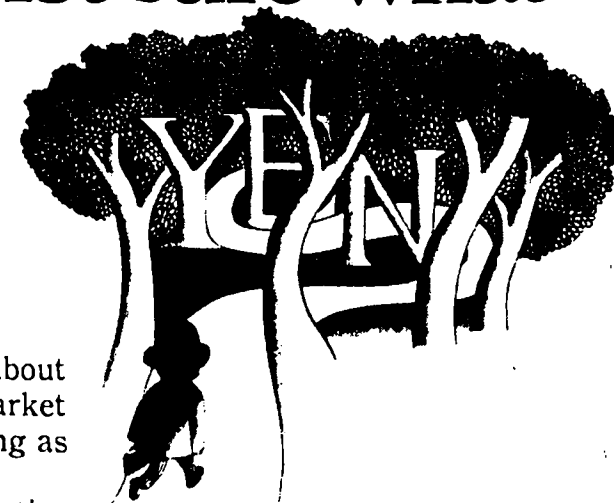
Hands across the Mediterranean

FROM OUR SPECIAL CORRESPONDENT

Brussels

The Eurocrats in Brussels have left for their holidays more confident than they have been for some months that the meeting of the common market's 10 heads of government may after all take place in Paris in October. Such optimism is founded on little more than a judgment that France may at last have satisfied itself that the summit agenda has been narrowed to the point where there is almost no risk of the affair getting out of hand. This, after all, has been the single aim of France's European diplomacy since President Pompidou's referendum on British entry turned sour in April.

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Pompidou had a couple of things to offer the Italians

France reckons that it gave the final turn to its screw last week when M. Pompidou visited the Italians in Lucca. At that meeting Italy had its tail heavily tweaked. For example, Italy's enlightened central bankers, who have long pressed for a reduction in the part to be played by gold in the world's monetary system, found that they had been burdened with a large part of the French wish to raise both the price and the importance of gold in any new system (see page 80).

By injecting gold into the debate, by bringing Germany round to capital controls, and by helping to reach a fairly anodyne general approach to the reform of the monetary system in London last month, France has succeeded in promoting its version of monetary solidarity to the top of the summit agenda. At the same time it has managed, with the tacit agreement of Mr Heath, and now of the Italians, to demote any radical discussion of new institutions for Europe.

M. Pompidou offered Signor Andreotti two enticements in exchange. He was able, first, to sound hopeful about the community regional policy which Italy so badly wants and which M. Pompidou knows France will have to concede some time after Britain's entry. He recognised the Italian preference for a regional policy for rural areas in the south which would cost France less than the sort of regional policy to help depressed industrial areas which is what Britain wants.

Second, and this could matter for the future of the European community, France used the occasion to push the notion of a real European policy in the Mediterranean. This follows a rather vague French offensive in

Brussels during recent weeks to rationalise most of the common market's hotch-potch of trade agreements with the southern and eastern Mediterranean countries into a single global arrangement which would go beyond the selective trade preferences practised at present. Such a global arrangement would be over and above the association agreements the EEC has with Turkey and Greece, and would almost certainly cause further trouble with the United States.

For this reason and because the Mediterranean countries mostly sell products that the French and Italians do not want—fruit, wine and tobacco—the French tactic in Brussels is likely to bog down the detailed trade negotiations between these countries and the EEC. But the sight of France taking up the Mediterranean cause in such political terms could prove very useful to all of Europe, and particularly to the French. The promise of stronger links across the water will help European industry, notably French and Italian oil companies and French arms contractors, in the pursuit of concessions and contracts in the Arab countries. It may encourage the Arabs in their present resolve of keeping Russia at arm's length and turning where possible to Europe instead.

What matters most to France is the fact that the political process of getting a Mediterranean policy off the ground will emphasise what France likes to call the Latin aspect of Europe, which is aimed at offsetting the influence of Britain and the other northerners who will be joining on January 1st. This is mainly a weapon in France's struggle to hold open against northern resistance the door to Europe for its odd man out, Spain.

Italy

Stopped press

Throughout July the Italian press had a sporadic existence as printers and journalists took it in turn to hold 24-hour strikes and walkouts. Their quarrel was with the newspaper publishers' association over terms for Sunday work. Although a settlement was reached on Tuesday, the long-term costs for an already ailing industry may be worse than newspaper proprietors like to admit.

Until June the printers' unions had used their bargaining power—together with a 1934 law which restricts Sunday working—to make newspaper owners pay three times the normal daily rate for Sunday work. Faced with declining revenues, the owners eventually felt obliged to announce that, from June this year, Monday editions of their newspapers would cease. The printers were first off the mark with a four-day stoppage in protest against this from June 25th. When the owners responded with temporary shutdowns, the journalists came into the fight. In the weeks that followed the printers and journalists made sure that newspapers could never be certain of coming out from one day to the next.

Tuesday's settlement was a compromise. Monday editions will continue, but rates for Sunday work will now be only 80 per cent above normal rates and regular Sunday work will fetch an extra three hours' pay a week on top of that. So neither side has done too badly.

But Tuesday's settlement may not be the end of the affair, for several reasons. First, all national newspapers in Italy are suffering from falling revenues as advertisers trim their budgets to meet the double threat of inflation and a stagnating economy. In terms of production costs, labour-intensive industries like the printing industry are especially threatened, since wage bargains struck during the boom years up to 1969 have added about 50 per cent to wage costs during the past three years with no corresponding increase in productivity.

Second, the Italians are a nation of fickle newspaper readers, with nothing like the loyalty to their usual daily given by the British. With unemployment rising and the entire economy in the doldrums, the daily newspaper is one of the least important items in the family budget. With the exception of the sports news, the contents of the

Italian press are almost as bleak as their British counterpart's: strikes, and more strikes. Newspaper owners, printers and journalists may discover over the next few weeks that those readers who had to do without a daily paper for most of July began to like it that way.

Germany

Too many friends

When Willy Brandt comes back from his Norwegian holiday he may find himself landed with a problem so awkward that it could become an issue in Germany's autumn election campaign. Gerhard Schröder, the Christian Democrat who is chairman of the Bundestag's foreign affairs committee as well as a former foreign minister, has just returned from a trip to China with the suggestion that Bonn and Peking should establish diplomatic relations as soon as possible. Herr Schröder, who was given red carpet treatment as the first senior west German politician to visit communist China, emphasised on Monday that all the Chinese leaders he had seen, including the prime minister, Chou En-lai, were anxious to have a direct diplomatic link with west Germany, China's second most important trading partner.

This is going to embarrass Herr Brandt because Herr Schröder's trip has already been attacked by Izvestia in Moscow and by the main east German party paper, Neues Deutschland. They have accused China of trying to sabotage the forthcoming European security conference and described Herr Schröder as a spokesman for the "imperialist".



Schröder's brought back a Chinese puzzle

forces in west Germany which are supposedly resisting the idea of better relations with the Soviet Union and its allies. If Herr Brandt were now to pursue Herr Schröder's suggestion to start talks with China without delay—which means before Germany's general election, still expected to be on December 3rd—he could bring the Russians' displeasure down on his head.

Russia and its allies could interpret the exchange of ambassadors with Peking as an unfriendly act and retaliate by making fresh difficulties for Herr Brandt in at least three areas of his Ostpolitik: the negotiations for a treaty with east Germany, the negotiations with Czechoslovakia over the Munich agreement of 1938, and the normalisation of relations with Poland. In all three of these fields progress has been very slow lately, a fact which is likely to be made use of by Herr Brandt's Christian Democratic opponents in the election campaign.

But if Herr Brandt decides to wait he will expose himself to the charge that he is doing so because he is already too beholden to the Russians. A Christian Democratic deputy has already made an attack along those lines this week. The chancellor could try to play for time. But there seem to be no obstacles in the way of an immediate exchange of ambassadors. No wonder the foreign minister, Herr Scheel, is temporising until his master gets back from holiday.

French nuclear tests

All that fuss

So were the protests unnecessary after all? When France announced a series of above-ground nuclear tests on the atoll of Mururoa in the south Pacific some people sailed a yacht into the area and others threatened to parachute into it. Now the series seems to be over, after a third test that is believed to have taken place on July 29th (there were two confirmed explosions at the end of June). Orders are reported to have been sent out to French ships to return from the testing area to Tahiti, and on Wednesday the ban on flights over the area was lifted.

Were the tests dangerous enough to justify all the efforts to stop them? The devices that were tested were not large ones: what the French have been trying to perfect is only the atomic trigger for the thermonuclear bomb they hope to have in service later in the decade. So far the British monitoring team on Pitcairn island reports

no significant changes in the level of radioactivity in the air. Some radioactivity has been detected at Perth in Western Australia and in New Zealand—but only "just above the level of detection," and the level of detection is way below any hazard to health. Most people, except in the immediate vicinity of Mururoa, could do themselves more harm by having an ordinary hospital X-ray.

President Marcos of the Philippines has blamed the tests for his country's recent typhoons, but that is Mr Marcos's equivalent of cursing the French because English cricket has had a lousy summer. The Latin American countries that border on the Pacific, in the past vociferous in their complaints, have remained quiet. Peru, which threatened to break off diplomatic relations with France, has not yet done so. And there are no signs that Latin American hostility to the testing is denying France a valuable arms market; Venezuela was reported last week to have ordered \$60m worth of French tanks and artillery.

Of course, it takes time for all the radioactivity to come down to be measured. And anyway France will probably want to do more testing next year. It looks as if the real cost to France of the nuclear deterrent, the money cost, will remain high for some years to come.

Communism

One step towards the centre

FROM OUR PARIS CORRESPONDENT

It may have cost them an effort, but they did it. France's Communist party has got round, mutedly maybe but unmistakably, to condemning the political trials in Czechoslovakia. Of course, it did not do it unaided. Last month the young gaullist movement pointedly asked when the newly allied Socialist and Communist parties were going to speak up about Prague. It was a fair question, considering that their joint programme promises respect for personal liberties that do not exist in Czechoslovakia and indeed—as it points out—are not unchallenged in France.

It was also a deeply embarrassing question, since the credibility of such communist promises is a major issue for non-communist Frenchmen who might desire a change of government. And it was especially embarrassing for M. François Mitterrand. He had the choice between failing to condemn

what the whole of his Socialist party condemns, and risking a breach with his new-found allies. Inevitably, he took the second alternative, in last week's issue of the Socialist weekly *Unité*. Not quite so inevitably, the Communist party chimed in, just as the gaullist paper *La Nation* was delightedly remarking on its continuing silence.

On July 25th, the party declared, its political bureau had already discussed the subject, and had come to these conclusions: that the Czechoslovak government certainly had the right to use the law against the enemies of socialism when the latter were genuinely subversive or resorted to violence or sabotage, but that these conditions were not met in Czechoslovakia. What was happening there was political and ideological opposition, which should have been met by political and ideological means.

The French Communists had another reason to speak out. Early this year one of their leaders, M. Roland Leroy, visited Czechoslovakia, and came back affirming that Mr Husak had promised that there were not and would be no political arrests and trials. Whether or not he meant it—and the French party has carefully avoided discussing the possibility that he did but could not keep his word—the promise was now patently false. And even a good communist is subject to the human dislike of being shown quite so rapidly to have endorsed a lie.

Russia

The net widens

Is Mr Brezhnev abandoning his policy of selective repression of the Soviet Union's dissidents and replacing it by one of full-scale repression? That seems to be the view of the dissidents themselves and their sympathisers, to judge by an open letter which 52 Russians addressed to the Communist party politburo last week. The 52 signers, who include Professor Andrei Sakharov, the physicist who founded the unofficial committee for the defence of human rights in the Soviet Union, cite as their main evidence the arrest on June 21st of Peter Yakir, the 49-year-old historian and one of the most prominent dissidents.

Mr Yakir, who has spent 17 years in Soviet labour camps, has until recently enjoyed a relative freedom from police harassment. The letter calls his arrest "one more step along

the road towards the restoration of stalinist methods." Mr Yakir has been charged with conducting anti-Soviet propaganda, an offence which carries a penalty of up to 10 years in prison.

The theory that a new and tougher policy may be under way against all forms of dissent in Russia is at least partly borne out by reports that Valeri Chalidze, another member of the human rights committee, has been subjected to increasing police harassment and may be about to be arrested. Mr Chalidze and the rest of the committee have deliberately refrained from overt political dissent and have concentrated instead on studying ways in which "socialist legality" in the Soviet Union could be brought more into harmony with international conventions on human rights signed by the Soviet government. But even that is controversial in Russia.

A particularly disturbing practice, which the committee, and Professor Sakharov personally, have consistently opposed, is the incarceration in psychiatric hospitals of well-known dissidents such as General Peter Grigorenko. It appears that General Grigorenko, who has been in a psychiatric hospital since 1969, is to stay there for at least six more months. Further evidence of a harsher climate comes in the reports of numerous arrests of dissenters in the Ukraine and Lithuania.

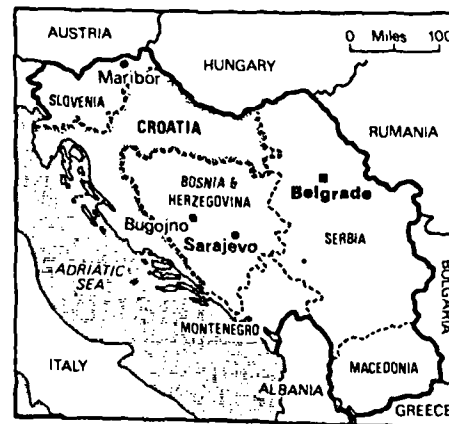
Maybe Mr Brezhnev just wants to tighten discipline at home on the eve of the European security conference, in order to discourage hopes of a detente in domestic policy to follow the one in foreign affairs. But a simpler explanation may be that there are now too many dissenters of all kinds in Russia who have been encouraged by the Jews' relative success in getting international publicity for their cause.

Jugoslavia

How they got them

FROM OUR EAST EUROPE CORRESPONDENT

The incursion of a Croat guerrilla group deep into Bosnia, treated as a bit of a farce when it became known in July, turned into a major gun-battle claiming 32 lives. That is the official Yugoslav account, at any rate, and if it is true this was the worst political bloodshed in Yugoslavia for 25 years. Certainly there is little doubt that there are extremists who are prepared to go



a long way to further their cause of a separate Croatia.

But the curious feature of the latest operation is the apparent amateurishness with which it was carried out, and the fact that it took the authorities more than a month from knowledge of the group's arrival to announcing that all of its 19 members had been "liquidated" at the cost of 13 dead troops and policemen. Nobody has yet explained why all the guerrillas, who claimed to represent the "Croatian Revolutionary Brotherhood," were killed when it would have been manifestly more useful for some of them to be captured. Presumably the Yugoslav government would like to know more about what was supposed to be a planned rebellion, masterminded by émigré groups, for the re-establishment of an independent Croatian state.

At all events, the story goes that the group, trained in Sweden and Australia, used the occasion of a public festival in the border town of Maribor to mingle with the crowds and cross undetected from Austria. Then, without the precaution of dispersing, they stole a lorry and, in solid phalanx, trundled several hundred kilometres southwards into central Bosnia. There, in the region of Bugojno, a mountain town north-west of Sarajevo, they contacted relatives in search of aid and information.

It was apparently one of these relatives, disagreeing with the whole thing, who tipped off the militia. The group was eventually encircled by the security forces and knocked off in a brisk exchange of fire as it attempted to break out. A statement from the government of Bosnia and Herzegovina named 13 soldiers and policemen who had lost their lives "valiantly defending the peaceful life and secure development of the self-governing socialist system and fighting against international banditry."

It is virtually impossible, with several

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July 25, 1972

million foreign tourists pouring into Yugoslavia every summer, to seal the borders completely against incoming terrorists. Some new security checks have now been instituted, particularly on airline traffic and on holders of Swedish passports of obvious Slav origin. Since the west German government took strong measures against Yugoslav extremists in Germany some appear to have decamped for the more permissive climate of Sweden. The Swedish and Australian embassies in Belgrade were both involved recently in exchanges with the Yugoslav foreign ministry about the free rein allegedly given to Croat groups in the two countries. It is all one more sign of the nervous temper prevailing in Yugoslavia this summer.

Britain and Bangladesh

It's worth an appendix

Sheikh Mujib, the prime minister of Bangladesh, lost a gallstone and his appendix in London at the weekend, but they may have helped him to gain a friend. There is no reason to disbelieve the official explanation that Sheikh Mujib came to Britain for medical reasons; there is also no reason to think that during the two weeks or so while he is convalescing he will not be talking about politics, and in particular about the foreign policy of Bangladesh.

The new state of Bangladesh has an interest in finding a friendly foreign power that will help to counterbalance the overwhelming influence of India and Russia in its affairs; and Britain has an interest in seeing to it that either Britain itself, or the European community, should perform that service. Bangladesh was brought into being by the Indian army, and Sheikh



Mujib (left) is welcome

Mujib's present government is largely composed of men who were in exile in India while he was in prison in Pakistan. To this layer of Indian influence the Russians are trying to add a layer of their own, through the operations of the pro-Soviet National Awami party, which formally supports the government but would dearly like to take it over. This is too narrow a range of patrons for the comfort of any nation as small and weak as Bangladesh. Sheikh Mujib cannot look to the United States to restore the balance until the Americans climb out of the hole they fell into by their support of Pakistan in December's war. So why not Britain, and perhaps through Britain the European community?

Sir Alec Douglas-Home went to Bangladesh in June, and Britain has promised it £17m in help this year. It can hardly be coincidence that Sheikh Mujib's decision to fly home from his Pakistani jail by way of London in January is now followed by his decision to come to London for his operation in preference to the rival medical facilities of the Soviet Union. There are other leaders of small countries, such as King Hussein of Jordan, who find that an occasional visit to the London Clinic is no bad way of checking their political health.

Australia

The oil's moving, the system's stuck

FROM OUR CANBERRA CORRESPONDENT

Australia got a bad fright this week, and realised just how dependent it is on oil. A strike by little more than a thousand maintenance men at refineries in Sydney, Melbourne, Brisbane and Adelaide brought the four main states almost to a standstill. States of emergency were declared, service stations ran out of petrol, schools and government offices went unheated and industry began to lay off workers.

Apart from revealing how powerful a few key men can be, the strike highlighted differences within the trade union movement, the changing relations between workers and employers in Australian industry, and the equivocal position of the federal government about industrial disputes. The oil workers were striking because the employers had taken the case to the Conciliation and Arbitration Commission instead of settling it by direct

negotiation, as they have in recent years. The commission provided an interim award which the men would not accept. Chaos was averted on Thursday, when the strikers agreed to go back to work after a surprise initiative by Mr Justice Moore, of the commission, who put forward new proposals which suggested that negotiations might proceed on something like the basis the unions wanted. There had already been pressure by other unions to get the men back.

It is being widely stated that the oil companies' decision to go to arbitration owed much to pressure from the federal government, which had two objectives—to curb inflation, and to return the arbitration system to the central place it used to have in Australian industrial relations. The government is said to have reasoned that if big employers in capital-intensive industries were to go on negotiating wage increases directly these increases would be greater than the arbitration system would have provided and would encourage other unions to seek similar increases. The government has reportedly been leaning on the oil companies for months to persuade them to go to arbitration. The same may have been happening with airline companies (also troubled by a strike this week) and perhaps the metal trades and stevedoring industries. If these stories are true there may be a series of strikes to test the government's resolve and the employers' solidarity with it.

Politically the oil strike has done no one much good except possibly Bob Hawke, the highly charged president of the Australian Council of Trade Unions. The Labor party, which wants to win the election in November, has been keeping its head down. The government has not said it has been trying to get the employers back into the arbitration system but has loudly insisted that arbitration must be upheld. The prime minister, Mr McMahon, threatened both deregistration of the union and a dramatic recall of parliament, but was stopped by Mr Justice Moore's announcement.

The direct powers of the Australian federal government over industrial relations are few and uncertain: it has to use indirect pressure to influence the system at all. To cap it all, the union most involved has an aggressively militant leadership which is at odds with the Labor party and Mr Hawke. A lot of petrol will be stored in backyards and garages in case the whole thing happens again.

Vietnam

Waiting for phase two

FROM OUR SAIGON CORRESPONDENT

The North Vietnamese offensive now seems to be leaving its first stage, which fell considerably short of achieving its objectives, and moving into its second and possibly decisive phase. Until the outcome of the new campaign is known, it is considered in Saigon that the North Vietnamese are unlikely to have any real interest in serious peace negotiations. As South Vietnam's President Thieu said this week, the communist aim is still quite obviously to win a clear-cut battlefield victory.

The assumption has always been that the second phase would precede the American election, although its exact timing would have to depend on a number of factors, including the results of the opening phase. During the past week or so new military developments have confirmed that, far from disappearing into the jungle to lick their wounds, the communists are positioning themselves for another period of heavy fighting. Whether it will be more successful than the first is very much open to question.

Communist documents suggest that the main objective of the first phase was to destroy South Vietnam's main fighting units by luring them into bloody confrontations with North Vietnamese forces. Meanwhile the local Vietcong were under orders to prepare intensively for the second offensive, which would be on a wider scale and would include "popular uprisings" and attacks on Saigon. In the event, South Vietnam's army did not fall apart as predicted, and the North Vietnamese

had bigger losses than they expected. So it is doubtful whether the first offensive succeeded in laying the groundwork for the second phase. Yet the basic strategy is irreversible, the goal of victory is sacred and the North Vietnamese remain confident.

President Thieu predicted on Tuesday that the main targets of the new offensive will be Hue and Saigon. A recent increase in communist activity along the main highway linking Saigon with the Mekong delta was seen as part of a scheme to strangle Saigon's supply line and create economic and social problems in the capital. The president's speech came only hours after an extensive rocket attack on Bien Hoa air base, 15 miles north-east of Saigon. It was the first significant communist attack near Saigon since the offensive began. The barrage of Soviet-made rockets was apparently launched from a wilderness north of the base. A similar attack on Saigon itself would be more difficult, although military commanders expect rocket attacks before long, followed by the long-expected campaign of terrorism and sabotage.

Information on communist plans and capabilities is scarce, and all predictions are about half guesswork. Some military officials are concerned that South Vietnam's army may over-extend itself. Three of its best combat divisions in the north are under great strain as a result of President Thieu's order to recapture Quang Tri while still defending Hue against North Vietnamese forces as large now as when they launched their invasion. And in coastal Binh Dinh province, South Vietnamese troops who recaptured three districts are now fighting hard to hold their ground. The communist meat-grinder is still at work.



There were still civilians with flags in Quang Tri

Ghana

Still controversial

FROM A CORRESPONDENT IN GHANA

Six months after it toppled Mr Kofi Busia from power in Ghana, Colonel Acheampong's National Redemption Council is still surrounded by controversy. When it was announced a month ago that there had been an attempted coup against the new regime it came as no surprise to Ghanaians to hear the government lumping together "disgruntled businessmen" and officials of Mr Busia's Progress party as the instigators of the plot. Since the identity of the alleged plotters has not been released it is not yet known whether the new government's decision to take a majority shareholding in certain companies engaged in the extractive industry played any part in the attempted coup. But even before the news of this decision came to the surface, it had become clear that the business community was disturbed at the direction in which the government was moving.

Investigations into the liberalised import programme that had contributed to Ghana's massive trade deficit had caught several companies with their pants down. It was discovered that the "open general licence" system was being used not so much to bring goods into Ghana as to transfer money abroad, where firms and individuals kept illegal credit balances in foreign exchange. And it emerged that various companies had colluded with corrupt port officials in a number of ways to evade normal foreign exchange controls.

All this was happening at the same time as Ghana's overseas creditors were exerting pressure on the balance of payments by refusing to give any real relief on the medium-term debts that had built up over the years since Nkrumah's days in the early 1960s. The government's first reaction was to repudiate some of the external debts outright and reschedule the rest according to a programme that it considered realistic in terms of Ghana's external earnings. Then—and this was the rub—it froze the assets and bank accounts of all the companies that its investigations into invoicing procedures had shown to have a case to answer.

The government has also ordered all those companies in agriculture-based industries which had obtained tax concessions on understandings which they have failed to fulfil to show

evidence in six months that they are now going to be self-dependent. The regime put teeth into its order by cutting down hard on the import programme—from a level of £130m in 1971 to just over £75m. Retaliation from abroad to the government's measures has come in the form of the withdrawal of export credit insurance from goods intended for Ghana by Britain and the common market countries, and the virtual stoppage of aid to Ghana by the west.

In response to these measures the government has launched an "operation feed yourself" campaign, aimed at increasing food production as quickly as possible. The country's students, much taken with the new government's desire to stand up to the giant western "exploiters," have rallied to the support of the programme and are not only planning to grow their own food on campus farms but have also taken part in sugar-cane harvesting sprees à la Fidel Castro, on the state-owned farms at Asutsuare and Kommenda.

Although Ghana's new military rulers turned out Mr Busia's democratically elected government they have undoubtedly won some popular support as a result of the work of the committees investigating the assets of Mr Busia and his colleagues. Mr Busia himself, who was regarded at the time his Progress party won power in 1969 as an other-worldly intellectual, has been assessed before the Taylor Assets Committee as being worth over £4m in real estate and cash.

But the Government has yet to show the extent of its support. Of the 1,301 people detained in January, 256 are still in jail. Their early release would be a sign of Colonel Acheampong's self-confidence.

Central African Republic

Getting a reputation

On Sunday three robbers in the Central African Republic had their right ears chopped off. On Monday another 146 were beaten with wooden clubs by soldiers under the personal supervision of General Jean-Bédél Bokassa, the president of this former French territory. These events are part of the president's campaign "jealously to preserve the reputation of the Central African Republic, which has been sullied by the increase in thefts."

General Bokassa has decreed that

thieves convicted of a first offence will be punished with the loss of an ear; a second offence will mean the loss of the other ear; a third will mean the amputation of a hand; and a fourth, public execution. The beatings, which continued for 10 minutes with a soldier to each victim, were carried out in front of members of the government led by the president, who had sanctioned the soldiers to beat until death. Three of those beaten did in fact die, and the survivors were put on public display in the capital on Tuesday.

The incidents will confirm in their views those who think that General Bokassa is off his rocker. Erratic and volatile, he has autocratically led the Central African Republic along a meandering and aimless path since he seized power in 1965. Relations with France oscillate unpredictably, the president's periodic denouncements sometimes giving way to emotional declarations of affection and, once, to a copious effusion of tears at the tomb of General de Gaulle. Just over a year ago, on Mothers' Day, he ordered the release of all the women in the country's prisons and, simultaneously, the execution of all men convicted of murdering their wives. More recently, in March, he became president for life.

Chile

Who's for sweet-and-sour turkey?

FROM OUR SPECIAL CORRESPONDENT

Chinese restaurateurs, curiously enough, seem to have better black market contacts than most other people in Santiago. A week ago it was possible to choose between sweet and sour turkey (but not duck, chicken or pork) and some rather dubious beef in chili sauce. It is hard to find meat even in the best hotels in Santiago today, and the Chileans, traditional meat-eaters, have not waxed enthusiastic over President Allende's advice to switch to fish.

The food shortage has triggered off a kind of consumer revolt in Chile. It has also worsened the balance of payments deficit, which is expected to rise to \$395m this year. According to figures produced by the industrialists' association, Sofofa, the Chileans will have to spend nearly \$390m on food imports this year in order to maintain pre-July levels of consumption. The government is directly responsible for the situation since production has dropped alarmingly on farms that have been subject to state takeover or the



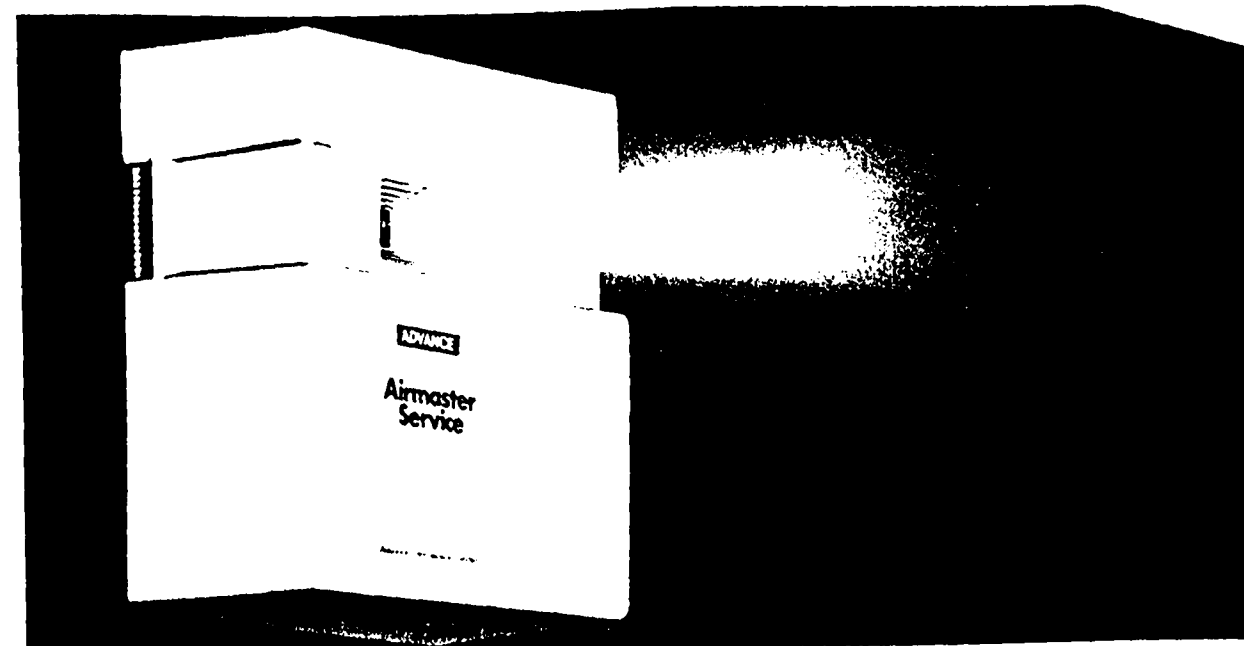
These canning workers say no

activities of the Movement of the Revolutionary Left (Mir) and other extremist groups.

The opposition parties are hoping that the economic crisis will help them to pull in two-thirds of the votes in the congressional elections due to be held in March, and enable them to block any further extension of state control over the private sector of the economy. But in the meantime Sr Allende has defied a hostile majority in congress and gone on taking over private companies. Of the list of 91 companies scheduled for expropriation at the start of the year, two-thirds are now in the hands of state managers, and the Mir is trying to hustle the process along by organising illegal seizures of factories. In mid-July, for example, five big canning factories were seized by workers organised by the Mir. Some businessmen are vesting their hopes in the *gremialista* movement, which has encouraged workers to resist state takeovers.

The government seems to be winning the struggle for control of the economy, but it still has to contend with the rifts in its own camp. A fortnight ago military intelligence officers discovered a plot by an extremist group called the National Liberation Army to attack Sr Allende's personal residence. The group included members of the president's own Socialist party as well as several foreign exiles. The cautious Moscow-line Communists, now firmly in control of the administration of the economy, may seize the chance to take tougher action against the wild men on the left—although, at a lower level, some Communist prefects have helped the extremists.

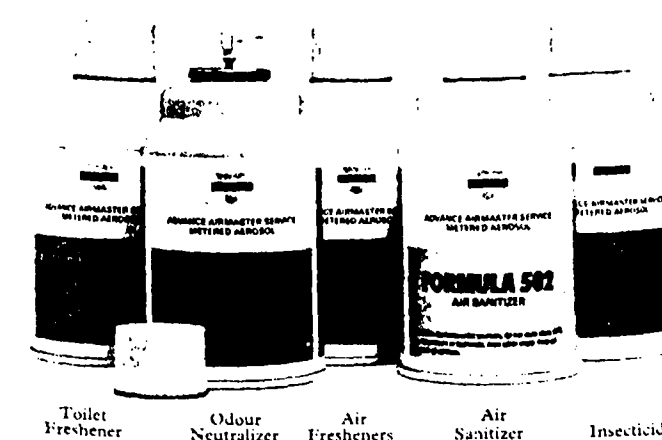
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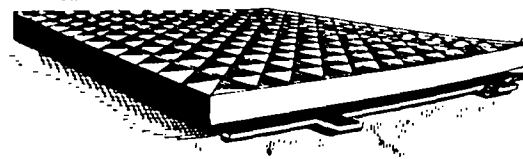
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THE WORLD

American Survey



Divided but still Democrats

Washington, DC

While Senators McGovern and Eagleton were approaching the end of their unhappy affair, some 75 prominent Democratic politicians and businessmen lunched on Capitol Hill on Monday to form a new Committee to Re-elect a Democratic Congress. As its title indicates, the group's overt purpose is to raise campaign funds (they aim at \$1m) to prevent Mr McGovern's expected defeat sweeping in the first Republican-controlled Congress in 20 years. But the committee's more important function was to provide a shelter for traditional Democrats repelled by the McGovern takeover of the party and unwilling to work in his campaign, but equally unwilling to join President Nixon's apostate Democrats.

The committee is typified by its chairman, Mr Robert Strauss, the conservative lawyer from Dallas who has just completed two years as the Democrats' national treasurer and somehow succeeded in avoiding outright bankruptcy for the party during that time. Mr Strauss enjoyed a fate similar to that of other established Democrats following the triumph of McGovernism at Miami Beach. He was dumped as party treasurer without

benefit of either thanks or apologies from Mr McGovern and was unable even to make telephone contact with the candidate on the day after his nomination to tender a perfunctory offer of help. Such brusque treatment as much as any ideological difference inhibits Mr Strauss from lending his formidable fund-raising talents to the McGovern campaign. But neither does he want to follow the course of his close Texas friend and former patron, Mr John Connally, who as national chairman of Democrats for Nixon has undoubtedly left the party for ever.

The other 45 businessmen at the Capitol Hill luncheon were in the same category. Mr Arthur Krim, show business millionaire from New York who was President Johnson's chief political fund raiser, wants no part of Mr McGovern. Mr John Brown, Jr, of Louisville, the young businessman who collected several million dollars by organising the "telethon" appeal over the weekend before the convention, was rebuffed by the McGovern high command when he tried to offer help in Miami Beach. Mr Eugene Wyman of Los Angeles, perhaps the party's leading fund-raiser in recent years, has been ignored by the McGovern command; but he rejected an invitation to become finance chairman of Mr Connally's Democrats for Nixon.

Similarly, the politicians at the luncheon represented the congressional leadership that had been so little in evidence at Miami Beach. Indeed, some of the congressional barons rounded up by Mr Strauss had successfully avoided public appearances at party occasions for years. They included Mr Wilbur Mills, chairman of the Ways and Means Committee of the House of Representatives, who had been expected to lapse back into non-participation in party matters following

his dismally unsuccessful bid for President this year. A still more surprising guest was Mr George Mahon of Texas, chairman of the House Appropriations Committee, whose connections with the Democratic party over the past generation have been nominal.

This new Strauss committee represents the other Democratic party—more conservative, older, richer, more dominated by males and whites than the majority at the Miami Beach convention. Besides the wealthy businessmen and elderly congressional committee chairmen rounded up by Mr Strauss the committee consists of trade union leaders, heads of the party's organisations in big cities and governors of southern states. In effect there are now two distinct and separate Democratic parties: the new McGovern party embarked on a desperately difficult attempt to defeat President Nixon and the old party deposed from power at Miami Beach and now attempting to retain Democratic control in Congress and at the state level.

But with few politicians outside Mr McGovern's inner circle giving him much chance to win, the real struggle between these two Democratic parties points to 1976 and beyond. Mr Strauss and most of his colleagues who attended Monday's luncheon feel that the McGovernite triumph of 1972 was a transitory event, an aberration produced by an inattention to detail by traditional Democrats that will not be repeated next time. The unspoken premise of the Strauss committee is that they will attempt to regain power after November.

The goal is shared by less public organisations. The anti-McGovern coalition which was formed tardily just before the convention at Miami Beach intends to keep meeting clandestinely throughout the campaign and afterward with the intent of eventually recapturing the party machinery from the McGovernites. Prominent in the coalition are southern moderates, trade union leaders and old-line liberals—the losers at Miami Beach.

Also in the works is the formation of a new national organisation composed



Strauss: alienated fund-raiser

of liberal intellectuals who, unlike many of Mr McGovern's followers, advocate a strong defence policy and an internationalist foreign policy and want a more moderate domestic policy than he proposes. Just as the Strauss committee provides a haven for businessmen and politicians, the proposed organisation would shelter intellectuals such as Mr Norman Podhoretz of Commentary magazine and Mr Irving Kristol of The Public Interest quarterly who cannot conceive of themselves supporting Mr McGovern but have rebuffed invitations to embrace Mr Nixon.

Governor George Wallace, having finally announced his long-formed intention not to run as a third party candidate for President, is playing much the same game. While he will not make even a *pro forma* endorsement of Mr McGovern, Mr Wallace is attempting to re-establish his credentials as a Democrat—never too valid and very nearly totally expired after his 1968 foray as presidential nominee of his own American Independent party. To the extent that his health permits, Mr Wallace plans this year to campaign for Democratic candidates for congressional and state office who ask his help to immunise themselves against what they think will be the fell effect for them of Mr McGovern's presence on the ticket. Mr Wallace's intention is to pick up a body of Democrats who owe him favours, much as Mr Nixon did with Republicans in 1964 and 1966, and thereby obtain a better base for a more serious pursuit of the Democratic presidential nomination in 1976.

All these non-McGovern efforts to build for the future make a conscious effort not to be overtly anti-McGovern. The first meeting of the Strauss committee went through the motions of professing no disloyalty to Mr McGovern and went to the length of having Mrs Jean Westwood, Mr McGovern's handpicked new chairman of the national party, in attendance. The purpose is to avoid the reproach after November by the McGovernites that their candidate was stabbed in the back by the party's old guard.

Recriminations there will be, however, in any event. Moreover, the non-McGovern Democrats' prospect of regaining control of the party after November is not nearly so bright as they now imagine. Just as Senator Goldwater's nomination in 1964 moved the Republican party permanently rightward on the political spectrum in spite of the devastating thoroughness of his defeat, so must it be assumed

that the McGovern takeover will leave its mark on the philosophical position of the party no matter what happens in the general election. It also remains to be seen whether the traditional Democrats can in the future improve on their shoddy record in 1972 at the precinct (ward) level when organising for the local conventions and primary elections; these are all-important under the party's new reform rules and in them the McGovernites devastated the old guard this year.

Nevertheless, the efforts of the non-McGovern delegates represent a schism in the Democratic party that transcends normal factionalism. For

Challenge coming?

Senator Eagleton's formal letter of resignation went to the Democratic National Committee and whomever Senator McGovern chooses to succeed him will have to be confirmed by that committee. This may not be entirely automatic. At its first meeting, immediately after the nominating convention at Miami Beach, this year's committee showed a tendency to defy Mr McGovern and now there is a plan to renominate Senator Eagleton; but it seems unlikely that he will allow his name to go forward.

There is also still doubt about the make-up of the committee and the credentials of some members are likely to be challenged before the nominating session which is scheduled for Tuesday afternoon, although one would think that the Democrats have had enough—for this year—of internal dissension. Like the convention itself, the national committee is now governed by new, more democratic rules which provide for extra members, in addition to the traditional two from each state, to represent the larger states. Altogether there will be 271 members from the 50 states and the territories and some of these have not yet been chosen; until last week the matter did not seem particularly urgent. In some states, including some large ones, there are also disputes about who has the right to sit on the committee.

In addition there may be argument over the exact procedure to be followed in choosing a new national candidate, an unprecedented activity for the committee and one which has its own special rules. Under these each state has the same number of votes as its delegation had at the convention, a number that depends on its population. Thus New York's national committee persons will be casting 278 votes, that is 27.8 votes each if all 10 members were present. But New York is one of the states that has not yet picked all its members.

the first time since the nomination and defeat of William Jennings Bryan for the Presidency in 1896, there are two identifiable Democratic parties, one devoutly, if covertly, counting on the defeat of the official nominee for President.

The unhappy Eagleton affair has made matters worse. In his brief tenure as vice-presidential nominee Mr Eagleton was a useful emissary to the non-McGovern Democrats. The way in which he was sacked is only one reason more for the party regulars to resent the McGovern campaign. Mr Delton Houchens, the party chairman in Mr Eagleton's home state of Missouri, announced on Tuesday that he would have nothing more to do with the McGovern campaign but would stick to his local election fights—a public announcement of a decision made privately by many other state party leaders. In sum, the formation of the non-McGovern Democratic groups tends toward an institutionalisation of the schism that developed at the party's turbulent national convention of 1968 and has not been truly healed since. This presents a golden opportunity that the Republicans may or may not have the wit and skill to seize.

Amending the war

It is an old argument that, if Hanoi believes that it will get a better deal later, it will not bother to talk now. But this time Congress does not seem to be paying much attention to President Nixon's repetition of the plea that the peace negotiations should not be jeopardised. In its strongest move yet the Senate voted last week in favour of an amendment to the foreign military aid bill that would cut off the use of all funds for the Vietnam war except those needed to withdraw all troops within four months of the passage of the bill, on condition that the prisoners of war were released. This is the first time that the Senate has voted to cut off funds; in the past it has merely expressed its wish—which does not carry the force of law—that the war should be ended.

The vote was a particular set-back for the President because it was Republican Senators who put forward the amendment after a somewhat more moderate measure proposed by the Democratic leader, Mr Mike Mansfield, had been defeated. And in the end the President was only able to save the day at the expense of his

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Jane makes a personal appeal

foreign aid programme. Rather than accept an amendment to end the war the Republican loyalists combined with the Democrats, who dislike giving military aid to foreign governments, to vote down the whole bill. Luckily for the President some of the severest opponents of the war, such as Senator William Fulbright, are also opponents of foreign aid. But those Senators who are against the Administration's policies were undaunted by pressure from the White House. They have now attached an almost identical amendment against the war in Vietnam to the military procurement bill authorising \$20 billion for weapons which passed the Senate this week, but can still be changed in conference with the House.

But the House of Representatives is also giving the Administration a difficult time. In a break from its past somewhat passive attitude the Foreign Affairs Committee has now also voted in favour of an anti-war amendment to the foreign aid bill. It is a more moderate measure than the one passed by the Senate and still has to be voted on by the full House sometime later this month. But if the amendment succeeds, then the President will be faced with the nasty choice between again sacrificing foreign military aid or putting a brave face on an anti-war directive.

The Administration is also bothered by a fresh spate of criticism of the war outside Congress. It is easy enough to ignore Miss Jane Fonda and foreign journalists when they say that Americans have been bombing dikes in North Vietnam. But it was too much for Mr Nixon when the Secretary General of the United Nations, Mr Kurt Waldheim, also voiced his fears for the country's extensive system of flood

control. Not only did the President send in the Secretary of State and the ambassador to the United Nations to deny that the Americans were bombing the dikes intentionally—in fact Mr Waldheim never claimed that the damage was intentional—but Mr Nixon himself also went into the attack. He may have been hoping to raise a cheer from his more conservative supporters who are always game for a kick at the United Nations when he said that Mr Waldheim was naive to believe such enemy propaganda.

Poor wages

The approach of the elections may help to explain why the worker who is paid substandard wages is suddenly on many consciences. Late last month the Senate voted to raise the minimum wage for most non-agricultural workers from \$1.60 an hour to \$2 an hour this year and to \$2.20 an hour two years from now. Domestic servants and employees of federal, state and local governments would be covered for the first time. Six million workers would receive immediate wage increases. But in the eyes of the Administration both these generous gestures go too far. It favours the bill passed by the House of Representatives in May, which would go no higher than \$2 an hour and would not expand the coverage of the law. The House is digging in its toes, too. This week it refused to send its bill to a conference between the two houses—a most unusual step. Republicans want more upholders of the House's bill to be included on the team which will hammer out an agreed version with representatives from the Senate.

When the Administration's Cost of Living Council decided last week to be more generous, it had no such obstacles to overcome. It simply announced that wages controls would no longer apply to workers who earn less than \$2.75 an hour, a big jump from the \$1.90 an hour which it adopted as the level of exemption when the President's economic stabilisation plan was new. Originally it was Congress which insisted that wage controls should not apply to the working poor, but it did not say how poor they had to be. Recently a federal judge ruled, in a case brought by a trade union, that \$1.90 an hour was too low to have been what Congress had in mind. This definition, plus the exemption from all controls granted to small firms, left free the wages of 39 per cent of the

employees of private, non-farm enterprises. Now the figure goes up to 56 per cent, or about 32.5m wage-earners, most of them labouring in the service industries or in shops, banks and insurance companies. They may now enjoy annual increases in wages of more than the 5.5 per cent which is set as the guideline—if they can get them.

Fortunately for the stabilisation programme, it is not these lowly-paid workers who demand or are militant enough to get outside increases in their pay. It is the construction workers, the car workers and such like who call the tune. The Pay Board, whose job it is to see that wage settlements do not exceed the guideline, claims that approved increases in wages since November, when the three-month wage and price freeze ended, have averaged only 4.9 per cent. But last week Dr Arthur Burns, the chairman of the central bank, told Congress's Joint Economic Committee that the guideline must be brought down closer to the long-term increase in productivity—3 per cent a year—if a new round of wage inflation was to be avoided next year. Then a larger number of trade union contracts will be up for renegotiation and a big budget deficit would probably be adding fuel to the inflationary fires. In fact, productivity rose by 6 per cent, at an annual rate in the second quarter, and unit labour costs fell; but this is usual when the economy is expanding rapidly.

Tankers ahoy!

The Nixon government's shipbuilding programme has been a disappointment to its architects and the reason suggested in official circles is that it coincided with the downturn in freight rates. Nevertheless, the warm front of protection is once again moving Washington's way. Early last month President Nixon delighted American shipyards, and startled foreign maritime industries, by announcing nearly \$300m of subsidies for \$660m worth of ships to be built in the United States—in California, Maryland, New York and Maine. What has particularly surprised observers both at home and abroad is that the subsidies amount to 43 per cent of building costs, whereas the Maritime Administration had been boasting that the cost differential between American and foreign yards was now only 41 per cent. The contracts were hurried through before the 41 per cent figure became effective.

This move to favour domestic ship-

building is part of the growing concern about how to get the fuel that the United States needs to the American shore. It is estimated that by 1985 oil imports will require the equivalent of 500 supertankers of 250,000 tons each, 14 of them calling at an American port every day. A bill has been discussed in Congress which proposes that half of these should be American-built and American-operated ships. The experience of becoming dependent on foreign supplies of energy is traumatic enough without becoming dependent on foreign ships to carry them too.

Those who regret that the merchant fleet under the American flag has dwindled to practically nothing point out that foreign crews have sometimes refused to take supplies to South Vietnam. But the differential in cost between American and foreign shipping will put a substantial burden on those involved. The American Committee for Flags of Necessity argues that if half the oil imports had to be carried in American flag tankers this would increase transport costs by up to \$5 billion by 1980.

Besides oil, another critical cargo is liquefied natural gas. Here the cost differential between ships built in the United States and on the open market is about 30 per cent. The American Administration has so far fought off pressure to start a special building programme for these tankers; anyone building them can qualify for a subsidy already. Besides, these ships require a highly skilled labour force, which puts the United States at an advantage: safety requires complete confidence in construction being carried out correctly.

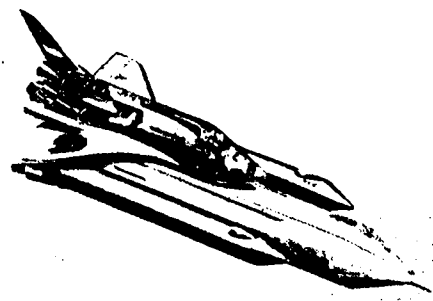
One important issue is where the 14 supertankers a day that will be required are to be unloaded. There are only three ports in the United States with a big enough draft to take such ships. One idea is to use the opportunity to promote new development areas, attracting population away from the over-populated and over-polluted parts of America, as some European countries have done. But local residents in places like South Carolina do not want to take in other people's pollution; moreover an oil terminal requires hardly any labour. Another possibility is to build an island in the ocean to receive the oil; a study has just been published by the Maritime Administration advocating this. Although the cost of such a terminal to take tankers of up to 350,000 tons would be over \$1 billion, such an increase in the size of tankers from the present 65,000 tons would reduce the cost of shipping oil by over 25 per cent.

Shuttle landed

California and the North American Rockwell Corporation have won the prime contract for the space shuttle, the reusable hybrid which will rocket men and supplies up to space stations but which will return to earth like a conventional aircraft. It is expected to be the civilian and military workhorse in earth orbit for the next 20 years and to make space flight relatively cheap and routine. The contract calls for five shuttles and the total cost over the next six years will be a bit over \$5 billion (by 1990 it will be \$8 billion). But the savings over the use of rockets on the 440 missions that are planned should exceed \$10 billion. The first of these missions is scheduled for 1979.

North American's surprisingly low (and possibly unrealistic) bid of \$2.6 billion helped to clinch the deal; a cost of \$3.5 billion had been expected. So did its experience as the prime contractor for the Apollo programme and as builder of the Apollo command module. Of its three competitors only the Grumman Aerospace Corporation of Long Island, New York, had good reason to think that it might win the contract—the biggest space award for the past 10 years and perhaps for 10 years to come. Not surprisingly there are suspicions in New York that the importance of the aerospace industry to California—and of California to President Nixon's re-election—had something to do with the choice, although the National Aeronautics and Space Administration insists that this is not so. North American had already won a \$450m contract for the shuttles' engines.

Just over 50 per cent of the dollar value of the prime contract is to be divided up among firms all over the country. Naturally Grumman, whose own work on Apollo is ending, and which started to lay off men this week, is bidding for the lion's share of the subcontracts. But the tentative allocation for New York is only about



How it should look

\$300m.

Even in California North American's success will not produce a cornucopia of immediate jobs. The firm expects to employ some 9,000 new workers at the peak of the programme in two or three years' time, but it only plans to take on 1,000 more this year. For the moment the gain is that it will not need to sack anyone; no wonder its workers celebrated far into the night last week. In time subcontractors are expected to need 20,000 more men and the state is relying on a multiplier effect to produce more jobs. Luckily California is beginning to boom again. Even in the aerospace industry employment has edged up a bit although, with 448,500 people in jobs, it is still far below the record 616,000 in December, 1967.

Magic camera

FROM A CORRESPONDENT IN BOSTON

Polaroid, the developer of "instant photography" and a darling of the stock market for many years, reported last month a drop in its second-quarter earnings of 62 per cent compared with earnings in the same period a year ago; sales were off 14 per cent. At the same time, the Eastman Kodak Company, the huge firm which dominates the American camera and film industry, announced a 34 per cent increase in its second-quarter earnings, with sales up 17 per cent.

Kodak's great leap forward is due to its introduction of pocket-sized Instamatics, tiny, inch-thick cameras now selling as fast as they can be produced. Polaroid's difficulty is due partly to the shops' big stocks of new Kodak products and partly to its own \$200m investment in the SX-70, a revolutionary new camera with the advantage of the original Polaroid Land camera (almost instant development of film) and none of its disadvantages (bulk, wet pictures and waste paper).

The new camera is as yet unnamed but security analysts call it Aladdin. In fact, the camera is the magic lamp and Aladdin is Mr Edwin Land, the scientist and inventor who 25 years ago gave the first Polaroid Land camera to a sceptical world, instantly turning his company's \$2m loss into profit. Mr Land's new camera is expected to conjure up the same genie: money.

Mr Land is a peculiarly American combination of scientist and entrepreneur, an imaginative recluse in the laboratory who turns into a magician at shareholders' meetings. His genius was to invent a camera which, using

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July 27, 1972

a known scientific principle of filtering light, did something never before attempted: it developed its own film, inside the camera, within 60 seconds.

The camera was both expensive and bulky but it appealed to the amateur's desire to see his picture on the spot. It became an international success, not only for fun, but for myriad commercial uses as well. Since then, Mr Land has shortened the development time to 15 seconds, provided automatic exposure, smaller size cameras, film packets instead of rolls. His most dramatic development was an "instant" colour film, produced in 1963.

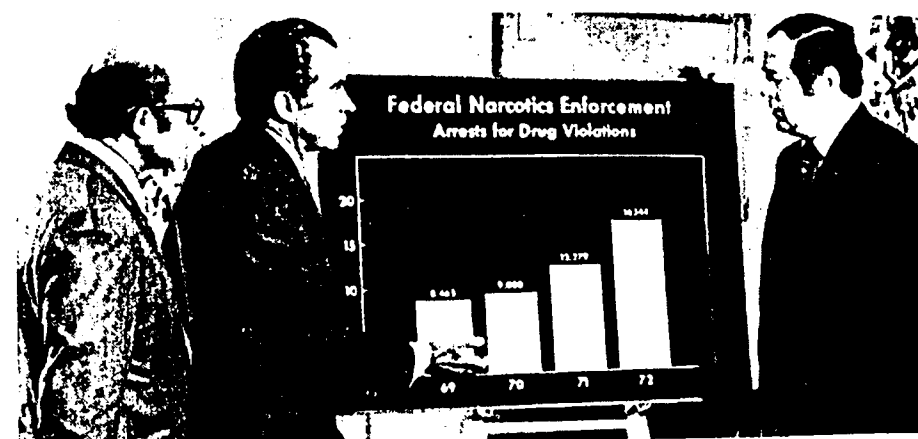
Price plagued Polaroid until the inexpensive Swinger came out in 1965, tempting Kodak to try belatedly, and so far unsuccessfully, to produce an instant-development camera of its own. This year Polaroid entered the market for cheap cameras with its \$25 Square Shooter. The Square Shooter's swift success raised Polaroid's sales for the first quarter of 1972 \$19m above any previous quarter in its history.

But dealers who had laid in heavy stocks of the Square Shooter pulled back in anticipation of the new SX-70 while Polaroid's enormous investment in three new plants and in personnel began to show up on its balance sheets. (The firm intends to assemble its own cameras and produce the miraculous new film for them—work which in the past has been done mostly by sub-contractors.) The SX-70 is promised for the Christmas market. Polaroid believes that it is Mr Land's greatest invention since the original Polaroid Land camera of 1947. It is certainly Polaroid's largest risk.

Heroin run

Trade in Turkey is bad but the narcotics dealers are doing well in Thailand. Just when the Americans are congratulating themselves that the opium traffic from Turkey is ending they discover that more heroin is coming into the United States from south-east Asia than they realised.

Stopping the flow of heroin at its source is a mammoth task. The Administration is already giving the Turkish government money to help the peasants who will not be allowed to grow another crop of opium after this year. In south-east Asia the problem is even more difficult. A high level report prepared by the Central Intelligence Agency claims that it will be virtually impossible to stem the flow of drugs from this area because of the lack



Nixon hears a success story from his anti-drug officers

of co-operation from both the governments concerned and from Americans living in the area. A book called "The Politics of Heroin in South-east Asia," which is due to be published in September, comes to virtually the same conclusion. But the author, Mr McCoy, goes further and accuses the agency itself of collusion with those trafficking in drugs.

Generally the CIA prefers not to respond to criticism but this book, which some officials were allowed to see before publication, has triggered heated denials and allegations that the evidence used is out of date. But these protestations seem to ring rather hollow since the agency's own report appears to support much of the evidence used in the book against the governments in the region. It is obviously a sensitive subject. The CIA has its own reason for wanting to protect its agents who are involved in highly dangerous operations. But it also seems that the Administration wants to protect the reputation of the governments in south-east Asia. Its spokesmen are now saying that the evidence used in the CIA report which was completed last February is out of date and that the governments concerned are co-operating enthusiastically in the fight against narcotics.

The most effective part of the attack on heroin seems to be within the United States itself, judging from the figures. The federal narcotics authorities claim to have seized an average of 71 lb of heroin a month, or \$31m worth, on the east coast alone in the past 12 months. This is nearly nine times more than in the same period of the previous year. These successes have led to both an increase in the price of a gramme of heroin from \$418 to \$785 and to a lowering of the quality of the heroin on sale. This may not have helped those who are already addicted but it may have stopped

others from getting hooked. The real effects of the programme are unlikely to be felt for a few years. At present no one is even sure how many heroin addicts there are in the United States. President Nixon has now asked Congress to add another \$135m to bring the total for the fight against narcotics next year to over £300m.

Fireman, farewell

It may be a long farewell, but the firemen on railway freight trains are at last on their way out. For a generation they have been a prime example of feather-bedding, the retention of men in jobs which no longer exist. When diesel engines came in there was no longer any need for a fireman; there was no fire to tend. But ever since 1937, through strikes and in spite of the labours of five emergency boards and of two presidential panels, the argument between the union and the railways has persisted. It had become the oldest labour dispute in the United States.

The agreement reached last week does not provide for the dismissal of any of the 18,000 firemen who now fill unnecessary positions as assistant engine drivers; indeed the minority who work on passenger trains remain untouched for the moment, in the interests of safety. But as firemen on freight trains die or retire or leave their jobs or are promoted to engine driver they are not to be replaced. How many years this will take, no one knows. The railways, many of them in serious financial trouble, some of them, like the Penn Central, bankrupt, are not going to enjoy any immediate lightening of their pay rolls. But the agreement represents a step towards the modernisation of labour practices which they—and some other industries—need if they are to survive.

Fodens

The seventieth Annual General Meeting of Fodens Limited will be held on 16th August at Elworth, Sandbach, Cheshire. The following is a summary of major points from the circulated statement of the Chairman, Mr. Albert Stubbs.

Trading Conditions

The heavy Commercial Motor Industry has passed through a period of recession, causing a reduction in the Company's turnover from £14,561,000 to £12,986,000 of which 76% was Home Market and 24% Overseas.

Signs of recovery were evident by the end of December last and normal trading levels were reached by the end of March 1972.

Overseas

The trading profit of Fodens (S.A.) (Pty) Ltd was a record, but the figure appropriated to the Consolidated Accounts was minimal, due to the adverse effects of foreign exchange fluctuations. The C.D.F.C. acquired 33½% interest in the enlarged Capital of Fodens (S.A.) (Pty) Ltd and also granted a long term loan.

Future Policy

For over a year a long term development plan has been in course of preparation and this was adopted by the Board in April. It calls for increased production, with increased profits and cash flow, and is based on the marketing of top quality products with continual review of design to meet the needs of a highly competitive market.

Recovery Already Started

Output figures for the first quarter of the current year, April to June, are on target, with an increase of 22.5% on the similar period of last year. Orders on hand from overseas and U.K. are very satisfactory and early profit figures augur well for a strong recovery.

Dividend
The Directors recommend a dividend of 12½%, as last year.



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Books

Imagination run riot

THE MYTHOLOGY OF THE SECRET SOCIETIES

By J. M. Roberts.
Secker and Warburg. 380 pages. £6.

Historians are rarely imaginative. The historian who is praised for his imagination will probably consider his scholarship insulted. Consequently their activities are predictable. Run your eye down the list of theses completed this year, and you will be reading the publishers' lists for the history books which will be appearing within the next five years. The writing of history is firmly established on its tram lines. It is, therefore, rare to find an historian doing what Dr John Roberts has done. He has followed up a subject which jumps all over the place, but about which he has for long been curious: secret societies. He is interested in specific secret societies as they have existed in the past, and he is concerned with their positive activities and with measuring their importance. But he is really intrigued by what people have thought about these societies, about the persistent delusion of the intellectual

and governing classes of western Europe that these societies are all-important in determining the course of history.

Dr Roberts quotes Disraeli, for example, assuring the House of Commons that the whole of France and Italy, and a great portion of Germany, were being covered with a network of secret societies of great strength, just as the earth was being covered with a network of railroads. Why, asks Dr Roberts, have so many intelligent people believed in the sinister power of the Jesuits, the freemasons, the Jews, the carbonari, the comintern? It is plain that to this author, interested in fears as much as in facts, the distinction between societies whose membership is secret and those which deliberate in camera but whose members are readily identifiable (and who make up something more like a closed shop than the conventional idea of a secret society) is of minor importance. The theme of this book, which passes from the end of the eighteenth century, through the French revolution and Napoleonic era, to the European restoration period, is the constant



The roots of mythology: freemasons and their arms in St Paul's

claim that it is the leaders of these secret organisations who are the invisible manipulators of events—that they have more control over what happens than the simple statesmen who appear in public.

It must be said that this work is rather lengthy. It could be that it was somewhat hastily put together, and that the author was still uncertain as to the limits of his subject or the nature of his investigation even while he was writing it. Perhaps he is a little too anxious to make clear that he fully realises how much of the mythology he is investigating is sheer nonsense. And he might have been a little bolder in some of his conclusions. But there is no doubt that this is a fascinating book and also an important essay in understanding past attitudes and beliefs. It is to be recommended for its intelligence and its persistence.

Dr Roberts is at his best when describing how the hard-headed, commonsense world of the English freemasons became caught up in the legend and fancy with which people came to interpret freemasonry on the continent. He tells us about the imaginings of Cagliostro and he analyses the work of Barruel, the ecclesiastical journalist and émigré whose fame rested on his denunciation of jacobinism as the outcome of long-standing plots and conspiracies. When Dr Roberts asks how it was that the charlatanism of the one and the gullibility of the other did not prevent them from being taken seriously, we are at the heart of his study. He works through, at last, to mankind's penchant for the irrational, and his strictures are sensible enough. But we must remember how hindsight can make absolute nonsense of what circumstances may well once have made to seem eminently reasonable. On the plane of reality, some secret societies were more important than others. We cannot dismiss them all, just because we now have superior theories of how history is made.

The immiscibles

PREJUDICE AND TOLERANCE IN ULSTER

By Rosemary Harris.
Manchester University Press. 250 pages. £3.

COMMUNITY RELATIONS

By Maurice N. Hayes.
Runnymede Trust. 28 pages. 10p.

Research begun 20 years ago on the life and attitudes of a small rural community in Ulster's border country may

not seem to be the most promising subject for a book. But Dr Harris, a social anthropologist, has produced the best study yet to appear on that unhappy province. Ballybeg is a fictitious name for the area in which Dr Harris lived for a short period in the early 1950s and kept in close touch with until 1965. Its population is evenly divided between Roman Catholics and Protestants. It provides a microcosm of Ulster's wider, fractured community.

The people of Ballybeg, farmers and labourers, share a common way of life, shaped by the seasons. Their homes, their daily diet, even their intense family relationships are very much alike. So are many of their common assumptions. There is a distaste for snobbery, a suspicion of bureaucracy, a hardy egalitarianism and a dislike of the English, who are seen as ruthless, pompous, godless heathens. But Ballybeg is divided infusibly into two communities. Roman Catholics and Protestants rarely intermarry. Their children are taught in separate schools and they play different games. Each community holds its own dances, film shows, bazaars and sales of work, and they patronise their own doctors, chemists and grocers. Even though they live side by side, they harbour prejudices of each other which contradict their own daily experience. Catholics assume Protestants are hard-working, money-grubbing Philistines, while Protestants see Catholics as untrustworthy and superstitious inferiors, who sponge on the welfare state. With such perspectives it is surprising that the people of Ballybeg have not perished in social discord.

But Dr Harris, with considerable subtlety, shows how they have found a way of living together. Strict taboos on religious and political matters govern conversations across the divide to avoid conflict, but of course such reticence reinforces the stereotype prejudices of each community. These have little reality. Dr Harris writes with an eye for detail and without jargon. Her book is a model of its kind; but it conveys no message of hope.

Of course, the dichotomy of Ballybeg lacks the hopeless despair and bitterness of Belfast and Londonderry, which Mr Maurice Hayes, the first chairman of the community relations commission, had to tackle with a small staff of field workers and a puny budget from the summer of 1970. In his Runnymede lecture, Mr Hayes is a sober realist. Inter-community groups tend to be middle-class and suburban for "the realities of geography and

ingrained fear" thwart the growth of such groups in working-class districts. The commission found itself seeking to build up the self-confidence of each community through tenants' associations, but Mr Hayes is right to question whether such efforts did not actually strengthen mutual animosity and distrust. The violence, the lack of consensus and the commission's links with Stormont all weakened its credibility. Its creation was little more than a pious gesture. Perhaps it could never have been anything else. Dr Harris has shown that Ulster's divisions cannot be spirited away with the application of "platitudes and rose water."

Strangers and brothers

THE ANATOMY OF EXILE

By Paul Tabori.

Harrap. 432 pages. £6.

John Wesley claimed, a shade complacently, that all the world was his parish, and Sir Thomas Browne that he was in England "every where and under any Meridian." Neither was compelled to put high sentiment to the test of actually having to live in exile. Mr Paul Tabori, a Hungarian by birth and upbringing, has lived (voluntarily) in England since 1937. He seems bent on doing for exile what Robert Burton did for melancholy; and he has struck so rich and largely unexploited a vein that he is already at work on a second volume. That is to be devoted to considering, in detail, the contributions that refugees have made to the life of their host countries. Since the roll-call in this first volume, a compendium-cum-anthology of exile, includes such names as Ovid, Dante, Erasmus, Comenius, Voltaire, Napoleon, de Stael, Byron, Heine, Marx, Mann, Beckmann and de Gaulle, it is easy to see he will not be short of material.

Mr Tabori assembles most of the definitions and synonyms for exile and the exiled, and handles, apparently without shuddering, such pieces of current official jargon as "eligibility determination." He then provides a wordy label of his own:

An exile is a person compelled to leave or remain outside his country of origin on account of well-founded fear of persecution for reasons of race, religion, nationality, or political opinion; a person who considers his exile temporary (even though it may last a lifetime), hoping to return to his fatherland when circumstances permit—but unable or unwilling to do so as long as the factors that made him an exile persist.

He submitted his tentative classification to several hundred exiles and

international experts; their comments led him to add that since the forces that drive a person into exile may be political, economic or purely psychological, it does not make an essential difference whether he is expelled by physical force or whether he decides to go without direct pressure. The status of the exile, he says, is a dynamic one, changing from exile to emigration, or emigration to exile, as conditions change in the homeland or in the new society's ability to assimilate. The lot of an exile can be determined by his own efforts to be accepted and by the assets that he brings with him. Exiles and refugees complain that for the most part their hosts are coldly uncomprehending. But Mr Tabori quotes with approval another Hungarian, Mr George Mikes, on this subject:

The native... is irritated to see his privacy invaded by a lot of wayfarers who make life more difficult, compete with him in every field, and, on top of it all, keep on complaining and criticising—and yet expecting sympathy... But on the whole the world is behaving in a commendable fashion; and we must not forget that the émigrés are not all roses either.

In the last paragraph of this engaging volume Mr Tabori reflects that perhaps the "supreme summary and the most perfect direction to the world of exile and native, of refugee and Samaritan, of door-openers and gate-slammer," was given 2,000 years ago. He quotes the passage in the twenty-fifth chapter of the gospel according to St Matthew, in praise of those to whom the Son of Man could say: "I was a stranger and ye took me in." As Mr Tabori points out, the word translated into English as "stranger" was the ancient Greek one for "foreigner." The practical difficulty for most of us these days is that the word is so hugely and bewilderingly in the plural.

Portrait of a gentleman

HENRY JAMES: VOLUME 5, THE MASTER 1901-1916

By Leon Edel.

Hart-Davis. 592 pages. £6.95.

Five volumes may seem a formidable expanse to give to the story of the life of any writer, but admirers of Henry James are not the sort to be put off by mere length. Dr Edel's final volume is fully up to the standard of the previous four, a shining example of biography at its best. The years covered in this final volume show James in his advancing age, accepting the role of literary master, writing some of his best books (among them "The Golden Bowl"),



Two ages of James, by Beerbohm

and coming to appreciate, in his own measured remote way, the force of physical love. Most of these last years were spent at Rye in Sussex and in London.

Rather than leave Rye, from which aliens were barred during the first world war, James renounced his American nationality and became British. There are illuminating accounts of his relationships with Hart Crane, Edith Wharton and his philosopher brother, William James, and of his last visit to America. It is rare to find biography like this: scholarly yet unpretentious, sympathetic but not sycophantic, monumental in detail but readable as a novel—more readable than some of James's. Dr Edel has made Henry James an understandable man: the job could not have been done better.

A people set apart

SOUTH AFRICA: AN HISTORICAL INTRODUCTION

By Freda Troup.

Eyre Methuen. 428 pages. £4.50.

Of the many difficult ways of writing history Miss Troup, in attempting to refract through an unfamiliar prism an already very familiar light, has chosen perhaps the most difficult. In the spectrum of history-writing on South Africa, there are not many interstices waiting to be painted in. But Miss Troup has undeniably discovered one: a white history presented as though through black eyes by a white writer unsympathetic to her kind.

She has dangerously depended on

secondary and tertiary sources and even at times on rumour and hearsay, but the result is neither tenuous nor tendentious. It is a good general introduction to the received history of South Africa, and its special slant turns out, after all, to be a pretty good idea, producing some surprisingly vicious insights into the character and motives of white South Africans and into the flaccid laissez-faire thinking of people in Britain.

Calvinist habits of thought are, probably with justice, blamed by Miss Troup for much. But it is fair to ask why Calvinism took this particular path only in South Africa. Is it something to do with the land itself? Or is there some insight to be obtained from consideration of the class of people who took white civilisation to its shores? For unlike new Americans, Canadians, even New Zealanders, the settlers who came to South Africa in the eighteenth and nineteenth centuries were enterprising materialists, kulaks and petit bourgeois unleavened by refugee liberalism or radicalism, whose harsh mores could flourish in that cultural isolation unchecked by European "natural selection." In such isolation evolved unique classes of beings: marsupials, flightless rails, Galapagos tortoises and Australians—and white South Africans?

This is a book that must stir passions in South Africa—if it is given the chance. But all South Africans share the passionate love for the land to which Miss Troup freely confesses, which is so central to an understanding of its inhabitants. There are passages in this book that at first (and even at tenth) reading appear to be pedestrian recitals of familiar events; yet inexplicably they conjure up mental glimpses of those narrow foot-worn paths that are said to thread the length of Africa, of the stupendous desolation of the Mfecane, of the doomed nobility of San and Rozwi, of the paradisaical vista over the Tugela from Kranskop. This is a damned good trick if it is not a considerable gift: one feels certain Miss Troup's heart was in her work.

Summer of '44

THE WARSAW UPRISING

By George Bruce.

Hart-Davis. 224 pages. £2.95.

At the end of the Warsaw uprising in the summer of 1944, the defeated Polish Home Army detachments, marching

out of the city between lines of German security police, passed by field after field of white crosses at Wola, where the German casualties of two months' bitter fighting were buried. Some 10,000 dead Germans, 7,000 missing and 9,000 wounded—that was the price Hitler and Himmler had to pay for crushing Warsaw. But over 250,000 Poles lost their lives; their unexampled heroism ended in appalling tragedy. This was the first modern full-scale urban guerrilla battle, which destroyed one of Europe's historic capitals. It was designed and executed to prevent Poland passing straight from the German frying-pan to the Russian fire. By January, 1945, Poland was not only under Soviet military occupation, but also under total communist domination.

What went wrong, and who was to blame? After more than a quarter of a century of bitter controversy, Mr Bruce's calm, comprehensive account is most welcome. His careful researches, in London and Warsaw, included personal interviews with many of the survivors of the Polish leadership. His answers are pretty convincing; he copes well with the diplomatic background and tells a good story. Geography was, of course, important. Poland had to be liberated from the Nazi tyranny by the

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André Deutsch



October, 1944: the defeated

soldiers of Poland's historic enemy, Russia. The Polish government in London, and the commanders of the Home Army in Poland, tried to devise a way out which would ensure Poland's liberation and its national independence after the war. After a series of failures in eastern Poland to assert the non-communist underground forces' independent role, Warsaw became the last trump card in their hands.

Despite all their heroism they did not play it well. Both the strategy and the tactics of the Home Army command were marked by the same lack of realism that stamped the military planning of the prewar Polish army. Stalin's treachery undoubtedly clinched the outcome against the defenders of Warsaw. The London Poles lacked a leader of stature; but even if General Sikorski had not been killed in 1942, it is doubtful how much he would have been able to save. The western Allies, most particularly Roosevelt, who still needed the Russians for the battle against Japan, were not keen to help.

Economic logic

THEORY OF PUBLIC CHOICE

Edited by James M. Buchanan and Robert D. Tollison.
University of Michigan Press. 330 Pages. \$15.

If people behave rationally, whether altruistically or selfishly, in private choices about market behaviour, they presumably do the same in their public

choices about political behaviour. So the sort of theorising which is employed by economists to examine the functioning of markets should also serve in the study of politics. The essays in this book, subtitled "Political Applications of Economics," are all dedicated to this idea.

The authors are methodological purists who wish to distinguish prediction from prescription and who judge a set of assumptions by their usefulness for prediction rather than by any reference to their realism. In practice, prediction means consistency with observed fact, so some of the authors are content if they can show that a few apparently silly assumptions plus some economics-type logic produces conclusions which are not silly.

One example is Professor Buchanan's discussion of the national health service. If decisions about it were taken separately from other government decisions and were democratic, the representative rational citizen would compare benefits with tax cost when deciding how much to spend on health services. But when deciding how much of them to consume he would regard them as free. So he would plan to provide less than he will demand, which means that there would be queues and waiting lists. These exist. Hence, so the argument runs, they have been explained.

This is a caricature of an admittedly simplified analysis. But it indicates the sort of topic dealt with. Sometimes a "representative individual" is used to explain things; sometimes majority choice is assumed, as in a discussion of the effects of different ways of financing education on the amount provided. Some of the authors love to generate paradoxes and display an academic style which may fail to attract many readers. Following a discussion which assumes voters to have "perfect knowledge" of their share of the costs and benefits of budgetary expenditures, one essay notes with irritating naivety that "it is more realistic" to assume otherwise. Its authors then persuade themselves that there is no a priori reason to suppose that ignorance will alter the outcome, but fail to examine the effects of indifference or sheer boredom on the part of voters. However, it would be wrong to dismiss gleams of insight on the grounds that they fail to illuminate everything at once. The economics approach is stimulatingly different and if pursued with due modesty provides a useful challenge to political scientists.

Always with us?

REGULATING THE POOR

By Frances Fox Piven and Richard A. Cloward.
Tavistock. 407 pages. £3.75.

One thing all Americans seem to be agreed on: their system of public assistance is a disaster which must be rebuilt from top to bottom. All, that is, except Mrs Piven and Mr Cloward, who feel that the huge increase in the number of people on assistance means that at last the poor and the helpless are being saved from despair and near-starvation. Talk of reform worries them for they believe, with some justification, that any reform will require people to take any job, no matter how badly paid or temporary, or lose their assistance.

These two teachers of social work, who have seen America's system of relief through the eyes of the poor, have a harsh thesis to expound: that help is given only when the people have been driven by privation to resort to violence and that as soon as calm is restored, the relief is cut off to force people back into the labour market. Two American crises are examined in detail: the tremendous expansion of federal assistance and job creation under the New Deal and the huge increase in (mainly black) people receiving what in Britain would be called supplementary benefit in the big cities in the later half of the 1960s.

Great numbers of southern blacks were driven off the land and went north during the 1940s, 1950s and early 1960s and could not find work. Yet the swelling in the relief rolls, north and south, did not begin until 1964: the authors argue that by then turmoil in the ghettos had thoroughly frightened both the cities and the federal government. This rise of violence they explain, convincingly, as the result of two developments: the breakdown of parental control in a new, strange environment and the absence of jobs for the young, always the most volatile section of any population.

The argument has obviously considerable validity but it does not fit the facts of the 1960s quite as neatly as it does those of the 1930s. Mrs Piven and Mr Cloward refuse to believe that there has been any general increase in compassion towards the poor or in governmental or individual benevolence. Yet they themselves show, in two closely observed chapters, that it was the poverty programme and the thousands of idealistic social workers and young lawyers that it attracted

which helped poor people to secure the assistance to which they were entitled, in part through court cases which liberalised the standards of eligibility. The idea of the poverty programme dates from 1963, before there were any riots (although it did not become law until 1964), while the terrible riot in Watts did not usher in the era of urban riots until 1965. Nevertheless, this is a book well worth reading; it shows the side of the coin which is seldom seen.

Social survey

There are two kinds of guides to the social services: one for those trying to understand the statistics and one for those who want to know how to become part of them. They can overlap. For example, the first edition of an admirable new annual publication, the *Social Services Year Book, 1972-73* (Councils and Education Press, £3.75), would be inordinately useful for anyone wrestling with a faceless bureaucracy. Here, in neat small print, are the addresses and telephone numbers, but most important of all the names, of the people-in-charge—of not only central and local government social service departments and offices but also of the remand homes, day nurseries, old people's homes and so forth in their areas. But this is obviously a book for professionals and libraries.

So is a rather different new annual publication, *The Year Book of Social Policy in Britain* edited by Kathleen Jones (Routledge and Kegan Paul, £4), a mildly interesting group of essays by people involved in the social services on the developments of 1971, including a disappointingly bland little piece by the Secretary of State, Sir Keith Joseph. A new collection of essays from the Social Science Research Council, *Social Indicators and Social Policy* (*The Economist*, July 22nd) looks at the tools of policy rather than the outcome. And a useful, highly technical, description of the theory of the decision-making with reference to the social sciences comes from John O'Shaughnessy in *Inquiry and Decision* (Allen and Unwin, £3.80)—which takes one just about as far from the ordinary consumer of personal social services as one can get.

The guide most plainly directed at them is still the *Consumer's Guide to the British Social Services* by Phyllis Willmott (Penguin, 40p). This concentrates on helping people to find help; it lists agencies, departments and social workers whose job it is to provide it

and defines their responsibilities; sketches the law on, for example, abortion, adoption and divorce (incidentally running through the prohibited degrees of marriage); covers the voluntary societies and, rather chattily, possible improvements and the power of pressure groups. A second edition was published last year; the updating was fairly adequate. But a handy little guide published earlier this year by Mr N. J. Smith, a probation officer, social worker and university lecturer, *A Brief Guide to Social Legislation* (Methuen, £2), which provides histories, summaries, and bibliographies of the laws on welfare, education, health, the courts, income maintenance and so forth, has totally neglected the Courts Act, in force since the beginning of 1971. The old system of quarter sessions and assizes is described as if it was still in existence. Otherwise, this is a remarkably well laid-out and helpful little book. *A Dictionary of Social Services* by Joan Clegg (Bedford Square Press, £1.50 hardbound, 90p paperback) is as much for the student as for the bemused form-filler: it copes very well with the confusing terminology of social security and national insurance benefits, but also defines, for example, participation and poverty. These definitions are still concise, brisk and matter-of-fact.

Where the rainbow ended

ISLAND ON THE EDGE OF THE WORLD
By Charles Maclean.
Tom Stacey. 160 pages. £1.90.

Rising out of the Atlantic, about 150 miles west of Harris, is the Hebridean island of St Kilda. On this blasted island, visited only by seabirds and sink-rock, a small colony of men and women developed a utopian arcady which, by 1930, had been unhappily snuffed out by unsympathetic influences from the Scottish mainland—or

so you might think, if you got no further than the dustcover of Mr Charles Maclean's excellent book. The author himself is less extravagant in his claims. He draws some rather tendentious conclusions about the implications of St Kildan life for larger societies, but he is fully alive to the drawbacks of such a remote existence. A diet of gannets, fulmars and puffins, leavened in good season with bread and in bad with seaweed, must have a limited appeal. Curiously, the St Kildans did not fish.

But some aspects of St Kildan civilisation were of considerable interest. The system of common ownership and the parliament in which all the men of the island met each day enabled a remarkable egalitarianism to flourish: disputes were rare and law-breaking almost unheard of. Generosity, contentment and good looks were, it seems, lavished upon the St Kildans to compensate for nature's rough treatment.

But the society collapsed. The isolation that had given rise to the development of such a social system also set the conditions for its corruption. In the nineteenth century the St Kildans were not equipped to stave off the encroachments—chiefly in the form of missionaries and *tetanus infantum*—of the outside world. As the islanders increasingly came to rely upon charity they lost their old skills as birdcatchers and cragsmen and their self-confidence. In 1930 the island was evacuated.

Mr Maclean tells the tale with a skill of which the St Kildans would have approved. His knowledge of the published sources and of the island itself combine with his enthusiasm for the subject to make his account compelling. Lest other remote islands such as Foulra or Fair Isle suffer the same fate as St Kilda, Mr Maclean's book should be read in Whitehall's Scottish Office and Edinburgh's St Andrew's House.



St Kilda: parliament in session

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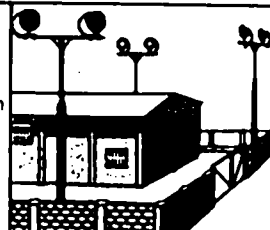
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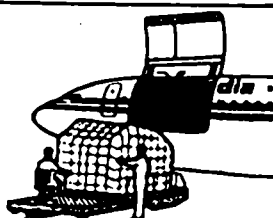
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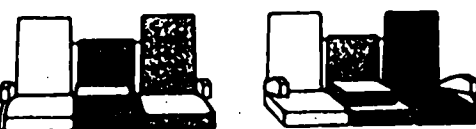
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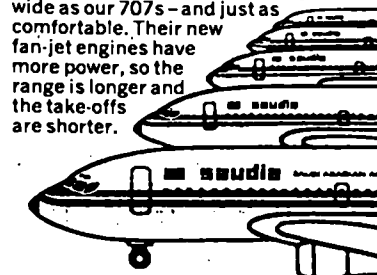
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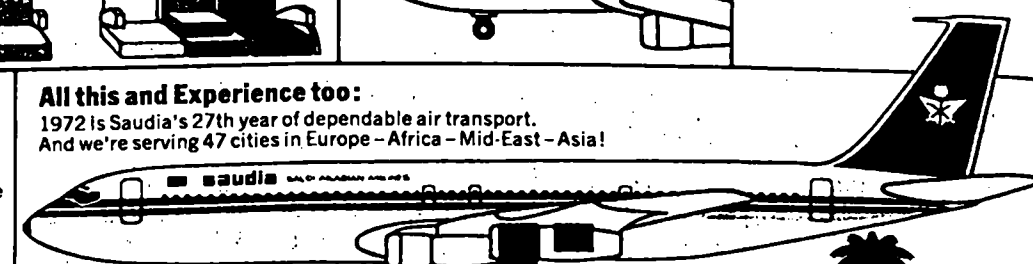
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THE POLITICS OF WORLD MONEY

From 1958 to 1966 Fred Hirsch was *The Economist's* principal writer on international financial affairs. Between 1966 and 1972 he was a senior member of the staff of the International Monetary Fund in Washington, where he was directly concerned with the performance and improvement of the international monetary system. Now he has decided to have an academic spell at Oxford. In this 10,000-word survey, he sets down for us his present views on the most desirable sort of monetary reform that should be politically possible.

In broad outline, his views are still intriguingly close to those that we now advocate in *The Economist*. In particular details, they are intriguingly different. But we present the Hirsch proposals as a document that should be studied by all who have any part to play in present international financial regulations and at next month's annual meeting of the International Monetary Fund



Hirsch: his own plan

A fragile freedom

International monetary reform has become the modern equivalent of world disarmament: the subject of seemingly unending national negotiations whose periodic triumphs somehow keep getting overwhelmed with fresh upsets. What can be regarded as the first in the long line of international conferences to change the international monetary system by design took place just 50 years ago, in the attempt at Genoa to provide a broader base for what had been the pre-1914 gold standard. And it is just ten years since Reginald Maudling brought the need for international monetary reform to the attention of a then complacent monetary establishment. The question has remained on the official agenda ever since, and in the past year has been elevated to political summit level. This survey attempts a comprehensive view of the issues involved. It suggests a way forward that differs in important aspects from the course on which European politicians are currently but not yet irretrievably set.

The admixture of monetary talk, market upheaval and official action that has characterised the past 10 years has made for some real progress, which needs to be set against the inconveniences and dangers inherent in the hybrid system that has emerged

semi-planned. Ten years ago adaptation of the external value of a currency to match its internal value—the achievement which Keynes, in 1945, hoped and claimed for the postwar monetary arrangement hammered out under his influence at Bretton Woods—was still held to be unthinkable for Britain and the pound sterling; while alteration in the exchange value of the United States dollar was declared by all monetary officials and by a surprising number of so-called monetary experts to be not only unthinkable but impossible. Ten years ago, too, the possibility of establishing a synthetic international money in the form that now exists in the IMF's Special Drawing Rights was dismissed with equal assurance by almost all those who claimed expertise in the practicable and the negotiable.

The loosening of the system that has been achieved has restored a needed degree of manoeuvre for domestic economic policies. The measure of this achievement is seen by the fact that no government would find it possible today, as the Wilson government did in 1964-67, to rationalise a bad domestic economic policy by the excuse or belief that the economically correct policy was against the international rules. Nothing could better demon-

strate the change in attitudes that has occurred than the tolerant international response accorded to Britain's recent floating of the pound.

Yet the loosening of the old international constraints is not enough by itself to assure continued freedom of manoeuvre for domestic policy to meet legitimate aims. It is not enough because, in international finance as in highway traffic or in any other collective activity, the absence of any agreed rules can limit individual freedom as severely as can the presence of unduly severe rules. It is obvious enough that the only practicable means for a motorist to get round Trafalgar Square is for him and all his counterparts to agree to keep left and to stop at red lights. But interdependence in financial relationships is often obscured, not least by the formal appearance that countries control their exchange rate against other currencies. This belief is as fallacious and almost as dangerous as the opposite and now discarded belief that the exchange rate is outside any country's control.

As in any mutual relationship, the control has to be exerted jointly, or at least by one party remaining passive. Countries may, and do in practice, take independent action to change their exchange rate against all other

currencies; but a succession of such actions may tend to offset or negate the effects of earlier changes, so that no country can be sure an independent move of its own will have more than a momentary impact in the intended way. The fact that Britain by unilateral action was able to float the sterling exchange rate at least to the \$2.40 range without encountering resistance or retaliation does not therefore belie the need for an international rule book, any more than one's ability to drive round Trafalgar Square the wrong way at 3 am belies the need for rules of the road.

Yet no working international rule book for the exchange rate mechanism currently exists. Perhaps inevitably, the old and over-rigid system has broken before agreement has been attained on what is to replace it. Without such agreement, in the context of comprehensive monetary reform, there can be no assurance that present freedom of manoeuvre for domestic policy can be retained. Why then do the obstacles to such agreement appear so great and the prospects so dim?

The traditional explanation for any such impasse, to be heard from

financial officials and the private financial community alike, is the intransigence and ignorance of politicians. In fact, politicians from Churchill in his fight against the gold standard in 1925 to Macmillan and Kennedy in their too whimsical flirtation with serious international monetary reform in the early 1960s, were well ahead of their financial mandarins. Today the constellation is very different. As a result of a variety of influences—above all the battering of events, but also including the increased influence exerted by economists in finance ministries and central banks—the financial technicians are more receptive to constructive reform of the international financial system than ever before. Unfortunately the tables have now turned 180 degrees rather than 90. While the politicians are well and truly engaged—finance ministers seem to have taken over from foreign ministers as the main practitioners of international diplomacy—the political push is preponderantly in the wrong direction: towards a dubious regional turning.

Europa: the money illusion

Electoral necessity will ensure that present plans for European monetary union are not carried through. But there are at least three bad results from the present pretence that they will be

The impetus for this regional turn has been the declared intention of the European Economic Community to tighten financial links between its members to the point of establishing, within a decade on the official timetable, an economic and monetary union. This involves first minimising and later renouncing exchange rate changes between EEC members, followed by adoption of a common currency.

The prospect of one monetary block breeds others. The practice of the EEC in international negotiations of holding interminable cabals in the midst of those negotiations has long caused frustration and irritation among the other participants. This frustration came to a head in the reign of John Connally at the American Treasury. The now fashionable paper division of the world into four financial and trading blocks—North America, the enlarged EEC, a Japanese Pacific, and developing countries, with the communist world sometimes thrown in to make a fifth block—stems partly from

Connally's hankering to sit round a small table with a group he could do business with. But this only personified a more general feeling, which lingers on, that organisation of the world on this regional basis is a more practicable, less ambitious undertaking in present conditions than the attempt to maintain the ideal one world system.

This reading is superficially attractive at the high level of abstraction indulged in by the esoteric few who are professional practitioners of, or professional commentators on, economic diplomacy (a trade that may be defined as knowing equally little about either component). The most usual fear expressed about the prospect of regional blocks, whether emerging within or outside the existing international institutions, is that they will involve dangerous economic frictions, and thereby eventually political friction, between those blocks; dark references are made to the 1930s. This anxiety misses the central point. There seems no reason why a cohesive and smooth-running



Connally: deals at small tables

enlarged EEC should not have harmonious economic and political relations with a smooth-running North American economic community. The real danger is the virtual certainty that the blocks themselves will be neither cohesive nor smooth-running.

It is an inconvenient fact that the most severe trading and financial maladjustments between economies today occur within these designated blocks, and not between them. Thus for Britain—and for that matter for France—the biggest payments maladjustment in recent years has been vis-à-vis Germany; in the past five years, the mark has appreciated against the pound by almost 50 per cent. For Canada, the continuing difficulties in maintaining external balance have been overwhelmingly vis-à-vis the United States.

The only way that has been found of dealing with such recurring maladjustments without severe economic damage has been through corresponding adjustment of exchange rates. Yet it is the essence of monetary integration that it removes the possibility of exchange rate adjustment. Monetary integration in areas within which latent payments maladjustments persist would in practice involve a return to much of the pain and frustrations of a fixed exchange rate world. Formally, the possibility would remain for fluctuations between the exchange rate of the block as a whole and the outside world, and this is envisaged for the European monetary union. But no extensive use can be expected to be made of such outside flexibility in conditions of this kind. For if Germany has a recurring tendency towards a payments surplus, and Britain towards a deficit, a fixed exchange link between them will not

only cause inflation in Germany and unemployment in Britain; it will also involve directly conflicting interests on whether the common currency should appreciate or depreciate against the outside world. Exactly the same conflict would quickly emerge in a "common European float" which is currently seen as a political earnest of good European intent.

The implications of European monetary union are fairly well agreed by economists, and may be briefly summarised as follows:

1. The fixed exchange link within the union will mean that a country, or region as it will then become, in which productivity is growing relatively slowly in relation to wages will face problems of deflation and unemployment, while a region whose productivity is growing relatively fast in relation to wages will experience increased inflation. If nothing else changes, there will be more unemployment and/or inflation in the region as a whole.

2. The ensuing regional maladjustment, which will be the new name for a balance of payments problem made intractable by abandonment of the exchange rate instrument, may be relieved if there is extensive labour mobility. This would involve a drain of labour from the weak areas to the strong.

3. If regional depopulation of this kind, which has characterised existing monetary unions, such as the United States, Italy and the British Isles, either fails to materialise or is to be deliberately checked by regional policy, then avoidance of mass unemployment in the financially weaker regions will require extensive fiscal transfers from well-placed regions to the weaker ones. Such transfers will occur in part through automatic equalisation if fiscal policy becomes fully centralised in the union, but will in any case require in addition specific regional grants and subsidies akin to those prevailing within Britain and other constituent countries at present. Total cross regional subsidisation would necessarily be larger than the sum of regional subsidies among the various countries at present, since the variations between conditions of competitiveness in an area linked by a common currency are bound to be greater, the larger and more diverse the economy that the common currency binds together.

4. Free movement of capital within the currency area, which is an essential facet of monetary union, would automatically finance the disequilibrium in the short term, but might exacerbate the imbalance in the long term, to the extent that the weaker regions offered a lower return on capital. The resultant drain of capital would reduce employment in the weaker regions and shift their distribution of income from wages

to profits.

Regional transfers on the scale required to avoid extensive unemployment in the weaker areas would therefore involve extensive subsidies across existing national frontiers. Because not all regional problems would fall on poor regions, any more than all balance of payments difficulties do, some of this cross subsidisation would be at the expense of taxpayers who were poorer than the beneficiaries. Thus taxpayers in the Ruhr might find themselves subsidising Londoners, or at least relieving Londoners of the subsidisation of Scotland. Since no forewarning has been given to the taxpayers of Germany and Holland that subsidies on a scale larger than has ever been required of them for domestic regional policy will become necessary to support the competitiveness of a Britain, a Denmark or a Sicily, and since the German and Dutch governments will be dependent upon the votes of these taxpayers, the only reasonable conclusion seems to be that transfers on anything like the necessary scale will not take place. If one concludes on similar ground of politico-economic logic that the excess unemployment and the excess inflation that would be incurred in a currency union without the requisite fiscal transfers would be equally unacceptable to the workers and housewives, the conclusion follows that European monetary union will not be carried through.

All experience in international finance since 1931 shows that paper commitments that involve demonstrable economic damage are likely sooner rather than later to be overwhelmed by electoral necessity. Central bankers,

and even Eurocrats, have only one vote, and this has turned out to be a fortunate check on financial irresponsibility. It is, therefore, entirely predictable that moves towards European monetary union will not be pressed to the point at which they will do massive economic damage, and that these moves will therefore continue to be essentially cosmetic. In this sense one can conclude that European monetary integration is not a serious issue. It belongs to that category of commitments that are endorsed by national authorities at the highest level, but are in fact ranked low in their priorities when it comes to the test. It is the 1970s' equivalent of Mr Wilson's unalterable commitment to \$2.80.

The facts of bureaucratic life and of good administration are such that the official world is unable to make a full distinction between pseudo commitments of this kind and commitments that are related in a meaningful way to the likely course of future events. Unfortunately, the exposure that might be expected from journalists, economists and parliamentarians seems to go against the natural instinct of these groups, not least of the journalists, whose natural instinct is to ride with the future and to assume that the future beckons with a ministerial finger. As a result, the pursuit of European monetary union remains declared official policy, and obeisance is required to be made to it as part and parcel of actions torpedoing it. This disjunction between actions and declared intentions cannot just be dismissed as play acting; it has a number of important and mainly negative effects.



Good Europeans playing Canute

First, the attempt to make moves towards exchange fixity induces half measures such as the ill-fated but continuing "snake" arrangement for reducing exchange margins between European currencies, an arrangement that inevitably makes parity changes and temporary floats more disruptive and more expensive in terms of gifts to speculators (as Britain found in June).

Second, the same attempt exerts pressure to shore up exchange fixity with dubious exchange controls. While there are a number of purposes for which controls on capital outflows are entirely appropriate—eg, to offset differences in national taxation or in political risk, or to offset a bias against domestic in-

vestment—exchange controls have proved singularly ineffective in deterring movements of short-term funds in pursuit of exchange profits. Moreover, to the extent that the controls are applied to transactions within the community, they involve a step back in this aspect of monetary integration.

Thirdly, as long as European monetary integration remains on the official agenda, it overrides other aspects of future planning in all related spheres. The ambiguity of whether the world's largest trading unit is to be represented by nine currencies or by one has become the most serious stumbling block towards monetary reform on an international plane.

Exchange rates for all players

The practical choice lies between managed floating, crawling pegs and routine parity changes. The choice between these three slightly different systems of controlled flexibility is less important than recognition that changes in the mechanism of exchange adjustment need to accompany the changes already made in official attitudes

For the reasons mentioned and reiterated above, it is vital to retain the instrument of exchange rate adjustment for existing national economies. This in itself argues for a loose global system rather than for a network of tight regional links. The basis on which a durable system of exchange flexibility should be constructed is almost certainly the most difficult question in international monetary reform. The other main aspect of reform, covering the reserve system and the role to be played by reserve currencies, gold and an international unit such as Special Drawing Rights, also involve a good deal of controversy; but the effective choices in this field have by now narrowed considerably.

A standard official view of the problem of the exchange rate system comes close to denying its existence. On this view, the delays in payments adjustment and the recurring exchange crises of the past few years are to be explained not by any institutional fault in the existing provisions for exchange adjustment—involving adjustment of parities on the initiative of a country when it decides and the international community agrees that its economy is in fundamental disequilibrium. The fault, it is said, has lain simply in the way the system has been operated, specifically in governments hanging on to outdated parities for too long. "Is it not possible instead," the Bank for International Settlements asked in its recent annual report, "for statesmen to guide public opinion to see the

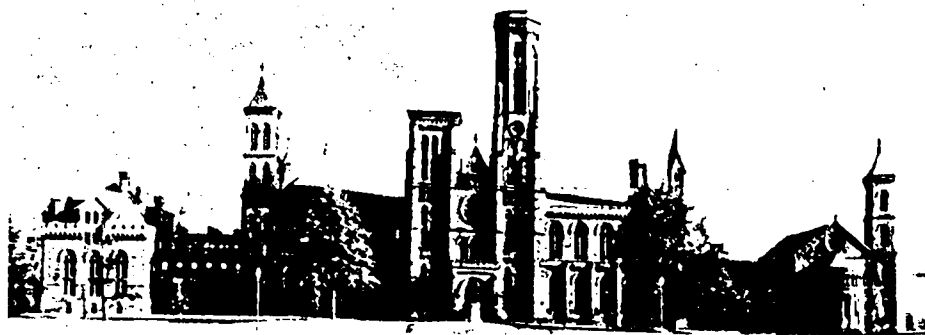
advantages of restoring the exchange parity to equilibrium?" The trouble is that such guidance was precisely what Mr Barber provided in the predictably quoted and requoted sentence in his Budget speech; and in the third week of June he lost \$2½ billion across the exchanges and transferred perhaps \$100m as a free gift in exchange profits to international bankers and 13-year-old schoolchildren who had been smart enough to follow his guidance.

The willingness of monetary authorities to change their parities at an early stage of payments disequilibrium, which is so desirable on the grounds of economic management, has unavoidable effects on the behaviour of market operators. In Professor Haberler's phrase, it destroys "stability illusion," and since monetary authorities adhere to the view that parity changes need

to be of a certain minimum size (which is of itself a hangover from the days when parity adjustments were infrequent), it is hardly surprising that market operators find it profitable to anticipate movements in steps of 8 to 10 per cent and thereby, through the ensuing speculation, to force the authorities to anticipate their own intentions and to move earlier than they would otherwise wish. For six straight years now the world's monetary authorities have been making regular and predictable transfers to private operators in hundreds of millions of dollars; for large corporations, exchange profits have become almost a budget item.

The basis of these exchange profits has been a flaw in the official mechanism of exchange support, which remains in the form appropriate to a regime of virtually fixed rates despite the practical transition to visibly flexible rates. The move towards a widening of the exchange margins from the old maximum of 1 per cent against the intervention currency to 2½ per cent in the Smithsonian Agreement of last December was a step in the right direction. But the pressures exerted by the EEC and its visions of monetary union made the step a very small one, and then prevented even this degree of leeway from being used in the ill-fated "snake" arrangement. But even aside from this EEC pressure, there was little sign that countries generally had understood the need, in a regime of prompt and frequent parity adjustment, for the size of the parity adjustments to be small in relation to the permitted exchange margins—which means that the less is done to widen the margins the more needs to be done to minimise the size of parity changes, and therefore to make them effectively a matter of routine.

Turning a blind eye to the problem of securing a sustainable system of



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exchange adjustment is not an exclusive prerogative of monetary officials. The crux of the issue is equally ducked by those advocates of a system of floating who do not specify what that system is to be and how it is to be made internationally consistent. Now that the United States has an active exchange rate and balance of payments policy, for reasons that are discussed in the next section, it is transparently no longer possible for other countries to achieve independent balance of payments aims at America's expense. The mutual character of any exchange rate or balance of payments relationships has therefore taken operational form. This was graphically demonstrated in the negotiations preceding the Smithsonian Agreement, in which European countries wanted one rate of exchange for their currencies against the dollar and the United States was determined to get another.

The one exchange system that would dispense with the need for any organised arrangements for reconciliation of conflicting objectives would be, aside from a system of completely fixed exchange rates, a system of freely floating rates, devoid of any official intervention. The troubles with a system of this kind are fairly familiar, though they are conveniently ignored in many academic discussions. The system would require that governments not only pay no attention to their external reserves, which would cause them little hardship in a system in which external reserves were not needed for exchange support. The system would also require that governments pay no attention to changes, however abrupt, in the structure of their balance of payments—that they would be prepared to see marginal export industries knocked out and made profitable again in response to exchange rate movements that might reflect only temporary financial flows. Governments would also have to be indifferent to the effect of changes in their exchange rates on domestic prices.

While the advocates of freely floating rates may be right that the outcome would be closer to the remarkable stability displayed by the postwar Canadian dollar than to the wild gyrations of the prewar French franc, such stability could not be expected for all currencies at all times. Occasions would arise in which unforeseeable uncertainties—large-scale strikes, particular political changes—would cause sharp fluctuations in an unsupported exchange rate, of a kind that could well exacerbate (eg, through the effect on food prices) the original disturbance. It is incon-

ceivable that in such conditions the national authorities would not use what means they had to stabilise the exchange rate. Yet once such a possibility of official intervention is conceded, even as an exceptional circumstance, the anonymity and automaticity of a system of freely floating rates is broken. The system becomes one of at least partially managed floating; and national management of floating requires international rules if conflict between the national currency managers is to be avoided.

Proceeding by elimination, therefore, three possible exchange rate systems can be ruled out viz, completely fixed rates, completely floating rates, and the beleaguered system of parity adjustments associated with fundamental disequilibrium and narrow exchange margins. In my view, the choice of a sustainable system of exchange adjustment lies between three other systems, which would differ substantially in form, but not necessarily in their practical results. These systems are:

1. Managed floating subject to international rules;
2. An automatic and mandatory crawling peg, probably geared simply to past movements of market exchange rates, and with wider margins around the moving parities;
3. A continued system of administered parity changes, protected from speculation by wider margins and a systematic policy of routine parity adjustments by small amounts, and involving obligatory parity changes for countries whose currencies were demonstrably out of line.

Managed floating

A system of managed floating with



Market operators aren't easy to outwit

international rules would probably be the most satisfactory from a purely economic standpoint. In principle, the system could approximate an international buffer stock designed to even out the fluctuations in market movements without disturbing the trend. There would be difficulties in assessment of such trends, but these are not in principle more severe than those involved in any attempted official intervention in exchange markets. Less ambitiously, and more practicably, management would be by national authorities subject to international overview; thus target levels or ranges for national reserves and perhaps some other balance of payments magnitudes would be established through regular consultations, and national exchange authorities could be required to confine their intervention to operations that respected these targets.

National authorities have traditionally been particularly sensitive about international interference in their tactics of exchange support, partly for the good reason that international committees are not the best counterparts to sharp-pencilled market operators. A system of managed floating is likely in practice to require a particularly large degree of international supervision; this may make it unsuitable for present requirements, which are for international ground rules that do not make excessive demands on transfer of effective power from national to international hands. But this option remains open and deserves more thorough investigation.

Crawling pegs

The family of crawling peg proposals are all designed to provide leeway for adequate exchange adjustment over time while providing assurance against excessive short-term fluctuations. The

proposals have in common the limitation of parity adjustment within a period such as a year to some total amount such as 2 or 3 per cent.

Under some variants, such changes are at the discretion of the authorities, and under other variants the authorities are guided by "presumptive" indicators, such as an average of past movements in market exchange rates or in external reserves. Under the automatic variant there is no such discretion and movements in the parity would be required weekly or even daily, on the basis of an average of market indicators in a given past reference period. None of these variants is free of difficulties—but the same is unfortunately true of any exchange rate system.

The advantages of the simple automatic compulsory crawl would be that: (a) the exchange adjustment would take place continuously and free of political inhibitions; (b) by relating adjustment to an objective market indicator such as the exchange rate, and requiring such adjustment of all countries, surplus countries and deficit countries would always make an equal contribution. The main disadvantage of the system is that, because no average of past movements can be a perfect guide to present needs in the light of future prospects, the parity would occasionally be in the wrong place. But this error would rarely be more than 2 or 3 per cent, and, as such, might be considered as a reasonable insurance premium to pay for the high assurance the system would provide against the parity ever getting out of line by 10 or 15 per cent as has frequently happened in the past. Since no one can be confident of being able to calculate an equilibrium parity within 2 or 3 per cent, and the serious problems arise from the large maladjustments, this insurance premium may be well worth paying. With exchange margins of, say, 3 per cent, a good combination of short-term stability and long-term adjustment should be attainable.

Routine parity changes

Whatever economic and administrative arguments can be made for an automatic crawling peg, it has to be recognised that such a system is perhaps the least acceptable to present national authorities, being particularly unpopular at the technical level. No self-respecting manager likes a computer to set him his daily dealing limits. It is therefore worth exploring how far the benefits of such a system might be obtained within the framework of the

existing system of administratively set parities; or, to put the question another way, considering what amendments would need to be made in the system of administered parity adjustments to adapt it to conditions in which such adjustments are frequently made.

The underlying need for such a system, as indicated earlier, is that the size of parity adjustments should be small in relation to the permitted exchange rate margins, which effectively requires that the parity adjustments themselves should become much smaller than has hitherto been the case, and that they should be made as a matter of routine. The associated changes in market rates would therefore become much more difficult to predict. Parity changes would no longer always involve a movement of the exchange rate outside the existing margins, and the exchange authorities could use the same kind of tactics to fend off market speculation as the Bank of England has used with some success to keep the market guessing about Bank rate. However, while manipulation of the parity in such ways is desirable to achieve smooth adjustment in market exchange rates with a minimum of disruptive speculation, it would raise a new problem of devising satisfactory international safeguards against unreasonable manipulation of parities.

A possible basis for reconciling these objectives which I have developed more fully elsewhere* can be summarised as follows. An international authority such as the IMF would calculate, at intervals such as six months, the estimated equilibrium parity rates for the main trading countries. These calculations would be made, as is now standard practice, taking into account not only the latest recorded historical balance of payments data, but the impact of cyclical influences and any other assured prospective influences on the payments balance. (In this respect the results would differ from a crawling peg based on market indications.) To take account of the uncertainties involved in such calculations, and also to provide a substantial degree of national discretion, these calculations would be expressed as an "equilibrium parity zone" which would be, say, 5 per cent on either side of the calculated equilibrium parity. Within this zone of 10 percentage points, the national authority could change its parity on

notification to the IMF. But it would undertake to prevent its parity falling outside this range, even if this occurred as a result not of its own excessive devaluation or revaluation but simply as a result of inaction in the face of an underlying payments imbalance.

Since countries are in practice unable to finance underlying deficits indefinitely—at least once other countries stop giving them credits—the main effect of this provision would be a new assurance against what has been called "competitive non-revaluation" under the Bretton Woods system, as practised by Germany before 1961 and Japan before 1972. While such a system would involve some new explicit obligations for national authorities to the international community, these obligations would be incurred only in positions of extreme imbalance. At the same time, national authorities would gain new freedom of action for small adjustments; and they would be protected from bilateral pressures such as those recently implicit in the American Treasury taking views on whether other countries are in fundamental disequilibrium on the basis of its own assessment of historical payments records.

The operative issue on exchange rates is not the grand argument between fixed and flexible, but the form that a system of controlled flexibility should take. Urgent attention now needs to be given to the choice between alternative arrangements such as those just described, and others. It seems to be impossible to devise an exchange rate regime without considerable faults or risks. But there is a lot to be said for the insurance principle of putting up with small faults if that minimises the chance of large ones.

The shape of the future reserve system—the role to be played by reserve currencies, gold and a synthetic international unit such as Special Drawing Rights—is much easier to envisage, at least at the technical level. At the political level, consensus has still to be achieved. This is currently bedevilled by the will of the wisp of European monetary union and by the defensive posture of the United States. This aside, any important changes in the reserve system will inevitably encounter resistance from sectional and bureaucratic interests. But few real national interests would be damaged by even far reaching moves toward a full international reserve system. The main issues involved are discussed in the next three sections, on the dollar and other reserve currencies, SDRs and gold.

* "The Exchange Rate Regime: An Analysis and a Possible Scheme," IMF Staff Papers, July, 1972.

The dollar: unbenign neglect

The best reform would be for America to have to convert newly created excess dollars into SDRs, but to be able to change its exchange rate when needed. This would allow America's foreign investment and military interventions to be properly costed

The international financial system established at Bretton Woods was in form fully multilateral. In practice it was centred on the dollar and on the United States acting as the reserve banker of the system. Convertibility of the dollar into gold provided a link between all currencies and gold. In the 1960s it became clear that this system—dollar-gold convertibility and an effectively passive exchange rate policy for the United States—was imposing excessive burdens on the dollar. The effective choice then became: (a) to modify the special position of the United States by matching its external obligations and policy instruments to those of other countries, in a fully international system; or (b) to maintain the special financial role of the United States in line with its position as the world's largest economy and true financial centre, but to remove the exposure arising from this role by relieving the United States of the obligation to convert foreign holdings of dollars into gold, or anything else. The latter strategy would involve a further and formal move to a world dollar standard. The dollar would be officially established as the world's money, with no more need for the United States authorities to pay gold or other reserve assets in exchange for dollars presented by other countries of the dollar-using world than there is need for the Bank of England to pay Englishmen gold for pound notes. This strategy paradoxically required the enthronement of the dollar from a position of weakness rather than of strength.

The option of the dollar standard was—and is—available in both a hard and a soft variant. In the soft variant, it was a plan for the United States to be fully passive on all aspects of its balance of payments policy, permitting the shape of the balance of payments and the exchange rate of the dollar to be determined entirely by the actions of other countries. The United States would be the residual of the system, the world problem of reconciling divergent balance of payments aims would thereby be solved (as other countries could always get to their desired positions at the expense of the United States), and, in return, the United States would provide the money

of the system in response to demand, without any convertibility obligations. Thus America could undiscover its balance of payments while other countries continued to enjoy effective freedom of action in dealing with theirs.

This strategy, which was given the accurate but inevitably misunderstood label of "benign neglect," always had more to be said for it than its European and internationalist critics allowed. It was to be preferred to the untenable status quo of the late 1960s, under which the United States undertook obligations—gold redemption of officially held dollars—that it could not possibly fulfil, while the Europeans carped at the United States for the grievous state of its balance of payments while themselves pursuing policies that kept it that way. Benign neglect was preferable, too, to another alternative, which eventuated under the Connally regime, and could be christened unbenign neglect or active inconvertibility. Under this system the United States pursued very definite aims for the shape of its balance of payments, and even for the geographical shape of its trade balance; but was decidedly passive on the side of its obligations to other monetary authorities and the IMF.

A policy of benign neglect by the United States for its external finances would be much more acceptable to other countries than the present combination of active policies and suspended obligations. Yet the United States seems very unlikely to adopt such a policy, and for good reasons. The policy of payments passivity for the dollar always lacked a certain real world credibility: its economic advantages were manifest only by neglecting a number of influences that find no place in simple classical models—dynamic effects, the role of sectional groups and international politics.

Thus dynamically, a willingness by the United States to let its trade balance be determined entirely by the actions of other countries was likely to result, in a world in which mercantilist interests are still rife, in progressively increasing trade deficits paid for by receipts of investment income and the accumulation of liquid

claims on the United States. A payments pattern of this kind would become unstable and unsound over time despite the protection of inconvertibility; although an eventual collapse in foreign confidence in the dollar would then involve no threat to the gold stock, it would force abrupt adjustments in the American trade balance—and for American industry, made uncompetitive by the earlier passive policy.

Admittedly, this scenario is not unlike that followed by Britain in the years between the Victorian heyday and the aftermath of World War II. But this was an example that the United States was unlikely to follow, first because the British example was there as a warning, and second because the manufacturers who would be made genteelly uncompetitive through such a policy are politically far more powerful in the policy-forming elite in the United States than manufacturers were vis-à-vis bankers in Britain. The key economic adviser whose analysis underlay the Nixon-Connally decision to force a devaluation of the dollar in August, 1971, was Mr Peter Peterson, ex-president of Bell and Howell, a midwest corporation which became a conglomerate by being driven out of its original photographs by Japanese competition. The key financial adviser who did all he could to prevent a devaluation of the pound in the first half of the 1960s, and thereby avoid a further blow to the international role of sterling and prestige of the City of London, was Lord Cromer, ex-managing director of Baring Brothers, a firm which owes its modern existence to the confidence commanded by the Bank of England. Associations such as these, and other more indirect ones, have more influence on policies than the standard analysis suggests.

If benign neglect for the dollar and for the American trade balance is a chimera, what of the "internationalist" alternative of a continued active payments policy combined with a restoration in some form of American obligations on convertibility? Public and official debate on this issue has been in terms of convertibility as an American concession and sacrifice. This is so only in the narrowest terms. Provided—and the proviso is essential—the necessary amendments are made in the mechanism of exchange rate adjustment to ensure that the United States is able to adjust its exchange rate in line with the needs of its underlying payments balance, an obligation of convertibility—eg, for

THE ECONOMIST AUGUST 5, 1972



Flexible Peterson.

the United States to redeem new accumulations of dollars beyond working needs by other countries by transferring reserve assets such as SDRs—need not be a burden to the United States. It could even be a welcome spur to adjustment. Convertibility, in a regime of sufficient flexibility in exchange rates and reasonably ample reserves and credit lines, does not in itself constrict domestic policies; rather, by obliging adjustment at an early rather than a later stage, it exposes to public view the full economic costs of domestic policies that have an external impact. The menu would be as varied as before, but the prices would be shown. Thus policies for which the public was

WORLD MONEY



Inflexible Cromer

reluctant to pay the price might indeed become harder to put through. The most obvious example is the foreign military adventure. The ability of the American government to undertake foreign expenditures without restraint from external finance is undoubtedly still given important weight by many American administrators and politicians. What is more remarkable is to find this facility blessed by liberal economists. But another view, which is probably shared by the Democratic candidate for the presidency, is that political and military decisions themselves are likely to be improved rather than damaged if their full cost is exposed to public view.

SDRs: a bigger package

We need a special issue of SDRs, carrying a higher interest rate, to fund dollar and sterling balances; and a link between SDRs and aid to poorer countries. This should be a politically negotiable package

Restoration of convertibility obligations to the United States will necessitate not only a reformed exchange rate regime but also a major extension of the role of Special Drawing Rights, involving their development as the central reserve asset of the system. At present, SDRs are allocated simply as a supplement to existing reserve assets. The next step is to make special issues of SDRs to replace reserve currencies directly, and gold indirectly—helping along the natural tendency for gold to fade out of the monetary system, as a growth commodity far too valuable to use as an efficient means of exchange. Existing reserve currencies consist preponderantly of official holdings of dollars, but also of sterling, and, in increasing volume, marks, yen and other obstinately growing reserve media in

currency form. Their replacement by SDRs, in so far as they are held in excess of working balances, is necessary for a sound reserve system because (1) for a sound reserve system involves multiplicity of reserve assets, switching the continuing risk of official switching between them, which can be destabilising in exactly the same way as private shifts of short-term funds which central bankers so deplore; and (2) the United States could not contemplate restoring convertibility to the dollar as long as the current excess of accumulated dollars was liable to be converted, and the only way of removing this overhang while maintaining its usability as international money for the holders is to convert it into a monetised instrument such as SDRs; and (3) if official holders of dollar—or sterling or mark—reserves are to be allowed to

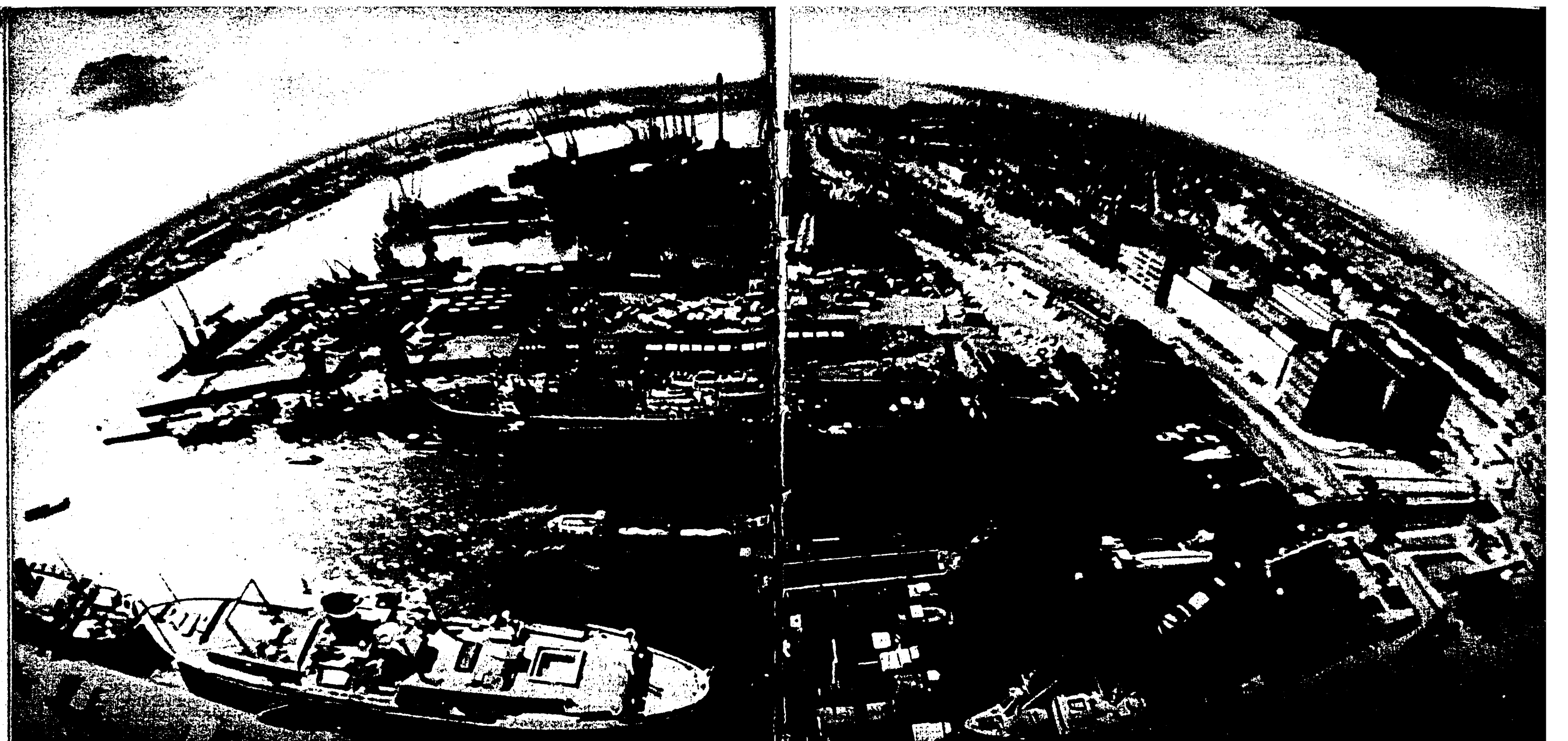
retain these currencies in their reserves in amounts of their own choosing, problems of excess conversion pressures will be shifted into the future. The United States, Britain and Germany will face periods of under-conversion followed by demands for over-conversion, and the familiar reserve currency cycle of cushioning followed by crisis will be perpetuated.

Thus a funding of existing reserve currency holdings, and avoidance of future accumulations of currencies in national reserves, is needed in the interests of smooth payments adjustments. How is it to be achieved?

Special issues of SDRs to absorb the present excess dollar, sterling and other excess currency holdings would involve a massive expansion in the existing SDR issue. It would almost certainly necessitate an increase in the rate of interest on SDRs, from the current level of 1½ per cent, but this is highly desirable in itself. This need involve no increase in total service payments on dollar and sterling balances by the United States and Britain, since amortisation could be stretched to fit. It has always been anomalous that the SDR system—as indeed the operations of the IMF as a whole—should subsidise debtor countries, rather than poor countries, at the expense of creditor countries, rather than of rich countries. Under this system, Upper Volta and Kenya subsidise Britain and Denmark. But because introduction of a realistic interest rate would increase interest charges for many developing countries, it would provide the natural opportunity for compensation by introducing the long-awaited link between SDRs and development aid.

Political pressure for this reform has been building up, and the developing countries are almost certain to make it a condition of their support for the next set of IMF amendments, which are dependent on developing countries' votes. With a higher interest rate on SDRs, special technical devices, which are quite feasible, would be needed for the link to retain its full value. One possible formula would be to devote one half of annual SDR allocations to the International Development Association, the World Bank's soft loan agency, and to relieve IDA or the recipients of its loans of the need to pay the normal interest charge when transferring these SDRs to the supplier country.

How negotiable is an SDR package of this kind—special issues to fund dollar and sterling balances, a higher

An aerial, high-contrast black and white photograph of a port and city. In the foreground, a large cargo ship is docked at a pier. Behind it, several other ships are visible in the harbor. The background shows a dense urban area with numerous buildings and structures, likely a city skyline. The image is split vertically down the middle.

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interest rate, and a link with aid on concessionary terms? Among IMF members, large and small, the SDR facility has been highly popular since its introduction at the beginning of 1970, and there is a general desire to see the scheme continued and extended. At the same time, most countries are averse to the suggestion that they should no longer be free to hold reserves in the form they choose and that they should be obliged to convert excess holdings of reserve currencies into SDRs. Among industrial countries, there is also a marked lack of enthusiasm for the aid link, for reasons as varied and detached as those usually put up by the rich when it is suggested that they should be given less money.

Thus, the major powers like SDRs well enough, but prefer them without the embellishment of links with aid and limitations on reserve currency holdings. The trouble is that this choice is an essentially false one. It has arisen from the unfortunate appearance of SDRs as a kind of new year's goody churned out by the good offices of the IMF computer. In fact the rationale for SDRs, as insisted on by the continental Europeans in particular, was as a means to bring the regulation of global reserves under conscious control. It is now clear that such control is not attainable while countries are free to hold reserves in any other form they choose, so that the real choice is between a much more tightly regulated SDR system or something quite different. Since the industrial countries will probably get reconciled to at least a partial aid link, the main question is then how strongly they feel about retaining their freedom of action to hold reserve currencies.

It is difficult to believe that any serious national interests are involved in this overblown technical question. This may not always be apparent from the strong views held by the financial officials responsible for reserve management, who share the natural aversion of all managers and bureaucrats to being tied down. Nowhere was this attitude stronger than in the Bank of England, yet within a few short years the composition of Britain's reserves has been transformed from 90 per cent gold to around 10 per cent gold. What has been done through absence of mind might conceivably also be done through deliberate policy.

When central banks give their commercial banks access to the source of domestic money creation, they are careful to ensure that these commercial banks observe prescribed rules on the

holding of their reserves, so that the monetary authority can regulate, or at least influence, the aggregate money supply. The same principle now needs to be carried forward to international reserve creation. Allocations of SDRs should be reserved to those monetary

authorities that undertake associated commitments on the holding and management of their reserves. If the choice were put this way, it would be surprising if the difficulties raised over reserve composition were not rather quickly resolved.

Gold: for loyal service . . .

Gold is now too valuable and too scarce to be used as international money. It would be tidier to change the rules to recognise this

At one time the most sensitive issue in the regulation of national reserves would have been the treatment of gold. Now this issue can be neatly sidestepped. Gold has already become, de facto, a secondary rather than a primary reserve asset—corresponding in some ways to the British Government's former portfolio of dollar securities, available as a second line of reserves for mobilisation in a tight liquidity squeeze, but essentially held as part of an investment portfolio rather than as a working reserve.

Transactions in gold at the official monetary price have become rare, and are likely to remain so as long as the market price remains at a significant premium. The few remaining transactions are almost entirely connected with international institutions. Certain transactions with the IMF still have to be made in gold, including the important gold subscriptions to quota increases. It would be a simple matter to make SDRs eligible for all such payments, as was the original intention when the SDR scheme was drawn up. Gold transfers are also required, in theory, in connection with the limping EEC scheme for mutual currency sup-

port within the confines of the snake, as settlements are to be in proportion to the composition of the reserves of the debtor country. However, the first use of this arrangement, in the settlement of Britain's June currency support, necessitated an ad hoc bending of the basic concept.

Muddles of this sort arise from the pretence that gold is still on a par with other reserve assets. It is not. Two generations ago, gold became too valuable and too scarce to be used as domestic money, and now it is too valuable and too scarce for international money. The international reserve system would be tidier if this were recognised by actions such as: (1) permitting, if not requiring, the replacement of gold by SDRs in all IMF transactions; (2) ending the taboo on official gold dealings in private markets associated with the two-tier system adopted in the gold crisis of 1968, a system which survives largely through bureaucratic lethargy (virtually no central bank would consider buying at present premium prices, and sales or the threat of sales could have a useful damping effect); (3) desirably, but not essentially,



It's all the same stuff to us

expressing currency values in terms of SDRs, and dropping the SDR link to gold (this link now has significance in giving an SDR and currency value to gold, but no significance in giving a gold value to SDRs, since the only link to gold value is to the artificial monetary price); and (4) if possible, removing gold from the remaining various legal definitions of international monetary reserves, and also from official reserve statistics (this would have the useful and not wholly specious effect of deflating the swollen global reserve total).

In France, and occasionally in Basle, the role of gold is still regarded as a bulwark against the global influence

of the dollar. This was always a dubious proposition: the one action that might have extended America's financial dominance a decade longer would have been a sharp increase in the gold price at an early stage of America's payments troubles. Now that the United States has no intention of undertaking gold conversions again, and that the technical acceptability of a synthetic international reserve unit has been demonstrated, the continued monetary role of gold serves no clear purpose. Many countries have strong attachments to gold, and diverse reasons for holding it. They should be fully free to do so, along with their other strategic and artistic reserves.

Summary and conclusions

The proposals in outline, and the prospects for achieving something like them

The main policy conclusion of this survey may be recapitulated as follows.

1. The loosening that has occurred in the international monetary system in recent years is to be welcomed in itself, but it now needs to be codified in a new set of international rules and practices. Effective freedom for national policies will be more assured through establishment and preservation of a set of liberal international rules than through a free for all.

2. The currently politically fashionable attempts to organise financial links on a regional basis would, if implemented, involve excessive rigidity within the regional blocks. The upshot would be something close to a return to fixed exchange rates in the world as a whole. This would involve major economic losses and would threaten the return of mass unemployment; it therefore almost certainly will not be allowed to come about, but, until this is recognised, progress on solutions that relieve rather than exacerbate existing problems of economic management will continue to be impeded. Official insistence that Europe is moving to monetary union also removes effective pressure from the United States to adopt internationalist commitments.

3. A main basis of a reformed international system should be a global system of exchange flexibility on a controlled basis. The frictions of the past few years, in which an effective system of exchange flexibility has been operated within a mechanism designed for long periods of exchange fixity, demonstrate that changes in institutional arrangements must now be made to

supplement the change that has occurred in official exchange policies and attitudes. The key to this institutional change should be to turn adjustments in parities, or their equivalent, into matters of routine. This could be done through a system of managed floating, or through an automatic crawling peg, or through administered changes that kept parities within fairly wide equilibrium parity zones.

4. Although it would be intellectually simpler to operate the monetary system if the United States agreed to be its residual, the United States is unlikely to so agree, for good reasons. An active American policy for the dollar makes it especially necessary to establish a system of exchange adjustment that can absorb the necessary changes on a non-crisis basis.

5. Such a system will be helped by phasing out the role of all reserve currencies, which would now be technically feasible through a special issue of SDRs. This should be combined with an increase in the SDR interest rate and a link between reserve creation and concessionary development aid. A reformed SDR facility should be associated with obligations for participating countries to limit their holdings of reserve currencies.

6. Countries nowadays treat their holdings of gold as valuable investments rather than on a par with other reserve assets. This tendency for gold to be kicked upstairs from the monetary system should be encouraged, if possible by formal recognition of its elevation. Central banks should again be

entirely free to deal in private gold markets, thereby performing a valuable buffer stock function.

The proposals for future evolution of the international monetary system made in this survey are all currently within the realms of technical feasibility, and in broad terms they would command wide support from economists, including economic officials in a wide range of countries. Yet politicians in their current mood have their eyes on a different economic road, a road that a great majority of economists see, in the light of a half century's experience, as unfit to travel. The politicians, and the commentators who encourage them, regard the economists as men of little faith who put technical details of international adjustment above grand vistas of European symbols and European concert. But economists, and especially British economists, remember the last time instruments of financial adjustment were abandoned in favour of lofty aspirations: in the return to gold foisted on sceptical politicians by the City establishment in 1925.

The reform of the international financial system that is now in technical reach could in effect complete Keynes's attempts to free domestic economic policy-making from artificial international constraints. It would appear as a cruel irony if at the moment when the old shackles seemed on the point of removal, they slipped back in new guise.

But such a grim conjuncture could hardly be pure historical coincidence. If the limitations on domestic economic policies, and the risks for employment and for the well-being of the worse off, that are inherent in any freezing of the exchange rate, were accepted for a second time—and, this time, open-eyed to economists' forewarnings—then such action would be difficult to attribute merely to accident, mistake or misunderstanding.

External financial pressure has always had its positive side to some eyes—as a discipline on trade unions and a check on social and financial experiments of radical governments. There is no doubt that in some quarters such efforts are seen as the silver lining in the constriction of a European monetary union. This is not the stuff of which idealists' Europe is made. As has been argued in this survey, electoral forces are likely to check the process of full monetary integration in its tracks. But the issue will have to be tackled more frontally if progress towards the taming of external finance is to be resumed.

— See you tomorrow in Sydney.

—

— No, I mean **tomorrow!** Thursday. And I'll arrive at 21.25.

—

— I take a flight to Copenhagen at 9.40, so I'm just about to leave for the airport. And from Copenhagen it's Scandinavian Airlines to Bangkok.

—

— From Bangkok the Thai airline takes over, but the plane is the same — it just goes straight through, with a stop at Singapore. And, as I said, I'll be in Sydney tomorrow at 21.25. Just four stops, including Copenhagen, that's not so bad either.

—

— Yes, what I really like is to fly straight through to Australia with just one night on board. I can stand one night in an airplane seat, if I have to. But I refuse to take another two-nights flight without breaking it off half-way.

—

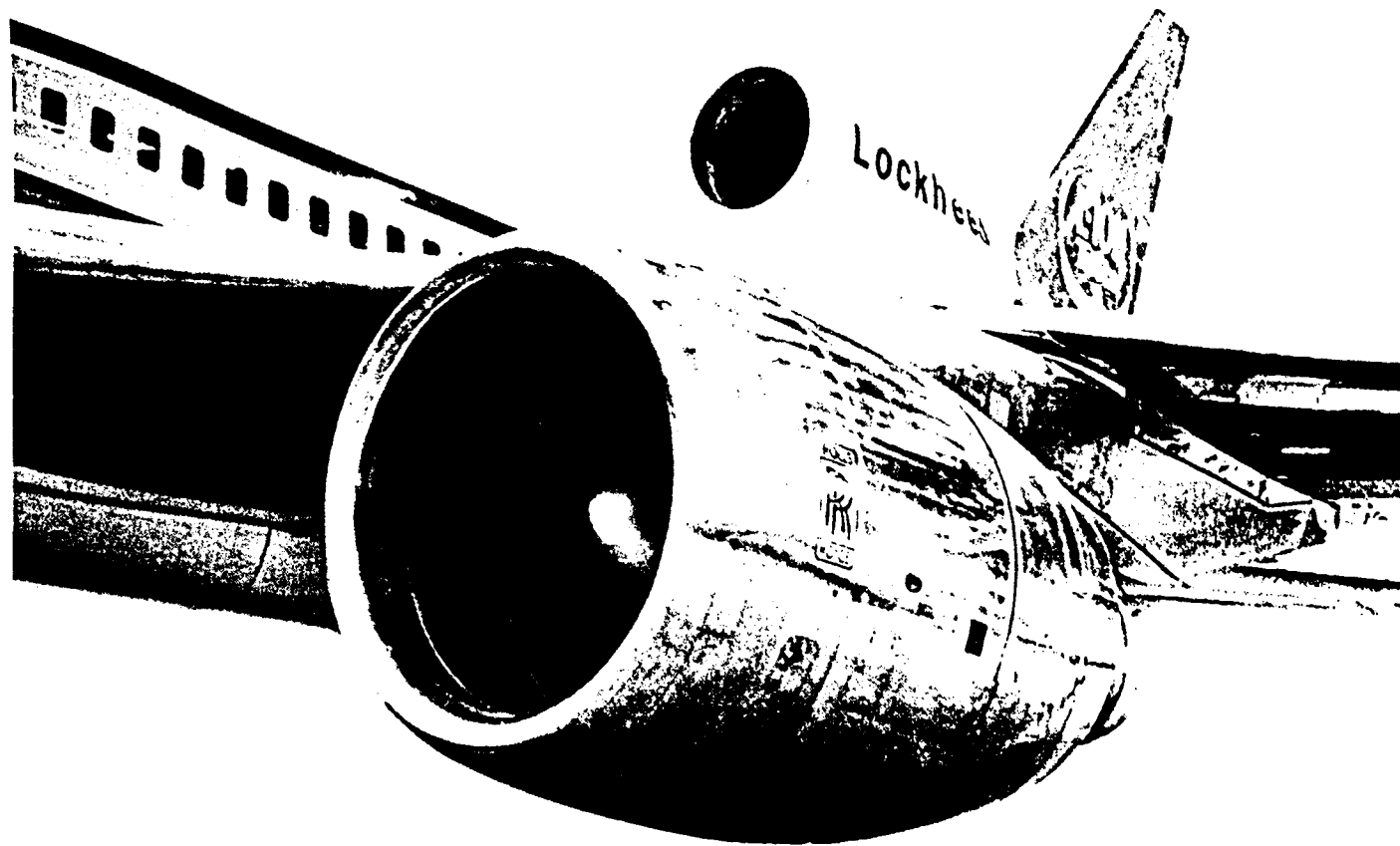
— Oh yes, you're quite right, it's 18 D-Mark a minute, so we'd better hang up now. Bye-bye, and see you tomorrow!

The call was fictitious, but the facts are accurate. The place would have been Hamburg, and the day either Wednesday or Saturday — these are the two days with "arriving-tomorrow" connections to Sydney. And not only from Hamburg, but from all over central and western Europe, including Great Britain.



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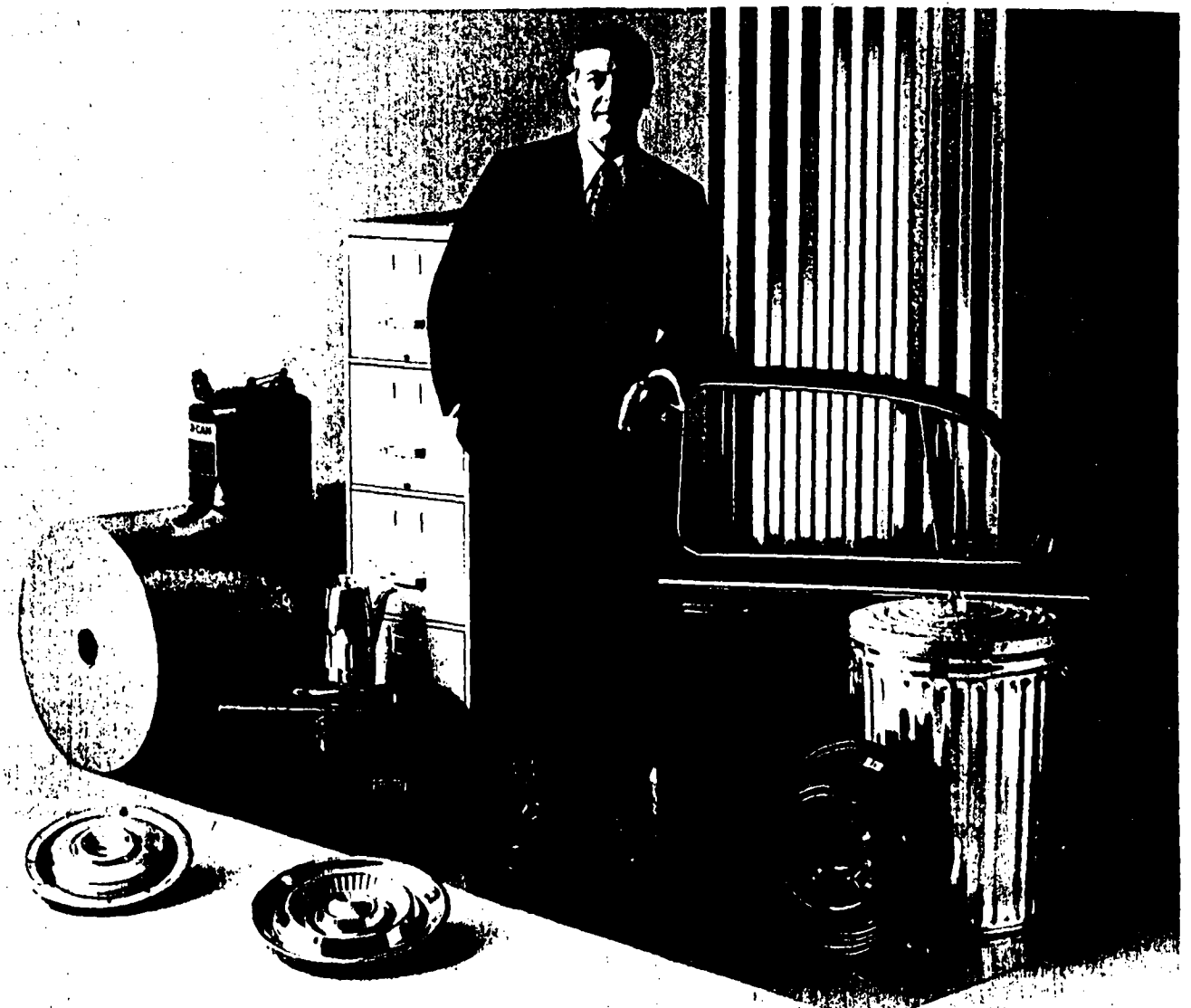
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Business Brief

Equal pay: it's a slow haul

It looks as if the Government has no option but to use some of its reserve powers to make companies move towards equal pay for women workers at a faster rate than most firms are doing. The official deadline is end-1975, but if employers drag their feet too much the Government can order them to bring women's rates to within 90% of men's by the end of next year. Mr Maurice Macmillan, Secretary of State for Employment, has been waiting for the results of a survey carried out by his department's Office of Manpower Economics before deciding whether or not he will have to do this. Its report*, published on Tuesday, seems to leave him little choice.

Mrs Barbara Castle's Equal Pay Act in 1970 was intended to remove discrimination between men and women on both pay and other conditions of employment. After 1975, it will be illegal to have separate, lower pay scales for work done by women. If men and women are doing different jobs, a complicated form of sizing up their jobs will have to be used to see that women get paid the same as men for work requiring the same sort of effort. In a firm

*Equal Pay. First Report by the Office of Manpower Economics. HMSO. 90p.

where no such job evaluation exercise has taken place, women will get at least the minimum rate of the lowest paid men.

The act has a phrase, "equal pay for the same or broadly similar work," which is going to become important to all those employers looking for loopholes. The International Labour Office convention 100 on equal pay, which Britain at last ratified last year, uses the much wider concept of "work of equal value." On the other hand, article 119 of the Treaty of Rome calls for "equal remuneration for the same work as between male and female workers," which sounds so narrow as to be almost useless, but the European Commission is interpreting it so widely that it ends up meaning roughly the same as the ILO convention.

Most common market countries have made better progress towards equal pay than Britain (see chart). Admittedly, because of differences of definition, and differences in the way overtime and shift work is counted, Britain's showing compared with Europe may not be quite as bad as it looks.

Awkwardly, other countries' experience suggests that legislation does not necessarily remove discrimination. In the United States, women's earn-

ings relative to men's are now lower than before the 1963 Equal Pay Act which prohibited pay differentials based on sex. Sweden, which has no specific equal pay legislation, pays its women a higher proportion of men's rates than any other western country. West Germany, where separate wage categories for women have been illegal since 1955, has a special dodge of classifying work into "light" and "heavy;" in practice women end up in the lesser-paid "light" group. British employers will be left to interpret the 1970 act for themselves until a case law can be built up after 1975, and it is already clear that it can mean a lot of different things to different people.

More numerous than the would-be evaders were companies that had sat tight and done nothing. The register of progress towards equal pay, as reflected in national agreements and wages council orders, which the Department of Employment has been keeping since the act was passed, shows only one-fifth of agreements included positive measures to get rid of discrimination before 1975. In nearly a quarter men got larger rises than women. About two-fifths gave equal increases, thus narrowing the percentage differential.

Laggards

To be fair to British bosses, few seem to be planning blatantly to evade the act. The OME report does cite one company (where 80% of the workers were women, so the cost of introducing equal pay would have been steep) which has been busy dividing its men from its women and putting them into wholly different categories of jobs. So successfully has it done this that by the end of this year they will not be doing even broadly similar work. The question of equal pay will therefore not arise. Significantly, this has been done with the full blessing of the local trade union, which is worried about the number of men out of work in the area. Although in principle the unions have championed equal pay for the best part of a century, the OME found that some are in practice growing lukewarm about implementing it, and

have been finding ways like this for getting round it.

It is just conceivable that employers have not fully understood the act. More than a quarter of the firms that had done nothing about implementing it thought that the act did not apply to them because their men and women did different jobs. A third of the laggards were just waiting around to see what would happen, reluctant to take any initiative. Some of the larger employers were delaying in co-ordinating their schemes with those of other companies in the same industry, or were waiting on the results of job evaluation. Generally speaking, though, larger companies are much more likely to have got themselves organised for equal pay. Of the companies employing more than 5,000 people examined by the OME, only two had done nothing about it.

It is the smaller firms that have the leeway to make up. A special survey among 200 companies with fewer than 100 employees discovered that a quarter of them were either not

aware of the act at all or had no idea what was in it. Of those who had heard of it, 90% did not know that it took effect in 1975. Because of this widespread ignorance among small firms the OME is pressing for a large-scale publicity campaign by the Government.

A guide to the act was published last year, but only a fifth of the small employers interviewed seemed to have a copy. There is plenty of extra information available for those who want it; the latest book on the subject* is specifically written for employers. But the OME is probably right in calling for an additional drive now; the longer companies leave it, the more painful it will be to comply with the act by 1975.

Progress towards equal pay has differed between industries. Among major employers of women, the retail trade has done particularly well; women now get at least 80% of men's rates virtually everywhere. Food, drink and tobacco and chemicals have also pushed up women's rates faster than the average. But engineering has slipped marginally. In the motor industry, Ford is still the only company to pay equal rates for work of equal value. Textiles have been slow, apart from two sectors (cotton spinning and weaving, and hosiery manufacture) in which, in theory, women get equal pay for the same work. Progress in clothing, where three-quarters of the staff are women, has been particularly disappointing. Only the public sector, where it does not

*An Employer's Guide to Equal Pay. By Peter Paterson and Michael Armstrong. Kogan Page. £2.50.

have equal pay already (the non-industrial civil service has had it since 1961), seems to be reasonably well set for the 1975 deadline.

Costs seem to have been given little thought. Of the companies visited by the OME, fewer than half had calculated the financial impact. Of these, about two-thirds thought equal pay would cost them no more than 5%, although one or two reckoned it could be more than 20% extra. But a lot of managers did not think it was worth making estimates while the size of future wage settlements generally was so uncertain.

Earnings

There is also the question of what effect equal pay will have when it does arrive. Many firms think that the act will lose jobs to women once they are no longer cheap to employ, although this does not seem to have happened yet. But this assumes that men will be available to do their jobs, which in areas like the south east may not be so. Higher wages for women may also jolt employers into using them more efficiently, turning more to mechanisation and automation as a way of saving on cost. This will improve productivity in industry, but may also eliminate some traditional women's jobs. There is also the awkward question of how men will react to any public narrowing of the differential between their own and women's pay. They may ask for higher rises.

Equal pay does not mean that women will necessarily ever earn the same as men. Of Britain's 22m employees, nearly 8½m, or 38%, are women. But their aggregate pay adds up to



I haven't struck it rich yet

only 20% of the total. Over the past 20 years average basic weekly rates for women manual workers have been running consistently at about half those for men. Between 1970 and 1971 women did move ahead faster, probably because of the equal pay legislation. But there is little chance of their earnings ever catching up, for a number of reasons.

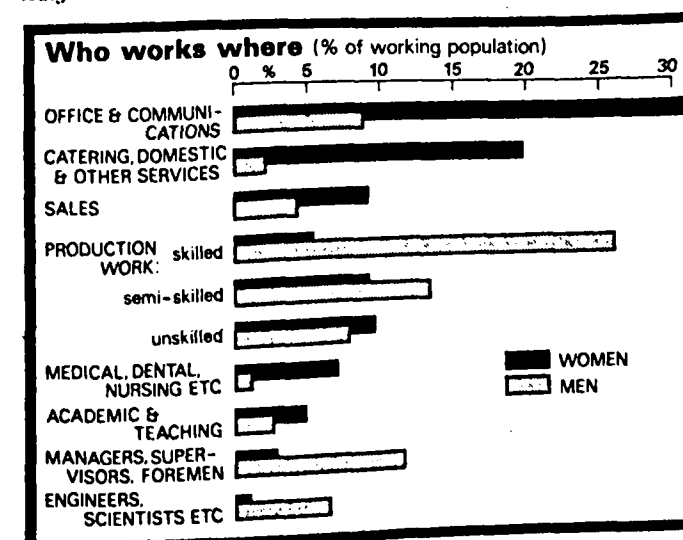
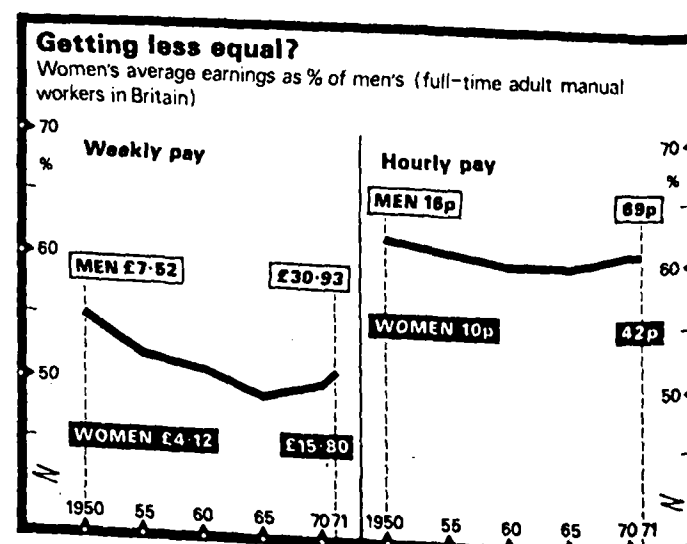
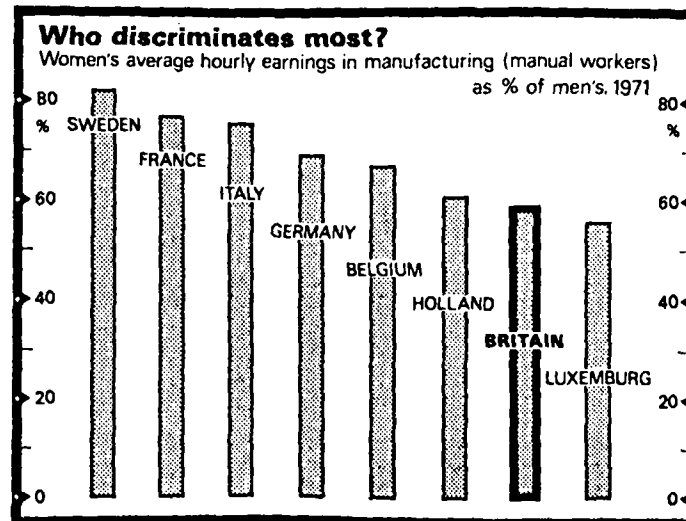
Probably as many as 2½m women are part-timers, which not only keeps down their earnings but probably also their chances of promotion. Even among full-time workers, women's hours are on average shorter than men's, although their standard working week is the same. In April, 1971, women manual workers averaged 38½ hours a week, and men 45 hours. This is partly because women do less shiftwork (Factory Act restrictions mean they still need special permission to work night shifts) and less overtime, and partly because they lose more time during the week, probably because of domestic commitments.

Women tend to be concentrated in the less well-paid industries. Less than a third work in manufacturing, and they are crowded into the less glamorous occupations in food, drink and tobacco or textiles and clothing. Among production workers, only a quarter of the women are in skilled jobs, compared with half the men. Two-thirds of women workers are in service industries, particularly in low-pay strongholds like catering or shop work.

The general level of pay in an industry does rub off, as demonstrated by women in non-manual jobs. They are strongly represented in the public sector (40% of them

work there), and well-off industries like banking, insurance, finance and professional and scientific services. Equal pay has not universally arrived for non-manual women workers either, although there is equal pay in the professions. But their basic pay is much nearer the men's rates than for the manual women workers, and absolute pay is higher.

The 1970 act deliberately steered clear of such questions as maternity benefits and pensions for women; the latter is still a major area of discrimination. Nor was there any attempt to deal with inequality of opportunities, although no one pretends that women have an even chance in training and employment and many think this a much more serious source of discrimination. A House of Lords select committee is now gathering evidence for the Anti-Discrimination (No 2) Bill, introduced by Lady Sear, and is getting plenty. It cannot be by accident that women account for only 8% of barristers, 4% of architects and ½% of engineers in Britain. But the explanation does not lie solely in male chauvinism. A government survey on women's employment in 1968 found that the majority of women were quite happy with their jobs, and employers still complain of their refusal to accept either promotion or responsibility. Married women, in particular, tend to rate the convenience of a job, and the ease with which they can adjust it to their home responsibilities, above what it pays them, and it does not follow that their priorities are wrong. But until other, less compromised women start bidding for better jobs, they won't be handed them on a plate.



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BUSINESS

Yes, we have no bananas

The first visible effect of the dock strike was that the shops began to run out of bananas. Then, more seriously, the farmers began to run out of animal feed, and on Thursday the Government declared a state of emergency

Many companies had anticipated trouble and built up their stocks of essential imports, but the animal feed industry was not one of them. Some manufacturers have only a week's supply of grains in stock, few have more than two weeks and the same goes for many farmers. When the order was signed by the Queen on Thursday morning, preparations were made to start rationing feed, and farmers talked ominously about the large number of beasts and poultry they would have to slaughter if the strike lasted much longer. Farm animals turn up their noses at grass these days and go out of condition without their high protein additives.

The strike may not necessarily last for more than another week. By Wednesday, Mr Jack Jones was talking about the possibility of another conference of dockers voting on an amended peace formula; this could happen shortly after the weekend. It can only mean that Lord Aldington, who had quietly been putting pressure on them to promise to find real or imaginary jobs for dockers to enable Mr Jones to spring this news as a surprise package at the conference. The delegates are then intended to be so stunned by the beneficence of it all that they will vote yes, where a week before they had been voting no. Dockers' delegates usually go to conferences with their minds already made up, and the personal intervention of the Archangel Gabriel, still less that of Mr Jones, will not make them change it. But Mr Jones may be taking comfort from the calculated sweet reasonableness of Mr Bernie Steer and chums who, when interviewed by the Aldington-Jones team during the week, gave a fair imitation of men in whose mouths butter could not possibly melt.

This may have been because the strike has so far caused little public alarm; August is a month when it is difficult, unless you happen to be a banana- or a tomato-grower, to worry about the dumping of 1,450 tons of bananas in the Atlantic on Thursday, or the fact that half the labour force of Guernsey is without its livelihood while the tomatoes rot. Of the 42,000 dockers in Britain, fewer than 800 have continued working this week, and of the 574 ships holed up in British ports 101 are carrying food. Air freight has picked up, although not as much as it might have, for fear

of blacking by the dockers. But the freight has been in valuable chemicals and scientific instruments rather than perishables like food. So far Britain's hoarding-prone housewives have largely ignored the whole thing.

The other unions did not. There are signs that the dockers' stand has made them take a stickier line about redundancy, and British Rail faced a good deal of arguing from its men during the week, 20,000 of whom are likely to lose their jobs in the foreseeable future, but with £2,000 apiece to sweeten their going. They are not as willing to take this now as they might have been before the dockers voted down redundancy pay of £4,000 a head, and the British Steel Corporation is not likely to get away in future with paying an average of £400 or less severance pay.

The dock strike is now moving into its third week, at a cost to the port employers and their customers of more than £200 for every man on strike. The dockers themselves have lost £80 each in pay. They have turned down the most generous terms of security against redundancy any British industry has ever offered—the choice of remaining at their jobs at a full rate of pay that is higher than most workers get in industry, or leaving with a golden cloth cap many a redundant executive would envy. Why did they do it? Explanations range from historical bitterness down to a suspicion that the Aldington-Jones report that spelled out this offer was so complicated as to be largely unintelligible to them. This leaves the way open to all the pub rabble-rousers.

Even the port employers are not sure that they fully understand the report. A pull-out version prepared by The Port newspaper tries to explain it, and 50,000 reprints were distributed this week. It was a beginning, but no attempt was made to follow it up and see that the men understood it. This is typical of the long failure of public relations in the docks and it is also, regrettably, typical of the long failure of the Government to put its case in any industrial dispute across either to the country or to the men involved in a strike. Otherwise there could never have been the rash of rumours this week that the Government will amend the Industrial Relations Act.

These suggestions did not come from the unions, who want the act abolished, not amended, but from members of the more woolly section of the industrial relations

establishment who think that everything would be all right if the National Industrial Relations Court no longer had powers to send men to jail, and even better if no employer could go to the court without first getting the express permission of the Secretary of State for Employment. The first suggestion ignores the fact that a law cannot work unless it has some sanctions against those who disobey it; the second ignores the whole purpose of the act, which is to deal with industrial relations problems by what one hopes is the impartial machinery of the law, but which would no longer be impartial if every case rested on the Government's discretion. Although both the Prime Minister and Mr Maurice Macmillan at the Department of Employment have said they are prepared to consider amendments to the act, they are not likely to be thinking of wrecking amendments of this kind. What Mr Macmillan is known to have been considering are much smaller changes that would make it easier for unions to have a closed shop, and that would stop bogus unions from registering, and this is not really the right time to be talking about either of them.

The dockers themselves are no longer particularly interested in the act, now their own heroes are out of Pentonville and since Midland Cold Storage, the company whose action put them there, asked the NIRC on Monday to withdraw the order banning the picketing that had led to their arrest. NIRC did just that and then adjourned for the traditional two-month legal summer holiday. All that the dockers are concerned with now are their twin objects of getting for themselves jobs in container depots now done by other workers, and getting small but expanding ports that are not members of the Dock Labour Scheme to join it or at least contribute to it.

This is a highly emotive issue. The dockers believe that the men they call cowboys have taken jobs from them by unfair means (some of them have). They resent the fact that some prosperous small ports contribute nothing at all towards redundancy schemes.

Firms that have recruited dockers for jobs outside dockland have mostly found them willing and intelligent. But some employers have been so disillusioned with the dockers they employed that they have closed their old wharves in the ports, and opened new depots, sometimes just down the road, where they need not use dock labour. This has, of course, exacerbated labour relations. Most of the depots are now willing to employ dockers as the price of peace.

But they are only willing to employ dockers on their terms, which means at the lower rates of pay ruling in container packing, and with conditions of employment that certainly do not approximate to a job for life as dock work does. The dockers are not prepared to accept these terms.

Furthermore, they want the container depots to take on surplus labour in order to create jobs. Lord Aldington is prepared to persuade the container companies to meet the dockers' demands, but the calling of a strike at this stage, before giving the Aldington-Jones proposals a chance to work, has hardly made the depots eager to acquire dockers surplus to their requirements. So far they are digging their heels in. The dockers' best chance of dissuading them is to go back to work.

Lord Aldington is also trying to persuade the small ports to contribute a kind of voluntary pension to be distributed to surplus dockers in the registered ports, against which they compete, and the Government is backing him by inviting these ports to discuss the proposals. There is a moral argument circulating, which says that since these successful little ports have gained at the expense of the big and often cumbersome ones, they ought to pay compensation to the big ports that have suffered. It is as if Ford had lost business to Chrysler and expected Chrysler to reimburse it. Taken to its logical conclusion, the argument would mean that no one would, or should, ever take business away from anyone else.

The little ports vary from river banks where one small ship unloads a year, and whose only capital equipment is a boat hook, to medium-sized East Coast ports like Felixstowe, Harwich and Shoreham. Felixstowe has become one of the leading container ports in Europe, and Shoreham has succeeded in winning much of the wine trade away from London and Bristol: sherry is now shipped to Shoreham, and then taken right across the country by road to Bristol. As with container depots, these ports have flourished partly through geography and partly through efficiency. Some, like Felixstowe, pay men more than they would get in London.

There are about 3,500-4,000 men employed in the non-scheme ports, mostly members of the docks section of the TGWU, and handling about 6 per cent of Britain's trade. They do not have all the facilities to rival the big ports, but they should be encouraged as sources of innovation and efficiency.

Pomp and circumstance

The huge pay offer to building workers shows what the latest "agreement" between Mr Vic Feather and Mr Campbell Adamson is likely to lead to; and wrong price policies in several industries show how the confusion is being compounded

The Trades Union Congress and the Confederation of British Industry met the Prime Minister for yet more talks on Tuesday about inflation and all that. The only firm agreement in their puzzling ritual was to meet again next Monday. On Wednesday the leaders of the TUC and CBI signed a private agreement to set up a conciliation body that will pay no regard to anti-inflationary policy at all. A much more significant event was the attempted settlement of the six weeks' old building industry dispute on that same day.

The unions were not overjoyed by an offer from the employers which would raise guaranteed earnings by an astounding 44 per cent in just 10 months. On top of this, the employers conceded a threshold clause. This would add about 0.8 per cent to wages for every 0.75 per cent rise in the retail price index beyond 8½ per cent between August, 1972, and August, 1973. This kind of agreement means that once inflation hits those heights, there will be a built-in mechanism to ensure that it accelerates still faster. There is no evidence that by conceding a threshold clause the employers will lower the level of the settlement. It is just a bonus.

The offer, to which the unions will give their considered reply next week, is perhaps only about half as awful as the figure of 44 per cent makes it look. It is intended to run till May, 1974 (although there is no guarantee that the unions would stick by their word), and most building workers already earn far above the minimum. But most of the 750,000 workers in the industry will expect their pay packets to rise by the same percentage as the minima.

The employers estimate that the offer will add about 13½ per cent a year to the industry's wage bill. The real cost will almost certainly be much higher, even if the employers do not raise their offer. Ministers have vainly tried to argue that the miners' 25 per cent award and the railwaymen's 13½ per cent were special cases which would not set a pattern. The builders have shown this week just what that argument is worth. Ministers have also vainly tried to argue that the steam has been taken out of wage inflation. They say that the latest figure of average earnings in this country, for May, was only 10.8 per cent higher than a year before, whereas 18 months ago the same comparison would have shown a 14 per cent increase. *The Economist* has often in the past been taken to task by Whitehall pundits for relying on the naive tool of a 12-months' yardstick in this day and age of seasonally adjusted track indicators. The Department of Employment produces just such a smart indicator of average earnings; it shows that the braking at the turn of the year is now being reversed and the lever has slipped into top gear again. Earnings are now rising at a rate equivalent to about 13 per cent a year. Incomes Data Services also

draws attention to the reversal in trend in its latest quarterly analysis of settlements at national level: from the March low of a 7.9 per cent average increase in minimum rates, the average went up month by month to reach 13.4 per cent in June.

No wonder, then, that seven out of 10 of the manufacturers who replied to the Confederation of British Industry's latest quiz expect their average costs per unit of output to rise still further in the next three months. A like number reported increases in the past three months, as they did in the three months before that, and before that. The proportions reporting and expecting increases have been exceptionally high ever since the autumn of 1970.

The CBI's survey of unit costs was conducted in the two weeks preceding the decision of the CBI's council to seek an extension of the voluntary price restraints for a further three months. In that uneasy atmosphere, over half the respondents said they expect to raise their domestic prices in this period. The CBI itself, when it reported on Thursday, felt partly muzzled on this politically sensitive front. But it could not refrain from saying: "As in the immediate past, the major qualification on optimism is the continuance of an unrealistic and unacceptable rate of wage inflation."

British Leyland's car prices are to rise by 3.6 per cent on Sunday. This will be their third increase this year, making a total of about 10 per cent. This is good news only for the distributors of imported cars, who now hold over 26 per cent of the British market. British Leyland is going out on a limb, largely because, with delivery dates up to nine months, it can sell every car it can make. Ford and Vauxhall, British Leyland's American-owned competitors, have agreed to hold their prices for another three months, in accordance with the CBI's latest initiative. The real danger of the trend can be seen by comparing British Leyland's record with that of its foreign competitors. The value

Among the price increases announced or forecast since July 1st were:

	% rise		% rise
Aluminium	8	Fish (over last year)	26
Beer (Watney's Red, Truman, Bass/Worthington, Double Diamond, Whitbread Tankard)	8.5	Glenlivet whisky	6.7
Bricks	7.5	Nylon yarn	5.10
Cars (VW, BMW, British Leyland)	3.6.5	Leather (over one year)	100
Cocoa, per ton	1.7	Meat "inevitable increase"	
Coffee, per ton	4	Metal (scrap) per ton	7.5-10
Domestic air fares	5-15	New houses	17
Electricity	15	Package tours	20
Domestic Industrial	2	Railfares	
		Passenger	7.5
		Freight	2.5
		Zinc, per ton	6.7



Aldington and Jones talked,

the ports were idle,

tomatoes rotted,

Maurice had to wait

having their advice rejected, but they are constitutionally entitled to be told why. The committee's deputy chairman, Mr Arthur Palmer, suggested to Lord Jellicoe that when the Government's own proposals came to be drafted, someone had said:

Oh Heavens, we mustn't forget the select committee; better put in a few polite references,

and Lord Jellicoe could not really deny it. Sir Harry-Legge Bourke described the process as "abominably rude" to the long line of eminent witnesses who had come to give their evidence—virtually all of it anti-Rothschild—to the committee. Other members went through the list of reports, on computers, space research and a host of other items, that the committee has published without any answer from the Government to its criticisms and recommendations. Lord Jellicoe was suitably penitent. He was in no position to be otherwise. But with a massive report on public spending in private industry to answer, recently issued by another select committee, whose chairman is another Tory outside the Government's charmed circle, namely Mr Edward du Cann, the Government is going to have to think up rather a lot of answers in a relatively short space if it is to mend its fences.

The Government may have handled the whole affair clumsily, but it does not follow that its proposals are wrong. The committee was so exercised over the Government's treatment of select committees generally that it left almost no time to go into the Government's

reasons for deciding that the spending powers of at least three research councils really did need to be curbed; their total budgets are not being cut, but they are going to have less money to distribute entirely at their own discretion and rather more is to be spent at the discretion of government departments. This is an important break with tradition, and the committee has heard largely the opposition view from scientists who have massed in one of the most impressive and intellectual lobbies seen for a long time. The change implies that scientists have been wasting resources entrusted to them. The Government deserves a chance to say what convinced it this was so.

Nuclear power

Coming non-event

The Government's long-awaited statement on the nuclear power industry now looks like being something of a non-event. The chairman of the Central Electricity Generating Board, Mr Arthur Hawkins, told the Commons committee on science and technology on Wednesday that a decision did not need to be made now on Britain's next nuclear power reactor since one will not be ordered for at least a year. Mr Hawkins is in a position to know since the CEB is the main customer for nuclear power reactors in Britain.

Mr Hawkins's testimony presumably means that the Government's statement will concentrate on laying out the new

structure of the industry. However, Mr Tom Boardman, Minister of Industry, has already indicated that the two nuclear design and construction consortia will already be merged into one: a proposition, Mr Hawkins admitted to the committee, that the CEB no longer opposes.

Besides the merger of the two consortia, the Government is expected to announce that the new group will include the British Nuclear Fuels Company, as well as the involvement of a large industrial company that until now has not played a major role in nuclear power. Speculation exists that this will be a large oil or mining company, though the name of the firm may be omitted from the Government's announcement, expected before the House rises next week.

Mr Hawkins, while refusing to be drawn on which reactor the CEB might choose in a year's time, had critical things to say about all four of the contending systems; the advanced gas-cooled reactor, which Britain is now building, the high temperature reactor, the steam generating heavy water reactor, and the American light-water reactors. He said it is important that Britain does not fritter away valuable technological resources working on these present-day reactors when the country's main interest lies in the fast breeder reactor of the future. He admitted, though, that Britain's lead in breeders may be only marginal now. The CEB and the Government talk about starting construction on a commercial-size breeder in 1976. Only a year ago Sir John Hill, chairman of the Atomic Energy Authority, was predicting a construction start in 1974.

Exchange reserves

Buying off Emu

When the members of the enlarged common market first dreamed up their slippery snake, it was widely assumed that the new game would require repayments of any support to be made in a package of gold, SDRs and currencies, according to the proportions of these assets in a country's reserves. In other words, debtors would have to part with some of their precious gold boards at an official price which is now barely half that fetched on the free market. Not so, it now appears. Italy avoided such a drain by insisting that it be allowed to break the rules altogether. Now Britain is buying immunity from the gold bite by taking on a new debt at the International Monetary Fund.

The rules of Emu clearly never envisaged the current unwillingness of member countries to part with gold. The intention of likely creditors was not so much to gain gold as to avoid being swamped with yet more dollars. For the purposes of the scheme a country's reserves are regarded as including not only its outright holdings of gold, SDRs and currencies, but also a fourth element, its reserve position at the IMF. (This is the so-called gold tranche, normally equivalent to its gold quota, under which a country may draw automatically, with no strings attached). In reckoning repayment obligations, only two proportions matter: first, the debtor country's outright holdings of currencies and, second, all its other assets, lumped together as under the label of "gold or gold-guaranteed assets."

What this means in practice is that a country can pay in dollars only that proportion of its debt corresponding to its outright holdings of currencies in its reserves. The balance must be paid in gold, SDRs or through drawings from the IMF of the currencies of its creditor countries. The choice of the latter mix is left to the debtor.

Happily, Britain had just managed to reconstitute its IMF reserve position two months before the balloon went up on sterling. It had paid off the last of its earlier IMF debt in April. (Would it otherwise have now agreed to pay perhaps \$100m in gold, at \$38 an ounce, to its EEC partners?) It has therefore been able to choose to meet that proportion of its EEC debt

The reserves arithmetic

	\$m	£m*
Britain's resources end-June:		
Owned reserves	6,965	2,843
IMF reserve position	760	310
Total	7,725	3,153
Forward swaps outstanding (est.)	1,150	469
Repayments of June		
ECC support:		
Financed from:	634	259
IMF drawings	1,150	469
forward swaps reserves	823	338
Total	2,607	1,064
Britain's resources end-July:		
Owned reserves	5,956	2,431
IMF reserve position	126	51
Total	6,082	2,482
Forward swaps outstanding (est.)	nil	nil

*at \$2.45

which must come from gold or gold-guaranteed assets, just over \$630m out of the total of \$2.6 billion, wholly from drawings under that IMF gold tranche. Half has been drawn in SDRs, half in the currencies of our June creditors (Belgium, France, Germany, the Netherlands and Norway).

The manoeuvre has conserved Britain's modest remaining stock of gold. It has also helped to cushion the reserves as a whole from the full impact of the EEC repayments—as has the decision to cash in some \$1,150m of forward currency swaps that the Bank of England had earlier salted away with other central banks. The drop in Britain's reserves in July was therefore only \$883m (to \$6,082m after inclusion of the remainder of our IMF reserve position), despite the fact that the United States chose that month to convert some £83m (\$203m at the ruling exchange rate of \$2.45) of sterling that it had acquired in April. Without these special transactions, the reserves would have shown very little change last month, which was the first full month of floating. That is exactly what floating is meant to do: take the strain on the exchange rate, not the reserves.

There will be some annoyance that Britain was treated less well than Italy. Why should Britain be forced to limit its freedom of action to make future IMF drawings and to take on a continuing debt servicing obligation merely to prove that it is a better European than its partners? In future, no one may be willing to pay that price.

Prospects in Europe

Gloom in t'North

Industry in northern England is unenthusiastic about its chances in the common market. This is the overwhelming impression of a special study* published this week by the Northern Economic Planning Council. The council looks manfully on the bright side, muttering the right phrases about intangible advantages in the longer term. But it didn't find local industries expecting any visible, short-term ones.

The study consulted a broad sample of companies accounting for 27 per cent of the region's manufacturing employment. Generally, they feel that

*The Northern Region and The Common Market. Northern Economic Planning Council.

tariffs are a less important barrier to trade than entrenched buying habits. The Europeans, they fear, have more rooted objections to foreign goods than the internationalist British (even though the average northern Englishman's knowledge of foreign languages is poor). The respondents think that the prejudices of the European housewife are mirrored by the chauvinistic policies of big buyers like public utilities, which ought to be an important market for the north's capital equipment, but are not because European firms in the capital goods industries tend to share directors with utilities and banks. They reflect on hidden subsidies, market sharing agreements, the deliberate use of standards and specifications; and generally take the view that while Britain will fall over backwards to comply with the free trade principles of the community, Europeans will not.

For its part, the council fails to find any startling export opportunities in Europe for the region. A large continental market may open for coking coal and the steam-raising coals produced in the north-east, but there is not much of them to spare for export anyhow. There is some scope for steel exports, but an equal threat on the home front from the Netherlands. For shipbuilding, the outlook seems bleak. Sea-going ships are already free of tariffs, but few European orders come to British yards. The north's farmers seem generally optimistic about their European future, but even more generally know nothing about EEC agricultural policy and marketing. Tourism could benefit, the council hopes, but only if facilities improve.

Motor Business

Issue No.71—July 1972
The continued buoyancy of the Japanese motor industry is questionable.
1972 and 1973 forecasts are given in:
SHORT-TERM PROSPECTS FOR THE JAPANESE MOTOR INDUSTRY

Other main articles are:
VALUE ADDED TAX AND THE BRITISH MOTOR INDUSTRY
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The road to Weimar

The Institute of Economic Affairs could hardly have chosen a better week to discuss inflation. But what the businessmen and economists who spoke at Wednesday's conference chiefly did was dramatise inflation's effects, not produce a cure. That may be the most important lesson of all.

Professor D. R. Myddelton observed that, in real terms, the Financial Times industrial ordinary share index is actually 10 per cent lower now than it was when it began in 1935. He went on to argue that most companies fail to account properly for inflation, and that the average company's retained profits are probably negative in real terms. Nationalised industries, for example, lost £2,200m between 1948 and 1970, but in real terms the losses added up to £8,300m.

Other speakers nailed the idea that it is possible to compensate those who lose most from inflation. Mr Brian Griffiths pointed out that those who

lost were the non-unionised and those holding fixed-interest savings. These groups are so heterogeneous that it is almost impossible to list them so that they can be compensated. But, as Mr Lewis Whyte said, if such people could be identified and compensated (by, for example, index-linked gilts), the most powerful restraints on inflation would be removed and, instead of trotting, inflation would gallop.

Mr John Treasure, the chairman of J. Walter Thompson, discussed an opinion poll on inflation which the IEA had commissioned. This showed that 72 per cent of those interviewed thought that rising prices was the most important political issue, and 40 per cent thought that prices would go on rising faster and faster. The poll also showed that the main blame for inflation was put at the door of the trade unions. If Mr Feather does not respect that, Mr Wilson and the Labour party should.

of British Leyland's worldwide sales has risen only 31 per cent since before the merger in the devaluation year of 1967; in that period sales by Volkswagen have risen by 113 per cent, by Fiat 54 per cent, by Renault 81 per cent, and by Toyota 163 per cent. In assets growth and invested capital, British Leyland lags even farther behind these competitors.

While our main export industries are raising their prices by too much, our domestic nationalised industries are putting their burden on the taxpayer. British Rail's latest price increases—7.5 per cent for passengers, 2.5 per cent for freight—are way below what is needed to pay for a £30m loss of revenue this year from strikes and a wages bill over £40m higher than the year before. The taxpayer, Parliament was told a week ago, is to foot the bill for a £50m-£60m cash flow shortfall expected between now and the end of the year.

On Tuesday Mr Richard Marsh, BR's chairman, forecast that, unless the railways' role was rethought, there might be only a few main routes left in 10 years' time. He cited the advanced passenger train, which will do routes like London to Edinburgh at 150 mph, to suggest a new railway era was coming in. Yet the APT, and electrification, are the only examples of a dramatic improvement in passenger service, and even the APT is unlikely to make much impact before the end of the decade. The immediate rethink is needed in the other direction: to stop subsidising BR for whatever losses it makes, to sack far more of the railwaymen whose last wage rise has priced so many of them right out of the market, to close uneconomic railway lines, and to develop competitive transport in its place.

The post office is in the same position of apparently incurable deficit. Its 1971-72 report, published on Thursday, showed a loss on postal services of £12.6m. This was much less than the previous year's £72m, but then so it should have been with the benefit of a large increase in charges in February, 1971, and another smaller one last March. The trouble is that consumers have now got touchy about higher postal charges; postal

traffic is running 9 per cent below a year ago. The main beneficiary is the telephone—hence the healthy £58m profit on the telecommunications side in 1971-72. But since there is no cross-subsidisation between the two services, that is no help to the posts. The post office says that without price increases early next year the 1972-73 results will be quite a bit worse. It also asks the Government to write off its accumulated deficit of £180m.

The steel, coal and electricity industries are also shouldering heavy deficits. The British Steel Corporation, which lost £68m last year, has been trying to bump up its prices for some time. Last April, it wanted to raise prices by 14 per cent, but the Government only allowed it to go to 7 per cent. This April, steel prices went up by 5 per cent, but there will be another price rise of around 7 per cent soon after the CBI price pledge runs out.

Coal's situation is more difficult. The National Coal Board raised prices by 7.5 per cent on March 26th, after the ruinous 25 per cent wage increase to the miners. The price increase will yield only £56m, far too small to meet the cost of the settlement, estimated at more than £100m yearly. Yet if the NCB raises prices further it will probably lose many private customers, as well as further antagonising the electricity supply industry, which endured coal price rises of 45 per cent.

Ideally, the electricity industry would like a price increase of 15 per cent, though nothing should happen within the next three months. After that, the industry may have to settle for less than it wants, but deficits of £23m and £56m in its last two financial years give it a strong argument. This is the industry that has suffered most from the Government's lack of an incomes policy. On Thursday the 110,000 electricity workers put in for an extra £6 a week to bring their minimum basic rate to £25, plus a 35-hour week, plus 4 weeks' holiday; a package equivalent to 40 per cent on earnings. This claim comes after the Wilberforce award gave them an extra 22 per cent from the beginning of 1971, while hangovers from that award and another straight 7½ per cent increase will probably add 12 per cent to earnings this year. The fever of inflation is growing alarmingly.

BUSINESS

Weinstock wants a change at ICL

Strong pressure is being put on Mr Tom Hudson to resign as chairman and chief executive of International Computers Limited. He was only appointed in March. Sir Arnold Weinstock, head of the General Electric Company, which owns an 18 per cent share of ICL, is leading the attack. His nominee as Mr Hudson's replacement is Lord Kearton, the head of Courtaulds. There must be doubt whether Lord Kearton is even interested. He had already turned the post down once before Mr Hudson's appointment, saying he would accept it only if strong Government support for the company was forthcoming. The Government has since announced it is giving ICL £14.2m over 18 months, mostly to finance ICL's new range of computers, but is this enough for Lord Kearton to change his mind?

It is doubtful if Sir Arnold will have his way. It is thought he has taken exception to Mr Hudson partly because Mr Hudson previously worked for, and is still a director of, the Plessey Company, another major ICL shareholder and a powerful GEC competitor, and partly because he wants someone who is better known in the City. Sir Arnold feels that ICL must revive its drooping share price and that to do so it needs a chairman like Lord Kearton.

A better image in the City will not necessarily help ICL to sell a single extra computer, but it would give the company greater freedom from the Government than it has now. Mr Christopher Chataway, Minister for Industrial Development, said on Thursday that one reason why the Government has accepted responsibility for financing much of ICL's research and development was because the risks made the company an unattractive prospect for raising money on the open

market. In conditions like these the Government is bound to have a dominant say in the shaping of company policy, and Mr Chataway's ambitions for ICL seem distinctly modest, probably more modest than those of Sir Arnold.

Mr Chataway is not only thinking in a small way, he is thinking in purely European terms. He ruled out, on Thursday, any early merger with a European manufacturer, and settled instead for a round of exploratory talks next month with his opposite numbers in the French and German governments to see what scope there was for integrating their computer interests after Britain becomes an EEC member. Talks like these foster goodwill, but not business. Sir Arnold, who usually does things on a grander scale, could be understandably irked at the way the Government continually turns from the big American market.

Science

"Abominably rude"

There was not a great deal left of Earl Jellicoe, the Lord Privy Seal, by the time the Commons select commit-

tee on science and technology had finished with him on Wednesday morning. Had he been a less tough customer, there would not have been anything left at all. The meeting had nominally been called to hear from Lord Jellicoe why the Government had decided on a policy for the scientific research councils that was diametrically opposite to the one proposed only a few weeks earlier by the committee. But it was turned into an occasion to warn the Government of its parliamentary obligation to take select committees more seriously than it has shown signs so far of doing. It carried the tug-of-war between the increasingly more knowledgeable select committees, aiming for the powers and prestige of the formidable American committees of Congress, and the Government, trying to stop them, a considerable step along the American road.

The Government need not have walked into the trap. This committee has two formidable Tory backbenchers in the shape of Mr Airey Neave (the chairman) and Sir Harry Legge-Bourke, who have no political expectations from this Government and can therefore be as rude to members of it as they choose; Mr Neave was rude icily, and Sir Harry with more heat. The committee's report on the debate at issue (the one that had erupted over Lord Rothschild's original proposals for reforming the research councils, and reducing their powers) was not in fact a good one; it has done better work on other issues. The Government therefore ignored it. This was a mistake. Select committees are used to



Jellicoe got badly roughed up by Neave and Legge-Bourke

Key indicators: British economy

Reserves

Official reserves down \$883m in July after EEC repayments, conversions by US authorities and inclusion of remaining IMF reserve position.

Bank advances

Further sharp rise in lending, particularly to personal borrowers.

Construction

New orders still at a high level in May; lower public sector figures were offset by increases in orders for private housing and shops.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	May	131.2	+2.9	+15.6	+4.6
employment*	May	88.7	-0.1	-0.6	-4.4
productivity*	May	147.9	+3.0	+16.1	+9.4
Export trade*†	June	157	+6	+11	-9
Eng'g orders on hand*	December	114	nil	-2½	-1
Retail trade*	May	114.8	+0.4	+2.4	+3.3
Unemployment*	July	159.9	+0.6	-7.8	+6.8
Average earnings*	May	202.2	+0.8	na	+10.8
Retail prices	June	158.0	+0.7	+2.1	+6.1
Export prices	May	151	+½	+2	+7½
Import prices	May	135	nil	+½	+3

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

BUSINESS

International

Going easy on Concorde

At his meeting with Mr Michael Heseltine in London on Tuesday, the French transport minister, M. Robert Galley, had to explain why Air France had signed an order the previous weekend for only four Concorde, when it had originally been down for eight. The British Overseas Airways Corporation cut its order too, but at least did not halve it. BOAC has dropped just three of its eight options, but then BOAC has been given an exceptional subsidy from the Government for its five orders and all the signs in Paris have been of Air France being put through the hoops by the treasury.

Air Canada is still the only airline of substance to have dropped all its Concorde options (it had four), but Lufthansa, with options on three, has said repeatedly that it has no intention of taking them up at this stage, which comes close to the same thing. Swissair said on Thursday it would not buy any.

The Dutch and Italians, too, have never reached the option stage, so that the future of the aircraft now lies with the Americans and the Japanese. A Japanese order would frighten Pan American, and probably the Australians too, into ordering Concorde for their Pacific operations. Understandably, Mr Heseltine and M. Galley

decided not to authorise the production of additional Concorde until they see how many of the remaining paper options (eight for Pan American, six for TWA, four for Qantas, six each for the big American domestic airlines, among others) go the way of Air France's.

The tensions set up inside the EEC when members refuse to back joint projects—and Britain and France regard Concorde as an exercise in EEC togetherness, if nothing else—has led the commission in Brussels to suggest, in its draft aviation policy, prepared last month, that no policy for rationalising the aircraft industries of Europe will work unless airlines are included so that they can be ordered to buy the products of Europe's aircraft factories. The airlines will fight this to the death; if they are reluctant to order Concorde, they are showing even greater reluctance to order the co-operatively built European air bus, designed with precisely their requirements in mind. The commission is dismayed at the fragmentation of the industry among 10 aircraft manufacturers where there is work for only three, and it suggests that mergers, when they come, should be between manufacturers in different countries, to avoid the build-up of



BOAC's Granville (right) bought five.



Air France's Galichon (left) only four.



China's Wang Ya-xian may have three—



and with the Shah's three that makes 15

national pressure groups. Soundings that the commission took among the Six before publishing its proposals showed no support for this idea at all; governments intended to keep up their support for their own national industries. The only bait that the commission has to offer is that it may be in a position, one day, to help to finance development. Greed versus pride?

Key indicators: world commodity prices

Soured

Sugar prices have dropped steadily back from their record £90 a ton earlier this year to £58. Producers have been considering reimposing export quotas which were suspended as the price soared. A longer-term shortage is predicted, however, of about 5m tons at world demand for 77m tons this year, so prices are unlikely to drop lower.

	Index 1963=100		Percentage change on	
	July	Aug	one month	one year
	25	2		
All items	132.9	133.1*	+1.4	+11.4
Food	147.1	148.1*	+2.6	+13.7
Fibres	103.1	102.7*	-1.0	+21.4
Metals	182.1	181.9	+0.9	-4.4
Misc	120.9	120.0*	+2.0	+17.2

*provisional

Montagu Trust Limited

Mr. F. D. O'Brien Newman, the Chairman, reports:

Earnings after tax for the year to 31 March 1972 of £5,378,000 compared with an adjusted figure for 1971 of £3,545,000.

An exceptionally good year for Samuel Montagu, and disclosed profits after tax of £2,671,000 compared with £1,598,000 last year.

A rise of approximately 20% in the profits of Bland Welch, E. W. Payne and Bland Payne, the group's principal insurance broking subsidiaries.

Confidence that the group can exploit the wider scope which Britain's entry into Europe will give, and that growth will continue in the long term.

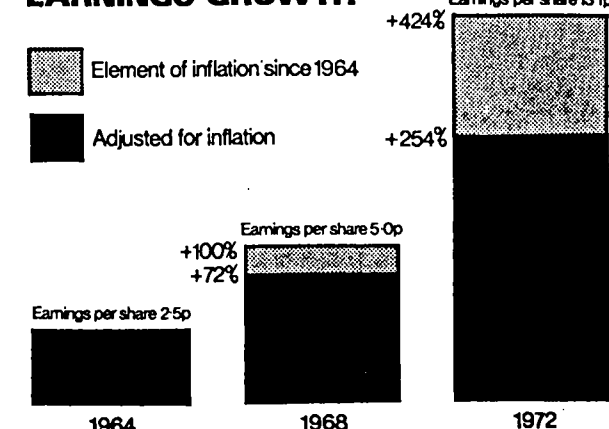
SUMMARY OF RESULTS

	Year ended 31 March	
	1972 £000	1971 £000
Profit after tax		
Banking	3,556	2,096
Insurance broking	2,609	1,822
Insurance underwriting	154	88
	6,319	4,006
Central management expenses and long-term loan interest	(464)	(291)
Profit after tax	5,855	3,715
Profit attributable to minority interests in subsidiaries	(477)	(170)
Earnings of Montagu Trust group	5,378	3,545
Result per fully paid share		
Disclosed earnings	13.06p	8.62p
Dividend	5.00p	3.50p
Times dividend covered	2.61	2.46

MONTAGU TRUST HAS SUBSIDIARY AND ASSOCIATED COMPANIES IN AUSTRALIA, CANADA, SOUTH AFRICA, THE FAR EAST, SWITZERLAND, FRANCE AND OTHER EUROPEAN COUNTRIES.

Copies of the report on the year ended 31 March 1972 can be obtained from the Group Secretariat, Montagu Trust, Limited, 114 Old Broad Street, London EC2P 2HY.

EARNINGS GROWTH



This diagram shows the earnings per share (adjusted on to a comparable basis) for the years ended 31 March 1964, 1968 and 1972. The light shaded portion represents the element by which inflation since 1964 has effectively reduced the earnings, while the dark shaded portion represents the earnings after making an adjustment for the effect of inflation.

Member companies of the Montagu Trust group provide a wide range of financial skills and solutions to financial problems from a base of traditional merchant banking and insurance broking activities. Subsidiary and associated companies include:

Banking:

Samuel Montagu & Co. Limited
114 Old Broad Street, London EC2P 2HY.
Tel: 01-588 6464
Guyerzeller Zurmont Bank AG
Genferstrasse 6-8 Zurich 8027. Tel: 254150

Insurance broking:

Bland, Welch and Company Limited
Sackville House, 143 Fenchurch Street,
London EC3M 6BN. Tel: 01-623 3456
E. W. Payne & Co. Limited
Kent House, Telegraph Street, London EC2R 7AT.
Tel: 01-606 7766
Bland Payne (UK) Limited and
Bland Payne (UK) Consultants Limited
19/21 Billiter Street, London EC3M 2RU.
Tel: 01-488 3481

Ship broking:

Wallace Shipping Limited
60 Mark Lane, London EC3R 7TE.
Tel: 01-481 1431

Russian trade

Kama grand prix

The new British £200m credit agreement with Russia did not happen by accident. It came at a crucial moment in the Kama River lorry saga, and was announced on the very day that Mr Peter Peterson, the American Secretary of Commerce, arrived in Moscow for his follow-up to President Nixon's visit. What the Export Credits Guarantee Department and ministers in London were anticipating, however, did not happen. American exports to Russia continue to be ineligible for export-import bank credits. The Russians and Americans continued to quarrel over the remaining commercial issue that divides them: settlement of Russia's lend-lease debt from the last war. But American manufacturers are itching to get in on those parts of the Kama River project that are still up for grabs.

The Kama project will cost £400m-£800m and will be capable of producing 150,000 lorries a year. The works will employ 40,000, compared with 35,000 at Togliatti, and a new town of 300,000 people is already being built. The Russians suffer from a huge inferiority complex about their motor industry technology. Some western observers reckon that too much has been made of this, and that what the Russians lack is not technical know-how but just experience of big lorry manufacture that western firms have accumulated over time. Nevertheless the project is running seriously behind schedule: four months according to the Soviet press, much more in the view of outsiders. The Russians are still sticking to their 1974 target, so they are in a hurry.

Originally they planned to hire a single western firm to act as main contractor, as with Fiat at Togliatti. Ford nearly got the job, but the

Defence Department intervened. Later the Russians said they would subcontract the work out themselves. Renault then emerged as the main western contractor for the machine tool side. What remains to be settled is the whole foundry installation. Here the American consultancy firm of Swindell-Dressler has won the \$9m design contract for the foundry, but the Russians have reserved the right to place orders for the equipment themselves. They are believed to favour American manufacturers, who have unrivalled experience. This would mean a sizeable spin-off for British manufacturers. But although the ECGD has now bowed to Russian insistence, not only on lowering the credit rate of interest from 7 per cent to 6 per cent, but also by setting up a £200m line of credit specifically for Russian trade, the problem remains that comparable cover is not available for Americans.

This means that the Swiss and German rivals for the installation (George Fischer and Kunkel Wagner) are still very much in the running, both able to offer attractive credit terms, and with the Swiss in particular offering a very advanced, though only partially tested, technology. Altogether the foundry contracts may be worth even more than the £70m or so Renault has already chalked up.

Because of the delays, the Russians are cutting corners elsewhere and are exploring the possibility of importing components for their lorries until their own plant is ready. The scale of the orders means that any western manufacturer would have to lay down extra plant; the companies approached want to be able to write off that plant over the life of any contract the Russians place with them, which means either that the price will be higher or the contracts long. The Russians are making half-hearted offers to pay in kind, but they may not push this one too hard.

Into Europe

Run for cover

Brussels

The European Economic Community has instituted anti-dumping procedures against imports of acrylic fibres from Japan, South Korea and Taiwan. They are said to be undercutting European prices by 20 per cent. Countervailing duties will not necessarily be imposed, especially if the producers take the hint and raise prices. But the move suggests that the Eurocrats are going to fail to open the heavily protected European fibre and textiles market to outside competition.

No countervailing duties have yet been applied in the two years since the commission took over responsibility for anti-dumping action from the member states in 1970; but some importers have tactfully been asked to cut deliveries or raise prices. Apart from fibres, inquiries are being made into fertilisers from communist countries. Aluminium and desk top calculators from Japan are also being watched.

The flow of complaints from industry to the commission has risen sharply this year. Commission officials say this is because industry has only recently latched on to the new procedures. They deny indignantly that the EEC is lurching towards protection on the American pattern. America's anti-dumping procedures, unlike the EEC's, violate Gatt rules, and have been applied with increasing vigour in recent months. The EEC's relative virtuosity on the dumping issue is one of the strongest cards in its negotiating hand.

The Americans, meanwhile, are methodically stacking up cards for their own hand. Under Gatt rules they are entitled to compensation for any damage to their trade that results from the enlargement of the community and from EEC agreements with the Efta

members. Some of the EEC-Mediterranean preference agreements, even in their present, unrevised form do not conform to Gatt rules. In the past two weeks the Americans have enraged commission officials by demanding details of EEC trade with the new members down to the last nut and bolt. At the weekend the EEC agreed to scrap most of the 2½-4½ per cent import levies slapped on agricultural imports into Germany and Benelux after last year's devaluation of the dollar, but is keeping them on \$500,000-worth of the \$40m-worth of annual imports originally affected. America is still not satisfied, and has tabled a formal complaint. Outlook stormy.

Farmers' friends

Brussels

Britain and the other new members are behaving increasingly as if they were already in the European Economic Community, without bothering to wait until next January 1st. At Britain's requests, all four are taking part in preparations for a review of the community's preference arrangements with Mediterranean countries, and for the 1973 community budget.

The draft for this budget, just issued by the commission, proposes a 20 per cent increase in spending, to \$5 billion a year. Half the increase reflects the cost of opening the Six to new members. The common agricultural policy accounts for 80 per cent of expenditure, compared with 90 per cent last year. The most spectacular rise—to \$260m next year, against only \$40m in 1970—is for the newly revamped social fund, which will begin dishing out money directly to firms for retraining and resettling workers, as well as reimbursing the money spent by governments. The costs of the community's supposedly massive bureaucracy are also sharply up, but administration is still only 5 per cent of the total.

Figures in the budget will change with key decisions yet to be taken: notably on farm prices, the workings of the social fund and whether to set up the regional development fund the Italians want so badly. Britain will benefit from increased community activity in research, the social fund and regional policy; but expects to lose on agriculture. The hope in the long run is that the budget will be paid for partly from the tariffs on goods imported into the EEC, and partly by a contribution from members equal to the first 1 per

cent of their value-added taxes.

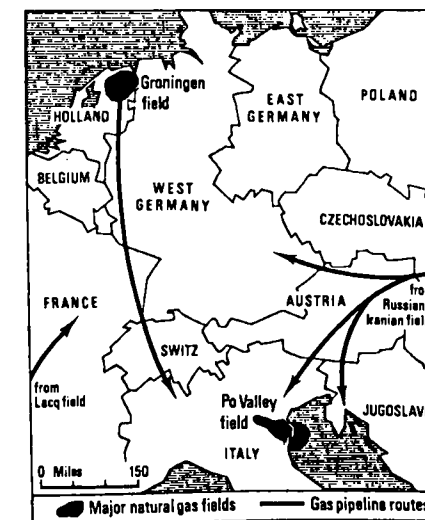
Members now pay into the budget on a formula based on gross national products. Britain, in the first year of the transitional period, will come in at an agreed 8.55 per cent, or £180m at pre-float exchange rates. Part of this will flow back again as contributions from

The great gas swap

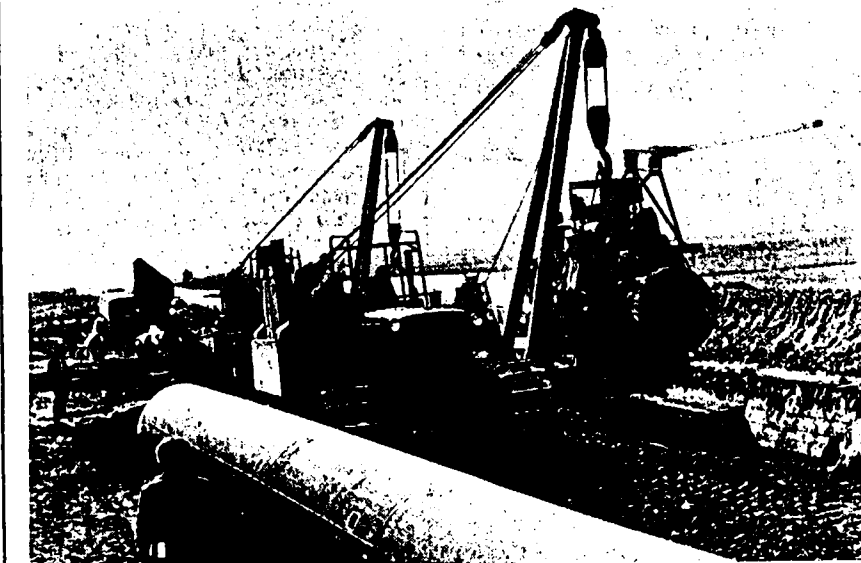
Rome

The French bought natural gas from Russia, but did not know how to get it to France. The Italians, meanwhile, bought gas from Holland. During President Pompidou's visit to Italy last week a sensible swap was arranged about it all. The 2.5 billion cubic metres a year of gas that France has bought from Russia will now go instead to Italy, down a 465-mile pipeline being built to take the annual 6 billion cubic metres of Russian gas the Italians are already buying under a contract signed in 1969. The pipeline will run from the Austro-Czechoslovak border to north-east Italy, where it joins the Italian gas grid. The only way France could have got the gas would have been by extending the pipe across either Germany or Italy.

In return Eni (the Italian state oil and gas corporation) will cede to Gaz de France an equivalent share of the 6 billion cubic metres a year of gas that it will shortly be getting from the Groningen field in Holland. The gains to Italy are that the pipe to Russia will now be used to capacity, and a possibly awkward gas shortage will be avoided—even if there continue to be headaches over the 3 billion cubic metres a year of liquid natural gas that the Italians thought they had bought from Esso Libya on a 20-year contract. First there was trouble with the liquefying



plant at Mars el Brega; then the Libyans made Esso revise the contract price. Two years after the scheduled date, no Libyan gas has arrived on the Italian grid, and the deliquifying plant at the Italian end is doing nothing. The Algerians are still working on their idea of running a pipeline under the sea to Europe, via Tunisia and Sicily. Meanwhile Italy is relying entirely on its domestic sources of natural gas, which yield some 13 billion cubic metres a year.



I told you we'd end up in Italy, tovarich

Key indicators: world economies

America is winning in the industrial world's fight against inflation. Its industrial output is not quite as buoyant as expected, but should gather speed.

Britain's 3-months' figures distorted by miners' strike.

	Industrial production			Exports	% change	1 year	Retail prices		
	1963=100	3 mths	1 year	1963=100	3 mths	1 year	1963=100	3 mths	1 year
United States	147†	+1½	+5	209†	+1	+6½	136†	+1	+3
Japan	293*	+4½	+9½	473†	+5½	+7	160	+2½	+5
Germany	159	+2	+2	328	+4½	+25	133	+1	+5
France	166*	nil	+8	324	+14½	+27	146†	+1½	+5½
Britain	131	+15½	+4½	208†	+10½	+11½	158†	+2	+6
Italy	146*	-4	+1½	338	-3	+14½	140	+1½	+5
Benelux	173*	+2½	+7½	315	-1	+22½	151	+2	+6½

Index numbers refer to May, 1972, except * (April) and † (June). Industrial production and value of exports (in dollar terms) seasonally adjusted.

Japanese trade A gesture

Tokyo

The best thing that can be said of the outcome of the four days of American-Japanese trade talks in Tokyo is that President Nixon's special trade representative, Mr William Eberle, did not leave completely empty-handed. The Japanese verbally agreed to raise the ceiling on the domestic market share of foreign computers from 46 to 50 per cent; to permit foreign retail groups to open 11 wholly-owned stores each for the sale of imported goods; to liberalise the bulk import, processing and packaging of black and white film and photographic paper (as well as of pharmaceuticals and cosmetics); to end Tokyo's "buy Japanese" policy except for computers; to permit electric power companies to import atomic reactors; to take steps to increase the import of American maize and wheat; and to pay in advance for 5,000 tons of uranium.

How much in foreign exchange does this mean? If the figures for the concessions on uranium (\$160m), food-stuffs (\$45m) and wheat (\$5m) are representative, the Americans will have to sell a lot of black and white film, not to mention atomic reactors, if they are to make any visible dent in the \$3.8 billion trade deficit that is expected with Japan this year.

There was no progress on oranges, beef, or beans; the Japanese, as expected, refused to liberalise imports of integrated circuits. Mr Tanaka says that all Japan's imports should rise sharply because he is aiming for a faster domestic economic growth. Mr Eberle's rather gentle protests marked real disappointment.

Coffee

Who's COPEC?

Rio de Janeiro

The key to the future of the world coffee market is held by Sr Carlos Alberto de Andrade Pinto, president of the Brazilian Coffee Institute, who arrives in Geneva this Friday for talks with other producers. Because supplies have fallen well short of demand, producers have been basking in a 20 per cent rise in prices. Now they are toying with the idea of forming a multinational corporation to act like a coffee bank, buying when prices are low and selling when they are high,

with the initial buffer stock donated by the major growers. Helped by the present shortage, Brazil, Colombia, the Ivory Coast, Costa Rica, El Salvador, Guatemala, Mexico, Peru and Portugal have reached a measure of agreement.

Whether or not they will go ahead with the plan hinges on the talks beginning in London on August 14th, when the producers will press for a world production quota for 1973 of no more than 48m bags. Consumers are holding out for 56m bags, which will inevitably produce a much lower coffee price. If they stand firm and there is no agreement, then the producers will go ahead and set up their own cartel. But coffee is not oil: the number of actual and would-be producers is huge enough to thwart most price rigging schemes of this sort.

French taxes

Still optional?

Paris

For the second time within a few months Frenchmen are being faced with uncomfortable facts about their tax system. In February the former prime minister, M. Jacques Chaban-Delmas, came under fire for (quite legally) using the "avoir fiscal" system

of rebates on dividends to save himself several thousand francs. This week the first annual report of an independent advisory body, the tax council, confirms what everyone has known for years: that it is easy—for some—to avoid French income tax. In the years between 1962 and 1969, according to the council, the proportion of wage-earners in the population increased, while the proportion of the self-employed and those living off investments fell. But while the tax yield from employees increased in line with their numbers, the self-employed appeared to be paying less per head.

The administration does not know enough about how much money the self-employed make. Only an estimated 23 per cent of farm incomes are known in full, only 44 per cent of industrial and commercial profits, and only 78 per cent of incomes from property. As a result, the council reports against the government's plan to put all types of income (earned or not) on to the same footing. This would extend to non-earned incomes the same 20 per cent tax-free allowance now enjoyed only by wage earners; the council in effect endorses the ancient assumption by French tax collectors that non-wage earners deserve to be taxed more heavily, on the grounds that they are bound not to be declaring everything.

No ark for Marcos

Manila

And lo, the rain fell more than 30 days and 30 nights and the waters prevailed exceedingly upon the earth and all the high hills that were under the whole heaven were covered. And as he beheld it President Marcos of the Philippines told his national disaster co-ordinating centre: "I guess the only thing to do now is pray."

The deluge poured 14½ ft of rain in one month on to the island of Luzon, where much of the Philippines' development effort has been concentrated and where the capital is located. More than 300 people have been killed and over 2m made homeless in the area of greater Manila alone; 1m acres of rice fields were destroyed; so was 30 per cent of the sugar crop, which dominates the Philippines' export earnings. Government estimates put material damage at £200m.

The floods came as the Philippine economy was showing signs that the stricter housekeeping rules set by the International Monetary Fund were paying off. Tax reforms, exchange and import controls and credit restrictions imposed in the face of political unpopu-

larity have enabled the Marcos government to start repaying foreign debts and wipe out the trade deficit.

The price has been development spending. The rapid pace of development and modernisation in rice, sugar, mining, road-building and irrigation of President Marcos's first term has faltered. Ironically the country that fathered the rice revolution and had an exportable rice surplus in 1968 had to import 500,000 tons of rice this year. The government had hoped to have a recovery under way in time for next year's presidential elections.

This hope has vanished into the deluge. Three years at least will be needed for the Philippines to get over the past 30 days. In an unsophisticated but predominantly Catholic country natural calamities require a supernatural explanation. Extraordinary disaster can only be the fruit of extraordinary wickedness and retribution for the sins of the rulers. Mr Marcos may now have to face growing demands that he be sacrificed in expiation of the sins of his regime. Prayer is indeed in order.

BUSINESS

Investment

What is gold worth?

Gold has touched \$70 an ounce, its highest level ever and twice the official price of a year ago. It has been helped to this height by the news that the French and Italians are hatching a plan to revalue the metal's official price within the EEC. But the rapid rise in the price can be justified on grounds that have little to do with international speculation or even with industrial demand, but with the simple fact that the South African reserve bank, which controls the bulk of the free world's supply, has cut back its sales to a trickle (see chart).

The latest results from South Africa's gold mines, which have been analysed in this week's Mining Journal, show that as much as 25% of their production is being kept off the free market. In the past six months alone, the South African treasury has boosted its own gold reserves by 50 tons (or 1.6m ounces). This has been a short-term measure to keep South Africa's foreign reserves split evenly between gold and foreign currencies. It will soon stop. And when the republic's full supply is made available again to

the London market the price of \$70 an ounce will look high. If the Russians begin cashing in some of their huge gold production to finance their new industrial overtures to the West it will look ridiculous.

Where does this leave gold shares? The Financial Times gold index has more than doubled since the start of the year, though this obscures the fact that gold shares have been a pathetic investment in the long run. The FT index was pitched at 100 in 1955: in 17 years an investment of £100 in the index would show just £6 capital gains. The latest results from South Africa's mines have not been good because spiralling labour costs and increased machinery costs after the rand devaluation have eaten into profit margins. Things have been made worse, however, by the fact that only a fraction of the mines' production has been sold at free market prices. Mining Journal estimates that the average price now being received is close to \$50 an ounce.

When the free market price does fall back share prices are likely to fall in line. There is no reason for this, however, as most mines will be better off selling all their production at a lower free price than having much of it kept back by the South African treasury for which they are paid only the official price of \$38 an ounce. The South African government's hope, however, must be that by causing a shortage of gold now it might be able to force a massive revaluation of the official world gold price. But in the end it realises that the ultimate strength of gold rests on its industrial use.

This means that many of the recent big gains in South African gold shares, led this week by Libanon, Hartebeest, and President Steyn, are likely to be

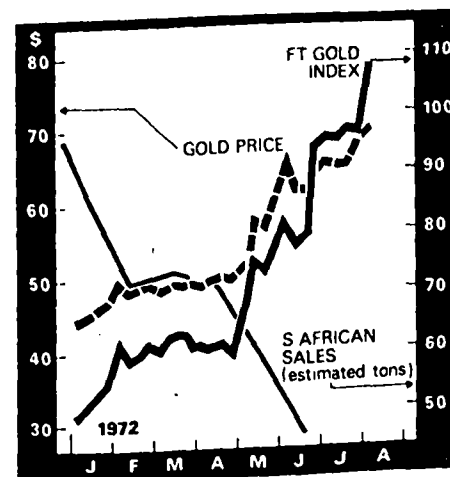
cut back in the near future, before the next half-year results can show the real profit increases. Until then an investor is backing a decision by the South African treasury rather than any commercial mining concern.

London and Wall Street

No longer twins

For a month Wall Street has been spoon-fed with unparalleled profit figures from American industry. Yet the market is still so obsessed with Vietnam that it was a visit by Dr Henry Kissinger to Paris, rather than the strength of the economy, that pushed the Dow Jones industrial average up 5.7 points on Tuesday and a further 10.7 points on Wednesday to 941. Anyway, the two-day bounce more than compensated for the strange downward drift towards the end of last week, which had occurred despite excellent figures from the car manufacturers, as well as the sight of the Democratic party tearing itself to pieces. But this has been a time when wise investment managers have been building up their portfolios on the cheap for the almost certainly heady days of Wall Street's Indian summer.

If the Street caught London's optimism the Dow Jones would be through the 1,000 mark in no time. For despite the national dock strike and impending state of emergency the Financial Times ordinary index put on 9 points on Monday and a further 8 on Wednesday, to close at 517.8 on Thursday. The resilience in London this week has come from the blue chips. Imperial Chemical Industries were up 17p to 288p and Unilever up 32½p on the week. Gold and oil shares all improved strongly. Shell Transport and Trading has gone up 27p in the past two weeks to 378p. A spate of takeover rumours, particularly for the brewers, Courage, kept brokers from growing glum over the news from dockland. The lesson is that the London market still thinks that things are cheap if the FT index drops below 500, regardless of Wall Street or stark reality.





Things are looking up at Chase

American banks

Chicago leads

New York

Thanks to rising interest rates and firmer demands from business for loans, American banks are back to doing what they like best: coining money. Many, but not all, major banking institutions have just checked in sizeable gains in profits in the April-June quarter. After their gloomy first three months of the year, they needed them. Chase Manhattan Corp has reported earnings up by 35.4% in the three months. Barclays Bank of New York has this week responded to the boom by beginning discussions to buy the Long Island Trust Company, a bank with assets of \$450m.

Nationwide, the best performers this year have been the two largest Chicago banking organisations: Continental Illinois Corp, owner of Continental Illinois National Bank, and First Chicago Corp, parent of First National of Chicago. Illinois is one of the few states that still bars banks from having branch offices. This is a restriction that deeply rankles, but it has helped to hold down operating costs. Ironically, although Continental can own no branches in its home city or state, it has 10 branches abroad where it claims earnings were especially good. Chicago and other mid-eastern industrial centres were also helped by the fact that the volume of corporate loans rose faster outside New York than in it. Continental Illinois reported a 66.7% jump in net operating earnings in the second quarter, and profits for the whole six months that were 30% ahead of the year before; both figures were

the nation's best in the big league.

Most west coast banks have been performing less well. A higher percentage of their deposits is interest-paying, so the benefits from higher lending charges are often negated by rising deposit costs. Crocker National Corp, which owns Crocker National Bank in San Francisco, actually recorded decreases of 6.1% and 6.7% in the bank's net operating earnings in the second quarter and first half of the year respectively. The giant Bank-America Corp, which owns the Bank of America, had a gain in net operating earnings of 5.2% in the second quarter and only 4.3% in the half year.

Tobacco

Rothmans v. Bits?

London is now set to be the headquarters of the European tobacco industry. Two new British-based companies will soon be locked in battle for the lion's share of the European market. The first, but probably smaller, lion in the field is Rothmans International. Plans for this new £220m group were announced on Tuesday. It will be formed by Carreras buying up a string of European companies, as shown in the table below.

Meanwhile negotiations between the world's biggest tobacco company, British-American Tobacco, and Imperial Tobacco should soon be concluded. British entry into the EEC means that Bats and Imps cannot continue their 68-year-old deal, whereby Imps only sells in Britain and Bats only sells abroad. The outcome may be the formation of a quite massive new group, perhaps to be called British Imperial Tobacco (Bits). The British cigarette could rule Europe. The main barriers in its way are the state monopolies in France and Italy, but the European commission is putting strong pressure on both countries to liberalise the rules to allow competition. When this happens, the markets will be very lucrative.

Here come the British

Country	Rothmans companies	Market share	Bats/Imps market share
Britain	Carreras, Rothmans of Pall Mall	8%	67%
Belgium	Tabacofina (60%)		
Holland	Tabacofina (60%), Turmac	40%	10%
West Germany	Martin Brinkmann AG	52%	25%
Switzerland	Tabacofina (60%)	21%	28%
		n.a.	15%

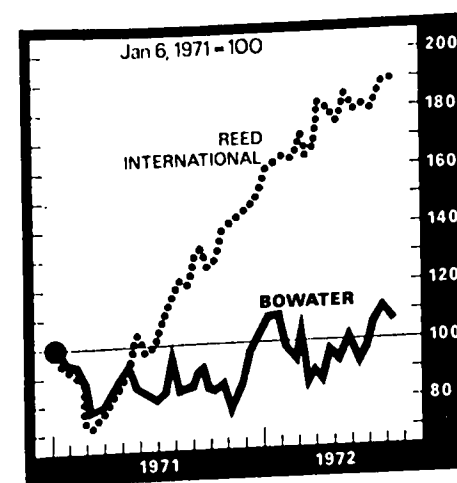
Figures in brackets show Rothmans' holding in companies.

The Rothmans deal is complex, because all the companies are partly owned by various holding companies linked to the South African tobacco giant, Rembrandt—which is the personal creation of Dr Anton Rupert, the former lecturer on chemistry at Pretoria University who is one of the most extraordinary self-made millionaires of the whole postwar era.

He decided that the old guard dominance of South African business could most easily be challenged in industries where the British had gone soft through forming a monopoly, and that is why he chose tobacco as his field. Although it is claimed that Rothmans will be the first genuine European multinational—with seven different nationalities on the board, including such names as the Spanish Duke of Badajoz and the German Prince of Prussia—it looks as though ownership will be divided between South Africa and Britain, with Dr Rupert keeping a healthy commanding interest.

The mergers are being financed by a straight share swap together with a £107m issue of convertible bonds. This makes it hard to calculate at what price the currently suspended Carreras shares will reopen. With nil conversion, a sensible price would be around 100p; with full conversion nearer 60p. The consensus in the City is around 75p, nearly double the price at the start of the year. The convertible bonds are attracting interest from British institutions, so this could mean that much of the potential European equity will pass into British control.

All this activity has focused attention on tobacco shares, and at last the City is waking up to their merits. Imps has risen sharply in recent weeks to 124p, aided by a suggestion that it could be Mr Max Joseph's next target. Gallahers has moved up 13% after surprisingly good results last week. Bats has been a bit higher as its results announced on Wednesday were better than the market expected. The sinking pound should ensure rising profits this year, making the share on a p/e of 11 look the cheapest in the sector.



Paper

Bowater wakes up

Suddenly, there is a flurry of interest in Bowater, long regarded as a sleeping giant. In 1967, its best year, it achieved only a 10% return on capital: by last year it had dropped to 5%. There have been some costly mistakes. In a single investment in Canadian forestry, Bowater lost £11m in only three years.

In short, Bowater looked like a grey-chip, if ever there was one. It is a surprise to find the shares at 186p on a historic p/e ratio of 32. The main explanation is that the paper industry is on a strong recovery tack. Bowater, in particular, stands to gain from this year's 6% rise in consumption in the United States, where it makes two-thirds of its profits.

Profits for the whole of 1972 will be about £14½m, a 50% rise on 1971. But this still leaves the shares on a prospective p/e ratio of 21, which is discounting not only the 1972 profit rise, but most of the rise in 1973. The shares begin to look cheap only in terms of the profits expected in 1974 and 1975, when there will probably be a world shortage of paper. If shareholders want to look that far ahead, they should also keep in mind the likelihood of a slump in 1976-77.

The current excitement is based on two different hopes: first, the asset situation and second, diversification. The assets are something of a mystery. Their book value is 220p a share, but two-thirds of this is overvalued plant and machinery. Properties only add up to about 50p a share, but the balance sheet valuation is at cost, so the real value could be five times higher. Slater Walker is thought to have been buying heavily in the market in recent months, for precisely this reason.

But the best moment for a takeover may have passed; Bowater is waking up. British newsprint production, which has lost more money than shareholders care to remember, was slashed in half last year. Now Bowater has embarked on an ambitious plan for acquisitions in consumer goods. A bid for the bedmakers, Relyon, flopped, but a bid was agreed last week for Beautility. This makes Bowater the biggest furniture company in the country, and it should soon be bigger.

If Bowater can make a success of furniture they could soon be turning the tables on Reed International. Reed got the message about diversification long ago. That is why its share price has risen by 164% in 18 months, and figures published on Thursday showed yet another sharp profit rise, 35% up on the year before. Reed's shares rose to 338p, but still look attractive on a prospective p/e ratio of 14½.

Dalton, Barton

A very quick buck

Dalton, Barton will be bringing a nice cash dowry to its marriage with Keyser Ullman Holdings. Pre-tax profits for the first half are up 175% to £2.2m. And this leaves out the near £1.5m profit it made in a bare two months by buying Paramount Realty, and then selling them to Eastern and General Holdings for nearly £14m.

True, there was less in this for Dalton Barton than meets the eye. The sale to Eastern and General is being back-dated to the beginning of the year so that the purchaser will benefit from the £600,000 profits Paramount might turn in during the current year. Some of the payment is deferred, which is worth £400,000 in interest saved;

and Dalton, Barton has to pay the dividend on the equity issued to buy Paramount. Basically, then, Dalton, Barton has made a rights issue and an ultra-quick dealing profit. Mr John Ritblat, of British Land, which held 14% of Paramount, tried his best to arrange a takeover, but did not bring it off. Mr Jack Dellal, Dalton, Barton's chairman fast gaining a reputation as the City's ace deal-maker (except that his offices are in Knightsbridge), did, however, manage to get an option agreement from the directors of Paramount before going ahead with the bid.

The reason Eastern and General is so interested in the nether regions of Ealing, where Paramount is the dominant office landlord, is that rents in such suburbs are rising fast. Hefty reversions, and a couple of development sites where 100,000 square feet of new offices might be built, explain the rapid rise in what the professional developers reckon can be made out of Paramount. The effect of the acquisition on Eastern and General is to boost the diluted asset value per share to 75p. This is still a lot lower than the market price of 110p. For the future, though, there are whisperings of a growth in net assets from the current level to 140p over the next few years. Obviously a company to watch, carefully.

But so is Dalton, Barton. Admirers are delighted that the merger with Keyser Ullman will add assets and respectability (if not the full honours yet of Accepting Houses Committee status) to fast-growing earnings. The merger documents will take time to come out, but the rumblings are that Dalton, Barton's profits are likely to be nearer £6m than the already mooted £5m for 1973. This makes the shares at 380p look less dear than before. They have almost doubled this year.

Key indicators: world bourses

	Stock price indices			Percentage change on			
	Aug 2	1972 high	low	one week	one month	one year	record high
London	517.4	543.6	470.4	+ 2.7	+ 3.9	+32.8	- 4.8
New York	941.2	971.3	889.2	+ 0.9	+ 0.8	+11.4	- 5.4
Canada	220.7	220.7	187.5	+ 1.0	+ 3.1	+24.0	-
Australia	588.3	639.3	490.1	+ 1.4	+ 0.4	+23.6	-11.3
Japan	302.0	306.8	199.9	+ 1.1	+ 7.9	+49.5	- 1.6
H'kong	502.1	509.0	324.0	- 0.8	+ 9.9	+70.5	- 1.4
Belgium	116.5	116.5	96.9	+ 0.8	+ 3.5	+11.1	-
France	83.3	85.7	67.6	+ 1.1	+ 3.2	+ 6.9	-21.0
Germany	119.3	119.8	97.1	+ 0.9	+ 7.9	+10.8	-
Holland	154.2	154.2	105.4	+ 0.9	+ 5.8	+26.8	-
Italy	49.1	49.9	43.9	+ 1.0	- 0.2	- 1.2	-57.9
Sweden	353.6	353.6	308.7	+ 0.3	+ 3.5	+24.5	- 5.8

Stock prices and yields are on pages 101 and 102

Offshore funds

Floating sterling offshore

Waves from the sterling float are rolling over the offshore islands. The sudden extension of Britain's investment currency rules to cover most of the old sterling area has complex implications for sterling-denominated funds based in traditional tax havens like Bermuda and the Cayman Islands.

Sterling funds are a minority of the offshore business. The large majority of offshore funds are denominated in dollars and based in tax havens like the Netherlands Antilles, outside the sterling area. They, like any other foreign currency security, have always had to be bought by sterling area residents through the investment currency pool and to pay the fluctuating premium: an extra risk. Because of this, sterling funds had been developing well—before the float.

Now the premium also applies to British investors in the old sterling area. Only the Channel Islands, the Isle of Man and the Republic of Ireland are exempt. Fortunately for fund managers, the Channel Islands have always been popular places for sterling offshore funds because they are near at hand.

A relatively small number of sterling funds appear in our performance list, which is prepared by Seiden and de Cuevas International. Many of them fall below the \$5m minimum size for inclusion. Among those listed, M & G

Island and New Court Overseas Fund, which are both based in Guernsey, are unaffected. So are the Manx International funds like Pan Australian External. Slater Walker, with typical good luck or foresight, recently shifted its International Fund from the Bahamas, where it would have faced problems, to Jersey, where it does not.

Not so lucky are those funds that spurned the tiny taxation of the Channel Islands for the nil-tax havens of Bermuda or the Cayman Islands, including Tyndall International, Save and Prosper Sterling, most of the Management International Group's Anchor funds and M & G's Atlantic Exempt. The Bank of England, after some shilly-shallying, appears to have decided that these funds must change from sterling to a foreign currency if they want to continue to do business in Britain. Managers are now pondering the next move.

British holders of these funds, unlike their bemused managers, have cause to be smug. Their shares, when changed into foreign currency, will get the built-in currency premium added to their sale value. By the same token they will be in a fund which does not itself face a premium currency problem on its investments outside the sterling area. The only snag is that any premium value attached to the funds' own investments is lost and,

with their new status, the funds will now have to be sold through authorised depositories rather than directly back to the fund management. This will mean an extra commission charge, but one which the value of the premium will amply pay for. New investors in a redesignated fund will, of course, miss out on these windfalls.

But just which currency to switch into is the big problem facing the fund managers. There is still an important difference in the status of outer sterling area currencies in that the 25% surrender rule does not apply to them. (Normally 25% of the premium must be given up with the sale of foreign currency securities.) This gives managers an incentive to switch to one of the more negotiable currencies of the outer sterling area like Hongkong or Australian dollars. Save and Prosper will do this for its "feeders" Monitor and Hampstead. For funds like Anchor Australian it is also the obvious course.

M & G has decided on a more exotic choice. Atlantic Exempt has been swapped into Cayman Islands dollars (which are floating with the pound): an option not open to funds based in the Bahamas or Bermuda where the authorities have refused permission, fearing that fund redemptions would weaken their balance of payments.

Management International Group takes another view, which is that investors are not buying exchange risks but stock exchange securities. The effect of currency fluctuations on a fund should be kept to a minimum, and to introduce a third currency which is neither that of the investor nor of the fund's portfolio only muddles things. Consequently their Anchor Unit Fund will probably be redesignated in American dollars. Save and Prosper might do the same with their other Bermuda funds.

Management International's Anchor B Fund illustrates another problem. Its role has been purely that of a sterling "feeder" fund. Sterling area investors went into Anchor B, which then invested in dollar-designated Anchor Wall Street, avoiding the premium by raising dollar loans—easy for institutions but hard for individuals. Since the Bermuda-based Anchor B can no longer be designated in sterling, its particular use in dodging the rules is redundant. The same problem applies to Save and Prosper's Monitor, which feeds SEPRO, and Tyndall Overseas Fund Ltd which supplies Tyndall Overseas Fund.

In yet another way of interpreting what the float means, BarclayTrust Frontier Management has hit on a compromise with the Bank of England for the four sterling feeder funds it operates in Bermuda. These are being allowed to retain their status as sterling securities while still remaining based in Bermuda for tax purposes. They will, however, be subject to British exchange controls. This solution, which leaves all these funds in precisely the same position as they were before, might be available to others. But each company must make its own deal with the Bank of England, and the fog hanging over offshore waters at present obscures whether the BarclayTrust funds are being treated as special cases or not. It might be convenient for managers to remain in sterling, but

existing fundholders should be irked at missing out on the float's bonus.

The feeder idea as a way of easing along British investors through the dollar premium remains possible for a sterling fund based in the Channel Islands or the Isle of Man, and most probably a number of new ones will be setting up there to replace their defunct counterparts in Bermuda. But feeder funds are far from foolproof. Back-to-back loans are costly to arrange and may not, in fact, be preferable to investment through the premium. Many funds make big profits investing in the premium itself. Gaps can open out between the feeders and their basic funds.

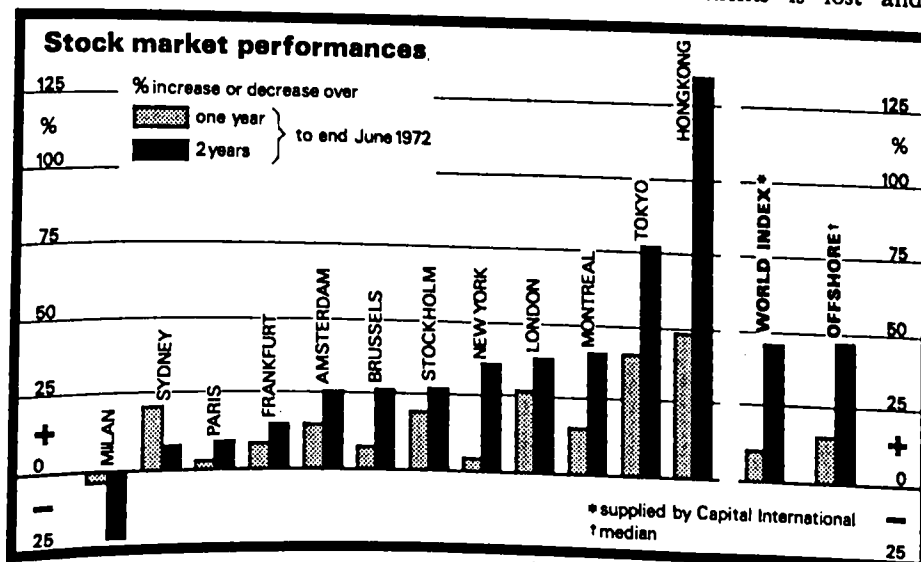
Whatever pattern develops, the Channel Islands must enjoy a boost

as offshore havens, with the added advantage of their proximity to the newly-fashionable continental stock markets and to European investors whom it is hoped will be increasingly interested in London. Quite a number of new funds have been set up there recently including: Anchor Gilt-Edged Fund, a gilt-edged specialist; Triumph Oceanic International, the first offshore venture of the successful unit trust stable; and no fewer than three new funds operated by BarclayTrust Frontier Management. This company is clearly aiming for the big league in offshore business following the link-up between Barclays Bank and the stockbrokers, Joseph Sebag. This year it has also started a Japanese fund as well as the three specially-treated feeder funds in Bermuda.

Offshore and overseas funds performances

Growth records of the funds, calculated on net asset value including income, over 12 months to end-June 1972 (and two years to the same date, where applicable). Only funds over \$5m. No real estate funds.

Fund	Managed/ advised by	Net asset value per share June 30	Total net assets \$m	2-year growth %	1-year growth %	Fund	Managed/ advised by	Net asset value per share June 30	Total net assets \$m	2-year growth %	1-year growth %
United States						United States					
Frontier Fund	Fraser Admin	\$19.45	14.7	+127.3	+62.7	Icofund	SOFIMAT	\$11.22	25.3	+33.0	+19.0
Templeton Growth	First Trust Bank	\$7.33	10.9	+70.8	+45.0	Capital Int'l SA	Capital Int'l SA	\$13.80	13.1	+38.4	+17.7
Centenary Fund	F&C Mgt	\$12.58	8.9	+87.5	+34.6	Tyndall Overseas	Tyndall Bermuda	\$1.87	23.3	—	+17.8
BTF Trust	BarclayTrust	\$13.47	20.5	+89.7	+28.5	American Exp Int'l	Am Ex Inv Mgt	\$11.06	17.9	+5.4	+17.8
NA Bank Stock	N Am Fd Mgt	\$27.53	9.7	+63.2	+28.4	Atlantic Exempt	M&G (Cayman)	\$1.01	32.0	+35.2	+18.3
Vermorel Fund	R Labov	\$61.48	6.0	+63.9	+22.8	Interfund Hldgs	Interfund Hldgs	\$11.35	14.1	+31.8	+14.9
Apollo Fund SA	Butterfield Exec	\$15.98	8.1	+90.0	+20.4	Tyndall Int'l	Tyndall Bermuda	\$1.18	22.0	+41.5	+14.8
US Trust Inv	UST Int'l	\$15.75	114.3	+63.9	+20.3	Worldwide Special	Burnham & Co	\$369.94	33.2	+19.2	+14.6
Standard & Poor's	S & P O'seas Mgt	\$268.28	9.2	+7.9	+20.3	Italamerica	Italamerica SA	\$10.41	28.7	+58.7	+13.6
Int'l						Guardian Growth	Guardian Mgt	\$69.92	4.9	+31.1	+13.0
Convent Fund	Smith, Barney	\$12.88	7.6	+59.6	+19.0	Anchor Unit	Management Int'l	\$22.34	53.1	+28.8	+12.8
Int'l 'B'						Patrimonial	Eurosyndicat	\$9.38	25.0	+42.5	+12.4
Convent Fund	Smith, Barney	\$10.58	22.1	+45.2	+17.0	Conv Bond Fund	Intermarket Mgt	\$133.43	14.2	—	+11.7
Int'l 'A'						Intermarket Fund 1	Management Int'l	\$0.79	5.6	+9.0	+11.2
Hedged Investors	A W Jones Mgt	\$14935.65	7.6	+57.0	+18.4	Anchor Australian	Drayton Corp'n	\$13.53	13.4	—	+10.5
Buttress Equity	Butterfield Mgt	\$82.09	7.4	+52.9	+18.8	17 Group SA	Murray Johnstone	\$10.47	14.9	+59.8	+10.4
Fund (Dist)	Newwirth Int'l Sec	\$10.60	6.2	+65.2	+15.3	Caribico Growth	Investors Divers'd	\$121.85	6.3	+45.9	+9.8
Newwirth Inv	Frontier Mgt	\$10.87	8.8	—	+15.1	Global Fund	Intercontinental Eq	\$8.59	5.7	+34.0	+9.3
BTF Income Fund	Management Int'l	\$5.48	10.8	+47.9	+14.1	Worldwide Seca	Burnham & Co	\$45.36	9.2	+34.4	+8.7
Anchor Wall St	Intimix Mgt	\$13.23	104.9	+69.8	+12.2	Delta Investment	Delta Inv Fd Adv	\$9.90	9.7	+15.7	+8.3
Five Arrows	First Nat City Bk	\$102.43	75.7	+78.5	+11.3	Australia Min Tst	Manx Int'l	\$0.25	5.9	+52.2	+7.9
Netherlands	Schroder Trust	\$15.28	15.9	+58.3	+10.2	Finance-Union	Eurosyndicat	\$11.16	21.9	+27.4	+7.4
Amitties Mutual						Mutual Accum	Mutual Funds Mgt	\$55.81	40.9	+43.1	+6.8
American Inv	Templeton Mgt	\$120.26	6.2	+33.0	+9.7	Intertec	Cogtec SA	\$F8.13	5.7	+15.4	+6.4
Apollo Fund/						Crossbow	Darsec Fd Mgt	\$0.48	22.4	+22.4	+5.2
Tempus						Anchor 'B'	Management Int'l	\$F142.12	8.5	+28.8	+4.0
Dreyfus	Dreyfus Mgt Int'l	\$13.57	42.4	+28.5	+8.7	Formula Selection	Formula Selection	\$11.70	33.1	+28.8	+1.8
Intercontinental	IFS Inv & Fin	\$15.13	6.2	+66.4	+8.1	Dreyfus Offshore	Dreyfus Corp'n	\$11.70	34.2	+44.1	+0.3
Monterey Trust	Frontier Mgt	\$8.15	19.2	+44.9	+6.4	Mutual Growth	Mutual Funds Mgt	\$65.38	16.9	+49.9	+1.3
BTF Growth	BarclayTrust	\$14.17	7.1	+45.5	+6.1	FI Int Min & Pet	First Inv & Savers	\$9.78	6.0	+8.9	+2.4
Stanhope Trans	Leparcq	\$10.59	18.9	+69.4	+6.0	Japan					
Alexander Fund	Bk of New York	\$13.09	38.5	+24.0	+2.3	Hongkong & Far	Jardine Fleming	\$8.21	54.9	+210.5	+95.9
Int'l Technology	Securities Mgt	\$119.44	12.7	+27.4	+2.0	Eastern	Jardine Fleming	\$37.02	12.8	+74.4	+84.2
Trafalgar Fund	Manx Int'l	\$11.45	18.4	+52.0	+1.4	Jardine Eastern Tst	Fidelity Mgt & Res	\$19.37	40.9	+171.6	+68.8
Energy Int'l	S G Warburg	\$4.83	7.3	—	+2.3	Fidelity Pacific	Jardine Fleming	\$2.09	24.1	+129.7	+57.1
United Capital Inv	United Funds Mgt	\$7.98	9.7	+14.0	+4.6	Int'l Pacific Sec	GT (Bermuda)	\$19.35	13.4	+93.5	+51.8
Hambro O'seas	Hambros Inv	\$8.71	12.3	+83.4	+5.7	Berry Pacific	Intimix Mgt	\$31.00	27.8	+99.1	+46.2
First Inv Am	First Inv & Savers	\$7.07	7.3	+80.4	+7.9	Tokyo Capital	Bridge Mgt	\$27.22	41.2	+101.2	+45.2
Newwirth Int'l	Newwirth Int'l Sec	\$8.99	14.2	—	—	Nippon Fund	Singer & Friedlander	\$22.82	20.6	+104.9	+44.9
Shareholders	Shareholders Mgt	\$11.53	6.8	+1.1	+8.4	Japan Selection	Formula Selection	\$50.99	15.3	+81.7	+43.1
Escalibur	European Corp'n					Jardine Japan	Jardine Fleming	\$35.08	64.8	+98.4	+42.0
Safe Fund						Hope Street	Murray Johnstone	\$16.08	15.0	+89.8	+34.1
International						Samurai Portfolio	Gertrust	\$F73.85	17.7	+67.2	+30.2
Save & Prosper (E)	Save & Prosper Int'l	\$0.07	8.3	+37.3	+49.5	Kleinwort B	Kredietbank SA	\$16.75	13.4	+60.1	+30.2
M&G Island	Kleinwort B (Gnsy)	\$1.05	13.4	+41.4	+39.4	Fleming Japan	Rbt Fleming	\$19.15	17.6	+74.4	+28.6
New Court O'seas	New Ct. O's Fd Mgt	\$0.82	15.1	+48.7	+32.0	Transpacific	Bqe de Neufize	\$14.22	13.8	+68.5	+25.9
Manx Int'l Income	Manx Int'l	\$0.80	8.1	+35.0	+31.0	Tokyo Valor	Bqe de l'Union	\$15.12	18.6	+58.3	+23.9
Australian Cap Fd	Hautsch & Cie	\$A1.53	5.1	+25.8	+30.7	Pacific Seaboard	Intimix Mgt	\$27.30	29.0	+48.7	+20.6
Fidelity Int'l	Fidelity Mgt & Res	\$19.08	31.0	+96.7	+29.8	Fund holding companies					
First Nat City Fd	First Nat City Fd	\$31.80	27.1	+74.9	+29.2	Fleming Fund SA	Rbt Fleming	\$99.93	23.9	+73.9	+28.5
Austral Trust	HIM Samuel	\$9.94	5.7	+3.5	+28.3	Monitor Co	Save & Prosper Int'l	\$5.71	5.2	+24.0	+14.2
SEPRO	Sec & Pros Fd Dist	\$45.02	31.1	+51.1	+24.6	Safe Trust	SAFEMCO	\$15.26	14.3	—	+13.9
Euronion	Eurosyndicat	\$0.53	11.5	+1.1	+20.7	Leverage Capital	Intimix Mgt	\$22.85	38.1	+45.0	+10.2
Pen Australia Ext	Manx Int'l	\$2840.20	13.4	+88.0	+20.2	NA Inv Fund	N Am Fd Mgt	\$8.69	73.2	+25.8	+9.6
First Eagle Fund	Investment Mgt	\$2243.12	15.7	+92.1	+19.3	Chase Selection	Securities Mgt	\$5191.00	7.2	+28.8	+7.7
Double Eagle Fund	Investment Mgt					Hausmann Hldgs	H H Inv Mgt	\$13.03	47.8	+43.9	+3.8
						Dreyfus Fund Int'l	Dreyfus Fund Int'l				



CHAIRMEN'S STATEMENTS



Salient points from the Statement by the Chairman, Mr. Alexander Crawford

- Pre-tax profits of the Group for the year to 31 March 1972 were £826,610. After-tax profits were £462,716 (1971 £472,741)
- Pre-tax profits for the second half of the year were £460,633 compared with £365,977 for the first half
- The Board are of the opinion that this progress should continue during the current year

**PRINTING INKS - PRINTERS' ROLLERS & SUNDRIES -
CONTAINER COATINGS - RESINS - AUTOMOBILE &
INDUSTRIAL FINISHES - SPECIALIST COATINGS,
FLOORINGS & LININGS**

For further announcements
see pages 5, 9, 93 to 97

HEPWORTH CERAMIC HOLDINGS LTD

The A.G.M. will be held on 7th September in London.

Salient Points from the Circulated Statement of the Chairman, Mr. John F. Booth

- **VITRIFIED CLAY PIPES.** Demand has moved forward strongly. The Company has a strong and profitable position in the market for underground drainage and conduit products against all competitive materials.
- **PLASTICS** have improved substantially. Acquisitions in the year have cost £3.6 million.
- **REFRACTORIES.** The world-wide recession in the steel industry affected the U.K. severely. Exports however increased by over 30%.
- **INDUSTRIAL SANDS.** A steady demand from the glass industry but consumption in foundries was adversely affected by difficult trading conditions in that industry.
- **ENGINEERING AND MISCELLANEOUS.** Substantial net profit improvement despite a recession in some of the engineering industries served.
- **FUTURE OUTLOOK.** Great opportunities are offered to us by the European Common Market of which the Board intends to take every advantage.

	Year ended 31st March	
	1972	1971
Turnover	£000	£000
Profit before Tax	71,270	60,655
Taxation	7,777	6,965
Dividends	3,238	3,050
Shareholders Interests	2,075	1,736
Earnings per share	40,425	30,947
Dividends per share	4.7p	4.7p
Number of employees	2.1p	2.0p
	11,800	11,600

The effects of the miners' strike reduced profits by approximately half a million pounds.

APPOINTMENTS

Coláiste na hOllscoile, Gaillimh

Lectureship in Applied Economics

Applications are invited for the above post from candidates qualified in any branch of Applied Economics. However, special knowledge of one of the following fields would be an advantage: International Trade; Development Economics; Monetary Economics; Mathematical Economics.

Salary Scale (under review): £2756 x £108 - £3836.

Marriage and children's allowances and a non-contributory pension are additional to salary.

The latest date for receiving applications will be:

15 SEPTEMBER, 1972

Prior to application, further information should be obtained from the Secretary of the College.

University College,
Galway.

25th July, 1972.

Australian National University

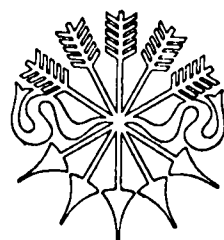
Master of University House

The University is moving to the appointment of a Master of University House to succeed Professor Sir Rutherford Robertson FAA, FRGS, who will relinquish the position at the end of this year on his appointment as Director, Research School of Biological Sciences. The Vice-Chancellor would welcome expressions of interest by the end of August. All communications will be treated in the strictest confidence.

University House has a central place in the community life of the University and the post of Master is one of the most important appointments the University is called upon to make.

Information about University House and the duties and functions of the Master may be obtained from Mr. D. K. R. Hodgkin, Registrar, Australian National University, P.O. Box 4, Canberra, ACT 2600, Australia, or from the Association of Commonwealth Universities (AppUs), 38 Gordon Square, London WC1H 0PP (Tel: 01-387 8572).

COMPANY STATEMENT



Rothschild Investment Trust Limited

salient figures from the Annual Report

	years to 31st March	
	1972	1971
Group Revenue for the year before Taxation	£1,318,326	£678,775
Group Revenue for the year after Taxation	£734,656	£335,155
Total Net Assets	£71,801,072	£33,155,322
Net Asset Value per £1 Ordinary Share		
- pre conversion	560p	292p
- post conversion	486p	303p
Dividends per Ordinary Share	10p	8.5p

APPOINTMENTS

University of Hong Kong

Senior Lectureship in Accountancy

Applications are invited for a post of Senior Lecturer in Accountancy in the Department of Economics.

Applicants should have suitable qualifications including (1) a university degree in the appropriate field, (2) recognised professional accountancy qualifications, and (3) teaching and professional experience.

Annual salary (superannuable) is HK\$61,680 x 2,840 - \$2,800 [US\$1=HK\$9.65 approx].

The entry point to the salary scale will depend on qualifications and experience.

Further particulars and application forms may be obtained from the Secretary-General, Association of Commonwealth Universities (AppUs), 38 Gordon Square, London WC1H 0PP (Tel: 01-387 8572), or the Secretary to the Council, University of Hong Kong.

Closing date for applications 8 September 1972.

Polytechnic of the South Bank

DEPARTMENT OF ACCOUNTANCY & FINANCE

Lecturer II in Finance (Ref. WA10)

Applications are invited from graduates who are interested in finance as a sub-set of micro-economic theory and have an understanding of accounting, and from Accountants with an interest in this aspect of financial studies.

The Department is developing the teaching of Finance in courses to first degree and post-professional levels and aims to introduce post-graduate studies in Finance.

Opportunities are available to collaborate with industry and commerce and to undertake research.

Salary scale, £2,473-£3,201 per annum.

Further particulars and application forms from the Clerk to the Council (Room No. 249), The Polytechnic of the South Bank, Borough Road, London SE1 0AA. Tel. 01-928 8989.

The London School of Economics and Political Science

THE HIGHER EDUCATION RESEARCH UNIT will shortly have the following vacancies: (a) Two research posts on a study of the labour market for school teachers. (One ECONOMIST; one person well-qualified or experienced in COMPUTING/STATISTICS).

(b) One research post for an ECONOMIST on a study of the economics of new educational media (television, programmed learning etc.). Candidates with M.Sc. or higher qualifications or similar relevant research experience will be preferred.

Starting salaries £1,347-£2,040, according to qualifications and experience. Applications should be sent by 18 August 1972 to the Research Secretary, Higher Education Research Unit, London School of Economics, Houghton Street, Aldwych, London WC2A 2AE, from whom application forms and further particulars may be obtained.

Hampshire

Statistician/Research Assistant

£1803 TO £2388

This post in the Research Section of the County Planning Department involves the preparation of population forecasts, advice on survey techniques and the analysis and interpretation of data used in planning studies. The Section is developing a number of computer data files and software systems in association with the County Council's Computer section as part of its work on the Planning Department's information system. There will be considerable scope for using statistical and computer mapping packages on the County Council's IBM 370/145 computer for the analysis of 1971 census data.

Applicants should have had some experience of using statistics as an applied science and be graduates in statistics, mathematics or associated social science disciplines.

Further details of the post, together with an application form, are available from the Clerk of the County Council, The Castle, Winchester, to whom applications should be sent quoting reference SE0912/S, not later than 21st August, 1972.

La Trobe University MELBOURNE, AUSTRALIA

Lecturer/Senior Lecturer in Sociology

Applications are invited for several new positions at Senior Lecturer and Lecturer level to be filled in 1973.

The Department at present has 25 full-time members of staff. It teaches undergraduate courses, postgraduate courses, and honours. Candidates for Masters' degrees, by course work or thesis, and for the Ph.D. degree are also accepted. The Department's teaching and research programme covers a wide range of areas of specialisation. Applications from sociologists qualified in any area of the discipline will therefore, be welcome.

It is, however, hoped to make one appointment in the area of statistics and research methodology, and at least two more in one or another of the following areas: industrial sociology, the sociology of organizations, the sociology of deviance, medical sociology, the sociology of minority groups, the history of sociological thought and Latin American studies.

The present Chairman of the Department is Professor Jean T. Martin. Professor Claudio Veliz has recently taken up an appointment to a second chair. Academic enquiries may be addressed to the Chairman in the University.

Salaries: Senior Lecturer: \$A 9644 - \$A 11,234 p.a.; Lecturer: \$A 8801 - \$A 9390 p.a.

P.S.U. type superannuation. Further information and application forms are available from the Association of Commonwealth Universities (AppUs), 38 Gordon Square, London WC1H 0PP (Tel: 01-387 8572), or from the Registrar, La Trobe University Bundoora, Victoria 3083, Australia.

Applications close on 21 August 1972.

COMPANY STATEMENT



Mr. Chobei Takeda VI, President,
Takeda Chemical Industries, Ltd.

Takeda Chemical Industries, Ltd.

Takeda 武田薬品工業株式会社

FINANCIAL SUMMARY FOR THE YEAR ENDED 31st MARCH 1972

	Yen Millions	Yen Millions
Property, plant and equipment, less depreciation	49,929	Issued capital of 488,304,828 shares 24,415
Investments and advances	26,199	Capital and revenue reserves 88,506
Current assets	132,547	
Less current liabilities	67,230	
Other assets	65,317	
	8,898	
Less employee severance and death benefits	19,511	
Long-term debt	17,911	
	37,422	
	112,921	
Net sales	169,824	
Operating profit	15,864	
Interest, dividends and other income less interest and other expenses	533	
Provision for income taxes	7,015	
Net earnings	9,382	

Semi annual cash dividends: 6 months to 30th September, 1971, ¥4.25 per share - ¥1,628 million; 6 months to 31st March, 1972, ¥3.75 per share - ¥1,831 million. This last dividend is not reflected in the above figures. Copies of the Annual Report are available from Morgan Guaranty Trust Company of New York, 33 Lombard Street, London, E.C.3.

APPOINTMENTS

TOUGH JOB IN BANGLADESH

Bangladesh needs rebuilding. A small, but vital part of this job is being done with the help of three British organisations: Christian Aid, Oxfam, War on Want, operating as the Consortium of British Charities. The Consortium needs a Chief Executive to run its programme of mechanised agricultural reconstruction, which extends to the building of workshops and the organisation of a Central Training School. This work is an integral part of development of a system of producer co-operatives.

The person will be an engineer or an agriculturalist. He will be expected to operate in the workshop and in the field, but will also be required to organise training at all levels. Above all, he must have the experience to manage the project and account for its financial running. The successful candidate must also be capable of negotiating at government level.

Experience in the Developing World, particularly Asia, would obviously be an advantage. The initial engagement would probably be for 12 months, with a break after six, and the successful candidate may not be able to take his wife and family. This job requires resourcefulness, physical and mental toughness, and commitment. The principal attraction will not be the salary, which will be in the region of £3,000.

Apply in writing to the Consortium of British Charities, c/o 2b The Grove, London W5

CIVIL SERVICE COMMISSION (NORTHERN IRELAND)

AGRICULTURAL ECONOMIST

Applications are invited for a pensionable post of Agricultural Economist in the Economics and Statistics Division of the Ministry of Agriculture for Northern Ireland.

QUALIFICATIONS:

Normally a first or second class Honours Degree in Economics or Agricultural Economics with Statistics, Statistics or Mathematics. Postgraduate experience in Agricultural Economics or allied research is essential and a higher degree and/or teaching experience is desirable.

Candidates otherwise qualified who do not have the appropriate research experience may be considered for appointment initially at Assistant Agricultural Economist level.

DUTIES:

The Economics and Statistics Division of the Ministry of Agriculture for Northern Ireland conducts research into the development of agriculture in Northern Ireland in relation to market and other economic factors and with reference to regional, national and EEC policies as these affect agriculture. It is intended that the successful candidate should work primarily on the comparative economics of regional agriculture and specialise in the study of trends in agricultural employment and productivity. A candidate appointed as Assistant Agricultural Economist would be encouraged to register as a research student degree.

SALARY SCALES:

Agricultural Economist (Grade III)	£1,957-£3,483
Assistant Agricultural Economist (Grade IV)	£1,290-£1,801

Grading and entry point to salary scales will be related to qualifications and experience. Application forms and further details may be obtained from the Secretary, Civil Service Commission, Clarendon House, Adelaide Street, Belfast BT2 8ND (Tel: 44300, Ext 26), quoting SB 140/72/60. Application forms should be returned by 24 August, 1972.

TUC International Department

The Trades Union Congress requires an assistant for the International Department. Applicants should speak one European language other than English and have a qualification in a social science. Trade union experience an advantage. Salary scale starts at £1,500 per year, rising to £2,500. Please write to the General Secretary, TUC, 21-25 Great Russell Street, WC1B 3LS, or telephone 01-636 4030 ext. 215 for an application form.

Queen Mary College UNIVERSITY OF LONDON Department of Economics

Applications are invited for a Lectureship in Economics, tenable from 1 October 1972 or as soon as possible thereafter. Salary scale £1641-£3,522 p.a. (under review) plus £162 London allowance.

Application forms obtainable from the Registrar (E 5/6), Queen Mary College, Mile End Road, London, E1 4NS to be returned by 25 August 1972.

Producer/ Scriptwriter External Broadcasting

required by the BBC in London. Duties include writing, producing and presenting talks on current international and political issues for overseas listeners. Applicants should have proven writing experience and a lively interest in world affairs. Knowledge of a foreign language desirable.

Salary £2,601 p.a. (may be higher if qualifications exceptional) rising by annual increments of £126 and progressing after two years' fully satisfactory service by increments of £144 to a maximum of £3,573 p.a. plus £180 p.a. non-day working allowance.

Write or telephone now for application form (enclosing addressed foolscap envelope and quoting reference 72.0.313 Ect) to: Appointments Department, BBC, London W1A 1AA. Tel: 01-580 4468 Ext. 4618.

Institute of Development Studies

AT UNIVERSITY OF
SUSSEX, BRIGHTON BN1
9RE

Research Officer

economist, to prepare (for publication) an annotated bibliography on AGRICULTURAL MECHANISATION in developing countries as preliminary to major research project. Appointment initially for six months from 1 October 72 in salary scale £1891 x £150 - £1641. Application forms and further details from Administrator Research

APPOINTMENTS

University of Liverpool

MARINE TRANSPORT
CENTRE
Director

The Science Research Council is to finance the development of a Marine Transport Centre within the University of Liverpool for an initial period of five years from October, 1972. The primary aim of the Centre will be to foster interdisciplinary research work into a range of problems affecting port and fleet operators. The Centre will employ six academic staff drawn from a range of disciplines including engineering, operational research and economics. They will be supported by technical and secretarial assistants.

Applications are invited for the post of Director of the Centre. The person appointed will be expected to be academically qualified in a discipline relevant to the work of the Centre and should, for preference, have had managerial experience within the marine transport industry or similar close acquaintance with its operations.

The salary will be within the Professorial range (minimum £5,376 per annum).

Applications (12 copies) stating age, qualifications and experience, together with the names and addresses of three referees, should be received not later than 18th September, 1972, by the Registrar, The University, P.O. Box 147, Liverpool L69 3BX, from whom further particulars may be obtained. (Candidates overseas may send one application only by air-mail). Quote ref. RV/E/13975.

University of New South Wales

Professor of Accountancy

Applications are invited for appointment to the above chair in the School of Accountancy. Other chairs are held by Professor A. S. Carrington, Head of School, Professor R. A. Ma (accountancy), and Professor R. O. Olson (finance).

The new professor will organise and participate in teaching and research in one or more of the major areas within the School, which include financial accounting, legal studies and taxation, management accounting, information systems, financial management and operations research.

Salary—\$A15,368 per annum. Salaries are under consideration. Subject to the consent of the University Council, professors may undertake a limited amount of higher consultative work. The University reserves the right to fill any chair by invitation.

Details of appointment, including superannuation, study leave and housing scheme, may be obtained from the Secretary-General, Association of Commonwealth Universities, (Apple), 38 Gordon Square, London, WC1H 0PP (Tel: 01-387 8572). Applications close in Australia and London on 16th October, 1972.

Teaching and Research Position in the School of Agricultural Economics and Extension Education

UNIVERSITY OF QUELPH

Applications are invited for a vacant position in the School of Agricultural Economics and Extension Education, University of Guelph. The position is for a specialist in the field of Agricultural Policy.

The teaching responsibilities include undergraduate and graduate teaching to the Ph.D. level in agricultural policy, rural development, and agriculture in economic development. The successful candidate will be required to supervise the course programs and research theses of Masters and Doctoral students.

Research responsibilities include the development and conduct of research programs and projects on public policy issues relating to the agricultural industry and rural sector.

The position may be filled at the level of Assistant or Associate Professor. Salary is negotiable and will be commensurate with experience. Present salary floors are \$11,900 and \$15,250 per annum for the Assistant and Associate Professor grades respectively.

The preferred candidate will have a Ph.D. in Agricultural Economics with specialization in agricultural policy, familiarity with agricultural and rural policy issues in Canada is highly desirable but not essential.

Applications, résumés, and supporting letters from three referees should be received by 31 August 1972 and should be directed to: Professor T. K. Warley, Director, School of Agricultural Economics & Extension Education, Ontario Agricultural College, University of Guelph, Guelph, Ontario, Canada.

Industrial Relations

The Commission on Industrial Relations, which became a statutory body under the Industrial Relations Act 1971 after nearly three years as a Royal Commission, is now seeking additional staff at the following levels:—

Senior Industrial Relations Officer E3478-E4708	+ £175 p.a. London weighting—Ref. E/1.
Industrial Relations Officer E1355-E3076	+ £175 p.a. London weighting—Ref. E/2.

Applicants for the SIRO posts should have extensive knowledge of industrial relations and have the ability to think constructively and to produce, under pressure, written work of a high standard. A university degree will be regarded as a desirable, but not an essential, qualification. It is unlikely that anyone under the age of 28 will have had the necessary experience.

Applicants for the IRO posts should normally be graduates with at least two years first hand experience in industrial relations or an allied field, e.g. other aspects of personnel management, labour economics, labour law etc.

Applicants for both may be required to undergo tests of constructive thinking and writing ability. Starting salaries can be above the minimum depending upon age, qualifications and experience. Posts are at present non-pensionable, but negotiations on this point are currently being pursued.

All posts are London based, but some travelling and short periods away from home are necessary. Further details of the posts and application forms, which should be returned completed by 16 August 1972, may be obtained from the Establishments and Finance Officer, Commission on Industrial Relations, 140 Gower St., London WC1E 6HT, tel: 01-387 4333 Ext. 420, quoting the appropriate reference number.

ECONOMISTS

for INVESTMENT ANALYSIS

The Prudential Assurance Company has two vacancies in the field of investment analysis for recent graduates with at least upper second class honours in economics or related courses. For one post knowledge of econometric technique is essential. As one of the country's largest investors the company offers varied and interesting work and excellent career prospects. Initially total remuneration will be around £1,600 but in certain cases could be higher.

Those interested should contact John Barnes on 01-405 9222 (ext 565) or by writing to him at the address below.

Prudential

The Prudential Assurance Co Ltd
142 Holborn Bars
London EC1N 2NH

TENDER

REPUBLIC OF NIGER

MINISTRY OF PUBLIC WORKS, TRANSPORT
AND TOWN PLANNING
DIRECTORATE OF PUBLIC WORKS AND
TOWN PLANNING
CENTRAL ENGINEERING SERVICE ROAD
SURVEY DIVISION

NOTICE OF INVITATION TO TENDER
PRELIMINARY SELECTION

Invitation to compete in the preliminary selection of companies allowed to participate in the restricted Invitation to Tender to be issued later, for road works on the MAGARIA-TIMKIN-NIGERIA (19.5 km) and TIMKIN-DAN TYAO (13 km) sections.

The work will be financed in part by a loan from the International Association for the Development of the Republic of Niger (Credit Agreement 231 NIR of 29th January, 1971) and in part from the country's national budget.

NOTICE OF INVITATION TO TENDER
PRELIMINARY SELECTION OF COMPANIES

The Directorate of Public Works and Town Planning of the Republic of Niger will accept until 31st August, 1972 at 12 noon local time applications from companies or groups of companies wishing to participate in the restricted Invitation to Tender, to be issued later, for roadworks on the MAGARIA-TIMKIN-NIGERIA (19.5 km) and TIMKIN-DAN TYAO (13 km) sections.

Participation in the preliminary selection is open to all persons and corporate bodies, as well as groups of such persons or bodies, who are nationals of member countries of the International Bank for Reconstruction and Development, and of Switzerland.

Brief technical documentation, in French, has been prepared for the preliminary selection and will be available to companies or groups of companies wishing to participate in the invitation to Tender.

These documents may be consulted:

1—IN THE REPUBLIC OF NIGER

- (a) at the Directorate of Public Works and Town Planning, Central Engineering Service, at NIAMEY
- (b) at the offices of the official representations at NIAMEY of the member countries of the International Bank for Reconstruction and Development, and of Switzerland.

2—OUTSIDE THE REPUBLIC OF NIGER

- (a) at the embassies of the Republic of Niger
- (b) at the offices of SOCIETE POUR L'EQUIPEMENT DU TERRITOIRE—INTERNATIONAL, 5/7 rue BELLINI—92 PUTEAUX (FRANCE).

Moreover the preliminary selection documents are available to companies and groups of companies on request from SOCIETE CENTRALE POUR L'EQUIPEMENT DU TERRITOIRE—INTERNATIONAL, 5/7 rue BELLINI—92 PUTEAUX, or from the Niger Directorate of Public Works and Town Planning at NIAMEY (P.O.B. 235).

NIAMEY, 13th July, 1972,
The Minister of Public Works,
Transport and Town Planning.

COMPANY STATEMENT

MAYBROOK PROPERTIES LIMITED

Report and Accounts 1972

Salient figures from the Accounts and Mr. L. E. Manoussos's Statement circulated to Shareholders were:

	1972	1971
Annual Revenue	£689,863	£479,555
Net Profit after Tax, Minority Interests and transfer to Sinking Fund Reserve	£201,127	£104,999
Dividend proposed	12%	8%
Net Asset Value per Share	99.5p	56p

Book Value of portfolio now £7,842,465.

Cost of projects in hand about £11,000,000.

Surplus on revaluations £2,032,663.

Significant progress during the year with good prospects of long term growth.

199 Piccadilly, London W1V 0JJ

COMPANY ANNOUNCEMENT

WOOD GUNDY LIMITED



W. P. Wilder

C. E. Medland

Mr. W. P. Wilder has resigned as President, Chief Executive Officer and a Director of Wood Gundy Limited to take up an appointment as Chairman and Chief Executive Officer, Management Committee, Gas Arctic-North-west Project Study Group.

Mr. C. E. Medland, a Vice-President and Director, has been elected President and Chief Executive Officer of Wood Gundy Limited.

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PUBLICATIONS

THEN 1848 Year of Revolution and year of the Communist Manifesto, Chartist riots, and revolt in Ireland. The year when cholera struck and the first Public Health Act was passed, when the stink of the sewers, the windowless houses, the absence of piped water, at last stirred the nation's conscience. This was the year the Pre-Raphaelites were founded, the Houses of Parliament went up, some of the finest railway architecture was built.

Read all about it in THEN 1848—which consists entirely of original newspaper articles, letters and cartoons of the day. Six times a year, THEN puts together a year from history, using only material from that year. 60p a copy. Please send a postal order or cheque for 60p and we will send you a copy. From THEN, 28 James Street, Covent Garden, London WC2E 8PA.

BUSINESS ANNOUNCEMENT

STATE OF ABU DHABI
EXPLORATION AND
EXPLOITATION OF
OIL RESOURCES

With reference to the announcement concerning the above subject that appeared in earlier issues of this paper, the Government of Abu Dhabi wishes hereby to inform interested parties that the bidding period concerning the (14827) sq kms in question has now been extended to 30th September, 1972.

For further details application may be made

to the
Minister of Petroleum and Industry,
Abu Dhabi,
Post-Box No. 9.

(Signed)
MANA SAEED AL-OTEIBA,
Minister of Petroleum and Industry and
Chairman of the Board of Administration,
Abu Dhabi National Oil Company.

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business disciplines.

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School Registrar
(ref. 739C),
City of London
Polytechnic School of
Business Studies,
84 Moorgate, EC2.
Telephone 01-283 1030
ext. 277.

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and other external degrees of the University of London. Specially prepared courses for the Federation of Stock Exchanges, for Accountancy, Company Secretaryship, Law, Costing, Banking, Insurance Marketing, GCE. Also many thoroughly useful (non-exam) courses in Business Subjects. Write today for details or advice, stating subjects in which interested. Metropolitan College (Dept. G82), St Albans, or call at 30 Queen Victoria Street, London, EC4. Tel. 01-248 6874. (Founded 1910.) Accredited by the Council for the Accreditation of Correspondence Colleges.

DIVIDEND NOTICE

ROYAL BANK OF
CANADA

Dividend No. 340.

Notice is hereby given that a dividend of 24 cents per share upon the paid-up capital of this Bank has been declared for the current quarter and will be payable at the Bank and its branches on or after 1st September 1972 to shareholders of record as at the close of business on 31st July 1972.

By Order of the Board,

J. K. Finlayson,
Chief General Manager.

BUSINESS & PERSONAL

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MISTAKE

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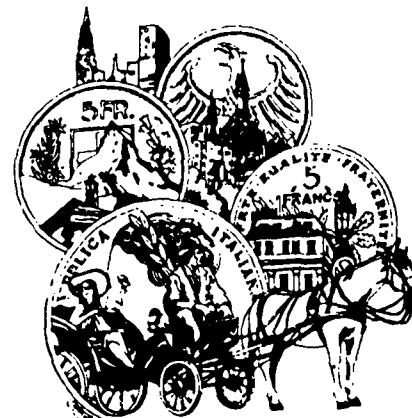


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SAA658/14/Rev

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33 Queen's Road, Central, Hong Kong



(after reading the CFA Report.) for solid reasons — you might decide to incorporate in Switzerland

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Address: _____

(IN BLOCK LETTERS)



ARNOLDO MONDADORI EDITORE

S.p.A.—Head Office in Milan
Capital Lit. 6,825,000,000

Annual General Meeting of July 25, 1972
The Annual General Meeting of ARNOLD MONDADORI EDITORE S.p.A. was held in Milan on July 25 under the chairmanship of Cav. del Lav. Giorgio Mondadori to approve the Report and the Accounts for the financial year ended March 31, 1972.

The Report of the Board of Directors states the following facts:

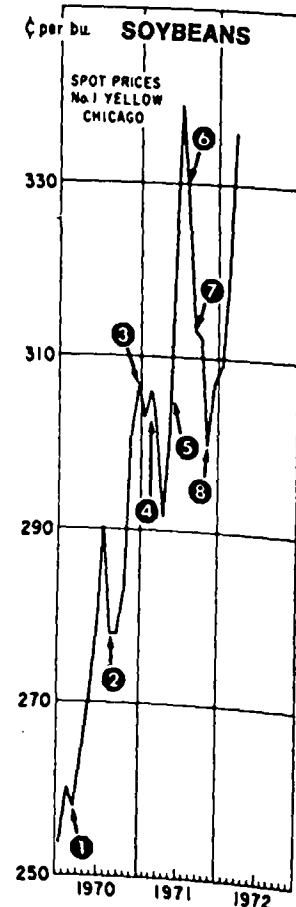
- Total turnover for the year under review amounted to Lit. 79,597 million (+ 12.6%);
- Exports, already included in the total turnover, amounted to Lit. 15,284 million (+ 10.5%);
- Profits amounted to Lit. 788 million; (+ 10.5%);
- Industrial investments for the year under review amounted to Lit. 2,706 million (+ 10.5%);
- Fixed Assets in machinery amounted to Lit. 25,101 million; (+ 10.5%);
- Ordinary depreciation for the financial year totalled Lit. 1,382 million. The Depreciation Fund reached Lit. 17,186 million; (+ 10.5%);
- Reserves shown in the Accounts at the end of the financial year totalled Lit. 17,186 million; (+ 10.5%);
- Personnel employed by the company at the end of March 31, 1972 numbered 5,369. Total personnel amounted to Lit. 26,899 million (+ 22.6%).

The Meeting approved the Report, the Balance Sheet and the plan for the distribution of profits proposed by the Board which anticipates, from the statutory allocation to the Reserve, the distribution of a dividend of 100 for each of the 3,675,000 ordinary shares (equal to 10% of the nominal value) and a dividend of Lit. 120 for each of the 3,150 preference shares (equal to 12% of nominal value).

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Mr. M. J. Mumford, Stock Office,
33, Old Broad Street, London, EC2P 2JE.
Phone: 01-588 6448, Ext. 101.
Telex: 88 62 41



Recommendations of:

- 1 March 1970 — BUY.
- 2 August 1970 — BUY.
- 3 December 1970 — lower prices first quarter 1971.
- 4 February 1971 — make major commitments around 287 — 290.
- 5 June 1971 — prices above 340 soon.
- 6 August 1971 — BUY late October early November.
- 7 September 1971 — prices at 285 undervalued.
- 8 November 1971 — BUY. Significantly higher prices.

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J. Carvel Lange
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STOCK PRICES AND YIELDS

Prices, 1972		British funds			Price, July 26 1972	Price, Aug. 2 1972	Net red. yield, Aug. 2 1972	Gross red. yield, Aug. 2 1972	Eurobonds		Last week's prices	This week's prices	Yield to maturity %
High	Low						£p	£p					
98 ³ / ₄	97 ¹ / ₂	British Electric 3 ¹ / ₂ %	1968-73	97 ¹ / ₂	97 ¹ / ₂	3.820	6.375 f		Anglo-American 7 ¹ / ₂ %	1987	95 ¹ / ₂ -6 ¹ / ₂	95 ¹ / ₂ -6 ¹ / ₂	7.76
89 ¹ / ₂	75 ¹ / ₂	British Electric 3 ¹ / ₂ %	1976-79	77 ¹ / ₂	77 ¹ / ₂	5.990	7.680 f		Amoco (E) 8 ¹ / ₂ %	1987	93 ¹ / ₂ -4 ¹ / ₂	93 ¹ / ₂ -4 ¹ / ₂	8.49
109	96	Treasury 8 ¹ / ₂ %	1980-82	98 ¹ / ₂	99 ¹ / ₂	5.235	8.685 f		General American Trans. 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
108 ¹ / ₂	94 ¹ / ₂	Treasury 8 ¹ / ₂ %	1984-86	96 ¹ / ₂	97 ¹ / ₂	5.420	8.920 f		General Cable 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
96 ¹ / ₂	81 ¹ / ₂	Funding 6 ¹ / ₂ %	1985-87	83 ¹ / ₂	84	6.610	8.640 f		International Utilities 8 ¹ / ₂ %	1982	99 ¹ / ₂ -100 ¹ / ₂	100 ¹ / ₂ -1	7.97
66 ¹ / ₂	54 ¹ / ₂	Treasury Transp 3%	1978-88	55 ¹ / ₂	56 ¹ / ₂	6.140	7.870 f		Kleinwort Benson 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
84 ¹ / ₂	74 ¹ / ₂	Funding 6 ¹ / ₂ %	1993	74	75	5.780	8.885 f		Motorola 8 ¹ / ₂ %	1987	101-2	101 ¹ / ₂ -2 ¹ / ₂	7.60
111 ¹ / ₂	94 ¹ / ₂	Treasury 9 ¹ / ₂ %	1994	97	98 ¹ / ₂	5.610	9.360 f		N. American Rockwell 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
88	46 ¹ / ₂	British Gas 3 ¹ / ₂ %	1990-95	48 ¹ / ₂	48 ¹ / ₂	5.995	9.000 f		Pennwalt 8 ¹ / ₂ %	1987	99 ¹ / ₂ -100 ¹ / ₂	100 ¹ / ₂ -1	8.03
89 ¹ / ₂	75	Treasury 6 ¹ / ₂ %	1995-98	76 ¹ / ₂	77 ¹ / ₂	5.805	9.195 f		Queensland Alumina 8 ¹ / ₂ %	1987	99 ¹ / ₂ -100 ¹ / ₂	99 ¹ / ₂ -100 ¹ / ₂	7.73
74 ¹ / ₂	61	Treasury 5 ¹ / ₂ %	2008-12	62 ¹ / ₂	63 ¹ / ₂	5.735	9.170 f		Wellcome 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
43 ¹ / ₂	36 ¹ / ₂	War Loan 3 ¹ / ₂ %	after 1952	37 ¹ / ₂	37 ¹ / ₂	5.600	9.305 f		Williams and Glyn's 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
30 ¹ / ₂	26 ¹ / ₂	Consols 2 ¹ / ₂ %		26 ¹ / ₂	27	5.580	9.330 f		Inter-American Dev. Bank (DM) 6 ¹ / ₂ %	1987	102 ¹ / ₂ -3 ¹ / ₂	103 ¹ / ₂ -4	6.33
									Malaysia (DM) 7%	1987	99 ¹ / ₂ -100	99 ¹ / ₂ -100	7.00
									Slater Walker 1 ¹ / ₂ (DM) 7 ¹ / ₂ %	1987	100 ¹ / ₂ -2 ¹ / ₂	102 ¹ / ₂ -3	6.93

Prices, 1972		Ordinary stocks	Price, Aug. 2, 1972	Change on week	Yield Aug. 2	Prices, 1972		Ordinary stocks	Price, Aug. 2, 1972	Change on week	Yield Aug. 2	Prices, 1972		Ordinary stocks	Price, Aug. 2, 1972	Change on week	Yield Aug. 2
High	Low					High	Low					High	Low				
383½	268	Banks, other financial				118	89	Breweries, etc.	104½	+4	3-3	74-9	58-7	Hoesch	DM 67-8	+0-9	4-3
84	57-8	Algemeine Bank	Fl 381	-2½	4-5	69	55	Allied Breweries	\$ 62½	-3½	0-9	79-7	60-9	Hoogoven	Fl 77-8	-0-6	5-2
370	257	Amsterdam-Rot.	Fl 81-8	-2-2	4-2	94	55	Anheuser-Busch	175½	+10	2-9	220-3	145½	Mannesmann	DM 214-9	+0-4	4-7
45	37½	Aust. & NZ Bank	345½	...	2-9	148	148	Bass, Charrington	Fl 165	+2	2-2	72	52	Nippon Steel	Y72	+6	6-9
500	370	Bank of America	\$44½	+1½	2-5	165	132-8	Bols NV	172½	+17	2-5	104-8	65-2	Rhein Stahl	DM 92½	+1½	...
1131½	886	B of Ireland	455½	...	3-4	175	106	Courage	201½	+1	3-8	85-8	68-2	Thyssen Huette	DM 79-3	+4-3	4-4
116½	84	B of Montreal	981½	-6	3-3	212	153	Distillers	\$40	...	1-4	34½	28-9	US Steel	\$28½	-½	5-6
740	298	B Nac de Mexico	P 87½	-4	8-6	41½	33½	Distill Seagrants	DM 457	-2½	2-2	117-1	85-9	Uzinor	Fr 108	+2-2	8-3
740	525	B of NS Wales	460½	+10	2-1	470	420	Dortmund Union	188½	+1	3-9	52-2	40	Wendel-Sideler	Fr 45	+1	10-8
2680	227½	B of Scotland	715½	...	2-9	244	182	Guinness	Fl 323	+1	0-0						
227½	220	B Bruxelles	Fr B 2660	-110	4-7	343½	238½	Heineken	Y 316	+12	2-4						
64½	53½	B de Paris Pays Bas	Fr 227½	+0-5	4-9	316	234	Kirin Brewery	\$19½	...	4-7	185½	132½	Electrical, electronics	DM 180-3	+2-3	2-8
192	298	Bankers Trust	\$58	-½	4-9	196	15½	Scottish & Newc	111½	+8	2-9	295	23½	AEG Telefunken	Kr 260	+3	3-9
111½	111½	Can Imp Com	442½	-18	2-2	21	114	Scottish & Newc	79½	-4	4-2	218	169	BICC	Y195½	...	4-4
121½	78	Charterhouse Group	103½	+1½	4-0	272½	163	Whitbread 'A'	104½	+5	3-5	558	402	CGE	Fr 527	+10	3-0
61½	52	Chase Manhattan	\$63½	+7½	3-3	114½	84½					128½	108	Chloride Electric	118½	+1	1-5

[illegible][illegible]

69%	55	Insurance	\$58%	+3%	2-7	178 v	146	Hoechst			288p	+13	4-7	186	148%	Gutehoffnungs	DM 162½	+7½	4-3	
533	388	Aetna Life & Cas	DM 533	+33	1-1	305	238	ICI			90p	-	2-2	72	21½	Harland & Wolff	55p	+2	...	
260	223	Allianz Versich	256p	+3	3-2	101	80	Laporte			\$50's	+1	3-5	402	317	Hawker Siddley	348p	-4½	4-3	
618	496	Comm Union	590p	+35	2-5	56½	46	Monsanto			LS16½	-3½		82	63	Head Wrightson	66½p	-½	4-5	
234	164	Eagle Star	218p	+10	3-0	751	480½	Montecatini-Edison			Kr 1170	+60	1-0	71	40	Alfred Herbert	47p	-3	...	
59190	48350	Gen Accident	L 58090	-600	0-8	1120	875	Norsk Hydro			Rhone Poulenc	Fr 116	+9	6-8	116	76	IHI	Y 116	+8	5-2
312	242	Generali	L 286p	+11	3-1	2905	2270	Solvay A'			Fr B 2905	+35	5-3	152	114	Inter Combstn	19½p	+1	...	
210	163	Gdn Royal Exch	208p	+13	2-5	199½	154	Takeda Chemical			Y 232	+9	3-7	99½	42½	Inter Comp Air	122p	-3	2-9	
90	65-8	Legal & General	FI 78	+4½	3-1	232	198	Union Carbide			\$45's	-½	4-4	214	169	Laird Group	93p	+8	2-7	
424	308	Nat Nedrländn	FI 78	+4½	3-1	50%	41%							111	76½	MAN	DM 194	+19	4-6	
310	250	Pearl	420p	+30	2-7	4645	3875	Coal & steel						415	346	Mather & Platt	84p	-8½	3-7	
224	171	Phoenix	286p	+16	3-3	34½	27%	Arbed			Fr B 4630	+275	5-4	156	107	Metal Box	358p	+½	3-5	
452	394	Prudential	209p	+9	2-8	14-05	11-65	Brokhelem			\$28½	+1½	4-2	425	369	Mitsubishi Heavy	Y 123	+9	4-9	
640	502	Royal	436p	+11	3-4	179-1	136-6	Broken Hill Pty			SA 12-50	+0.15		77	59	Morgan Crucible	(123p)	-7	4-3	
368	285	Sun Alliance	635p	+20	2-9	321	260%	Danain Longwy			Fr 165½	-½	8-2	136	108	SKF 'B'	Kr 383	+1	3-1	
569	476	Taijsho Mar & F	Y 368	+11	1-5	148½	131	Finsider			L 264	-3		93	70	Sarck	60p	...	3-1	
7000	4775	Tokio Marine	Y 557	-1	1-0	168	145	Fried Krupp			DM 135½	+4½		169	49	Simon Enging	110p	-5	6-8	
		Zurich Ins	Fr S 7000	...	2-6			Granges A B			Kr 153	...	7-8	3700	3200	Stone-Plant	78p	+2½	4-2	
																Swan Hunter	165p	+6	6-1	
																Sulzer	Fr 3600	+100	3-9	

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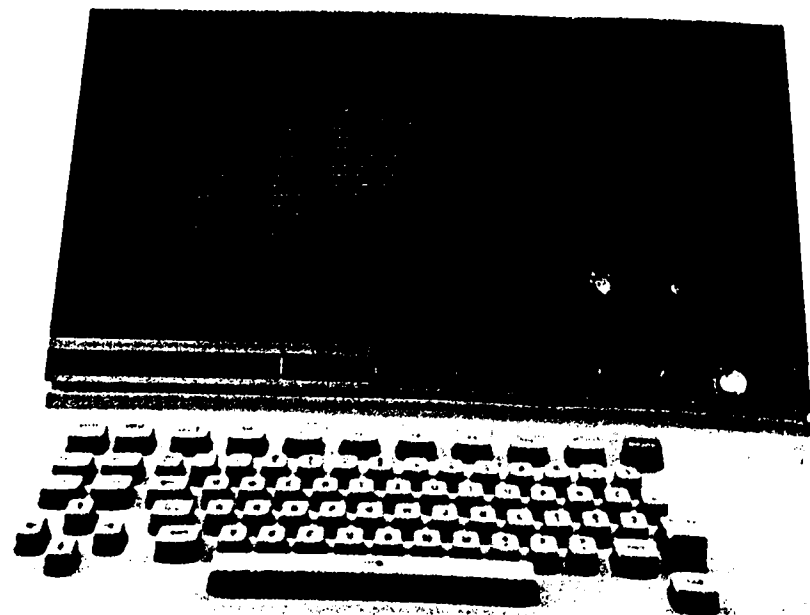
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What crisis?

The Government has escaped to the beaches badly battered, and although Tory MPs would prefer to look on the bright side they can see worse troubles looming this winter. It may be that the only way to gain greater acceptance of trade union reform and stop the subversives will be to call another general election—which Mr Heath has been unwilling to do until he has got Britain into Europe, page 11.

The terms of surrender are being decided in the docks, page 59. The 40 per cent claims on the bill, page 62. The trouble with the unclear laws on picketing, page 19. Ministers are still flag-handing out millions to flag-handing industries, except, sensibly, the coal board, page 53.



Enter Shriver

Senator McGovern's new running mate looks so handy a politician that it's a wonder he wasn't picked the first time, page 40. Now Mr McGovern has begun his real campaign, with a broadside at Nixonomics, page 42.

God told him

President Amin's divine inspiration cruelly to expel Asians from Uganda raises problems that will need to be tackled internationally, but Britain's responsibility is clear, page 13. The damage he's done to Uganda, page 27.



In the balance

Mr Whitelaw is still plugging away for political talks in Ulster, and the Catholic politicians are still talking to him, but the old IRA areas are not taking the army lying down, page 17.

Conferring with Russia

The divisions have already started to appear on the western side of the coming all-European security conference, page 16.

Getting together

Thorn and Plessey are arranging a £725m merger, page 71, after big bids for Courage, Bovis, others, page 74.

Letters

Dock strike

SIR—In your excellent article on the dock strike (July 29th) you mention that "... Britain led the world into the nineteenth-century industrial revolution because it was the first to overthrow the protectionist squires..." These allusions to our glorious past are particularly encouraging when expressed by advocates of free trade in the money market and other spheres. What a pity then that in the same article you beat the drum for a compulsory incomes policy.

Unionism was the workers' answer to the problems of expressing themselves collectively to management. The Labour party was born on the basis of unionism; socialism was merely an adjunct to it. Now the unionists have reached their zenith in so far as they are jockeying, on equal terms, voluntarily, with the CBI over the issues which remain the nub of their own existence and that of the Labour party. Yet you wish to interpose with the statute book.

Any help the Government can give to assist the two sides in their discussions must be applauded but we should not ask the Government to go beyond the call of their duty to govern. A working marriage between the TUC and the CBI could be extremely beneficial to everybody. Having forced the issue and discovered the feeling of the congregation, the TUC may be more willing to go to the altar. Discouraging noises about compulsory policies will upset what is really a fabulous opportunity.

Perhaps the world will watch whilst Britain leads the way into the twentieth century industrial relations revolution.—Yours faithfully, DEREK NEWMAN
London, SW8

SIR—In your article on the docks dispute (July 29th) you adopt the popular but misguided posture which blandly assumes that the London dockers would have felt the rigour of the law even if the Industrial Relations Act had not been passed.

But this belief is based on the doubtful assumption that in the arena of industrial relations, which would thereby be devoid of the present atmosphere of legal intervention in industrial disputes, an employer would be prepared to make use of the law to solve his labour relations problems.

Prior to the present controversy, which clearly began in earnest with "In Place of Strife," such action by an employer would clearly have been unthinkable in practically every industrial dispute.

Every year we have suffered millions of

days lost through strikes, and the vast majority of these strikes undoubtedly constituted breaches of contract according to a strict interpretation of the law. But where were all the actions by employers for breach of contract in (say) 1962 or 1968? The answer, of course, is that very few employers made use of their undoubted right to sue their workers, as it was far from being normative behaviour in industrial relations to go to court over a labour dispute before "In Place of Strife" or even the Act of 1971.

But what is significant is that the more talk there is about "law" to control strikes the worse the statistics become, and the more enthusiasm there is on the part of employers to make use of labour injunctions. This is one of the grave dangers of the Industrial Relations Act and, in fact, of other brands of legal intervention in industrial relations. It will encourage more work groups to defy the law, and will encourage more employers to by-pass established conflict resolution procedures.

A quick glance at the strike statistics for the past four years (the period commencing with "In Place of Strife") reveals both a dismal picture and a stark contrast with the preceding periods when talk of legal intervention was, in general, noticeable by its absence.

A new atmosphere in industrial relations has been created which can only lead to even more conflict and more resort to the courts. If we could only get back to Donovan and look at what it said about the role of the law, we could then get down to the serious business of analysing the real ill of our industrial relations system, that is, the absence of satisfactory, voluntary collective agreements and related procedures.—Yours faithfully, G. R. RUBIN
Bridge of Don, Aberdeen

SIR—It would be ungenerous not to express appreciation of your comment on Britain's present economic and industrial situation. The release of the dockers from Pentonville constituted an internal Munich and will be noted as a crucial stepping stone by the future chroniclers of our decline towards complete impotence and anarchy. Subsequent debate was indeed "muted." It was staggering to see how the national press as a whole, once graciously demuzzled, gave in deference to the muzzlers only the most kid-gloved treatment to the grave issues involved.

Your phrase "the encouragement to law-breaking by some foolish public men" is also most apt. Has there ever been a clearer instance of *quem deus vult perdere*...? What looms clearly ahead is hoodlumocracy.—Yours faithfully, G. REICHARDT
Poole, Dorset

McGovern

SIR—Your article (July 29th) correctly points out the dangers of a substantial reduction of American ground forces in Europe without either a matching reduction by the Russians or a compensating

increase in European ground forces. And you correctly point out that, while Europeans could and perhaps should bear a larger share of the Nato defence burden, they are unlikely to make a compensating increase in ground forces because for Britain it "would mean bringing back conscription, which is virtually inconceivable in the present state of British politics," "the French are certainly not going to help," the Belgians, the Dutch and the Canadians "are all looking for convenient excuses to put less into the defence effort," and the German army "has probably the worst morale problem in western Europe."

But does this analysis of the situation call for such a strong attack on Senator McGovern ("John Foster McGovern") for recommending such action when faced with an electorate disillusioned with America's overseas military policies, sensitive to past European criticism of many of them, and no more enthusiastic than most Europeans for a large standing army?

Doesn't it call, instead, for recognition of the plain fact that an adequate western defence places politically unpopular demands upon all Nato governments, and that these demands are not likely to be met unless the alliance can be renewed with a sense of common purpose through close co-ordination of the political strategies of the member governments and visible, frequent consultation between their political leaders?

And is it likely—is it even conceivable—that Senator McGovern would give such consultation and co-ordination an even lower priority than President Nixon has done?—Yours faithfully, EDMUND COFFIN
Old Brookville, NY

World money

SIR—Fred Hirsch writes (August 5th) that the result of monetary union is to drain peripheral areas dry, as with Ulster and Scotland, and that therefore the common market governments will not allow it to happen. I cannot, however, fault Mr Maudling's argument, when he said (May 10, 1967) that: "We shall finish up, if we enter, with a common currency, a common reserve system, and common policies on the pressure of demand, because there cannot be a free movement of goods, labour and capital unless we work on this basis."

Since that time, the Six, with our agreement, have set a 10-year timetable for monetary union, and Mr Heath has said again and again that he sees complete union, economic, monetary and political, as the aim. It is unfortunate for Mr Hirsch's arguments that you published the letter from Ernest Wistrich, of the European Movement, on the same day as his article: Mr Wistrich shows clearly that full union is the Government's aim. Mr Hirsch apparently has not yet understood that our Government is not going into the market to further national interests; if they were they would hardly have agreed to the CAP, unlimited immigration and

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free movement of capital. They are going in to build a new super-state, which Mr Heath compared last summer to the empires of Napoleon, Hitler and Charlemagne. Just as Hitler, though Austrian by birth, would not have seen the relevance of arguments against Anschluss based on Austria's interests, so our Government is concerned first for the good of a united Europe, and only secondly for benefits to Britain.—Yours faithfully,
DAVID LAZARUS
 London, NW2

National Health Service

SIR—After Dr Wyndham Davies's somewhat doctrinaire personal attack (July 15th) I hesitate to comment again on one of your excellent editorial notes on health. However, valour overrides discretion and I write to supplement your piece on the reorganisation of the National Health Service (August 5th).

Devotees of organisational theory of the 1920s (Taylor, "scientific management" and all that jazz) may like to know that a well-preserved specimen may be found in the third appendix of the white paper. It remains to be seen whether the proverbially busy doctor will have time to read so far in the unlikely event that he buys a copy of the white paper rather than relies on the bowdlerised summaries in the trade magazines.

Undue alarm may, however, not be justified. Cynical students of the organisation of health care are already suggesting that however tightly the rules are laid down, however carefully jobs are defined, delegation delighted in and "accountability upwards" sung like a hymn of praise, the rank and file doctor (doc'or?) will hold things steady by simply refusing to work to rule. Students of industrial relations apply now for research posts in the new NHS.—Yours faithfully,
PETER DRAPER
 London, SE1

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Scientists

SIR—In your article "Why leave home?" (June 10th) you rightly point out the drain on scientists, except agricultural ones, from developing countries.

In addition to the reasons you give, one must also recognise the difficulties for a man just graduated in taking individual professional responsibilities: in fact, he cannot receive from his studies all the necessary information and training for the particular and local job he will actually face. Consequently, he will remain abroad also to gain practical experience, while he will confidently begin his work at home immediately after his studies only if supervised by a qualified, experienced and reliable man or supported by a professional study.—Yours faithfully,
GIOVANNI BALDINI
 Turin

Wales

SIR—It is a pity that, in your otherwise excellent Welsh survey (July 15th), you accept uncritically the wisdom of dividing Glamorgan into three rather than two. Your statement that the interests of Cardiff and the valleys of mid-Glamorgan are diametrically opposed is not in any way substantiated by the facts. In fact, the two areas are complementary. Thousands commute to Cardiff from the valleys every day and this acts as a useful safety valve for house and land prices in Cardiff, which are already on the high side. To run down the valley communities too fast would do as much harm to Cardiff as it would to the valleys.

The real reason for the three-way split is quite simply that a two-way split would leave Labour comfortably in control, whereas with the three-way split the enlarged Cardiff area might remain under Conservative control. I am surprised that a journal of your level of sophistication has not cottoned on to this aspect of the matter.—Yours faithfully,
JOHN LEWIS
 Porth, Glam.

Waiting for God

SIR—I have only just read your article "Waiting for God" (June 24th), which seems to have been written by an economist for *The Economist*. The treatment of Explo '72 centres on the organisational efficiency of Mr Bill Bright and the cost of the festival. Plans for growth rate are also mentioned. It all sounds like a political convention or an expanding business.

The article did contain two useful thoughts, which I would like to attempt to tie together. I quote: "Rather than worry about the war in Vietnam, racial tensions or poverty, they [the new fundamentalists] quote chunks of the Bible, clock up large numbers of conversions and wait enthusiastically for the Second Coming." Again: "the Dallas police were happy to find that for a change the young regarded them as friends and potential converts rather than as pigs."

Surely the second quote is relevant to the first. Conversion has always been intended for the whole man. In the eyes of those who have not experienced re-birth—a spiritual phenomenon—it reveals itself in a changed attitude to people, real live people. Jesus's second commandment, "love your neighbour as yourself," is surely the key to solving the social problems which you mention. The "fundamentalist" approach is that social problems are spiritual problems, too. On reading the New Testament, it is impossible to come to any other conclusion than this: a changed attitude to God must manifest itself in love for other people. Love, in the truly Christian sense, embraces individual social concern. This seems too simple.

Sociological examinations of the colour prejudice problem seem rather limited if Christ can transform attitudes. Similarly, poverty seems less of a problem, indeed might well be no problem even today, if true love for God breeds a spirit of generosity. Selfishness, not shortage, is the root cause.

The shortcoming of your article, as I see it, albeit not from a disinterested viewpoint, is that conversion should be examined as a personal encounter, not an organisation-induced phenomenon being promoted in a largely untapped market. Sometimes the simple answer is the correct one. It is also the hardest to apply personally.—Yours faithfully,
ROGER WILLIAMSON
 Hamburg

Contempt

SIR—Your article (July 1st) on contempt of court was much too short but there was enough in it, I think, to warrant a suggestion concerning criticism of judges.

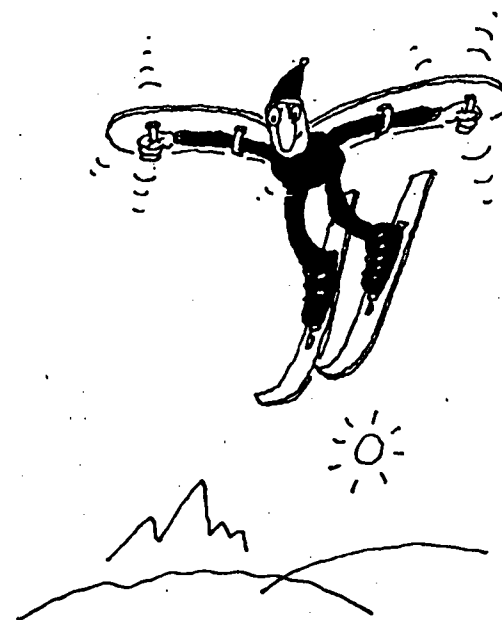
No critic of judges ought to be punished, it seems to me, unless his criticism (1) is false, (2) is made with either actual malice or reckless disregard of the truth, and (3) results in a clear and present danger to the administration of justice.

I fail to see why judges need any more protection than this. Anyone who would claim that justice has suffered in the United States because of improper criticism of the judiciary would be hard put to make his case. I realise that the United Kingdom lacks a written guarantee of freedom of speech and press, but all I can say is "try it, you'll like it."—Yours faithfully,
STEPHEN S. RAPPOPORT
 Washington, DC

Let the mud settle

SIR—The advertisement for gas on page 23 of your issue of July 29th used the expression "our name was mud." There are nearly 300 heirs of Dr Mudd (the physician who was imprisoned for life for setting the broken leg of Lincoln's assassin) and they are unhappy about this sort of thing.—Yours faithfully,
WILLIAM STOCKLEY
 Port Credit, Ontario

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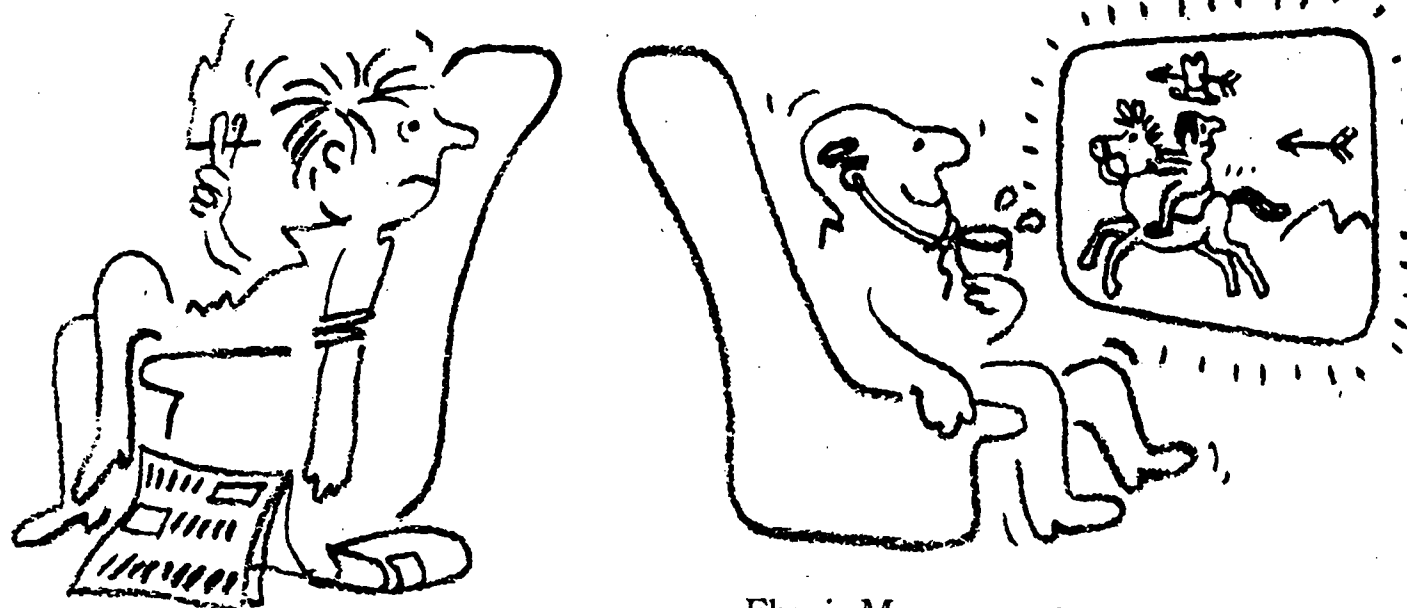
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**The
Economist**

August 12, 1972



The ultimate weapon

The Government has got through to the holidays visibly battered, and, if not actually bowed (Mr Heath is not a bowing man), with an appropriately low profile. There is neither hope nor kudos for it in the docks, where what is being negotiated is simply the final terms of surrender. It can see industrial violence spreading: the violence of the miners' pickets has been escalated by the dockers' pickets and the criminal law is being openly flouted. The Government knows that its present policy on inflation is mostly hope and little else. When it hears of a lame duck firm nowadays it swathes it in subsidies.

Conservatives in the country have grown glumly accustomed to the cabinet standing up to strikes for several weeks, only to cave in and hand over the money. Conservative MPs feel tetchily that they have been driven hard through the lobbies to pass legislation that is not turning out at all as they hoped. MPs often feel that way by early August, but the Tory managers know they have a growing band of doubters and questioners on their hands. What has kept the party going in the past weeks has been two beliefs. The first is that Labour is much worse off. The second is that, in dealing with the unions, the law, violence, strikes and the rest, the Tories believe that they have the public on their side, if only they could rally it.

But the Government is in balk. Although, in its policies and psychology alike, it considers that there could be only one outcome of an election fought whenever the unions overstep the mark and take half the Labour party with them, that shot has never been in Mr Heath's mind if it meant putting Britain's entry into Europe in any doubt. Europe has come first. If the price of getting safely to January 1, 1973, is to buy off the unions, entertain Mr Campbell Adamson and Mr Vic Feather at No. 10, and bandage up any more lame ducks that start quacking, then Mr Heath will pay it and will even be cheerful about it. After all, elections do go wrong; he does not need the sight of Mr Wilson across the floor of the House to remind him of that.

What is no less true is that this suits Mr Heath's temperament as well. The Prime Minister is forceful, and would be firmer if he could, but he is not an adventurous man. The idea of having a general election before one is decently due is unlikely to come naturally to him. For Mr Heath, like Mr Wilson, enjoys government. He retains, like Mr Wilson in his palmier days, his confidence that he is the only conceivable prime minister in his own party, and in the opposing one, too. He would like his Government to complete its full term. When the Prime Minister addressed the 1922 Committee the other day he left no impression but that the Government would go on for another two years. Whether he sensed it or not, that was when a number of doubters had their doubts confirmed.

No mutiny, but growing doubts

There is no mutiny among the Tories because Mr Heath is still greatly admired, because his policies are still those of the great majority of the party, and because there is no one to lead a mutiny anyway. (Mutiny is not Mr Powell's forte: he needs the roof to fall in on the party before his hour can strike.) But Conservatives who now look three months ahead have profound doubts about where the Government's strategy is going to land them. They are entirely content that Mr Adamson and Mr Feather should be listened to, although they are sceptical that either of them can deliver anything much that matters in the end. They are ready to be told that threshold agreements may help a little, especially if the economy is expanding in the next six months, so that Britain's wage inflation may come to look rather more like other people's than it has done for the past eight years. They certainly do not want to prejudice the entry into the common market any more than the Prime Minister does. But they want to know what relevance any of this is likely to have when the next 40 per cent pay claim in a vulnerable industry comes up, accompanied by the next escalation of violence by the pickets

and (especially if it is a power strike) the next round of deaths among innocent people. They know what their constituencies are going to think after another defeat.

In ordinary times governments rely for their effectiveness on a general willingness to accept laws and changes once they have passed the Commons. That is not so today, and it is not only the Industrial Relations Act which is going to be defied, and the defiance encouraged by a number of Labour parliamentarians, if this Government goes on as it has been going. Ministers may think that this is a passing phase, that if they continue to pretend to be in charge as if nothing had happened, quieter times will follow and the moderates in the unions and in Labour town councils will reassert themselves. But that is now very unlikely: too many people have seen violence and lawbreaking and industrial aggro succeed for the moderates to have much chance of making themselves heard. When Mr Joe Gormley, Sir Sidney Greene and even Mr Jack Jones have all failed to call their people off at what they thought was the right moment, no one else is likely to manage it.

The one way to stop the wreckers

Nor is the force of public opinion, expressed through the newspapers and the opinion polls (which are invariably anti-union) going to do much to help. The men who are running the extremists and organising the aggro do not worry particularly about public opinion; in fact they have spent much of their lives in trying to subvert ordinary people in British industry in conscious defiance of what they know majority opinion to be. They make mistakes, but they know what to do in male-dominated unions, especially when these are in an industry, such as mining and the docks, which is relatively isolated from the rest of the community and where the sense of social cohesion is strong. They also know pretty well what sort of support they can expect from particular politicians, civil servants and communicators who do not much like capitalism or the market or even parliamentary democracy.

It now seems increasingly likely that these people will never be stopped except by the exercise of parliamentary democracy itself. A government that deliberately excludes the possibility of a general election in its own thinking is going to remain at a permanent disadvantage if all it can do instead is to appeal to people's better natures. (Mr Heath's Government is not particularly good at that anyway). It is not that an election, returning the Conservative Government for another term, would stop the subversives themselves. But it would go a considerable way towards persuading those whose inclination is to see the better side of the miners because they would not like to do that sort of work, and of the less bad side of Mr Bernie Steer and Mr Vic Turner because someone has compared them to John Hampden or the Tolpuddle martyrs, that the reasonable feeling of the majority, twice expressed at the polls, deserves respect. For there are times in politics when once is not enough. It is not inapposite that it needed two general elections in 1910 to persuade the Tory party and, in the end, the Tory House of Lords (which in those days was nearly as

conservative a body as the Trades Union Congress is now) to swallow the Parliament bill. It could not persuade the diehards, but it persuaded the ordinary opposition in the country. To many people of a settled way of looking at things, to alter the law about trade unions, even although a popular cause by most tests, has seemed similar to changing the constitution.

This is the shot that an increasing number of Conservatives would like Mr Heath to feel free to play after January 1st. But they are worried that there will be another major surrender to union violence before then, which their constituents (who are not quite as enamoured of Europe as Mr Heath or the newspapers) may not forgive. In fact, Mr Heath need not wait as long. Unless the dockers now take leave of their senses, it is not possible for the Government to summon the country to stand firm in that dispute after the authorities themselves have seemed so anxious to run away. So there is not likely to be a head-on collision before the late autumn. The Government may also need the Commons to return to do essential things for Northern Ireland, including the bill for a referendum there. But by mid-November Mr Heath should feel able to order his strategy in such a way that an early election is seen to be a credible and proper option for him when he judges the time right. An appalling by-election result would, of course, be a severe discouragement, and would end much of that credibility. But not necessarily all: any early election would not be fought on the customary grumbles but on a single, major issue which the country would be asked to resolve. The entry into Europe would, of course, remain a worry. But Mr Heath would be wise to look particularly closely at what happens about Europe at the Labour party conference in October. If Mr Wilson does exert himself successfully against the little Englishers who insist that a Labour government should take Britain out, the danger will be sensibly diminished. If Mr Wilson does not exert himself, or actually loses the day, then the state of the Labour party will not be such that it will look a convincing challenger for power. After all, it is always at Labour conferences that Mr Jones and Mr Hugh Scanlon make it clearer than clear that they will have no truck with Mr Wilson's ideas on wages.

Hard thoughts for the beaches

Mr Heath will think this all much too risky before January. Many Conservative MPs, fearful at the evidence of unpopularity, especially over prices, would not be happy about an election this year either. For them this is a time to lie on the beaches, look on the bright side and trust to luck. But it is very hard for others to see that a continuation of the present mode of government, without the ultimate deterrent to put in the unions' faces, is going to get them any more popular. Quite the reverse. Another year of retreat, of 10 per cent inflation, of laws being ignored and no plausible explanation for it all from the top is a recipe for mutinous Tory talk at Westminster and dwindling morale outside. It is not a recipe for government, far less a fulfilment of the programme on which Mr Heath and the Tory MPs were all elected two long years ago.



God on his side

General Amin, Uganda's president, has threatened to expel some 50,000 British Asians in the next three months. The problem is international but Britain's special responsibility is quite clear

President Amin said again on Wednesday, after meeting the British high commissioner, that he intended to go through with the expulsion of all Asians in Uganda holding British passports, although this time he seemed ready to exempt, for the time being at any rate, those who could be most useful to his country. The British Government is working on the assumption that he means what he says, even although it would be unwise to apply normal, rational criteria in judging what General Amin does or is likely to do. By his own account it was God who, in a dream, told him he must act.

Since he came to power in January last year by leading an army coup to depose Dr Obote, President Amin has shown himself increasingly erratic in behaviour and intemperate in his outbursts. But he happens to be the present head of the Ugandan government and Britain must deal with him if it is to deal with anyone. So the effort must be made to understand why he has given the British Government this ultimatum and has boasted of his determination to teach this country a lesson.

General Amin achieved power with the help of the armed forces. One of his earliest acts was to increase military expenditure and build a much bigger army. But that has made his dependence on the army greater not less; and he must know that an army which connived in his takeover of power—by no means the first attempt at a military coup in independent Uganda—could back another to get rid of him as he got rid of Dr Obote. The army he depends on is notoriously indisciplined, riven by tribal feuds which have led to large-scale killings, and emaciated by desertions. The build-up of the armed forces has been at the expense of economic development; the Ugandan people, to whom he offered himself as a father-figure come to save and protect them, have been exhorted to austerity, and the country's reserves have withered. The president has sought to contain the unrest in the army and among his countrymen by classic diversions, alleging less and less credible foreign plots to oust him and to attack Uganda. In April this year he turned on the country which was thought by many to have helped him to power, expelling several hundred Israelis who had been privileged friends of his regime.

A warning last December

The Asians in Uganda are a much more fertile focus for xenophobia, however. Resentment of their general prosperity, their acquisitive skill as traders and their professional status is common throughout East Africa. General Amin identified them as the counterpart of Hitler's Jews, supposedly draining the strength of his country, responsible for all its miseries. And, after all, while the real Jews, the Israelis, could be counted only in hundreds, the British Asians numbered many thousands: 57,000

according to British estimates, 80,000 according to the Ugandans, although that figure would appear to include those Asians who opted for Ugandan citizenship and whom the president has said can stay. So General Amin, who started out expressing tolerance towards them, has now said they must go. Whatever part God played in his decision, it was not quite so sudden and visionary as might appear. Last December, he cited the failure of Asian girls to marry African men as evidence of the Asians' unwillingness to integrate, a statement which, for all the official apologetics, awoke understandable fears that the forced marriages of Zanzibar could be repeated in Uganda.

The immediate effect of the president's action has been to alienate the British Government and the governments of India, Pakistan and Bangladesh, whose nationals have all been included in his 90-day ultimatum. He has driven his neighbours into acts of self-defence, with Kenya and Tanzania proposing to seal their borders against Uganda to block the entry of Asian refugees. He has imperilled the aid he now receives from Britain of some £4.5m a year and the continuance of the assistance he receives from the British army in training Ugandan soldiers. If all the British Asians were to leave, his country would lose, apart from any question of physical assets, the commercial skills and professional qualifications indispensable to it at this stage of development. General Amin seems to have recognised the national self-interest to the point of modifying his initial threats and would now allow those engaged in certain professions to stay on.

Britain is embarrassed

The ultimatum to Britain and the accompanying threats to other countries with nationals in Uganda could be the act of a man desperate to keep power by a dramatic popular demonstration. The manner of it has an air of desperation. But the possibility must be considered at least that the general is trying to do a Minto, even if he seems to lack the political finesse of the Maltese bargainer. Clearly President Amin is also trying to exploit the weakness of Britain's own position, and there he has a lot going for him.

As Sir Alec Douglas-Home said in the Commons on Monday, Britain accepts that it has a special obligation for Asians who are British passport holders. Under the 1968 and 1971 immigration acts they are allowed into Britain only if they have special work vouchers. The Government acknowledged its special responsibility in tangible form last year by doubling the annual allocation of 1,500 vouchers for holders of United Kingdom passports in East Africa (plus a once-for-all allocation for 1,500 hard cases) and raised the quota to 3,500 last May. That seemed to have dealt with the really destitute and

to have cleared most of the Kenyan queue (there are an estimated 55,000 British Asians in Kenya and another 20,000 in Tanzania), although the Ugandan queue for vouchers was still, until President Amin's announcement, about 3,000 strong. And the shuttlecocking of those who try to jump the queue goes on, refused entry to Britain time and again, unwanted by any of the other countries to which they are then flown.

British embarrassment at the decisions of the European court for human rights to uphold the right of 31 such individual Asians to enter Britain would be compounded if the court extended those judgments into comprehensive principle embracing all British passport holders now excluded by the immigration acts. That is something the Government clearly wishes to avoid. Until now, by a combination of diplomatic pressure and the evidence of good intentions, it has just managed it. But it looks as though Britain is now faced with the direct challenge.

Early tension, eventual asset

If President Amin does not relent, or is not bought off by promises of more aid, then Britain will have no choice. It will have to discharge its plain obligation to take all 57,000 British Asians from Uganda, and it is clear the British Government will do so. That would be morally right and, in terms of Britain's international standing, inescapable. It would do much to take away the bad taste left by the immigration acts which denied Asians automatic entry. But it would be silly to imagine that it could be done without a lot of initial tension and friction, and hardship for many Asian families—especially if the Ugandan government restricts the export of their capital.

It can be said that if all 57,000 arrived in Britain this year coloured immigration would still be well below that for the peak years of the 1960s. Because of their prosperity and their educational and professional attainments—perhaps as much as a third of the men are doctors, lawyers, accountants, teachers and so on—they would be much less likely to head for the ghetto areas of the big cities, but rather disperse quickly, as other middle-class Asians have done, and head for the suburbs and the home counties. The typical East African Asian is provident

and ambitious, saving up to get his own business, running, say, a launderette in Croydon or a sub-post office in New Barnet. He does not like sending his children, who are used to lessons in English, to "black" schools. Generally, it is the young ones who most want to come to Britain, even if their elders might be willing to retire to India. On almost every ground these adaptable, self-sufficient, industrious and entrepreneurial people would, in the long run, be likely to prove a great positive asset to Britain. But in the short run?

Apart from the obvious difficulties of finding somewhere to live in a strange, cramped country, many of even the best qualified would take time to land jobs and be accepted for what they are. In their own interest a mass migration would be undesirable. In Britain they would find hostility. It would come from those who oppose the entry of all coloured immigrants and who would be ready to exploit the situation for political ends. The fighting between white and coloured youths in Liverpool will no doubt be used to show the dangers of mixing races. The position there is in fact more comparable to the conflicts between sects in Northern Ireland, but the riots do show what can happen at the lower end of the social scale in cities where people are scrambling for a living and a place to live and look for scapegoats when things go against them.

The only good thing that can come out of President Amin's eruption is the coming together of all other interested countries. No country, not Britain, nor India, nor Pakistan, nor Bangladesh, nor Kenya and Tanzania (two countries which might well see their own interests jeopardised by Uganda) can stand aside. Each has a responsibility, none more than Britain. Every pressure should be exerted upon General Amin to calm down. Britain should make a positive offer to increase substantially the numbers of vouchers for those East African Asians (including those from Kenya and Tanzania) who want to come to Britain, while continuing to phase their entry. India, in particular, should be prevailed upon to do what it can to open its doors to people who could well help its development. Above all, the resolution must be for international action to end what is an international problem and an international scandal.



Living with Nixon

America's allies in Europe and Japan have begun to learn what Mr Nixon's famous actions of last August 15th were about

From Camp David a year ago this weekend President Nixon launched a time in the lives of his allies which they will not easily forget. The question for them today is how they should now deal with the results of Mr Nixon's remarkable year. For the paradox of what has happened is that so much of it should seem to have been inevitable so soon after America's allies were either denouncing or trembling at each of the three decisive new steps which

Mr Nixon has taken.

Even before his economic measures of August 15th. Mr Nixon's first step towards China had succeeded—partly by being clumsily announced—in causing a crisis in Japan among the same Japanese politicians and businessmen who now approve of what Mr Nixon has done. Similarly, Mr Nixon's visit to Moscow this May left many Europeans afraid that they would have to

pay a price for the dialogue between the world's two chief nuclear adversaries. Any colloquy of the great, even one which makes the safety catch between them one notch tighter than it was before, will temporarily unnerve those smaller fry who have grown used to automatic protection from one side or the other. But Europe, too, is now gingerly beginning to approve of something which at the time it would have preferred not to happen. Third, on August 15th itself last year, Mr Nixon loosened both Japan's and Europe's monetary link with the dollar; some of the politicians of the developed world have come to appreciate the overdue exchange rate freedom which this gave them, although none of them has actually expressed gratitude and, in the presence of John Connally at least, never will.

The shock was the message

There are two easy reactions to all this. The first is to indulge in heavy head-wagging and solemn declarations that nothing is ever going to be the same again—which it rarely is. The second is to retreat in the jovial company of Art Buchwald into supposing that the entire year has been a nicely timed electoral ramp which will doubtless end up before election day with Mr Nixon in a spacesuit boarding the next Apollo mission to the moon.

A third reaction, more difficult to make, is probably the right one. It is to accept that all these comments on what the United States has done—the cross ones, the panicky ones and the cynical ones—are fair to a point, but that none of them need leave America's allies one year later feeling the worse for much that has happened. Not, at least, provided they learn its lessons. The most obvious single lesson is that America's quadrennial presidential elections, confusing and disturbing though they seem to anyone looking in from outside, do serve to concentrate the American mind. Many of the changes Mr Nixon has wrought in the past year date from his previous election campaign four years ago, not from the one which he is engaged in against Mr McGovern today. The preaching of self-reliance among America's allies, and the consequences of the American attempt to come to terms with the world's two other great ideological powers, date from Mr McCarthy's, the late Senator Kennedy's and Mr Nixon's own election speeches in 1968, and from the Guam doctrine in 1969, rather than from anything new which has been said in 1971 and 1972.

None of America's allies can complain of too little time to prepare. But only in the belated admission of Britain into the European community can the non-communist world outside the United States claim to have responded in good time to the message which has been coming from across the Atlantic. This apart, and though no European or Japanese politician will admit it, the economic shock therapy which the United States chose to administer to itself and to its friends last August has probably been the most useful, if brutal, way of waking up a world that was comatose. If the Americans made a mistake it was to ease up on the treatment in the Smithsonian agreement in December, when the moment presented itself to cure the patient for good.

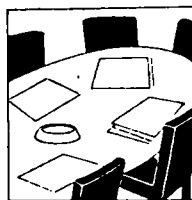
It was three full years before last August that Mr Nixon first gave his pledge to South Carolina textile workers that he would protect them against the little wave, then only beginning to grow to any size, of textile imports from Japan. It was some years again before that that America ceased at all willingly to cash in dollars for gold. Overuse, followed by overvaluation, of the dollar was an apparent and growing phenomenon for the best part of a decade before anyone, even an American Administration, and then only under the threat of latent American protectionism, would consent to do anything about it.

What is remarkable in retrospect, as a second lesson for America's friends, and at a time when the American economy and its will to stand firm in the world have each been under strain, is that its leaders should so successfully have managed to hold the line. The Nixon Administration, American big business and American farmers have kept alive the coalition in favour of freer trade from which organised labour, certain industries and a growing number of Congressmen speaking for smaller firms have defected. Likewise, a similar group which determines foreign policy in government and in the universities still believes that concerted defence of Europe is defence of the United States too. This goes for the best of Senator McGovern's foreign policy advisers.

If Europe comes across, America will

What Europeans in particular need to learn from these two lessons is that the Americans' allies can help. They can help by recognising what is rhetoric in America and what is real, and how, if America's friends refuse to lend a hand, what may start as rhetoric can all too easily and all too suddenly turn into being real. The United States is not, for example, in favour of undoing the common market now that it has finally been enlarged; even its ritual complaints against the common agricultural policy are more an expression of a real American grievance than a real American policy to break it up. But grievance may become policy four years hence, or earlier, if Europe does not learn to curb its dumping outside Europe of export surpluses and to restrain its habit of extending selective trade preferences. There are signs that Europe is learning the need for both these things, as there are signs that the monetary experts who have stayed behind in the Brussels commission during the holiday may at last be coming up with proposals aimed at making Europe's plans for monetary union easier for the rest of the world to live with. But only Europe's political leaders have the authority to make these stirrings of European good sense stick.

The next year looks no easier than the last. When the American election is done, Germany and France will still be facing theirs, and the politics of much of the rest of Europe will still be in turmoil. And to these will be added the uncertainties of perpetual negotiation with Russia and its allies who, for reasons that Europe and America will not wish to imitate, present an unenviably united front; the next article sets out some of the difficulties. No matter. For what Mr Nixon was really saying to his allies last August 15th and before was no more than that it was well past time for a change.



So is it November 22nd?

The date's been proposed for the great all-European security conference, but there's still the tiny matter of getting the Russians to talk about security

Some people feel confident enough about starting the preliminaries of a European security conference this year to begin arguing about the languages it should be held in. First it was to be French, English and Russian; then a bid for German got wide support; now the Italians want Italian, and if that is conceded Spanish may have to be included as a United Nations language as well. Anyhow, even if it becomes a Tower of Babel, there now seems a better than even chance that officials of the 30-odd European countries plus the United States and Canada will meet in Helsinki on Wednesday, November 22nd, to begin planning the conference.

The Finns have proposed this date in deference to the Americans' wish to leave the conference until after their November election. It would also come after the summit of the Ten in October, and about coincide with the German elections which should take place by December 3rd; that will please Herr Brandt, who hopes to campaign on his foreign policy record as much as he can. The Finns have got the Russians' approval for the November 22nd date. Of the four main western powers, Britain and France have told the Finns that they accept, but the west Germans and the United States are both hanging back, for different reasons.

The west Germans are still trying to make up their minds what to do about Finland's desire to be the first European country that recognises both German states. There would be very little point in holding a conference at all if the west Germans declined to turn up on November 22nd in Helsinki because they would find an east German ambassador there if they did. The Americans dislike Helsinki as a conference centre because they found communications difficult there during their missile negotiations with the Russians. But the main reason why they are withholding their approval of the date is that they want the Russians first to show some signs of willingness to start negotiating about mutual and balanced force reductions—MBFR, the troop-cut talks. Some Europeans, but not the French, have sympathy for this point of view. Despite all the Nato studies which have concluded that MBFR just spells "much better for the Russians," it is generally agreed that negotiations about troop cuts would at least tackle the subject of security in a way the so-called security conference probably will not, because it is too big.

Russia has shown no sign of hurrying to the table to discuss MBFR since Mr Nixon left Moscow with what he thought was a Russian willingness to start talking soon. For its part, Nato has yet to make up its mind about which of its member countries should take part in the troop-cutting negotiations. It might seem sensible to limit the participants in these talks (whose complexity com-

pared with Salt will be roughly what Spassky-Fischer chess is to dominoes) to the central European countries. But Nato's southern countries, Greece and Turkey and Italy, want to be in on the act—with some reason, because Soviet troops withdrawn from central Europe might turn up on the frontier of Greece or Turkey. So they would like to see the subject discussed at the big all-European conference, where they are guaranteed a seat. The best way out of the difficulty may be to keep the southern-flank countries closely consulted about MBFR and to use the security conference to discuss what are called "confidence-building measures"—such things as the posting of observers on both sides, and advance notification of military manoeuvres, which would make a Russian surprise attack that bit harder.

Did Nixon sell a pass?

Just how difficult it is going to be to maintain allied solidarity on all the different topics that will come up at the security conference is made clear by European accusations that Mr Nixon has given much of the game away in advance by signing those "basic principles" when he met Mr Brezhnev in Moscow in May. The nub of these complaints is that the phrase "peaceful coexistence," which Nato had agreed to avoid because it implies acceptance of the Brezhnev doctrine, popped up in the Moscow declaration, but other phrases such as "self-determination" and "freer movement of people and ideas," which Nato had agreed to press for, failed to make an appearance. The Americans can rightly reply that the Moscow declaration was only a bilateral document, but they rather weaken their defence when they admit that they are aiming for much the same form of words from a security conference. The important thing is the Russian interpretation. Mr Gromyko, when he was in Brussels recently, coldly crossed out a reference to self-determination in the joint Belgian-Russian communiqué on the ground that what the Americans didn't get no one else would.

Whether you regard this as an important pass that has been sold depends on how much value you place on such declarations by conferences. So often these are just words. But a declaration on the principles governing relations between states is going to feature prominently in the security conference, and what might seem niggling semantics in other contexts will not be so there. The Russians like declarations, because they think they can make use of them afterwards. It is necessary for the west to hold out for the right language, because even a verbal Soviet agreement to "freer movement of people and ideas" would bring some progress on the one subject that could really make this conference worth while.

BRITAIN

Ulster is where there is a new question every minute

The optimists about Northern Ireland like to think of the meetings between the leaders of the Social Democratic and Labour party and Mr Willie Whitelaw this week as something of a political breakthrough. But only four hours after the end of the second meeting, a great number of Ulster's Catholics came out on the streets early on Wednesday morning to bang dustbin lids, blow whistles and hurl stones to commemorate the first anniversary of internment without trial. Mr Whitelaw's decision to release a further 47 internees, bringing the number of men still in Long Kesh camp down to 283, did not placate the Catholics. The SDLP leaders once again demanded the release of all the internees before the start of political talks; there has been speculation that Mr Whitelaw is to discuss this with Mr Heath on Friday. In their turn, many of the dustbin lid-rattlers do not recognise the SDLP politicians as their representatives. On Wednesday morn-

ing they burned effigies of Mr Gerry Fitt and Mr Paddy Devlin in the Lower Falls district of Belfast.

The mounting criticism of the SDLP by most republican organisations shows how small the power base of Ulster's principal Catholic party has become. But it is not only the Catholic communities who are asking pointed questions about just whom the SDLP speaks for. There are real doubts that anybody has the trust and confidence of the confused and volatile communities that have been harbouring the IRA. Few responsible and moderate leaders have yet emerged from either the Catholic middle class or the church, for, although the army now dominates the old no-go areas, the fear and sympathy which the IRA commands have by no means disappeared.

That knowledge shapes the demands that the SDLP has made to Mr Whitelaw. As well as the ending of internment, its leaders want a reduction in the army's presence in Catholic dis-

tricts, the evacuation by the troops of the new posts they have established in schools, playing fields and the like, the prosecution of Protestants who wear paramilitary uniforms on the streets, the calling in of licensed guns and an assurance that searches for arms will be as vigorous in Protestant districts as they are in Catholic ones. But in fact it is the army's constant patrols that for the moment have brought some respite to the violence; and on Wednesday the troops broke up a crowd of masked UDA members staging a protest march in Belfast. In Londonderry, after Mr Whitelaw had banned their traditional route, the Apprentice Boys announced that same day that they were cancelling their annual August 12th march.

The troops should be out of Derry's schools before the end of the summer holiday; but they may well have to stay on in some of the Belfast schools for a little longer. At the same time the army does realise that its occupation of such places can provide a pretext for further violence—as indeed this week's episodes at Casement Park and La Salle school in Andersonstown showed. The SDLP rejects what the army is doing in the Catholic areas and in the same breath demands that it should do the same in Protestant ones.

The small children are still happily throwing stones at the personnel carriers on patrol and there has been a handful of shooting and bombing incidents. But many of the troops believe that most Catholics over the age of 30 or so are secretly glad that they have moved in, though they recognise that the younger people, from whom the IRA gunmen are recruited, are still openly hostile to them. Anyone who goes through the streets of, say, Andersonstown in Belfast or the Creggan in Londonderry cannot mistake the atmosphere of bitter suspicion. Behind every net curtain there always seems to be someone counting the troops going by.

The army is waiting to see what the IRA Provisionals may do next, particularly now that there is some evidence, at least in Belfast, that certain of the better known Provisional



Andersonstown: riots start at the drop of a brick



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Tarmac
THE MEANS AND THE END
TARMAC GROUP, WOLVERHAMPTON, ENGLAND.

leaders have come back across the border again. The soldiers cannot afford to relax their vigilance. In Londonderry, for instance, the soldiers have set up an observation post on top of the Rossville flats in the Bogside, but even so, for fear of snipers, anyone who goes on the city's walls nearby doubles up from one observation post to another. Nevertheless, now that it occupies the former IRA strongholds the army does not believe that the gunmen will dare to engage in an all-out shooting battle. Rather, it expects that in order to recover lost prestige the extremists may well try to attack the more exposed army posts and quarters with their fertiliser-based explosives. This may be associated with a hotting-up of attacks near the border with the republic.

The IRA may prove this assessment wrong, but such tactics do appear more logical than a renewal of indiscriminate attacks by bombs and bullets on civilian targets (which have devastated the centre of Londonderry to the point where it appears drained of life). The Provisionals will, no doubt, take any opportunity to stir up civil riots, but they may not be able to organise a repetition of the walk-out by Catholics in Lenadoon Avenue on any large scale.

The soldiers are seeking to guard against such dangers by unremitting patrols and frequent road blocks (often manned by the 6,000 men of the Ulster Defence Regiment who have volunteered for full-time duty). Occasionally a member of the Royal Ulster Constabulary will go out with the soldiers in the traditional Catholic enclaves of Belfast. But this is nothing more than a token gesture—and even that is not being made in the Bogside and Creggan. Everyone in Ulster realises that soldiers cannot behave like policemen indefinitely, but the RUC has long since lost the confidence of many Catholics. No semblance of the rule of law can return to Ulster until some kind of policing system which meets with the approval of both the Protestant and Catholic communities has been created.

No one in Ulster denies how formidable a task this would be—and, indeed, many believe it to be impossible of solution even if the current talks with the SDLP, November's plebiscite on the border issue, December's district council elections and the army's slow campaign of attrition against the IRA do succeed in beginning to shift the emphasis away from confrontation towards compromise.



Police and persuaders

Picketing Nothing to do with the case

The obscurities of the Industrial Relations Act do not increase or decrease the courts' powers to deal with any violence by picketing dockers near Scunthorpe, since it makes only one significant change in the criminal law (excluding people's homes from the places where peaceful picketing shall be lawful). But both the civil and criminal law on picketing are less than clear. The Industrial Relations Act, following the provisions of the 1906 act that was previously in force, provides that "in contemplation or furtherance of an industrial dispute"—a proviso which has proved important—the attendance of pickets:

... only for the purpose of peacefully obtaining information from [a person] or peacefully communicating information to him or peacefully persuading him to work or not to work ... a) shall not of itself constitute an offence under Section 7 of the Conspiracy and Protection of Property Act, 1875 (penalty for intimidation or annoyance by violence or otherwise) or under any other enactment or rule of law, and b) shall not of itself constitute a tort.

But that does not, of course, protect a picketer from prosecution for, say, wounding a police officer, nor from being charged with the less serious offences of obstruction or of behaviour likely to cause a breach of the peace. In 1960, a man was found guilty of obstructing the police for attempting to make the third in a picket line when a policeman considered two were enough at that particular spot.

But the limits of peaceful persuasion are ill-defined. The Donovan commis-

sion turned down flat the idea that mass picketing should be permitted by law, pointing out that: "It is not clear ... why mass picketing is required simply to communicate information." It did not consider that the existing law precluded "communicating information" to lorry-drivers, and turned down a proposal from the Society of Labour Lawyers that a right to stop lorries should also be made law. But the opportunity provided by the passing of the Industrial Relations Bill to make the limits of persuasion statutorily clear was not taken. Nor has the distinction between persuasion and intimidation been made plain by the courts. Mr Maudling went so far as to tell the House of Commons at the time of the miners' strike that it was up to the police to decide it in individual cases; his survey of the law on picketing did not win universal approval among lawyers, and it was plain that the police were unclear. The law was enforced rather patchily.

Since Mr Maudling spoke, the even more controversial civil law provisions of the Industrial Relations Act have come into force, creating the strange new legal animal, a tort which is not a tort, the "unfair industrial practice." When is picketing an actionable unfair industrial practice? Section 96 (the section under which Heaton's Transport and others obtained judgment in the House of Lords two weeks ago) states that:

It shall be an unfair industrial practice for any person, in contemplation or furtherance of an industrial dispute, knowingly to induce or threaten to induce another person to break a contract to which that other person is a party...

unless the inducer acts with the authority of a registered trade union.

The court order Sir John Donald-

son made against the five dockers at Chobham Farm prohibited not picketing, but threats. Subsequent sections of the Industrial Relations Act seem, in practice, to limit the meaning of "contract" in Section 96 to commercial contracts—excluding contracts of employment. And it has apparently been ruled that picketing in support of an unfair industrial practice is not itself actionable. But the important point is that this imprecise tangle of civil law should not be confused with the criminal law (and in many picketers' minds it undoubtedly is). It is more than ever important that this should be constantly and consistently enforced.

Parliament

Question time

One of the last little bits of parliamentary business before the Commons went on holiday was a motion to change the procedure for electing future Speakers. It was put by Mr Carr, Lord President of the Council, and agreed to by the House, and it is to be hoped that the change—recommended by the Select Committee on Procedure—will avoid the messiness surrounding the election of Mr Speaker Lloyd in January last year. In the event, Mr Selwyn Lloyd has exercised the office well, although he has been at the heart of one or two violent storms. But the row that accompanied his election is still remembered. The focus of dissatisfaction was not Mr Lloyd himself but the apparently high-handed manner in which he was foisted upon the House as the result of collusion between the two front benches. That, at any rate, was the widespread feeling among backbenchers, and it is imperative in the future, apart from changes in the actual procedure of election, that there should be and be seen to be the fullest consultation with all MPs before a candidate is nominated.

The same all-party select committee made suggestions this week for new parliamentary machinery to accompany Britain's entry into Europe. It shows a proper concern about the adequacy of established procedures to sift and scrutinise community legislation, commission proposals and policy documents, and fears the consequence could be that Parliament would be "substantially weaker" in its relationship to the executive. The report observes that the present lack of a "comprehensive structure of specialist



Electoral reform for Mr Speaker

committees covering the principal functions of government and able to interrogate ministers, such as exists in parliaments of member states of the European communities," must add to the difficulties of keeping a vigilant eye on what is going on in Europe.

The need for more specialist committees, not only to examine European questions but also to probe more critically into the whole range of government activity, is now manifest. Yet it is not enough merely to set up committees, if their reports and recommendations are not heeded, and that, all too often, has been the experience so far of such committees as the one on expenditure (see page 54). They are likely to go on being largely ignored by government, unless more publicity is given to their proceedings, which are generally unreported. It may be that, if Parliament again refuses to allow television cameras within the Palace of Westminster when it votes on October 19th, those committees will have to conduct their business elsewhere and invite the cameras in. That might start things humming. But specialist committees set up by the Commons are unlikely to achieve the strength or influence of American congressional ones. If assisted by professional research staff, though, they could do useful work.

They could certainly offer more hope of acting as a check upon the power of the executive than is afforded by question time, that daily hour which is alleged to be the envy of the world but which is in fact a feeble instrument for making ministers account in public for their actions. At worst, it has become an occasion for

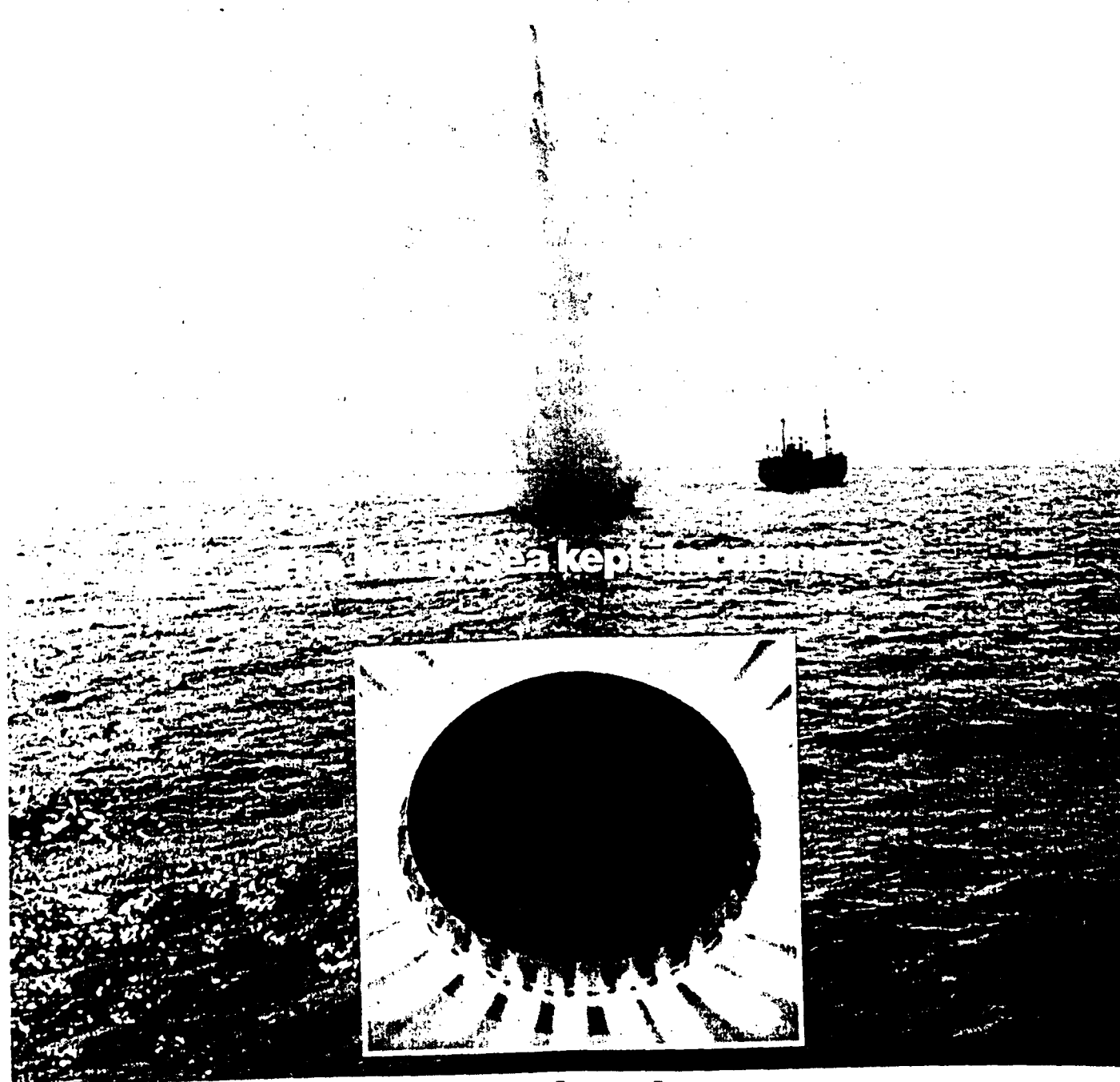
leaden facetiousness and party abuse. At best, it fails to offer anything like as sustained a critique of government policy as is achieved even by many a television interview.

The Select Committee on Parliamentary Questions has made some sensible recommendations for improving the efficiency of question time. It suggests, for instance, an experimental extra 15 minutes of prime minister's questions on Tuesdays, and an extra hour on Friday mornings for ministers appearing by rota. It is also wise to recommend that in future civil servants should not be asked to prepare questions whose sole object is to redress the balance of questions on the order paper, in other words to abet the government in what is purely a matter of party political tactics. That was what civil servants at the environment department had to do last year. The head of the civil service, Sir William Armstrong, told the select committee there was nothing improper in the request, because the impartiality of the civil service rested in its ability and readiness to serve any government of the day, not in impartiality between government and opposition. Such a use of the civil service may not be improper; there may be precedents; but it is without doubt undesirable. All the committee's recommendations amount, however, to no more than tinkering. They cannot make question time the formidable and searching cross-examination some parliamentary romantics would like to pretend it is.

What goes home?

Parliament was well up to its summer batting average when the House of Commons rose for the holiday recess on August 9th. It had put 55 Government measures and the exceptionally high total of 15 private members' bills on the statute book. When Parliament went on holiday last summer it had a total of 85 acts under its belt; but 1970-71 was, of course, an exceptionally long session. The summer average for the late 1960s was 57 acts, of which an average of 49 were put through by the government.

Some 11 Government measures scraped through at the last minute, to receive the royal assent on Wednesday. Among them were the Industry Bill and the National Insurance Bill. That leaves six Government measures which will not become law until the autumn. These include the European Communities Bill, though the Lords



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Those plans are being fulfilled—on target—and sometimes even ahead of target.

*The natural gas transmission system has been extended to all Area Boards—on time. 1,726 miles in six years.

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Gas—the natural fuel

Commercial Union Assurance Company Limited

The following are the estimated and unaudited results of the Company for the six months to 30th June 1972, together with the comparable results for the six months to 30th June 1971, and the actual results for 1971.

RESULTS	6 months to 30 June 1972 Estimate	6 months to 30 June 1971 Estimate	Year 1971 Actual
	£m	£m	£m
Net Written Premiums			
Fire, Accident and Marine	289.9	218.7	467.8
Underwriting - Fire, Accident and Marine (see Notes)	.5 (Loss)	1.1 (Loss)	.7
Investment Income	21.3	18.4	38.6
Life Assurance Profits	1.2	1.3	2.4
Associated Company	1.2	—	—
	23.2	18.6	41.7
Less: Loan Interest and Minorities	5.0	4.2	8.2
Profit before Taxation	18.2	14.4	33.5
Taxation	6.1	4.3	10.8
Profit after Taxation	12.1	10.1	22.7
Earnings per Share (fully diluted)	5.93p	5.56p	11.92p

NOTES

- The underwriting loss for the half year to 30th June is after charging:
- (1) £1.2m repayable to automobile policyholders in Massachusetts, U.S.A. in respect of premiums paid by them for 1971 which the State Commissioner for Insurance ruled to be excessive. The Supreme Court decision in that State in May 1972 upheld that ruling.
 - (2) £1.4m in respect of the total loss of one mine at Wankie Colliery, Rhodesia which was insured by our subsidiary company in South Africa. This loss was of a catastrophic nature and the extent of it could not reasonably have been foreseen.
 - (3) £1m in respect of increased provisions for claims that are required as a result of higher statutory Workmen's Compensation benefits introduced recently in certain States in Australia. Under the reinsurance arrangements between the Parent Company and its Australian Subsidiary most of this will be absorbed by the Parent Company.

Principal Exchange Rates used:

U.S.A.	\$2.42	\$2.40	\$2.55
Canada	\$2.38	\$2.45	\$2.55
Australia	\$2.04	\$2.15	\$2.15

UNDERWRITING TREND

U.K. business, as a whole, continues to be profitable but the Motor and Liability classes remain unprofitable. There has also been a further improvement in the U.S., as compared with the same period of last year. The statutory operating ratio for the six months was 97.1% compared with 100.4% for the same period last year. The results in the Rest of the World have deteriorated appreciably, due mainly to bad claims experience in Australia and Africa. The 1970 London Marine underwriting year, which will be closed at the end of 1972, is expected to produce a profit of £1.5m, half of which is taken into account in arriving at the above figures.

LIFE AND ANNUITY

	6 months to 30 June 1972	6 months to 30 June 1971	Year 1971
	£m	£m	£m
New Sums Assured	407.2	361.2	918.6
New Annuities per annum	3.9	3.0	8.4
New Life and Annuity Premiums -			
Annual	4.6	3.7	12.7
Single	9.5	13.7	20.0

DIVIDEND

The Directors have decided to pay on 17th November next to Ordinary Shareholders on the register of members on 3rd October an interim dividend in respect of the year 1972 of 2.75p per share (compared with an interim of 2.75p per share in 1971), subject to the deduction of income tax. The cost of this interim dividend will be £5.5m (£5.1m). In 1971 the total dividend was 8.25p per new share.

Compagnia di Assicurazione di Milano

The negotiations for purchase of an interest in this company have been terminated by mutual agreement.

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stayed at work two days after the Commons to sweat on with the committee stage. Then there is the Criminal Justice Bill, which is also through the Commons; it would have made sense to have saved time and started this measure in the Lords, even though criminal law (as opposed to civil) is the responsibility of the Home Office. Two others still in the Lords are the Local Government Bill and a minor reform of Scottish company law. The Museums and Galleries Bill is through the Lords but stuck in the Commons; the Horserace Totalisator and Betting Levy Boards Bill has yet to go through the Lords.

Of the 20 MPs who won places in the ballot for time for private members' bills, a total of eight have succeeded in pushing their cherished proposals through to the royal assent. It cannot be said that these are a particularly interesting bunch. Mr David Reed's act seeks to deter door-to-door salesmen from pretending their wares are made by disabled people; Mr John Peel's to deter people selling foreign goods from pretending they were made in the United Kingdom. Mr Eric Ogden's incorporates an international convention on railway companies' liabilities. Dame Joan Vickers's requires corroboration of the mother's evidence in certain sorts of affiliation proceedings. Mr Simon Wingfield Digby put through a rather longer act which lays down close seasons and other protections for salmon and trout. Mr Neville Sandelson's act gives the courts power to order "matrimonial relief" (divorce, financial arrangements and so forth) for the parties to polygamous marriages. Mr Ivor Richard's act lays rather stricter duties on the builders and landlords of defective premises.

Mr Roy Hattersley, who won first place, has got his Employed Persons (Safety) Bill—which seeks to give trade unions the right to appoint safety representatives for factories—through committee but no further. Mr Phillip Whitehead's bill, to permit vasectomies to be provided on the same basis as contraceptives services under the 1967 family planning act, is through both houses; but it needs to go back through the House of Commons for consideration of the Lords' amendments. And Mr William Hamilton's much-publicised Anti-Discrimination Bill never completed even a second reading. Outside the ballot list, Mr Martin McLaren has enshrined a law commission report on expert evidence in civil proceedings

and Dr Dickson Mabon has extended certain clauses of the Chronically Sick and Disabled Persons Act to Scotland; and five other very minor acts have squeezed their way through. It is all a long way from the legislative milestones set up by private members in the 1960s.

Social work

Rivals in care

It is a pity that the unification of the local authority social services in line with the Seebohm committee's recommendations has produced rivalry with the two main branches of social work that were not unified—probation and social work in hospitals. Not that the probation service wishes to be unified: on the contrary, in England its members have opposed any idea that they should be absorbed into the new local authority social service departments—as has happened to their Scottish colleagues. Social workers in hospitals—whether medical (those who used to be called almoners) or psychiatric—are divided about where their future should lie; all that last week's white paper on health service reorganisation had to say about it was that their future was under review.

But on one subject all hospital social workers are united, together with probation officers. They come off badly in terms of pay by comparison with local authority social workers. Links have already been established in theory between the local authority pay scales and those of the other two groups. But, as the report (Cmnd 5076) of the Butterworth inquiry into the work and pay of probation officers and social workers points out, these links are not



Butterworth: local brain drains

maintained. Individual local authorities are not bound by national agreements and many of them are far more generous in their starting salaries than the centralised authorities that apply the pay scales of the other two groups. This divergence of pay, and in the prospects for promotion, has become more marked since local authorities have been building up their new departments in the past 18 months, and the effect has been seen in a steady flow of trained staff from the probation and hospital services to the local authorities—which can also compete more successfully for new recruits.

Mr Butterworth's main recommendation, therefore, is that the two badly done by services must have their pay scales permanently linked to the local authority one by the introduction of a series of link points, where one probation and hospital grade can be deemed roughly comparable in terms of job importance with a particular local authority grade. When the pay for the latter goes up, so automatically will the pay of comparable employees in the other two services, and all three should have identical starting salaries (£1,689 for qualified graduates). Local authorities that bid up rates are tartly asked to consider whether "the present exercise of their autonomy is wholly compatible with an enlightened incomes policy."

Yet in matters other than pay and promotion, probation and hospital social work apparently provide more job satisfaction—at present—than the local authority social services. This report, which was serviced by the Office of Manpower Economics with an outside assessor, and is reminiscent of the invaluable factual reports that the prices and incomes board used to put out, says that workers in the first two groups appreciate their greater independence, the absence of a hierarchical structure and their role as caseworkers rather than managers. Local authority workers, on the other hand, complain of excessive bureaucracy and red tape. More importantly, many of them resented giving up their specialist roles in child care, old people's welfare, mental illness and so on to become all-purpose social workers—a change of role that was at the centre of the Seebohm recommendations but which the Butterworth report suggests may have to be modified. Provided the pay is right, the probation service should be able to face with confidence the new burdens that penal reform is for ever placing on it.

London housing

It's more than acres

The immediate problem in London is to get enough land into the hands of local authorities to keep up the rate of building at 35,000 houses a year. The Government's action group on London housing has combed the boroughs and found 9,000 acres of land which can or might be used for housing before 1981. That is about 2,500 acres short of what is needed if present building rates are to be maintained, but it does not include dockland, subject of a separate study.

Only about half the 9,000 acres is free from restraints which prevent house building, but land for another 46,000 houses must be freed if London's crude housing shortage is to be overcome within the decade. What the group's list does take in is some 500 acres of so-called green belt and other land that would be swallowed up if certain major road schemes were to go ahead but might be better used for housing. Approval for proposals of that kind would require controversial decisions by Mr Peter Walker, the environment secretary. But getting the list accepted would mostly be a matter of chivvying and of minor planning changes by individual boroughs.

The boroughs did the land surveys and are the main instrument for realising the policy. Sweet reason is the only pressure to be used on outer boroughs which fail to pull their weight: Mr Reginald Eyre, parliamentary under-secretary at the Department of the Environment, says that the individual boroughs must be free to choose the type of housing (public or private) in their own areas. No Tory government is going to do much to change the balance in outer London, but this is now being justified in fashionable terms like "community" and "social balance."

But the real social balance to worry about is that in Greater London as a whole. Even if new gimmicks like sponsored house purchase catch on, council building for letting will remain by far the biggest factor in new building in London. Given the future availability of dockland, it will become a bit easier soon to provide working-class flats in inner London, while working-class jobs and middle-class people continue to move out. Government policy should be directed towards correcting these trends by helping working people to

move out too. But if inflated house prices continue, and frustrate the normal middle-class outward movement, then everyone may have to think again.

School meals

Cut and come again

There was a time when a frequent uprating of state benefits was a laudable ambition; an annual uprating of social security benefits, for example, was one of the Tories' election promises. Inflation has made this a necessity, and a rather sick joke. Unfairly, it tends to disguise any real improvements in benefits, which get swallowed up in arguments about the true rise in the cost of living. There is another serious danger. Frequent changes in benefit rates affect take-up, not only because public knowledge is always somewhat out-of-date but also because those who have applied and been rejected are unlikely to reapply within the next six months. The free school meals service could become a classic example.

Mrs Thatcher, the education secretary, has just announced that the income scale by which eligibility is to be determined is to be raised from September, 1972. From that date a three-child family will be entitled to free school meals for all the children, if its net income (deducting tax, insurance, rent, expenses of employment but adding family allowances) is below



More sums for parents

£20.40 a week. This is much to be welcomed: a lot of the furore against increased charges for school meals in 1971 was nonsense, but the income scales were decidedly mean. (And the literature available to applicants was misleading.) But this is now the fourth set of income scales to be in force in 19 months, and each is a fairly complicated affair. Free school meals should be one of those benefits for which take-up is very high; any shortfall on expected take-up will be a significant pointer to the depressing impact of inflation on any income-selective policy.

Smoking

Credits and debits

On Tuesday, Sir Keith Joseph announced that the first report of the standing scientific liaison committee on smoking and health has been accepted. This means that in the new year cigarette brands will be listed according to their tar content, and hardened smokers will be officially advised to choose brands whose tar content is low. Further steps are being taken, also by agreement with the manufacturers, to counter the effect of cigarette advertising: advertising films will carry a health warning, for instance, and television authorities may obscure brand advertisements at sporting events.

At the same time, the Department of Health and Social Security has put out some pretty calculations on the effect of a reduction in smoking on health service costs and social security funds. Mortality from the smoking diseases (lung cancer, bronchitis and heart attacks) will fall. But if people live longer they will eventually need a lot of health care—and pensions. On the other hand, there should be less sickness absenteeism, and therefore less benefit paid out and more insurance contributions received. And so on—the net effect, according to the department, being a financial gain (assuming a 20 per cent fall in smoking) of £8m a year in 1981, £3m by 1991 and a loss of £12m by the turn of the century when the increased numbers of old people will be all-important. But the department still has a card to play. The fall in sickness absence, together with the increase in the working population because of the fall in mortality, should increase the gross domestic product by £42m by 1981. But taxes on tobacco... Whoa, how pedantic and therefore meaningless can statisticism get?



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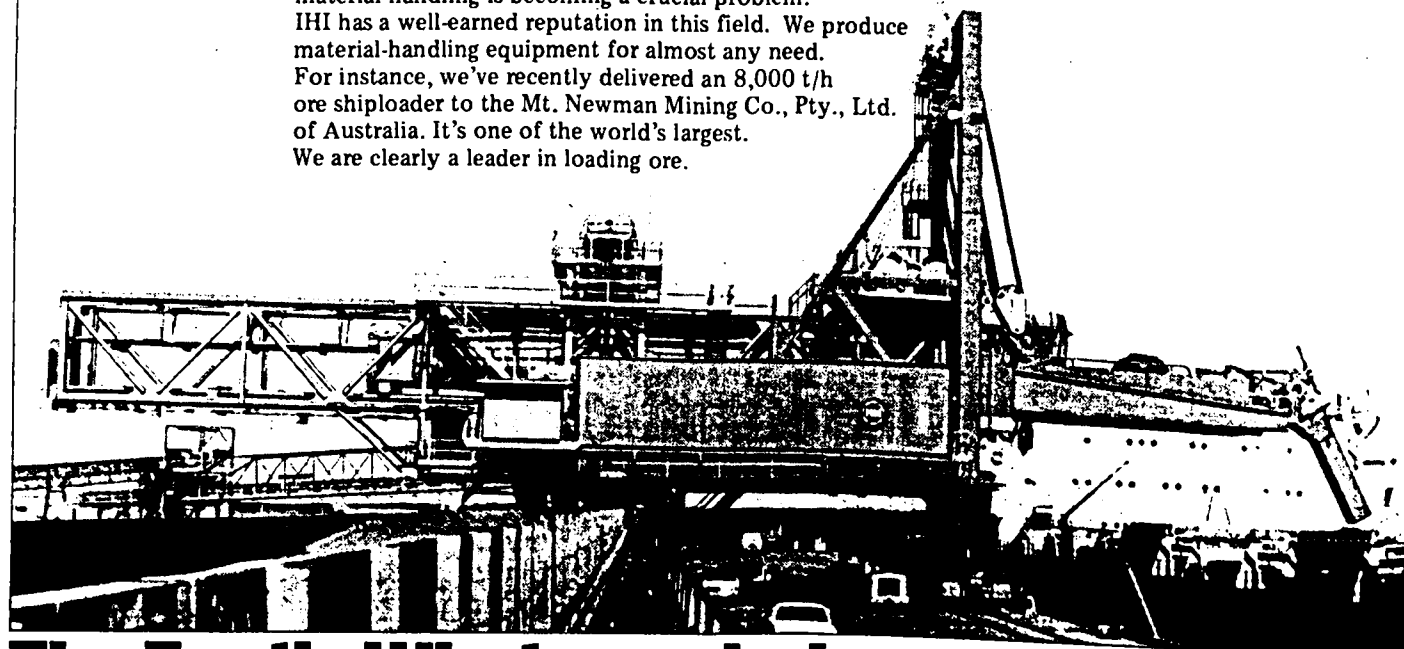
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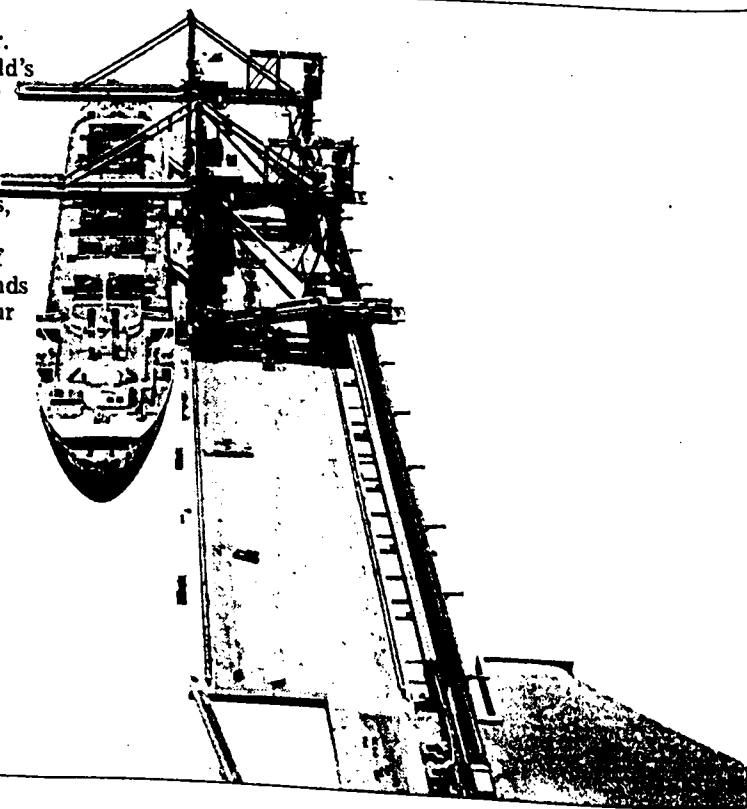
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THE WORLD

International Report

The man who decided that only black was beautiful

FROM OUR UGANDA CORRESPONDENT

President Amin has committed himself politically beyond the point of no return. This means that the British Government, which lacks the means to force him to change his mind about the expulsion of Ugandan Asians, is equally unlikely to be able to persuade him to do so.

The Asian situation in Uganda had been quiescent for many months when it erupted into a major crisis late last week. The reasons given for the sudden upsurge of activity vary from the bizarre to the merely strange. According to General Amin himself, God appeared to him in a dream and urged him to act immediately to "save the situation." The next morning he drove to a barracks in eastern Uganda and announced that Britain must repatriate all the estimated 50,000 British Asians.

Possibly General Amin was influenced by the recent spate of publicity over the shuttlecocking of British Asians from east Africa. Alternatively, his action may have resulted from the presumed completion of a census of Asians undertaken by the government last year. In any event, the decision, once taken, was rapidly transformed into a full-blown anti-Asian crusade. The president christened it a War of Liberation, and swore that if necessary he would sacrifice his life to rid the economy of foreign domination.

Under a decree he signed this week, the Ugandan entry permits and residence certificates of all British Asians and citizens of Bangladesh, India and Pakistan were revoked. Subsidiary legislation provides for the temporary exemption of doctors, dentists and other professional people whose services Uganda cannot at present do without. In one of the government's few concessions to economic realities, the owners of industrial and agricultural enterprises are also exempted.

All the rest, some 60,000 Asians who do not have Ugandan citizenship, including perhaps three out of every four Ugandan shopkeepers, have 90 days in which to dispose of their property and leave the country as best they can. So far there have been only veiled hints of what may happen to them if they do not leave in time, but in a country where all power rests with the army veiled hints are all that is needed. Since Kenya has closed its border to Ugandan Asians, and Tanzania will probably follow suit, the only means of departure available to them will be by air. Assuming that the exodus does not begin in earnest for another 10 days or so, it will require the equivalent of seven VC-10 flights a day. Although General Amin is now adamant that the deadline will not be changed, the sheer physical difficulty of arranging an exercise on this scale may persuade him to grant a short extension. In the way of compromise, that is about all that can be expected.

The outlook is not much brighter for Asians with Ugandan citizenship. In recent statements General Amin has made a distinction between "Ugandan citizens" and "black Ugandans," indicating that it is the blacks whom he wants to control Uganda's economy. All the 23,000 Asians here who claim to hold Ugandan citizenship have now been ordered to produce documentary proof of their claim because the government feels there should be "much fewer" of them. Asked this week whether he wanted these citizens to leave Uganda as well, General Amin replied, encouragingly, "They are free to go, too."

The president himself has admitted that the economic consequences of the Asians' withdrawal will be disastrous for Uganda's shaky economy. Everyone will suffer, he has said, but such diffi-



God spoke to him

culties are necessary. He looks forward to the time, "a few years" distant, when Ugandans will manage their commerce just as they now manage their agriculture. What will happen in the course of these few years of learning he did not say. Nor has he referred to the effects of the cessation of Asian and other foreign investment which must follow his decision. Still less does he appear to have thought of the drain on Uganda's foreign reserves that 60,000 people taking the permitted amount of money out of the country would cause. Under present exchange control regulations, this is estimated at £100m. Uganda's gross foreign reserves stand at about £15m. If the regulations are changed, as it seems they must be, many Asians will leave here destitute.

The manifest suffering that General Amin's edict will cause, along with some of the absurdities of his pronouncements, have obscured the other, semi-rational, arguments he has advanced in support of his decision. He has said, for instance, that Asian businessmen have been frustrating Africans' attempts to get on in commerce, and that they have been sabotaging the economy. Undoubtedly some have. Not as many as he believes, perhaps, but more than the occasional black sheep the Asians admit to.

Fortunately, General Amin seems

likely to remain alone among African leaders in taking an extreme stand. Kenya, with 140,000 Asians, some 60,000 of them Kenyan citizens, and Tanzania with 75,000 Asians, some 30,000 of them Tanzanians, are both deeply concerned at the possible repercussions of General Amin's move. When Uganda succeeds in getting rid of its Asians, pressures may briefly mount for similar moves by its neighbours. But they are unlikely to be sustained.

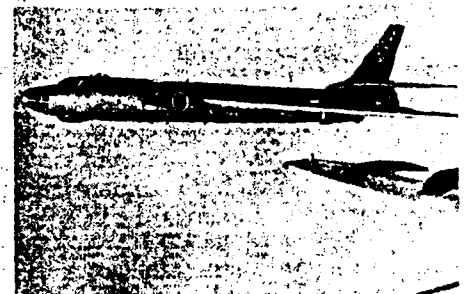
The Mediterranean

The Russians have lost a lot

The one firm piece of information about the Russian military exodus from Egypt is that since it was announced in the middle of last month no Russian aircraft have made reconnaissance flights over the Mediterranean. Whether all the aircraft that the Russians used for the surveillance of the American Sixth Fleet and other Nato navies in the Mediterranean have been ejected from their Egyptian air bases is less certain.

Their Il-38 planes, fitted with special submarine detection kit, have apparently left: these never had a role against Israel. So have a number of the Tu-16s which were the main Russian reconnaissance force. These planes, with their stand-off air-to-surface missiles, might conceivably have been used against Israel had the Russians allowed the Egyptians to fly them. One rumour has it that the Egyptians are holding on to some of them, presumably as a bargaining counter. The third make of aircraft used for anti-Nato operations were the Mig-23s. These planes, which fly higher and faster than any Nato fighters, are also believed to have gone.

The fact that the Russians have within the past fortnight sent three Krivak-class destroyers into the Mediterranean for the first time may be a compensation for their new aerial weakness. The Krivaks came into



Is Sadat holding on to this Tu-16?

service only last year and with gas turbines and guided missiles are better than their equivalents in the Sixth Fleet. Russian ships will be able to use Mersa Matruh and Alexandria, where President Sadat has said they will still have facilities. These ports are also important to Russian submarines in the Mediterranean, which all come from the far-off Baltic and Arctic fleets.

Although the Russians have lost their former freedom of operation, it is too early to tell how much the new restrictions will hamper them. More firepower from surface ships may replace the loss of the Tu-16 missiles but it cannot make good the loss of the Egyptian airfields for aerial intelligence. No doubt the longer-range Tu-20 plane could fly reconnaissance missions from home bases near the Black Sea; but that would require in-flight refuelling over Nato territory.

Some Russian planes taken out of Egypt are reported to have landed in Iraq. But it is hard to see any useful role for them there and it could just be a staging post on the way back to Russia. Very nearly as large a part of the Mediterranean could be covered from Syrian airfields as from Egypt. But Syria, although even more in need of Russian military advice than Egypt since its air defence system is relatively new, has already revealed its reluctance to become too deeply involved with the Russians.

A great deal of Russian equipment remains in Egypt. This includes all but the latest version of the Sam ground-to-air missile and probably some of the more modern versions of the Mig-21 fighter planes which Russian pilots were flying. All this equipment will need spares and maintenance, and this is where the Russians come in again. The two countries still need each other.

Egypt and Libya

One more deadline

FROM OUR CAIRO CORRESPONDENT

Putting a brave face on things, Egyptian commentators are trying to convince their readers or listeners that the projected union with Libya, unlike the late unlamented union with Syria, is based on reality and not on dreams. The 13 months before the union becomes effective will, it is argued, provide time for working out a solid foundation. Yet President Sadat's telephone call last week ordering the prime

minister, Mr Aziz Sidki, to join him in Benghazi to seal the merger deal came as a jolt to members of the cabinet. And the reaction among many ordinary Egyptians has ranged from an indifferent shrug to downright scepticism.

President Qaddafi of Libya does not conceal his hopes or his ambitions. Libya is to do for the Arab world what Prussia did for the unification of Germany. With the mantle of Nasser pulled down ever more firmly on his frail shoulders, the young pan-Arab nationalist pursues his vision. But, as he told his country's one political party last April, Libya can carry out its role only by working "with Egypt and through Egypt."

Mr Sadat's reasons for agreeing to the union must be more devious and are certainly less obvious. Some Egyptians believe that Libya may be able to obtain from western Europe the type of arms that Egypt has failed to get from Russia. Others believe that Egypt, through American oil interests in Libya, is hoping to reawaken the pro-Arab oil lobby that is said to exist in Washington.

On one point most Egyptians are agreed: Colonel Qaddafi's insistence that Israel must be defeated militarily need not inhibit Mr Sadat from exploiting his dismissal of the Soviet military advisers by opening a major campaign late this year for a political settlement with Israel. The 13 months allowed for planning the merger may, in Mr Sadat's mind, represent another deadline for getting a political settlement. In this sense the projected merger, no less than the expulsion of the Russians, is one more bid by President Sadat to buy himself time.

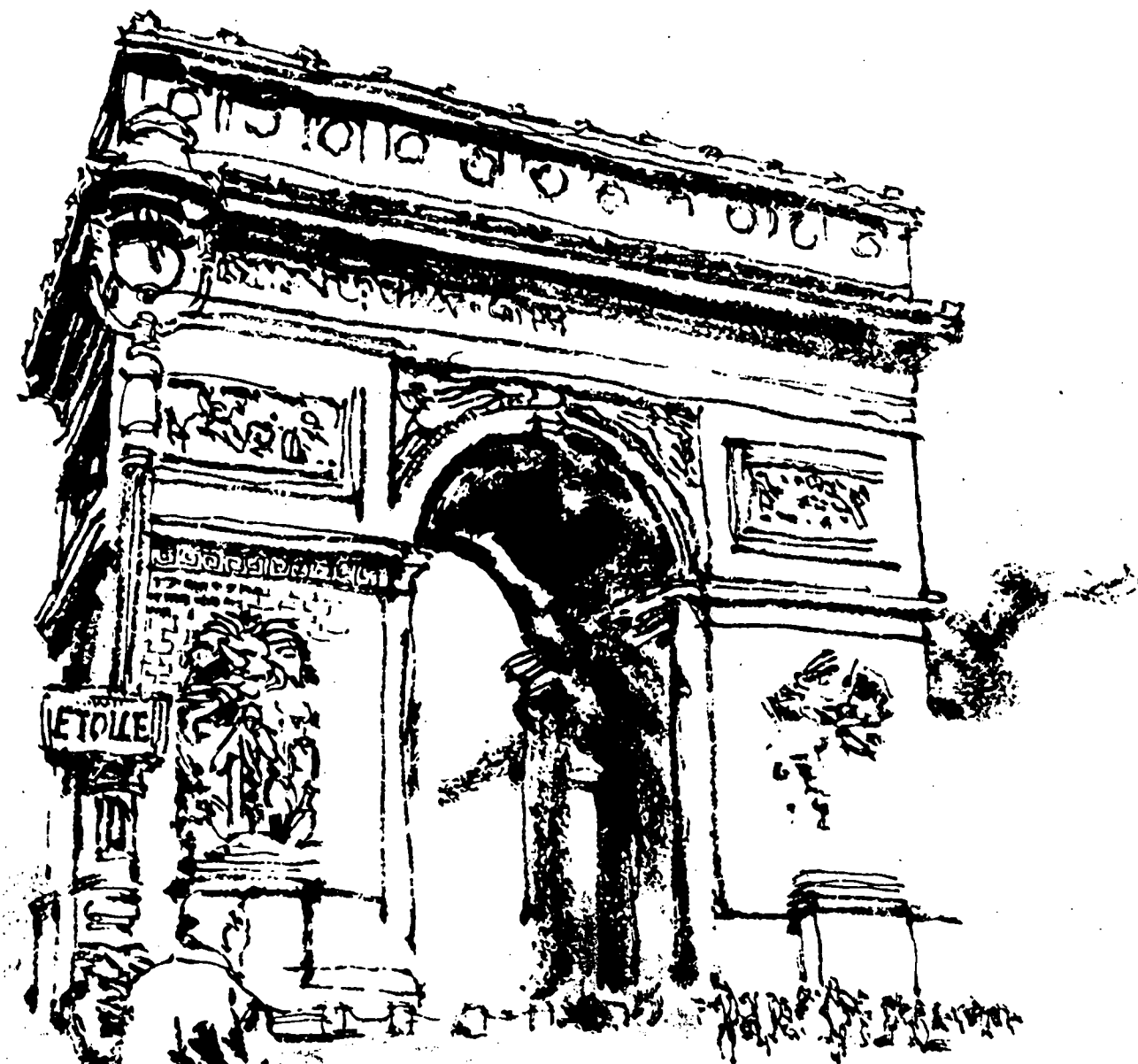
Mésalliance

FROM OUR LEVANT CORRESPONDENT

Previous schemes for Arab union have failed, or were stillborn, because they were mésalliances between impetuous Arab Antonys and a wary worldwide Cleopatra. The present project for Libyan-Egyptian union is no exception. President Sadat's hesitant acquiescence has still further reduced the prestige of Egypt, which now looks like a Cleopatra rolled up in an especially expensive Libyan carpet. Any true unification of the Arab countries needs the undramatic groundwork of mutually beneficial co-operation—and strong leadership by Egypt.

There are a number of Arabs who would argue that the Federation of Arab Republics was moving step by cautious step towards a working co-

Arc de Triomphe—Japanese brush painting



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operation between Egypt, Libya and Syria. This has now been elbowed aside by Colonel Qaddafi, so that Syria, which had tried to achieve a modified resumption of its former special relationship with Egypt, finds itself out in the cold. The lukewarm Syrian reaction to the Libyan-Egyptian union is a clear indication that it is not going to become its third member; which means that the federation has in fact lapsed. The Syrian communist party, which is represented in the government, has given firm notice that it will contest any attempt by the Syrian regime to follow Egypt's example either in expelling Russian advisers or in joining the union with Libya. But there have been no signs that Syria's pragmatic president, General Hafez Assad, is about to do anything so foolish.

Iraq's reaction has been even colder. A few months ago Iraq tried unsuccessfully to bring about its own special relationship with Egypt, which would have included Syria but excluded Libya. Jordan, on bad terms with Egypt and worse with Libya, has predictably condemned the new move; Saudi Arabia and Lebanon have been studiously silent. Kuwait, while in principle welcoming all moves towards Arab unity, has expressed fears that yet another failure would be a long-lasting setback to that ideal.

Thus, in contrast to the general joy that greeted the Syrian-Egyptian merger in 1958, the major countries of the Mishrek, the eastern Arab area, are thoroughly disunited over the projected union between Egypt, the largest country of the Mishrek, and Libya, the drawbridge between the Mishrek and the western Maghreb. The three Maghreb countries, Algeria, Tunisia and Morocco, wisely seem to regard these eastern goings-on as no great concern of theirs.

The union might work if it led to a firm-handed Egyptian takeover of Libya. But Egypt lacks the hardihood to put through such a bold colonising enterprise. As it is, association with Libya will adversely affect Egypt's relations with a whole range of countries with which it is trying to be friendly: with Russia and the United States, with Britain, India, Iran, Saudi Arabia and Morocco. President Qaddafi is a fossilised nasserist who is using his financial power to push the dangerously outdated idea that Arab unity can be brought about through the soft option of unification rather than by the slower, more tedious, but surer path of co-operation.



Baram's church is no asylum

Israel

Broken promise

On Monday the Israeli police threw out the Christian Arabs who had been camping in the church and the ruined houses of Baram, their former village near Israel's frontier with Lebanon. The Arabs put up a fight and men on both sides were injured; several Arabs were arrested. Two weeks earlier the Israeli cabinet had ruled that the villagers were not to return either to Baram or to its neighbouring village, Ikrit. On Tuesday Mrs Golda Meir confirmed this ruling at a meeting with the Greek Catholic Archbishop Yusuf Raya, who has been negotiating on the villagers' behalf.

So, perhaps finally, the Israelis have broken the pledge they made 24 years ago when the Israeli army evicted the villagers but promised them that they would be allowed to return soon. In 1952 the Israeli supreme court upheld the villagers' right to return, albeit conditionally. They continued to be barred for security reasons. Recently the area ceased to be a closed military zone and the villagers, their hopes newly encouraged, started to repair their abandoned churches. They were further encouraged last month when Mr Yigal Allon, acting as prime minister during Mrs Meir's temporary absence, outlined a solution that might have allowed those who wanted to return to do so (see *The Economist*, July 15, 1972). Mrs Meir came back and the cabinet turned down these proposals; instead, the process of compensating the evacuees would be completed. The cabinet vote was not unanimous and other Israelis have this week been demonstrating on the villagers' behalf. But Mrs Meir has pronounced their return to be impossible.

EEC

Who'll be who

FROM OUR SPECIAL CORRESPONDENT

Brussels

M. François-Xavier Ortoli is still front-runner as President Pompidou's choice to become president of the common market's commission in January. It is France's turn to name the president, and M. Ortoli, who was a director-general in the commission's early days, has throughout the 1960s been a faithful minister in successive governments in Paris. The doubts about M. Ortoli are his own reluctance (like others in Europe) to go to Brussels if he can see a better chance for himself in his national capital, and the fact that he is more of a civil servant turned minister than a politician of convincingly gaullist or any other stamp.

Mr Heath and others have long hoped that France might appoint real politicians to Brussels. But they would be content with M. Ortoli—and, if he does not go, then just as content with M. Paul Delouvrier, now under M. Giscard d'Estaing in the ministry of finance, who is thought to be next in line. Britain's likeliest members of the commission, if they can be persuaded to drop their domestic political careers, remain Sir Christopher Soames and Mr George Thomson.

Britain's ambassadors in Europe's capitals on January 1st will be a different lot from the team fielded when the entry negotiations got under way. Sir Edward Tompkins is being withdrawn as ambassador in The Hague and will probably take over soon in Paris. Sir Edward is half-French by birth and an old hand in the Paris embassy as well as in Washington, where he was minister during the late 1960s. On present plans, Sir Christopher Soames will make way for him after the summit meeting of the Ten planned for October in Paris—maybe to become one of Britain's two commissioners in Brussels, maybe to return to Conservative party politics in Britain (where his reception would be mixed), maybe to quit public life altogether.

The former number two in Paris, Mr Michael Palliser (the son-in-law of Paul-Henri Spaak, who died in Brussels last week), is already Britain's ambassador to the European community in Brussels. From January 1st he will be Britain's permanent representative in the decision-making machinery of the community. Sir Nicholas Henderson has just taken over

the embassy in Bonn, having previously been ambassador in Warsaw—a long way on from the bright young private secretary whom Ernie Bevin wangled into the Foreign Office over the heads of others. Mr John Barnes, an author of the ill-fated idea of a multilateral missile submarine force in the 1960s, comes to The Hague from Tel Aviv. The ambassadors in the other two Benelux countries stay put, as does the shrewd Sir Patrick Hancock in Rome.

The all-round improvement is particularly evident in the Bonn embassy and in the delegation to the community in Brussels, whose bright staffs now have a better chance than before to bring their energies to bear. The notable thing about Britain's common market diplomacy at present is that its men in the field are generating more ideas than the thinkers and policymakers back at home. In London there is plenty of paper about Europe but little urgency. This is partly a result of the Prime Minister's deliberately cautious approach to change in the community until Britain is safely inside. But the greater imagination in evidence in the field partly reflects the fact that the Foreign Office, even as it has been reshaped to cope with common market life, has not yet worked out with the other ministries in London how to carve up the work which flows back from Brussels and the national capitals in a way that can produce quick and imaginative results.

Ireland

Uncorked

FROM OUR DUBLIN CORRESPONDENT

Cheered by his unexpected by-election victory in Mid-Cork on August 2nd, Mr Lynch now reckons he has got Irish public opinion behind him in three things he wants to do about Ulster. The first is to give full backing to Mr Whitelaw's attempts to get the Northern Ireland political parties around the conference table. The Irish prime minister shares Mr Whitelaw's frustration about the delaying tactics of the Social Democratic and Labour party. Although it will avoid any obvious pressure on Mr Fitt and his colleagues, the Irish government has been using its influence behind the scenes to moderate the SDLP's demands—and feels fairly satisfied with the progress achieved this week.

Second, Mr Lynch does now seem determined to crack down on the IRA if it starts to operate in the south. He still refuses to intern its members; but the appointment of four more judges

to the special criminal court and the calling in of larger-calibre licensed guns (about 90 per cent of these have been handed in) are clear warning of his intentions. The trouble with trying to get IRA men on charges of belonging to an illegal organisation is that it is nearly impossible to produce the evidence. But being caught with a gun is now almost certain to lead to conviction. The Provisionals have read the signs and most of those who left Derry before the British army occupied the no-go areas are now believed to be back in the Bogside and Creggan. There may be some IRA raids across the border from bases in the south but most people in Dublin think the gunmen will concentrate their activities in the north.

The third thing Mr Lynch means to do is to play down all talk of Irish reunification. He is convinced that unity is a long way off, and that talking about it too much only postpones it even longer. What he wants now is to get a new sort of administration going in Northern Ireland without the powers of Stormont and with built-in guarantees for the minority.

Trieste

Who blew up the oil?

FROM OUR ROME CORRESPONDENT

The Italian authorities, including the military intelligence service, are not convinced by the claim put forward by Black September, a small but militant Palestinian guerrilla faction, that it was responsible for the explosions that last weekend wrecked oil storage tanks in Trieste. If Arabs had done it, say the police, the Italians would have expected to receive more information than they have yet got either from Interpol or from the Israeli security

service. As it is, the police are following up every possible trail; a process that will take time.

One obvious trail has taken the Trieste police to Milan, where their colleagues are working on a number of terrorist mysteries including the explosion that killed Signor Feltrinelli, a left-wing millionaire, in March and the murder of three carabinieri who were killed recently when their car blew up. The Milan police have been following the "red" and "black" trails, the anarchist and fascist threads which appear to run, separately or together, through all the unsolved cases of violence, murder and sabotage of the past three years.

In Trieste suspicion seems divided between Yugoslavia's Croat guerrillas, German "Tupamaros" (believed to have been involved with Feltrinelli), extreme right-wing Italians, and the Arabs. The manager of the terminal, Signor di Mondo, is certain that the saboteurs had local accomplices who could be either Italian or German. He thinks it most improbable that any Arab government could be involved (though this would not rule out Palestinian guerrillas). The Libyan government has only recently reached agreement with Italy to send some of its crude oil to Trieste. And the German trail is hotly denied by the Hamburg police, who claim that most of the Baader-Meinhof gang are either dead or under lock and key.

The Italian police are following up but not particularly impressed by a report from an unofficial Israeli source in Jerusalem that Rome conceals the headquarters of an Arab guerrilla organisation, which also has a branch in Perugia. According to this report, the Palestinians are using four flats in Rome as hideouts and deposits for arms supplied to them by the embassy of an Arab country, and the Black



It's a fine blaze and it costs somebody about £2.5m

September group has a headquarters camouflaged as a centre for Arab students at the university for foreigners in Perugia. In Rome the police have found no confirmation of this report, nor is it endorsed by the Israeli government.

The Rome police claim to have kept a strict check on all suspect foreigners after the outrage at Lydda airport on May 30th. The three Japanese terrorists responsible for the massacre had spent a few days in Rome before they flew to Israel but the Japanese Interpol official who interrogated the surviving killer assured the Italian authorities that there was nothing to suggest that the stay in Rome was significant. No evidence of a Palestinian headquarters in Rome came from this interrogation. In Perugia the local police have been screening the 2,000 Arab students registered at the university. Only some 200 of these are believed to be Palestinians but many are not identifiable as such because they have been issued with passports by various Arab countries, mainly Libya and Syria. It is a long, slow trail.

Italy

Cosa nostra

FROM OUR ROME CORRESPONDENT

That great Italian coalition known as the Christian Democratic party met at the weekend to look itself straight in the eye and, having done so, looked away again. The three-day session of the Christian Democrats' national council that finished on Monday has greatly strengthened the position of the party's secretary, Signor Forlani, but leaves the prime minister, Signor Andreotti, as much alone as he was before the council met. Signor Moro, the leader of the party's left wing, who made an impassioned appeal to the party to change course, saw his support whittled down. He emerges as the only top-rank Christian Democrat wedded to a clearcut line and not disposed to juggle with right and left. In the long run this may be an advantage. But in the short run Signor Forlani has won out with the usual policy of looking both ways at once.

The council met to pass judgment on Signor Forlani's and Signor Andreotti's handling of the long crisis which ended in June with the formation of a centre government that includes the Liberals for the first time in 12 years, and leaves the Socialists in opposition after 10 years' participation in governments of the centre-left. Should the Christian Democrats look



Forlani the juggler

on this as a deliberate political choice or as an emergency solution forced upon them by circumstances?

Characteristically, while promising the new government its loyal support, the council has endorsed the second line. Signor Forlani aims to keep the door open for the Socialists to come back after their party conference in October if they then promise to cleave faithfully to the centre-left and keep their distance from the Communists. He did not say whether he would be willing to drop the Liberals to make this possible, which is the crux of the quarrel between the Christian Democrats and the Socialists.

In a fervent speech Signor Moro accused Signor Forlani and Signor Andreotti of making a deliberate choice: to include the Liberals, he said, automatically implied excluding the Socialists. Signor Moro believes the party's policy will make it harder for the Socialists to come back: so they run the risk of falling under the hegemony of the Communists, and the Christian Democrats themselves will be tempted ever farther to the right. He sees a real danger of the nation becoming divided into two camps, Christian Democrats versus Communists.

The Christian Democratic party contains nine, perhaps now 10, different factions, which are for ever peeling off and re-forming. The party has no undisputed leader. There are at least half a dozen senior near-equals and the party is really a syndicate for the management of power. It has been dominant in office for 25 years without interruption, and is likely to remain so. That is why it tends to look upon political power and patronage as "our thing."

Germany

Willy needs help

The first thing Willy Brandt had to do when he came back to Bonn from his Norwegian holiday last weekend was to start thinking of how to organise his own government's defeat. He may not relish it but, under the 1949 constitution, he must be defeated in the Bundestag in order to clear the way for the fresh elections that both west Germany's government and its opposition want, because neither has a majority in parliament. After consultations with his own party and his Free Democrat coalition partners, Herr Brandt seems to have decided to get out by arranging for his own supporters not to vote for him on a motion of confidence during the long-delayed debate on the 1972 budget. This may now take place on September 26th-29th.

If a handful of government deputies stay away during that vote—and if the opposition votes solidly against him—Herr Brandt will be defeated and President Heinemann will be free to dissolve the Bundestag and order new elections. Assuming that Rainer Barzel, the Christian Democrats' leader, waives his constitutional right to become chancellor by mustering a majority for himself within three weeks of his rival's defeat, the election could take place sooner than originally thought—perhaps as early as November 19th.

The whole rignmarole would not be half so depressing for Herr Brandt and his colleagues if their hopes of being re-elected were reasonably bright. But the time-bomb of Karl Schiller's resignation in July is still ticking away. To the effect on the voters of the angry resignation of the key economics minister, who was a major vote-catcher in the 1969 election, is added the awful thought, still not entirely squashed, that Herr Schiller might actually go over to the opposition. And the police raid on Wednesday on the magazine that printed Herr Schiller's secret resignation letter will hurt the government.

Helmut Schmidt, who has taken Herr Schiller's place as the government's economics overlord, has a few cards to play. The new pensions bill which will soon be presented to the Bundestag could be a vote-catcher among the old and the middle-aged. But the opposition are plugging their own, in some ways even more attractive, offer to the pensioners.

Of course, Willy Brandt himself remains the government's biggest electoral asset. But even the popular Herr

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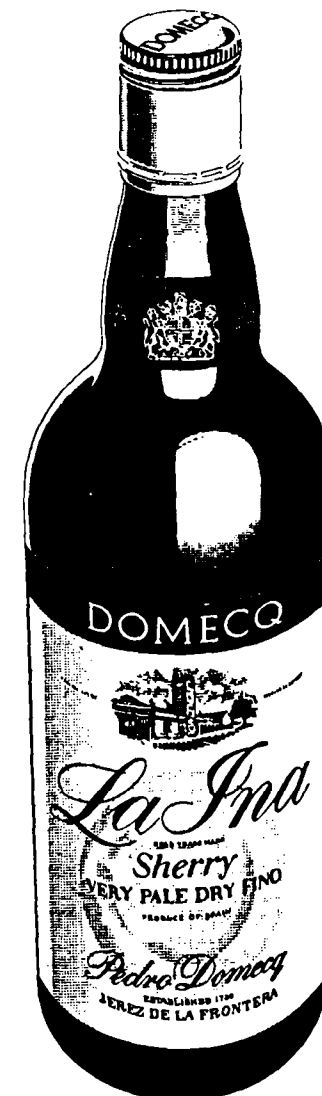
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Brandt needs some palpable success with which to impress the electorate. He may hope to be saved, even now, by his Ostpolitik.

When negotiations for the so-called "general agreement" with east Germany start next week, the Russians might like the east Germans to be readier to make concessions than they have shown themselves to be in the exploratory talks. The Russians want their European security conference, and they would probably prefer to have to deal with Herr Brandt rather than with Herr Barzel. Mr Brezhnev may have advised the east German leaders, at the recent communist summit meeting in the Crimea, to be more pliant. But any really substantial progress towards the "human improvements" that Herr Brandt expects from these negotiations means east Germany either letting in more west Germans, or letting more of its own people out to the west. Will it?

Jugoslavia

No defence

The trial of four former Croat student leaders that opened in Zagreb on August 4th began badly for the prosecution. The students are accused under article 100 of Yugoslavia's penal code of having formed a "militant and terrorist phalanx permeated by nationalistic fanaticism" with the aim of taking Croatia out of Yugoslavia and eventually handing over power to Croat émigrés. More than 100 witnesses have been questioned since the students' arrest last December, and more than 8,000 pages of supporting evidence have been submitted by the prosecution. But the students simply declined to defend themselves when the trial started.

The first accused, Drazen Budisa, a former president of the Zagreb students' federation, justified his refusal to defend himself by saying that he and his colleagues had been condemned in advance. But he claimed, in a written statement, that the students' federation was neither separatist nor counter-revolutionary; its aim was a socialist Croatia within Yugoslavia. He stoutly denied any links with Croat organisations in the west.

It is unlikely that the court will be put off by the students' refusal to co-operate. Yugoslavia's leaders want to make an example of the accused students, who offended President Tito in November by organising a university strike in favour of the Croat leaders'

demand for a greater share of foreign currency to be given to Croatia, and then demonstrated when these leaders were sacked in December. The new demonstration last week in favour of the deposed leaders at the funeral of Mr Pero Pirker, the former party secretary in Croatia, will probably make the authorities even less disposed to compromise.

Vietnam

Watch the north

FROM OUR SAIGON CORRESPONDENT

It is probably no exaggeration to say that the decisive battle in Vietnam's current campaign is being fought in the United States, between Senator McGovern and Mr Nixon. In both Hanoi and Saigon it is thought that the outcome of the American election will determine the course of events in Vietnam for a considerable time to come. Nothing can ever be ruled out in this war. But unless the South Vietnamese command makes a particularly gross blunder in the coming weeks, it seems that North Vietnam's present preparations for new thrusts in the Quang Tri-Huế sector and around Saigon are not so much a serious attempt to achieve victory as a device to embarrass President Nixon at a chosen moment in his election campaign.

The North Vietnamese forces in Quang Tri have been substantially reinforced since the battles of April and May. Some entirely new units have appeared on the scene, withdrawn from Laos, and casualties in the original units have been replaced from reserves in North Vietnam.



The quick avoid becoming the dead

Despite the bombing and blockade of the north, this reinforcement seems to have presented no great difficulties. General Giap is reckoned to be willing to pay a high price for the retention of Quang Tri, and he wants to keep up the pressure on Huế. The bombing and blockade have reduced the flow of heavy weapons, oil and some other items but they cannot stop the movement of men and ammunition. They do mean that more men and resources are needed to keep the supply lines open, but the result is only a reduction, not particularly spectacular, in North Vietnam's long-term capacity to sustain the war.

The movement of North Vietnamese troops into the Mekong delta is open to various explanations. President Thieu, among others, sees it as presaging a communist drive on Saigon itself, or at least an attempt to strangle the capital by cutting it off from the surrounding provinces. However, Mr Thieu's analysis may be partly an attempt to justify his promulgation of some tough new decrees, such as the one this week that will keep the Saigon press under tighter control.

Certainly the three divisions that besieged An Loc have been replenished, and by some people's count about 7,000 North Vietnamese troops have moved into the delta south-west of Saigon, where there has been a good deal of fighting. But even if that figure is accepted—and it is probably too high, in fact—the 7,000 would not represent a major threat to Saigon or the delta. The delta is now under mid-monsoon water, and so the communists cannot use heavy artillery or tanks there as they did around An Loc. Some military sources now tend

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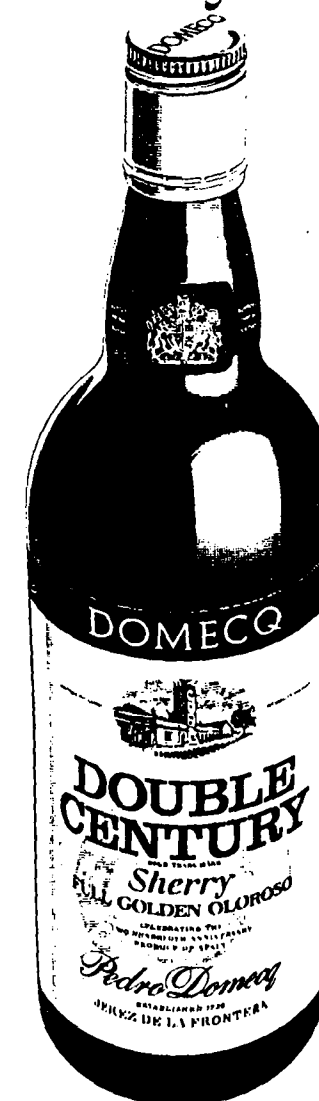
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rather to the view that the delta infiltration is primarily designed to cause alarm in Saigon, capture headlines, and above all to prevent the Saigon command taking troops out of the area to reinforce Hué and Quang Tri.

The assumption is that the bigger North Vietnamese drive, on Hué, will come in September or October just before the American election, by which time the rains will begin to hamper air operations in the northern provinces. Some observers believe it will be virtually North Vietnam's last big fling on the southern battlefield. If Mr McGovern gets in, there won't be much more need to fight. But if Mr Nixon is returned, South Vietnam can probably count on continuing American air support, and the northern troops may then pull back and await more propitious circumstances.

China

The army turned upside down

FROM OUR HONGKONG CORRESPONDENT

No one can pretend to know how many of China's army leaders and party cadres who disappeared during Lin Piao's period of favour as Chairman Mao's heir-presumptive between March, 1968, and September, 1971, have been restored to favour in the past 10 months. Of the military leaders who attended the 45th anniversary of the People's Liberation Army on August 1st, no fewer than 32 had been purged. They included such notables as the former commander and political commissar of the Wuhan military region (who ironically was then accused by Lin Piao of having tried to kidnap but not assassinate Chairman Mao) the former commander and political commissar of the Peking military region, and the former political commissar of the Chengtu military region, who had been personally denounced by Mrs Mao.

More intriguing, perhaps, is the fact—recorded by foreign diplomats in private messages from Peking—that several known Lin Piao followers who were temporarily eclipsed in the aftermath of Lin Piao's disappearance have also been indulgently restored. They are presumably the vanguard of "those comrades who had erred but did not engage in intrigue and conspiracy" and who, the paper Red Flag mercifully or expediently pronounced last

week, would be forgiven after criticism and self-criticism and willingness to rectify their mistakes.

The head of Chiang Kai-shek's intelligence service on Taiwan told a Kuomintang meeting in Taipei this week that 47 of the chief supporters of Lin Piao had been purged—in "two general headquarters, two services, three combat arms and five military districts." He claimed that a large-scale purge was still in progress. Of course, Taipei disclosures are as suspect as Peking pronouncements. But Red Flag has frankly admitted difficulties in army morale, thinking and reorganisation, and it may be plausibly presumed that the known confusion, re-forming of ranks and self-criticism in Peking is being duplicated with greater shock and fiercer revenge in other military regions.

General Ting Cheng, a formidable operator who escaped Lin Piao's disfavour, has suddenly been sent to Canton to control the key south China military region, which the vanished former chief of staff, Huang Yung-sheng, once commanded. It looks as if General Ting Cheng's immediate priority is to stem the rising flood of escapers into Hongkong and to suppress a bourgeois crime wave in Canton. Even Peking has been compelled openly to recognise this embarrassing flight of "freedom-swimmers" by denying that they are refugees—because Hongkong, after all, is China and you can't be a refugee if you remain in your own state even if you have to swim all night to get there under fire from the guns of your hometown border guards. The authorities in Hongkong privately hope that General Ting Cheng, whatever his ties or lack of ties during the Lin Piao period, now dams the flood of Chinese non-refugees with all the fraternal vigour that Lin Piao unleashed against the Red Guards in 1968.

India and Pakistan

Let the soldiers draw the line

FROM OUR NEW DELHI CORRESPONDENT

Now that both India and Pakistan have ratified last month's agreement between Mrs Gandhi and President Bhutto at Simla, the two armies met this week to draw the new dotted line between them. Up in Kashmir each side will keep what it won in last December's war, some 480 square miles for the Indians, and a modest 53 square miles for the Pakistanis near Chamb. But everywhere else they will go back to the border they crossed in December.



Jana Sangh's leader attacks the pact

The Indians are giving up more than 5,000 square miles in Punjab and Sind in exchange for some 70 held by Pakistan.

It is all going remarkably smoothly. Even in Kashmir the demarcation line has largely been agreed upon already at meetings between units facing each other. There are disputes over some small outposts around Tithwal in the Lippa valley which changed hands in skirmishes after the ceasefire; but the Pakistani foreign ministry has told your correspondent that the details of the disengagement can be left to the two armies to sort out. The only real problem, in fact, is about the role of the United Nations in Kashmir.

India says that the UN, which has supervised the dividing line in Kashmir since 1948, no longer has a job there because the ceasefire line it then established lapses with the coming into force of a new dispensation. This is unacceptable to Pakistan, because it wants to retain a theoretical right to take its claim to the Indian-occupied part of Kashmir back to the UN, despite the clause in the Simla agreement that binds the two sides to resolve disputes between themselves, or through mutually agreed means. However, both countries have agreed to abide by the new line of control, so the idea of invoking the UN again may be pretty hypothetical.

One harrowing consequence of the withdrawals is that some of Pakistan's Hindu citizens are moving to India. These are people who live in the territory occupied by India in December, and claim to be afraid that Pakistan may hold them guilty of having collaborated with the enemy then. By early this week some 50,000 had left their homes and crossed the border into India: more may follow. They are

providing a welcome argument for the super-nationalist Hindu party, Jana Sangh, which has been accusing Mrs Gandhi of betraying India's interests in her agreement with Mr Bhutto. The new refugees, and the opportunity they have given to Jana Sangh, are the delayed casualties of the war.

Russia

Not yet his castle

If Russians were asked what they wanted most, a decent flat of their own would come high on the list. The government is doing something to satisfy this need; it is also trying to convince people that the something is stupendous. Stories in the popular press reveal that with 2.3m urban flats built every year Russia is absolute world champion; or, another way of putting it, with more than nine flats per 1,000 inhabitants built a year, Russia is close to the top of the world league, somewhere between Germany and France and above both Britain and America.

The small print of more serious publications, such as a recent study in Voprosy Ekonomiki, shows the seamier side of such comparisons. First, Russian flats, which on average contain about 50 square metres of floor space, are much smaller than their western counterparts. Second, Russia has to build more because its housing shortage is even greater than in the west.

Statistics put out by the United Nations say that in 1960 there were 0.7 people for each room in Britain and America, 0.9 in France and Germany, and 1.5 in Russia. The comparison is flattering to the Soviet Union in that rooms, like flats, are smaller there. In 1960, say Russian official statistics, town-dwellers had on average nine square metres of floor space at their disposal; by 1975, if all goes well—that is, if 580m square metres are duly built in the current five-year plan—their allowance should rise to nearly 12 square metres.

The history of Russian housing encapsulates the classical story of an industrial revolution, the price paid in terms of living conditions for economic expansion. During Stalin's time, the planners made a ludicrously low allowance for new housing when set against the needs, which included wartime destruction and the mass migration from country to town. Even if one accepts at face value the official claim that the number of urban dwellings went up threefold between 1913 and 1952 (the

end of the Stalin era), the number of town-dwellers also trebled during the same period so that, at best, the appalling conditions of tsarist times were perpetuated and extended to millions of newcomers.

After Stalin's death, Russians were promised a new deal, including better accommodation. This involved an important shift of resources to investment that was not directly productive. By 1956 house building had doubled compared with the average figure for the postwar years; by 1960 it had doubled once again, reaching 83m square metres. Then it dropped. Even now, when it has again picked up, the ratio of new flats to the total urban population is lower than it was in 1960.

But putting up houses as fast as one can is not necessarily an efficient way of going about things. Mr Bobrovnikov, the author of the article in Voprosy Ekonomiki, admits that during the major housing drive between 1958 and 1963 much of the building was shoddy and neglected the true needs of the people who were going to live in it. For example, refrigerators and washing machines were becoming available at that time but few people had proper kitchens to put them in. He claims that the planners are now more thoughtful, though the new standards he mentions are still very far from luxurious. The model family flatlet that should be available in 1975 has a floor



Eggbox living for Muscovites

space of 46.6 square metres, of which 31.8 square metres is for living and sleeping and the kitchen, bathroom and corridors are squashed into the rest.

The progress towards making Russian life more comfortable can be measured by the current plan's other targets. The proportion of town houses with running water is to reach 82 per cent in 1975 compared with 56 per cent in 1959. For sewers, the comparison is 79 per cent against 53 per cent; for baths or showers, 62 per cent against 30 per cent. Where the Russians will do better than many western countries is in central heating: by 1975 more than three-quarters of urban flats should have it. And the skyline of the larger Russian towns is changing fast. Ten years ago nearly half of the new buildings were less than four floors high; now most of them are five floors or more.

Few of the new flats will be privately owned. A dozen years ago, as part of the big drive, home ownership was encouraged by state loans and nearly a third of the new buildings came into this category. The proportion has declined ever since. One of the explanations is that non-standard designs cost more to build. But there must be more to it than this: Russian housing is not ruled by cost-accounting. Anybody, for instance, who dared suggest a sudden switch to the payment of economic rents would start a revolution: Russian families are still spending only about 2.5 per cent of their income on rent. This pays no more than a fraction of the running costs of the building, let alone allowing for depreciation. Shops and offices, which now pay higher rents, account for roughly a third of the total upkeep and the rest is paid by the state.

Rent is the one aspect of housing where Russia's departure from the western pattern is still radical. Otherwise, despite their opportunities, the Russians do not seem to have come up with any genuine alternatives to western styles of town planning, but are slowly moving in the same direction. The movement is slow at least partly because there is so much to catch up with; nearly half the total building in the current plan is replacement, not new accommodation. Still, in another 10 years or so, the barrack-like living and the terrible overcrowding may be a nightmarish memory. By then, judging from present trends, Russians will be blessed or cursed by the domination of the car. All this confirms the impression that Russia, intent on catching up with America, will offer few new answers to the problems of urban living.

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THE WORLD

American Survey

Living with arms limitations

Washington, DC

Each of the two documents on the limitation of strategic arms (Salt) which President Nixon signed in Moscow at the end of May contains a clause permitting the Soviet Union or the United States to withdraw—in effect, to abrogate the agreement—"if it decides that extraordinary events . . . have jeopardised its supreme interests." For people who held that the American side got the worst of the Salt talks, and who wanted extra safeguards introduced by parliamentary means, these clauses were the natural places to try. The past week has seen a struggle in the Senate between those who want the agreements passed as they stand and those who want Congress to spell out the circumstances in which the United States should feel entitled to abrogate them.

Something similar happened nine years ago when the Senate was debating the treaty banning nuclear tests, but then the Kennedy Administration, with the support of an extensive public lobbying campaign, resisted successfully an attempt to insert various reservations into the resolution ratifying the treaty. When the same fight came to be fought again this month over the Salt agreements, a startling difference emerged: the amenders, who were led by Senator Henry Jackson of Washington State, claimed to have the Nixon Administration on their side and the Administration did not deny this, though it had concluded the agreements itself. Senator Jackson, a Democrat who is also an advocate of developing new weapons, is highly regarded by President Nixon, who once wanted him for his Secretary of Defence. While Senator McGovern has been attacking the Nixon Administration for spending too much on the defence establishment, Mr Jackson has been criticising it for letting the

Russians get ahead. So it was no surprise that he came up with an amendment. What dumbfounded the bipartisan managers of the resolution was the revelation that the Administration looked on the Jackson amendment with favour.

That they had to learn this interesting fact not from the White House but from the New York Times made things no better for them. Senator Scott, the Republican leader, also turned up on Senator Jackson's side. None of this prevented the Senate approving the treaty limiting antiballistic missiles, though it did threaten to throw some doubt on how much that treaty might mean. Formally speaking the Jackson amendment applied to the other document, the interim agreement on strategic offensive arms, debate on which was suspended for some days while the Senators tried to find out what was going on. One thing that had been going on was that Dr Kissinger, the man in the White House best qualified to grasp the danger of tampering with the Salt agreements, had been away in Paris. In the end, after rather complicated negotiations, Mr Jackson was induced to modify his amendment and the White House rewarded him with a public endorsement (instead of an indirect or tacit one) of the new version.

The most objectionable wording in his first version was deleted; it would have threatened the Russians with abrogation of the agreement if they deployed their weapons in a way that "endangered the survivability" of the American deterrent, even if they were acting within the terms of the agreement. Apart from any effect this might have on the Russians, it would also have implied a condemnation of the agreement itself; how Mr Nixon's advisers could have expected Congress



"I'm not covered by any agreement"

to vote both for the agreement and for the original Jackson amendment was never explained. Still standing, however, is an instruction to the President that, when a future treaty is negotiated to replace the interim agreement, he must insist on equality in strategic forces. Mr Jackson describes the American position under the present agreement as one of "sub-parity." But in effect, the survival of the Salt agreements was assured and the Senators were left to wrestle only with questions like the usefulness of adding redundant wording and the wisdom of tying themselves in 1972 to definitions that might make harder the task of getting a more substantial arms limitation treaty in 1976 or 1977.

Before coming to the treaties the Senate passed the defence procurement authorisation Act for the new fiscal year, a measure already approved by the House of Representatives, and passed it intact as the Armed Services Committee, by no means a pacifist body, recommended it. The sum approved for weapons procurement, research and development was \$20.5 billion out of a total defence budget which stands at \$85 billion at the moment. It is true that the \$20.5 billion is some \$2.75 billion less than

the Administration requested, but a substantial amount of the difference is made up of requests not denied but only deferred. Supplemental requests are going to be heavy in this fiscal year, to cover the effort to beat back the North Vietnamese offensive this spring, for example; seeing that more were on the way the Armed Services Committee declined to be rushed. With the same prospect in mind Senator McGovern tried last week to persuade the Senate to cut \$4 billion from the entire defence budget, leaving it to the executive branch to decide where the cut must fall; otherwise, he argued, a new President (if he were elected) would find himself committed to excessive defence spending in advance. But the Senate turned Mr McGovern down.

The Salt agreements produced one bonus, a reduction in requested funds for antiballistic missiles and installations to protect Minutemen sites. The Administration wants to transfer some of the savings to a new ABM installation to protect the capital, Washington, but the Senate put off a decision on that. The Salt agreements, or at least the strategic and diplomatic conclusions that are being drawn from them, are, however, responsible for the approaching upsurge in the costs of research, development and procurement. The crude quantitative comparisons of foot-pounds and megatons that worry Mr Jackson lose significance measured against some of the refinements which the agreements do not attempt to control and which the defence technologists have in mind.

Evidences of this trend are to be found in the existing requests for money for procurement, but more are coming. The authorisation bill contains funds to accelerate the creation of the new fleet of bigger, longer-range missile submarines (formerly called ULMS, now Trident) so that its deployment may start in 1978 instead of 1981: there are also plans to refine the accuracy of the missiles in the system to make them usable against individual military targets. While the advanced manned strategic bomber system (B-1) gets no money for production yet, funds for its development have increased substantially over last year and, as the Senate Armed Services Committee pointed out in its report, this is a force on which the Salt agreement "imposes no restriction."

President Nixon's rejection of the "assured destruction" doctrine which prevailed in the 1960s was made explicit in his last annual foreign policy report in February. Assuming a sur-

prise attack on the main American nuclear missile force, he pointed out that an American President ought not to be left with only the recourse of ordering a mass destruction of the attacker's centres of population. This was what Dr Kissinger had been saying for years. From a well-informed account in the New York Times last Saturday by its defence correspondent, Mr William Beecher, President Nixon's and Dr Kissinger's trains of thought have led to a considerable effort to make the American ability to conduct nuclear war more complex, more flexible, better-equipped and more exact.

As for the existing forces, the more accurate of the ballistic missile systems is naturally the land-based one with its range of accuracy of a quarter of a mile; but, according to Mr Beecher, the accuracy can be narrowed to a few hundred feet, so that the chance of destroying a military target thoroughly, without the risk of starting an indiscriminate attack on populations, can be multiplied several times. Like the Minuteman, the Poseidon (submarine) missile can be made more effective by multiplying its explosive force at a given size, perhaps by a factor of four. But there is also a possibility of making it more accurate by a system which would correct its trajectory during flight. There is a possible "cruise missile" not unlike the V-1 of the second world war, but flying farther and lower, and a possible manoeuvrable warhead which could dodge the antiballistic opposition.

Few people in Washington suppose that technical excellence or strategic ingenuity can restore any total American predominance in world strategy. The idea is, rather, to recover a reasonable power of choice and independence of the possible aberrations of others.

ELECTION '72

Saved by Shriver?

Mr Sargent Shriver seems an ideal substitute for Senator Eagleton as Mr McGovern's vice-presidential running-mate—so ideal that it is hard to understand, now, why he was not chosen in the first place, at Miami Beach, a miserable (for the Democrats) month ago. Like the unfortunate Mr Eagleton, but unlike the many other Democrats who were approached then, and again last week, Mr Shriver has



Agnew's challenger: Shriver

always been ready to accept the job. He has never held an elective office before and so has no past voting record to embarrass him; but he has been active in Democratic politics for many years and has served the last two Democratic Presidents in administrative posts.

He began by organising the Peace Corps for President Kennedy, one of the most satisfactory government projects for a long time and one of the most popular with Congress. It sent young Americans overseas to help developing countries and these people, now older, and natural McGovernites, are expected to work hard for their old boss in the coming campaign. Then Mr Shriver took over the poverty programme from President Johnson; less successful here, maybe inevitably so, he did come in contact through this work with mayors and city officials all across the country. Many of the Democrats among them have been alienated by the McGovernites' cavalier treatment of the old politicians, but they like Mr Shriver and he understands their problems. In particular, he has close contacts in Chicago, where he was a prominent citizen before going into government; it looks as if he, and Mr McGovern's own conciliatory efforts, may bring Mayor Daley round to backing his party's presidential candidates. Finally, Mr Shriver was President Johnson's ambassador to France; this, combined with his experience in the Peace Corps, means that he has a more practical knowledge of foreign affairs than Mr McGovern and his staff.

Mr Shriver, 56 years old, a Roman Catholic and a liberal, has other assets which Mr McGovern lacks: a new

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Merck, Finck & Co.	Merrill Lynch, Pierce, Fenner & Smith	B. Metzler seel. Sohn & Co.
Samuel Montagu & Co.	Morgan & Cie International S.A.	Morgan Grenfell & Co.
The Nikko Securities Co.	Nomura Securities International, Inc.	Den norske Creditbank
Peterbroeck Van Campenhout Securities S.A.	Pierson, Heldring & Pierson	Privatbanken i Kjøbenhavn
Rowe & Pitman	Saifi Securities International	Sal. Oppenheim jr. & Cie.
Skandinaviska Enskilda Banken	Smith, Barney & Co.	Société Générale
Strauss, Turnbull & Co.	Svenska Handelsbanken	Sveriges Kreditbank
C. G. Trinkaus & Burkhardt	UBS-DB Corporation	Ultrafin International Corporation
S. G. Warburg & Co.	Westdeutsche Landesbank	Girozentrale
White, Weld & Co.	Wood Gundy	Yamaichi Securities Company

political face, a witty touch, a down-to-earth approach. He is an energetic spokesman for idealism but of the unsophisticated kind that traditional Democrats understand. And above all his wife is a Kennedy sister; a political strength herself, she also brings to her husband some of the aura which surrounds her family, particularly where Democratic voters are concerned. This and his own business connections have also given rise to hopes that Mr Shriver may bring in some of the money that the McGovern campaign needs so desperately. Fund-raising came to a complete halt while Senator Eagleton and his psychiatric troubles were being disposed of.

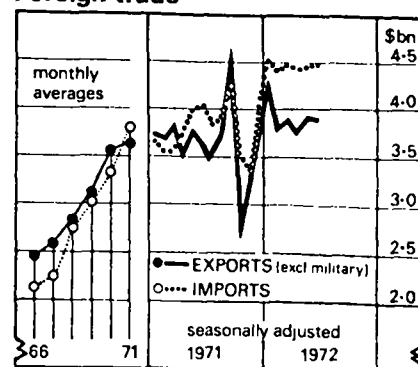
The Democratic National Committee, nominating Mr Shriver with relief and almost unanimously on Tuesday, obviously thought that he was the right choice, bridging the gap between the old and the new politics that opened up so dangerously at Miami Beach. Mr McGovern's campaign is off to a fresh and enthusiastic start and he is now free to concentrate on the real issue: the alternative to President Nixon that he himself offers to the voters and, even more striking, the alternative which Mr Shriver offers to Vice President Agnew.

Whose economy?

For the first, delayed broadside of his election campaign, Senator McGovern chose as his target the handling of the economy, though he admits that he is no economist. That no doubt explains why he accused President Nixon of "throwing almost 5m Americans out of work"; the official increase in unemployment since Mr Nixon took over is just under 2m, as the accompanying Democratic "white paper" on Nixonomics makes clear. Nevertheless Senator McGovern was fully justified in zeroing in on joblessness. The proportion of the labour force which is out of work stands at 5.5 per cent, compared with 3.5 per cent in 1969, although in June there was a heartening fall from the nearly 6 per cent at which the figure had stuck for over a year and a half; the July rate, which was unchanged, suggested that this was no mere statistical fluke.

More broadly, it is Mr McGovern's theme that the Republicans have presided over "giveaways to the big corporations and take-aways from the average taxpayer." The "calamity" to the average man or woman included a loss of thousands of dollars of poten-

Foreign trade



tial income while the economy stagnated and a horrifying rise in food prices over the four years of Mr Nixon's Presidency. The white paper takes a longer, gleeful look at the failure of the President's first plan to root out inflation by reining in economic growth and at the overnight reversal of his policies just a year ago with the introduction of his measures of August 15th. And the wage and price controls which followed, Mr McGovern charges, have been weighted against the wage-earner and in favour of big business. With profits rising so sharply this year, this general charge of unfairness must be taken seriously, in political terms. But some of the other debating points made in the white paper show a lack of economic sophistication. It is hard to believe, for example, that the distinguished economists among Senator McGovern's senior advisers agreed to suggest that the overdue devaluation of the dollar was a blow at the American economy.

"Politics of desperation" is what Mr Nixon's campaign manager called the Democrats' white paper; from the White House the view is much sunnier. The economy is at last expanding rapidly, while the fall in the rate of inflation—to 2.9 per cent during the past year compared with 6 per cent a year when Mr Nixon took office—is pushing real earnings up. The number of jobs is 2.4m greater than it was a year ago and people are beginning to spend much more freely. The motor car industry has been a particular beneficiary of the new economic policies.

Some of these developments, it is admitted, might have taken place without wage and price controls; the rate of inflation was already slowing down a year ago. And there are some threatening clouds about. Last month's spurt in wholesale farm and food prices (an astonishing 22 per cent at annual rates) is one of them, although food prices are notoriously volatile. Another is the deficit in international trade, put at \$3.3 billion in the first six months

of 1972 compared with \$2.1 billion in the whole of 1971. For the whole of this year it could well exceed \$4 billion and recent efforts to persuade the Japanese and the Canadians to reduce their trade surpluses with the United States have borne little fruit. But in the end dollar devaluation may bring its reward.

Rotten cops

It is an old excuse that, while there may be a few corrupt policemen, this does not make a corrupt police force. But now, after two years of investigations and over \$500,000 spent, the Knapp Commission has confirmed, what many people have suspected, that the root of the trouble in New York City is that there are not only numerous dishonest policemen but that prosecutors and judges also turn a blind eye. It is in fact difficult to be honest in New York and almost impossible to reveal, or prove, that bribes have been taken.

Because the present law enforcement authorities cannot be trusted to do the job alone the commission's recommendations called for the creation of a new and independent agency under a special deputy attorney general to investigate and prosecute those who are involved in corruption at all levels. The commission has also recommended that many of the temptations and opportunities for dishonesty should be removed from the path of the police. For example, laws against some types of gambling and against the sale of goods on Sunday should be abolished and other regulations, such as those which govern hotels and restaurants, should become the responsibility of other agencies in the city. Various administrative changes in the police force itself have also been suggested, along with the recommendation that its head should be given more power to act against corrupt policemen.

New York City is used to these sort of investigations. But this time there are some hopeful signs that the commission's work may be more permanent than the crimes that it reveals. It is no longer a few wayward individuals who have been exposed but the whole system of criminal justice. Furthermore the mayor, Mr John Lindsay, and the commissioner of police, Mr Patrick Murphy, are behind the drive to clean up the city; in the past the men who have held these positions have usually been the ones to come under investigation. It was Mr Lindsay who actually appointed the Knapp Commission

although, as the commissioners point out, it was only after much prodding that he finally responded to complaints.

A great deal will now depend on how the governor of the State of New York, Mr Nelson Rockefeller, responds to the commission's report. It is he who will have to decide whether to establish the special agency. His attitude and that of the legislature may well depend on how persuasive the members of the commission are in the defence of their own report. Moreover, the City of New York does not like the state to interfere in its own affairs. Just to legalise gambling alone will be a formidable task and the Knapp Commission hardly touches on the problems of narcotics and homosexuality. It admits that in the case of prostitution, another area where bribery is rife, it is unable to recommend a better method of control than the one used at present. Much will also depend on how the police themselves take the report. The patrol force is already at its lowest level in four years and the head of the patrolmen's association has criticised the Knapp findings on the grounds that many of them are based on the testimony of "pimps, prostitutes, perjurers, rogue cops and other self-confessed criminals." The city's five district attorneys have also registered their objections, particularly to the proposal that a new state official should be appointed over their heads.

Crossed wire-tap

The trial of Dr Daniel Ellsberg and Mr Anthony Russo for turning over to the press much of a secret study of the Vietnam war (the so-called Pentagon papers) seems virtually certain not to take place until October. It may be postponed for many months after that. It may never take place at all. And the dilemma is entirely of the Justice Department's own making. Just before the trial was about to begin a fortnight ago, government prosecutors revealed to the judge that federal agents had inadvertently listened, through a "foreign intelligence" wire-tap, to a conversation of one of the defence's 16 lawyers and consultants. The conversation, they said, had nothing to do with the case and should be disregarded; the judge, having read the transcript, agreed.

Defence lawyers insisted, however, that they must see the transcript to assure themselves of its irrelevance and, when an appeals court upheld the judge, they flew from Los Angeles to Yakima, Washington, to get a stay from



Ellsberg, Russo: trial delayed

Justice Douglas, there on holiday; this stay, the first ever recorded in a criminal case when the jury had already been chosen, enabled them to appeal to the Supreme Court. The Court, now on holiday, does not return until October and the prosecution pointed out that the jury was due to be disbanded before then. To empanel a new jury might subject the defendants to double jeopardy and let them go free. The Department of Justice asked the Court, therefore, to break into its recess for the second time this summer to consider the appeal. But in a sharp snub, the Justices refused unanimously to do the department's bidding. So this week the judge in Los Angeles ordered the jury to remain in waiting.

In October, of course, the Court may refuse to hear the case, thus leaving the lower court's decision standing and allowing the trial to proceed. But if it does hear it, a decision would be months coming; by that time Senator McGovern might be installed in the White House and able to withdraw the charges of conspiracy and espionage. Several novel issues will confront the Justices if they accept the case. A defendant's right to see transcripts of illegal wire-taps is established, but does this constitutional right extend to his lawyers' conversations with third parties? And are "foreign intelligence" wire-taps illegal without a court warrant? Recently the Court ruled against "national security" wire-taps (involving suspected American subversives) without authorisation.

Of course the Justice Department could cut all these knots by offering the disputed transcript to the defence lawyers, but it says that it will not. In a number of recent cases the department has dropped charges rather than reveal the targets of its wire-taps. In

the Ellsberg case, it is not a foreign embassy may Mr Leonard Boudin, defence council, handles Chile as well as Cuba.

Taxing head

Since the Supreme Court April that airport "head constitutional, such taxes favour rapidly with local authorities as a means of users of airports provide revenues for operating nance; since 1970 the government has provided developing and improving the rest of the money has by the local taxpayers, actually travelled by air is a federal tax on airport taxes, so common are new to America; have appeared (seven airports have adopted the h to 100 more are considered have not been welcomed passengers or airlines.

Philadelphia's six-week considered extreme in method—has provided for a new debate on airport taxes. Most head taxes consist levy on departing passengers. Philadelphia's version differed was placed on incoming going travellers. Flights at a number of airports employees, the delegates under the Pennsylvania to demand a supplement time as high as 11 per cent all passengers bound for—and cope with their passengers took the city to July 21st the arrival fee be an unconstitutional with interstate travel promptly raised the de \$3 and the airlines are against this as well, on to collect and transport would "create monuments".

The airlines object to collector and their relief public have suffered a delayed flights and raise are all for more money improving the facilities they would like it to federal government. I found locally the air forced to pay higher local existing fees were negotiated and are now unrealistic.

The mushrooming of

in particular the furore surrounding Philadelphia's charge, has spurred Congress to action. In the House of Representatives an 18-month moratorium on the head tax has been proposed while the funding issue is studied; in the Senate a more comprehensive bill is being offered, outlawing the head tax and increasing the federal government's financial contribution to airport costs and to the new security measures against hijacking. Local authorities much prefer the Senate proposal, emphasising that the House bill would provide no alternative financial help while the moratorium on the head tax was in effect.

Status quo state

Perhaps the much-discussed revolt against the property tax does not go very deep. Certainly last month in New Jersey, the state with the highest property tax a head in the country, few people showed the slightest enthusiasm for a near-model proposal to cut the property tax (akin to British rates) by 40 per cent. Governor Cahill wanted to introduce a mildly progressive income tax (New Jersey is the only major state never to have adopted an income tax) and to levy a low, statewide tax on property. The proceeds would have enabled the state to pay the full costs of public assistance and also to shoulder the expenses of the schools, evening out the wide financial disparities which exist today between one school district and another. Governor Cahill is a progressive Republican and he has a strong legislative leader in Mr Richard de Korte, but they could get only nine Republicans to join 14 Democrats in supporting the income tax bill. It was defeated by a stunning vote of 52 to 23.

The chief victims are New Jersey's grimy, decaying towns and the multitudes of poor and underprivileged people who live in them. The costs of education and public assistance bear heavily on the cities, whose main source of income is the property tax, already about a quarter higher than it is in the state as a whole. With rates so heavy many businesses and better-off people have left for the suburbs. More will leave next year if property taxes have to go up again, as seems likely. Even so, Newark, for example, is expected to declare itself bankrupt.

Understandably, if short-sightedly, suburbanites, whose taxes would have risen a bit under the governor's plan,

jibbed. Cynically the state trade union federation ranged itself with the governor's enemies; many trade unionists are comfortably off. Strangely, many representatives of urban areas voted against the income tax, saying that their constituents would not favour any bill which had the word tax in it. Yet if the Supreme Court upholds lower court decisions (one from New Jersey) that the dependence of the schools upon the property tax is unconstitutional (since it means that children in poor areas are discriminated against), this recalcitrant state, like the rest, will have to swallow tax reform.

ELECTION '72

Outside parties

Right up to the last moment members of the American party hoped that Governor George Wallace would head their campaign. He had to tell them firmly over the telephone that he was in no physical condition to be their leader before his loyalists finally stopped pushing his name forward at the party convention last week. In an ironic twist of fate the day that the governor finally bowed off this year's political stage was the day that Mr Arthur Bremer was found guilty of shooting Mr Wallace and three others at a political rally in May. After a trial which lasted only five days Mr Bremer was declared sane and sentenced to 63 years in prison.

Without Mr Wallace the American party is a shadow of its former self. Four years ago when he made his bid for the White House the fore-runner of the present party gave him 13 per cent of the popular vote. Now under the guidance of Mr John Schmitz, its 1972 nominee for the Presidency, the new organisation which was founded in 1969 will give few politicians sleepless nights. The Republicans may pause just long enough to acknowledge that the demise of the American party will probably bring them in many of the votes that went to Mr Wallace in 1968 and the Democrats to regret that there is no strong third party to syphon off support from the Republicans.

The advent of the new leader to replace Mr Wallace may subtly change the colour of the party. Mr Wallace came from the southern, conservative Democratic faction. Until last week Mr Schmitz was a conserva-



America the beautiful

tive Republican. For the past two years he has been a Representative to Congress from California. But this year even his right-wing constituents, who are very proud of the fact that theirs is Mr Nixon's home district, decided that they could no longer tolerate his criticism of the President and chose another standard-bearer. Both Mr Schmitz and his running mate are members of the John Birch Society and may therefore deter many of the old supporters who were attracted by the populist image that Mr Wallace built up for the party. The new candidates have certainly a long way to go if they are to run a national campaign. It is doubtful whether they have enough time or enough organisation to get on the ballot in many states.

The other small party at the opposite end of the political spectrum, the People's party, is at least hoping to get on the ballot in over 30 states. But the party's ranks have been depleted somewhat since the nomination of Mr George McGovern as the Democrats' presidential candidate. Many former supporters of the People's party find that Mr McGovern is radical enough for them. But Dr Spock, the pediatrician and anti-war crusader who has now been upgraded from the party's provisional nominee to its permanent candidate for President, thinks that there is much more to be said than Mr McGovern will be allowed to say by the Democrats. The People's party wants the withdrawal of all American forces from abroad, free medical care, a guaranteed minimum income of \$6,500 for a family of four and the legalisation of abortion and marijuana.

Books

L'Etat, c'est . . .

THE GOVERNMENT AND POLITICS OF FRANCE, VOLUME I: INSTITUTIONS AND PARTIES

By Dorothy Pickles.

Methuen. 446 pages. £4 cloth, £2 paperback.

THE FRENCH DEMOCRATIC LEFT, 1963-1969

By Frank L. Wilson.

Stanford University Press; London: Oxford University Press. 258 pages. £4.25.

Mrs Dorothy Pickles has never been backward in criticising the French when they have strayed from the paths of government that she thinks desirable. But no one has ever denied that she is a redoubtable expert on French politics. There will be general rejoicing that she has revised her somewhat laconic work on the Fifth Republic and extended it into two volumes. The language in which she feels obliged to cast her writings is, however, irritating. There is a discipline called political science which usefully condenses other people's theories into a readable, if jargon-ridden, digest. But this is not Mrs Pickles's concern here, and it is a pity that she should write in the dialect of a specialisation.

Mrs Pickles is an historian, and a very good one. The question she is asking is whether contemporary France is notably different, in political matters, from the France which existed some time ago. Probably because of the traditional methods of university political science departments, she finds it necessary to begin her study by examining the constitution. So she asks first, in what ways the present constitution resembles its predecessors; and secondly, whether the 1958 constitution reaffirmed the 1789 Declaration of the Rights of Man. But it is a legend to believe that one should begin any examination of a political culture by examining constitutional arrangements. For example, Mrs Pickles answers her first question by discovering a resemblance between the present and past constitutions in their inability to create a general political consensus. That exemplifies the inversion of cause

and effect that can be created by the methods of political science. Conversely, it is misleading to say, as Mrs Pickles does, that French political crises usually lead to constitutional crises.

It would be more natural to reflect, for example, on the fact that the present minister of national education, M. Fontanet, is the fourteenth minister to hold this post since June, 1958. If one asks why it is that French ministers of education find it difficult to hold their posts for long, or perhaps rather why it is that under the Fifth Republic so many of these ministers have not been members of the reigning majority, one is unlikely to find the answer in any constitutional text. Fortunately, Mrs Pickles moves on from her discussion of the constitution to a more revealing consideration of political realities.

She makes clear her belief that it is the existence of a powerful and disciplined gaullist party that is mainly responsible for the transformation of the political system. But one of Mrs Pickles's constant tendencies is to stress the divisions and the difficulties which exist within all French political groups. She probably ascribes undue importance to the dissidents among the gaullists and the Communists (and she clearly did not foresee any agreement between Communists and Socialists). Professor Wilson, of Iowa, does see an overall tendency towards the formation of catch-all parties in western Europe. He is curious as to why the French left has shown such reluctance to share in this movement. In a thoughtful, speculative book, which does not show the same deep knowledge as Mrs Pickles's but is an interesting combination of appraisal and detail, he stresses the unusual force of political ideology in France. He, presumably, did not smile with disbelief when M. Mitterrand recently declared that the Socialists and Communists had formed an alliance not simply to get votes, but in order that they might together attack capitalism. He goes on to lament the failure of the French left to produce far-sighted and capable leaders like Harold Wilson; that might provoke

smiles elsewhere; and there could be surprises in store for him.

The Communist party is now vital in French political life. But neither of these writers quite recognises the fact. Mrs Pickles cannot altogether understand how anyone can be a communist, and Professor Wilson sees the Communist party merely as the obstacle to the depolarisation of politics and the formation of a catch-all party of the left. Yet it is the appeal of the Communists and, perhaps more important still, the force of anti-communism that require analysis today. Has the French Communist party changed? Has the French church? Is it true to say that "l'église a fait du progrès"? These questions remain open; they seem to resist the assaults of the most knowledgeable and up-to-date writers.

The careerage

LORD ON THE BOARD

By Andrew Roth.

Parliamentary Profiles. 834 pages. £3.60.

Mr Andrew Roth has compiled a thoroughly useful series of books on the business background of MPs. No one who even skims through his new work of reference could fail to become aware of that, since the illustrative material consists largely of enthusiastic press cuttings about them. Sadly, this latest effort—to give the peerage the same treatment—is not up to standard.

The peerage is that much more impenetrable than the House of Commons. It is not so much that it is bigger, though there are over 1,000 peers to 630 MPs—and beyond that there are the ramifications of peers'



Roth's table of contents

titled families. (Mr Roth includes a somewhat arbitrary selection of courtesy-titled sons and heirs.) It is partly that the structure of prestige, the strange titles and offices of the aristocracy, are rather harder to weigh up than mere vulgar finance. Mr Roth may not, for example, know quite what to make of the hereditary office of Lord Great Chamberlain; but down it goes, in the right-hand column which lists peers' interests and directorships.

But it is most of all because while a large number of peers conduct their affairs (or other people's) in the full glare of national publicity, others stay out of the newspapers and London as much as possible—and this distinction does not coincide with that between the wealthy and the impoverished. So Mr Roth can tell us a lot about the members of the peerage; about the Mancrofts, Sieffs, Leverhulmes and even the Vestey of this world; he can tell us about the bongoplayer, the Christmas tree farmhand, the showmen peers and the ex-MPs; but he is not so good on the country gentlemen peers sitting quietly, but probably lucratively, on their rolling acres. The value of peers' estates, ranging from unsaleable bog to prime development land, is obviously hard to calculate; in many cases Mr Roth does not even know the acreage. He has tried to estimate the peerage's total acreage by the decidedly dubious expedient of calculating the average—just over 17,000 acres—of the 3.2m acres he knows to be owned by 184 peers, and adding this on for each of another 146 peers he knows own land but does not know how much.

Some of the statistics in his introduction are quite entertaining; they express the divide between the older creations and the new. Only a tenth of the peers who are the seventh holders of their titles hold directorships; a third of new creations are so equipped. But Mr Roth is sometimes almost disarmingly naive, as when he finds it "striking" that the top six stately home-openers are peers, or when he discusses the historical absorption of the most alien of candidates into a seemingly homogeneous peerage. In his introduction Mr Roth talks seriously about the limited attention paid to peers airing their views in the Lords; but his book does not tell us which in fact do attend, or even which have taken up their seats.

There is, still, a lot of extremely interesting information in this book: sometimes two pages of directorships and shareholdings to a peer. Mr Roth

has been collecting the information for 10 years. The presentation is poor, but it would be churlish to complain about that. The book is remarkably cheap, and it is more important that it should be up-to-date than that it should be well finished. Additions run to 100 pages at the end of the book. Addenda are as inevitable as minor errors in a field where Mr Roth is working without the co-operation of most of his subjects. But it is hard to see why many of the additions were not in the main body of the text. The late Viscount Astor, for example, died a pretty well-publicised death as long ago as 1966; yet he still appears, with a string of directorships, in the main text. Peers created as long ago as 1968 (Lord Balogh and Lord Hartwell for example) only appear among additions. The entries on the Queen and the Prince of Wales are only adequate, though Prince Philip gets full treatment. If this were the first of Mr Roth's efforts to trace the strings of ownership and wealth to a particular category of privileged Britons, one would be delighted with his originality and persistence. As it is, one can only regret that they have not created something slightly more coherent.

Going Dutch

NO PEACE BEYOND THE LINE

By Carl and Roberta Bridenbaugh.
Oxford University Press. 462 pages.
£5.75.

Caribbean history has still not been fully written up, and this book by the Bridenbaughs covers a particularly interesting period. For one thing, it was for the English a time of unique territorial expansion. There was a twelvefold increase in territory from 1624 to 1690. (The most important acquisition was Jamaica, gained in 1655.) The possessions that came to Britain from France in the next century were, by comparison, of little importance. For another, it was a time of great expansion in wealth. This came from tobacco, cotton and indigo, then with the sugar and negro slaves that were to set the pattern of West Indian society. This book is full of interesting sidelights, which makes it doubly frustrating not to be told what happened to the native Caribs whom the English displaced. The last glimpse the Bridenbaughs give, in the 1680s, is of them still making hit-and-run raids on the English from their dugout canoes.

The authors make much of the "incompleteness" of white society and



Blueprint for an indigo factory

the negroes' astonishing adaptability. Before 1650, the vast majority of white emigrants were indentured. They paid for their voyage out with several—usually five—years of bondage. When this time was up, few could afford any land to set themselves up; many sold themselves back into servitude. From about 1660 the white population of the islands declined; few brought their families with them, disease took an alarming toll and the flow of fresh emigrants slowed as English life became more settled after the civil war. Many spread to the growing number of English islands. By contrast, the blacks from West Africa adapted well to the climate and the backbreaking work in the sugar fields. Only negroes and the upper crust white planters enjoyed a full family life. This book concludes that "it is clear as early as 1690 that the sun of the white men was setting and that time was ultimately with the black men."

The title refers to the continual state of war west of the Azores between the European powers. The Spanish, in particular, wanted no interlopers in their New World. But there was astonishing, though unofficial, Anglo-Dutch co-operation. English planters were helped with Dutch credit and technical advice on the introduction of tobacco and sugar. The Dutch self-interest in this was their virtual monopoly of shipping to and from Europe—at least until the English Navigation Acts of the later part of the century restricted the colonies' trade to English ships. This bumped up prices for the English settlers who continued, illegally, to deal with the Dutch. To add to the settlers' annoyance with the mother country, slave trade monopolies were granted by Charles II—first to the Royal Adventurers and then to the Royal African

Company. Dutch interlopers could easily undercut their prices, and did so. If England had had the power to enforce the Navigation Acts strictly, it might have had a West Indian revolt on its hands a century before the American revolution.

A petty people?

THE ANGLO-IRISH

By Terence de Vere White.
Gollancz. 293 pages. £4.

Anglo-Irish is a term of hopeless imprecision. It is used nowadays to describe Irish people who, by virtue of their English education, social class, accent or Protestantism regard themselves as apart from the mainstream of Irish life. Their primary loyalty has historically been to the British Empire rather than the Irish Republic, whose public life they consider beneath them. Nothing in the English social register corresponds to this distinction between the Anglo-Irish and the "real Irish." It defies rational sociological categorisation. It is compounded of class, religion and race, but is an indefinable mix of the three. Nobody would describe Sean MacStiofain as Anglo-Irish, despite his English father.

Mr Terence de Vere White is the Proust of Dublin life. On his own testimony he is the descendant of Georgian half-mounted gentlemen, socially a Protestant, confessionally a Catholic; he is both Anglo-Irish and a lover of Ireland. His novels and biographies abound in clever insights. He has a keen sense of the ridiculous (which he says is an Irish quality) and his wit is spiced by slight condescension—though he is usually wary enough to put his more patronising observations into the mouths of others. As a writer, he is better geared to the sprint rather than the marathon.

In this book, he traces the Anglo-Irish back to the English Protestant landowning Ascendancy which was established after the defeat of King James and his Irish Catholic followers in 1691. The Ascendancy presided over the elegance of Georgian Dublin. "We are no petty people, we are one of the great stocks of Europe," W. B. Yeats once told the Irish Senate, "We are the people of Burke; we are the people of Grattan; we are the people of Swift. . . ." In the nineteenth century things changed a little. Irish Catholics who got on joined the gentry and became Anglo-Irish in manner and outlook. Middle-class Protestant society in Dublin remained tight and very loyalist and looked down on its

Catholic social peers. Trinity College was this society's citadel; Provost Mahaffy was its most spectacular spokesman and Carson its last political champion.

This book is really a series of pen portraits of Anglo-Irishmen—Swift, Wolfe Tone, Fitzgibbon, Butt, Mahaffy, Wilde, Yeats and others. (Throughout, Yeats and Gogarty take the rap for ideas above their station.) Then there are more representative figures; an ex-army officer from King's County who was burnt out in the Troubles and retired to Shropshire to write memoirs and reflections, and a wine merchant in Dublin—a friend of the author's—who carried on after independence as if nothing had changed. It is an entertaining volume, so far as it goes. It does not purport to be a study in depth and is more concerned with the embroidery of life than the substance. Yet there is much of interest and value. There is a fine chapter on Thomas Drummond, who was a sort of Willie Whitelaw of the 1830s. He attempted to impose British standards of government on the Protestant Ascendancy and gave Ireland free elementary education 30 years before it came in England. Had there been more of his ilk, the Union might have worked.

The main message is that the Anglo-Irish, ever since their eighteenth-century heyday, have failed Ireland. A brilliant few have given them a false aura and romance. The people of Yeats and Synge were mainly philistines more interested in horses; the people of Burke had no political vision; the people of Grattan and Horace Plunkett had little patriotism for Ireland. Two archetypes of the Anglo-Irish emerge: the feckless hard-riding country gentleman and the tight-lipped urban money-changer, both with an unfashionable colonial mentality. It is little wonder that most of them failed to weather the storm and play a part in the new Ireland. Yet for all their weaknesses, they would have given style and diversity to the drab provincial life which "the risen people" have espoused in 50 years of self-government. As always, Ireland itself was the loser.

Black and blue

POLICE POWER AND BLACK PEOPLE

By Derek Humphry.
Panther. 240 pages. 40p.

The first third of Mr Humphry's book makes the statement that large sections of the black population of Britain

fear and distrust the police, and that it can be shown with well-documented case histories that some have very good reason to do so. But what leads the police to act, or react, as they do? Do the attitudes of black people themselves play a part? Can cures be found in identifying the weak points of the policing system?

Mr Humphry has a conscientious shot at these questions. If the effect is bitty, and the list of remedies familiar, that is not altogether his fault (though he suffers from the journalist's failing of thinking in short bursts of print). Some of his material gathered from talking to individual policemen is fascinating, and his own experience of court reporting stands him in good stead. The policemen he spoke to seemed to find their jobs lonely, physically and emotionally exhausting and socially isolating.

Many police constables, especially in the inner cities where family men do not want to live, are in their early 20s—yet with almost no training in this aspect of their work they have to deal with some very complicated social situations (a point brought out in Mr John Lambert's pioneering study of the Birmingham police and race relations). Experience is thin because of high

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The Challenge of Synthetics: IV. Hard Fibres and Jute. Ursula Wassermann.
Liberalisation of Investments in the OECD: Portfolio Investments and Securities Markets. Donald C. Temple.
Canadian Government Purchasing Policy. Klaus Stegemann and Keith Acheson.
Shorter Articles and Notes:
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Minorities are always conspicuous

wastage. Mr Humphry suggests that policemen rely on a crude typecasting of people and approach them accordingly, and that this system breaks down when they meet people of other races. If they have only one or two stereotypes for blacks, and on top of this misread the signals, a West Indian who, for instance, seems to a policeman to be "berserk" may in fact be terrified out of his wits. Equally, a black youngster may overreact to the heavy hand on the shoulder. The British police compare very favourably with those in almost every other country; but this begs the question, which a book of this kind cannot be expected to answer, of whether the British police are using tougher methods generally in certain situations—especially those where they meet or fear crowd violence.

There is a sense of harassment in some black areas largely because of the comparatively new police stop-and-search powers under the Dangerous Drugs Act. Youth clubs and "black power" meetings often attract heavy policing. Black militants use nasty rhetoric about the police and it is a deplorable fashion; but police efforts to sort out the real thugs among them could be intensified.

When he has listed the more promising ideas about police training, complaints procedures and so on, and pointed out some failures in police-community experiments, Mr Humphry gets tired. He hands over the last section of the book to "the black view" from his friend and former collaborator, Gus John. Mr John is an experienced social researcher of the grassroots type, but the light he has shed elsewhere—on, for instance, the family backgrounds of young black offenders—does not enter here. Instead,

in fashionable rhetoric, he voices the despair and disgust of the black intellectual, and as good as says that Mr Humphry need not have bothered to write his book at all.

History is bunk

DOCKERS: THE IMPACT OF INDUSTRIAL CHANGE

By David F. Wilson.
Fontana. 336 pages. 60p.

More haste, less scholarship, is generally true of topical books rushed out while interest in some crisis is still alive. This is perhaps an exception. Labour relations in the docks are labyrinthine. But here they are explained simply without over-simplification. Historical roots of discontent are traced sympathetically but without too much emotion. The text is liberally but not indiscriminately sprinkled with statistics. This book will make a useful work of reference.

But Mr David Wilson is misguided about the central issue in the current crisis: job security. The dockers' fears on this score are perhaps inevitable, given the historical background of foremen who each day would "pick and choose the slaves with wanton brutality as one throws scraps to hungry wolves," to quote Ben Tillett, the fiery dock leader of Victorian times. But the dockers' conditions have improved enormously, even since 1967, and they are now being offered between £30 and £40 a week by employers until retirement (whether there is work for them or not), as recommended in the Aldington-Jones report, and severance payments of up to £4,000 if they leave the industry voluntarily. They are a new industrial aristocracy, granted monopoly rights equivalent to those of a medieval craft union.

The issue was clearly stated by Mr George Cattell, of the Department of Employment, in a brave speech two years ago:

Are we seriously to preserve a kind of closed shop for the sons of mechanical conveyor operators, for truck drivers, button pushers, systems analysts and container controllers, merely because their ancestors were registered dockers? Why not registration for the rest of the people who are employed in the ports and, if for them, then why not for the railwaymen, coal miners, steel workers, post office employees and countless others?

As Mr David Wilson points out, the Labour government consistently bought off the dockers, rather than set a limit to his power. That is what is happening now, with the Government supporting measures to extend the dockers' monopoly to areas outside dockland. Mr Wilson cites legal evidence that these inland jobs are just as much dock work as that on the quayside. But that must not obscure the fact that any monopoly reduces the common rights of men to do whatever work they want, and of employers to hire whomsoever they wish.

Trial by jurists

SHAKESPEARE AND THE LAWYERS

By O. Hood Phillips.
Methuen. 224 pages. £3.

The author is professor of jurisprudence at Birmingham university; Shakespeare studies are therefore somewhat out of the mainstream of his duties, but he is not the first lawyer to be fascinated by the wealth of legal allusions in Shakespeare's writings. Nearly two-thirds of his plays, states Professor Hood Phillips, have one or more trial scenes; at least 20 out of 154 sonnets contain legal figures of speech. An enormous amount of effort has been expended, principally by American lawyers, on the issue of whether Shakespeare himself had a legal training—Professor Hood Phillips does not find the evidence conclusive. Considering that, as he says, Shakespeare's references to lawyers are with only one exception uncomplimentary, it is a little hard to see why the legal profession should be so anxious to claim him.

But its enthusiasm continues unabated; there are endless juridical discussions of his court scenes and his judgments (including such flights of fancy as the consideration of an imaginary appeal by Shylock). No less a lawyer than Lord Denning once quoted Shakespeare (on Ophelia's suicide) in arguing an insurance case—apparently

without avail. Leading text writers on the law of evidence have, says Professor Hood Phillips, cited with approval the proposition in "Othello" that what a person has been heard to say while talking in his sleep seems not to be admissible in evidence against him. This book is an enjoyable and scholarly survey of Shakespeare's attitude to the law and lawyers' attitudes to Shakespeare: brief, readable and just interestingly off-beat.

Concealed confessional

TENNYSON

By Christopher Ricks.
Macmillan. 359 pages. £3.95.

To find Tennyson included in a series entitled "Masters of World Literature" is somewhat surprising. What kind of impact has he ever made outside the English-speaking countries? And for that matter, what impact does his poetry make today, even in his native land? The literary gifts cultivated by Tennyson were singularly well adapted to please the reading public of his own time. Leaving aside the concessions which he deliberately made to Victorian taste, the mellifluous fluency of his verse, his command of poignant pathos and his sensitive and exact rendering of visual details were all achievements that evoked instant appreciation. Such poetic qualities are now less esteemed than wit (which Tennyson conspicuously lacked) and candour (which he only intermittently revealed).

Professor Ricks does respond sympathetically to Tennyson's poetry. He has edited the recently published annotated edition of the complete poetic works, and in this workmanlike

study he combines critical commentary with an account of Tennyson's life. For the biography he has been able to draw on papers only recently made accessible. Whereas the memoirs by the poet's son and grandson were, understandably, coloured by caution (especially as regards the devotion to Arthur Hallam), Professor Ricks has constructed his portrait with detachment. A tragic family background, congenital melancholia, personal losses and setbacks of all kinds combined in the formation of Alfred Tennyson's creative spirit. Had he lived today, he might have been one of those confessional poets who, from their experience of near-madness, produce poems that are the alternative to screams of agony. But Tennyson did not live in an age of literary violence. The traumatic suffering which he endured and mastered is concealed by the gentlemanly mask of his verse. Dignity and restraint are at a discount nowadays, so that a considerable imaginative effort has to be made to respond to what Tennyson had to say.

Art catalogue

The British Antiques Yearbook, 1972-73 compiled by Marcelle d'Argy Smith and Philip Wilson (David and Charles, £3.50). Mr Gerald Reitlinger introduces this year's directory and guide to London dealers with a review of prices at art sales in 1971. Impressionist paintings failed to keep up with the general pace, but the darlings of 1970, Indian and Persian miniatures, Victorian and nineteenth-century national schools outside France held on to their new levels. And every kind of Chinese pottery and porcelain rose "faster and more indiscriminately."

Coins for Investment by Joseph Edmundson (W. H. Allen, £2.25). Collectors of almost anything are always advised to buy perfect examples. With coins it matters, too, how they are handled and stored. This book is a simple guide to such down-to-earth information and to British coins of the past 200 years. It also warns that coins do not appreciate automatically: you can still buy the Churchill crown of 1965 at its face value. Mr Edmundson's concluding advice, after looking at current trends, is to go for British tokens and banknotes.

English Furniture: an illustrated handbook by Maurice Tomlin (Faber, £9) is not cheap. But you get more for

your money than size (only 160 pages of text to support the many illustrations) might suggest. This guide to English furniture from the middle ages to the present is just what it sets out to be: comprehensive and compact. It is also a surprisingly good read. Mr Tomlin, who works with furniture at the Victoria and Albert Museum, knows how to mix and match his facts about design, construction and the social and economic background. Multi-purpose furniture, popular today because of space, was equally so in the middle ages because furniture was scarce. So beds became day-sofas; a chest served as a seat, a table or, occasionally, a bed; and some ingenious chairs could be turned into tables. What's new today, then? That may be hard to answer, but at least Mr Tomlin concludes that furniture design in Britain is probably better now than at any time since the eighteenth century.

The Sculpture of Verrocchio by Charles Seymour (Studio Vista, £4.60). In the later half of the quattrocento Florentine sculpture was dominated by the figure of Verrocchio. His prolific studio nurtured one genius and several admirable artists, and for liveliness and sheer beauty of detail his work has few rivals. But history has not been kind to Verrocchio, as Professor Seymour points out in this well-illustrated general critique. Verrocchio's brilliance has lived on always in the shadow of both his pupil, Leonardo da Vinci, and his great sculptural predecessor, Donatello. The author takes pains to place Verrocchio squarely in his rightful historical context and to emphasise that, far from being a slavish follower of Donatello, he was a "none-too-respectful rival."

The Etchings of the Tiepolos by Aldo Rizzi (Phaidon, £18.50). This complete edition of the etchings of Giovanni Battista Tiepolo, the last of the great Venetian decorators, and of his two sons, Giovanni Domenico and Lorenzo, is the first modern treatment of the subject. It represents considerable research by the author, which has led him to make some changes in attributions. There has always been the temptation to attribute to Giovanni Domenico works not thought good enough for his father, and to Lorenzo works not thought good enough for his brother. Some prints are published here for the first time and the book (printed in Italy) is of high quality; there are over 250 reproductions.



Tennyson: a gentlemanly mask

Business Brief

Where should steel Q-bop next?

The British Steel Corporation will be expected to earn an average return of 8% on its capital in the four years to 1976-77, the Government announced on Wednesday. This is the first financial target to be fixed for the corporation since the industry was renationalised.

The Government sweetened the pill by also allowing a transfer to the reserves of £150m borrowed from the National Loans Fund, which will help to wipe the slate clean for common market entry. But no decision is expected on the BSC's investment proposals to 1980 for some time.

If previous reviews of the steel industry's plans are anything to go by, it could take the Government several months to make up its mind—although Britain's entry into the EEC on January 1st may hurry things a bit. What is at stake is the size of the British steel industry, a subject on which BSC's chairman, Lord Melchett, and the Minister for Industry, Mr Tom Boardman, are known to differ. The only point of agreement, established when a joint industry-Whitehall steering group reported last May, is the size of the British market for finished steel in 1980: the figure is 33m-34m metric ingot tons, based on the expectation of an average growth rate for the British economy of 3½% a year.

The major point of difference is that BSC reckons on keeping its share of the British steel market, which would mean a capacity of somewhere around 31m ingot tons by 1980. Then it also expects increased export business (currently running at the equivalent of about 5m ingot tons). Together, these would push capacity up to at least 36m tons—a 50% jump on BSC's 1970 capacity, and right at the upper end of the 28m-36m tons range agreed by the joint steering group. The Government, on the other hand, reckons there will be an increase

in imports with no compensating rise in exports, and that BSC therefore needs a capacity of no more than 28m ingot tons by 1980.

BSC's present maximum capacity of 27m ingot tons includes all the so-called heritage developments, as well as the old plants that need to be closed down. The heritage schemes are those plants whose expansion and modernisation were already in hand when the corporation was set up, and they include Port Talbot, Llanwern in South Wales, Lackenby on Teesside and Ravenscraig in Scotland. When this second round of expansion has been completed, and all the obsolete plant shut (which is bound to have happened by 1980, whatever the political opposition), BSC will have a capacity close to 28m ingot tons. If the Government view prevails, expansion will stop there: the growing gap between domestic supply and demand will be filled by ever-increasing imports.

Expansion plans

But Lord Melchett has already said that the corporation should aim for the upper end of the capacity range. His plans centre on a single major scheme at Redcar, on Teesside, where a new blast furnace is already being put in to supply nearby Lackenby, alongside a deepwater port. In its first phase, the Redcar scheme will be limited to a maximum of 6m ingot tons, mainly because of the Government's lack of enthusiasm and despite the pressure by BSC's chief executive, Dr Monty Finniston, for more. Eventually the corporation hopes to expand Redcar to a full 10m tons, which is the maximum it considers feasible for a single plant in Europe (although the Japanese seem able to manage more). The rest of the scheme covers the planned growth of the heritage schemes, and one or two minor developments in Scotland and Lanca-



It'll be a hard grind to profitability

shire to pacify vociferous local lobbies.

BSC's most recent annual report, for 1971-72, which was published two weeks ago, does go some way to justify the Government's gloom. It shows that the corporation has lost some of its share of the domestic market during this depressed part of the demand cycle. Export sales did go up, but prices were low. And the jump in imports was not all because of the efforts of the Japanese. European steelmen claim that BSC, the largest steelmaker in Europe, has depressed European prices by keeping its own down. Some even argue that real selling prices (as opposed to list prices) can be lower in Europe than in Britain.

Until EEC entry, BSC is statutorily required to sell in Britain at list prices, while community steelmakers can drop theirs to compete with cheaper sources. Now that demand for steel is picking up again, the difference between British and common market actual selling prices is bound to narrow. There is also no question that BSC's prices will have to go up. The French steel industry has made it clear that it would like to see British prices rise by 15%. This would be too much in one go, but there will almost certainly be an increase of 5-7% before January 1st, and possibly another one after Britain's entry.

Under EEC rules, BSC will be allowed to cut prices to compete with imported steel, but this will further reduce its earnings. Its loss of £68m in 1971-72 was less than the forecast £100m but was pretty hefty none the less. Forecast losses for the

current year are £70m, though with any luck the corporation should get away with less than that. However, community steelmakers will not take kindly to any further government subsidies for British steel.

The BSC management claims that it will be able to cope very well with the extra competition, provided that it is left to run its own business. What has irked it most in the past is the way the Government has interfered with pricing decisions. The halving of a proposed price increase in April last year (to 7%) meant that BSC missed the peak of demand while continental steelmen were able to cash in and make respectable profits.

But EEC entry is not going to mean just more commercial freedom. It will also mean less protection. In future, when the British steel industry protests about major users such as the motor industry importing cheaper steel, the Government will no longer be able to lend even tacit support. And BSC may no longer be able to offer special terms to steel stockholders who have agreed to take only BSC's steel.

A new study of world demand for steel to 1985 by the International Iron and Steel Institute* has few encouraging things to say about British steel's medium term prospects. Over the 15 years to 1975, demand in Britain is forecast to grow by an average of 1.6% a year, compared with a world average (which, admittedly, includes all the developing countries as well as the high

*Projection 85. International Iron and Steel Institute, Brussels, BF3,500.

fliers such as Japan) of around 5.3%. For the years 1975-80 the report forecasts a spurt in British demand (averaging 3.4% a year), which brings the total demand forecast for the end of the decade to 32.90m ingot tons, near enough to the official British view not to ruffle any feathers.

At the centre of the IISI's analysis is a "steel intensity curve." This relates a country's gnp to the volume of steel used (defined as "apparent consumption," which means production plus imports less exports), and plots this against gnp per head. The IISI has performed this exercise for 16 broad areas, from the highly developed to the almost totally non-industrialised, and comes up with the following ground rules:

- (1) Steel intensity does not start growing until gross national income of \$300 a head (at 1963 prices) is reached, which suggests that this is the minimum income for economic take-off.
- (2) After this point, steel intensity increases more rapidly than gnp because of high investment levels associated with normal industrialisation.
- (3) In the next phase, industrial growth slows down, and steel intensity no longer rises so quickly.
- (4) Once the economy moves on to more sophisticated projects and to expanding the service sector, steel intensity starts to decline, usually at income levels of around \$2,500 a head (1963 prices).

750kg per head

In highly industrialised countries consumption may stabilise at around 750kg per head, but there will be exceptions. Japan is likely to reach that level by 1975, well before its

time. And Britain's low economic growth is expected to keep consumption down to only 482kg a head by 1975, and around 550kg by the end of the decade—by which time the present common market countries will have reached 640kg a head.

The report predicts that in the longer term the proportion of total demand taken up by such established markets as North America and western Europe will decline, partly because of continued Japanese growth but primarily because demand will be greater from developing countries, and especially from mainland China. China and North Korea consumed only 22kg per head in 1970; the IISI expects this to have risen to 79kg by 1985. The question raised for established steel producers is where to expand future production. If production is in a developing country, local governments will probably want a major share in the project, and possibly take over completely in due course. There may also be a political problem over lost job opportunities because plants are not being expanded back home. Because of the long time-lags in commissioning steel plants, these questions are no longer academic. A major steelworks takes at least five years to build, without allowing for planning time. Its minimum life is then 10 years at the very least.

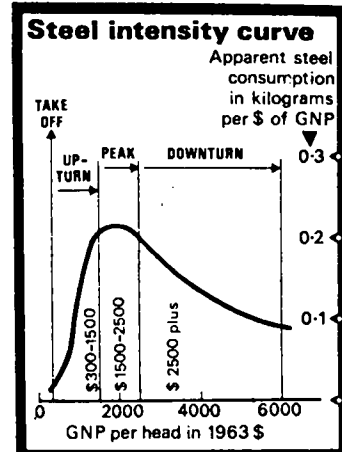
There is a lesson for the British involvement in the EEC in all this. The IISI forecasts a growth in steel demand of 4.6% a year to 1985 for the existing common market members, which is much more than it forecasts for Britain. So this country should get itself

organised for operating in that market, and not plan purely on the basis of home market forecasts. Britain does have a number of advantages over the rest of western Europe, among them deepwater harbours and even a pool of skilled labour. Steelmakers from within the present EEC have somehow got to be involved in the next round of British investment—and may be more willing for this if BSC starts making a profit. The members of the European Coal and Steel Community now accept that they should work more closely together. Their latest report on investment trends expresses concern over future effects of the current investment boom in the community, and suggests that new capacity should be staggered.

Q-bop

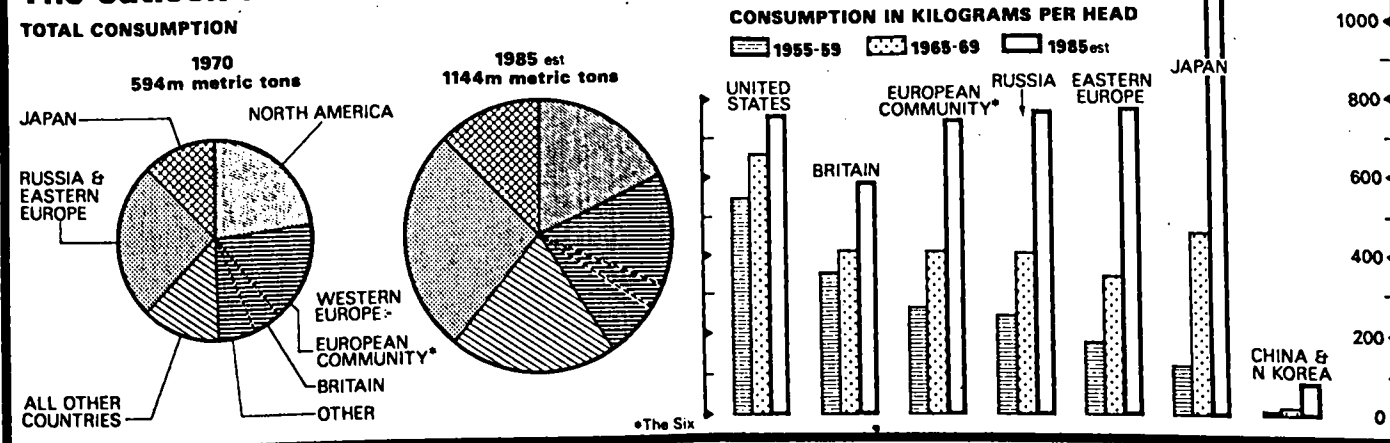
There is no technical reason why new investment in Britain should be held up. The chances of any technological somersaults that would make existing plants obsolete (as the basic oxygen furnace did with open-hearth plants) seem remote. The most likely course will be the development of existing techniques, improving their yield and productivity. Blast furnaces will get bigger, helped by the use of partly reduced ore and by injecting fuel (oil or natural gas) into the blast gas. New coking processes will allow cheaper coal to be used. Continuous casting will take over from the traditional ingot casting almost everywhere.

The most exciting new development in view is a variation on the basic oxygen steel-making process. In the present version, a lance sends a jet of



high pressure pure oxygen into the vessel containing the molten iron, reducing the impurities in the iron. This, in itself, is a revolution on earlier methods: the Japanese, who have perfected the process, now turn out more than 250 tons of steel in an average of 35 minutes, compared with at least six hours for this volume with the old open-hearth process. But the newest refinement, called Q-bop, may do it even faster. The technique is to blow the oxygen through the bottom of the vessel. Initial difficulties with unduly fast corrosion of the steelmaking vessels in Q-bop now seem to have been overcome. When the process has been proved, it will be possible to modify existing basic oxygen furnaces at relatively low cost. Q-bop furnaces can use a greater proportion of scrap than conventional oxygen steelplants, which may be bad news for the mini-mills now being planned in various parts of Britain (one, at Shcerness, is already working): since they depend on scrap for their input, they could be starved out of existence.

The outlook for steel



Source: International Iron and Steel Institute

COUTINHO CARO & CO

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Associated Companies :
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Coutinho Eisenhandel KG., Hamburg
Société Française Coutinho, Caro & Co. S.A.
Coutinho, Caro & Co. (Pacific) Inc.,
Los Angeles
and others.
Employees in the Group : 1,146

Range of Activities

General Contractor for turnkey industrial plants, hotels, civic and other specialised building all over the world.

International trade in steel, metals and other products.

Stockholding and Warehouses for steel and allied products in various countries.

Export of machinery and tools.



Consolidated Accounts as at 31st December, 1971 (Summary)

Balance Sheet

ASSETS	Million DM
Fixed Assets :	
Physical Assets	16.4
Financial Assets	1.0
Current Assets :	
Stock and Payments in Advance	75.9
Debtors	260.3
Cash, Securities, Bills of Exchange	44.4
Other Assets	10.8
	<u>408.8</u>
LIABILITIES	
Equity Capital	55.5
Special Provisions	0.1
Global Value Adjustments and Provisions	11.1
Pension Reserve	7.1
Other Reserves	6.8
Long-Term Liabilities	86.1
Receipts in Advance	29.4
Creditors and other liabilities	212.7
	<u>408.8</u>

Contingent Liabilities 14.5 million DM

Profit and Loss Account

	Million DM
Sales Revenue	796.1
Other Revenue	18.5
	<u>814.6</u>
Purchases and Costs	760.7
Wages and Salaries	25.5
Depreciation on physical and financial assets	2.9
Interest	10.6
Taxes	5.3
Difference from currency conversion	0.1
	<u>805.1</u>
Profit for 1971	9.5
	<u>814.6</u>

The complete audited Annual Accounts and Report are published in the *Bundesanzeiger*.

BUSINESS

Holiday handouts

The Government ended the session handing out millions of pounds all round industry except to the National Coal Board ; what it got from the Prime Minister was a deserved lemon

The National Coal Board's chairman, Mr Derek Ezra, was on holiday when the news came that the Prime Minister had turned down the plan for the future of the coal industry on which Mr Ezra and the Department of Trade and Industry had been working for the past six months, and which was to have been announced with a great flourish before Parliament broke up for the holidays, along with all the Government's other delayed announcements about steel, atomic energy, Foulness airport, Rolls-Royce, the shipyards and the rest. In the past few days, the Government has given away well over £350m, and, in the past few months, well over £700m to every industry with a begging bowl.

The coal plan had been agreed with the Department of Trade and Industry and MPs had already picked up hints that it involved more surgery than the Government had been ready to admit at the end of the miners' strike in the spring. Mr Edwin Wainwright asked in the Commons on Monday about rumours that at least 50 pits were earmarked for closure and got the usual soft answer. But it appears that the cuts were not enough for the Prime Minister. He asked for something more drastic and Mr Ezra is back in his office trying to work it out.

It may have been growing confirmation of estimates that huge quantities of oil exist in the North Sea that stiffened Mr Heath's resolve to serve notice on the miners and other unions that the price of pushing wages too high is fewer jobs. The Government is already committed to spending around £200m on rescuing the coal board after the strike and around 100 of the present 280 pits now working would need to be shut if coal were ever to pay its way again. But Mr Heath had to call a halt somewhere, anyway. Mr Heath has flung money around industry like everyone's favourite holiday uncle until the message has been well learned : if an industry's losses are big enough, the Government can be relied on not only to rescue it but afterwards to provide the captive customers as well. A social purpose can be served by subsidising jobs in a declining industry in order to keep men in work until something better can be found for them to do. But when orders are channelled into those industries to guarantee the jobs in perpetuity, there is a danger of distorting the pattern of a country's develop-

ment, and this is something that the present Government has come perilously close to doing.

Its huge write-off of £150m on the steel industry's capital—far from the first writing-down of debt the industry has had—can be accepted, at a pinch, as a deck-clearing operation before common market entry (see page 50). And on the railways, given another £60m only a few days ago to subsidise jobs at excessively high wages, the Government has the peculiarly difficult problem of an industry in which no one is quite sure where the money is being lost. It has too many men, but it also has too big a network for the quality of service it is able to offer in competition with road transport. One thing the railways need is a period of experiment to see if such ideas as turning the track into high-speed bus lanes look as good in practice as they appear on paper. The Great Central Line into Marylebone would be an ideal stretch on which to try this out. Beeching-type cuts are possible on freight services and on some other lines, and sharp fare increases for commuters would reduce the railway deficit considerably. But the situation really calls either for something more imaginatively constructive, or for a drastic closing of the railway system.

The Government does not oblige industry to use the railways, or passengers to travel by train. But there is no disputing the pressure that it puts on customers of some other subsidised industries. It is unlikely that the British Overseas Airways Corporation would have signed its order for five Concorde had the Government not told it to, or that it would have done so with such little fuss if the Government had not sweetened the instruction with the offer of £200m additional capital to pay for the aircraft. This week, the two air corporations between them ordered 12 Tristars from Lockheed, six of which are for relatively early delivery for British European Airways, and six to come much later, and probably for what are now BOAC routes. At the same time, Rolls-Royce was given another £31m to bring the Tristar's engines up to the same sort of performance that the competing McDonnell-Douglas DC10 is getting now out of its American engines.

The orders are not as big as Lockheed and Rolls-Royce would have liked, but they are bigger, and certainly

... and

More to come

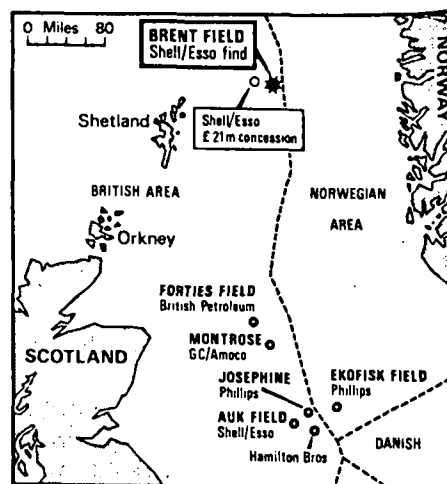
The Government is still playing down the size of the oil reserves in the North Sea, but the official estimates are beginning to burst at the seams

What is likely to be the biggest discovery of them all is yet to come. It will probably occur in the very promising structure that lies east of the Shetlands in blocks 211/21 and 211/26. Shell/Esso paid £21m for the rights to block 211/21 and is now drilling in block 211/26. This work should be completed before bad weather sets in towards the end of September. It is not the same structure as the find announced this week in the nearby, and supposedly less promising, Brent field.

The output of the Brent field is estimated at 15m tons of oil a year, although it will not be brought into production until at least 1975. This would equal 15 per cent of Britain's present oil consumption. In practice, the 15m tons is likely to be a conservative figure. Shell-Esso confirmed the discovery at a much earlier stage in the testing procedure than is usual in an attempt to scotch stock market rumours that the field was likely to have an output of 50m tons a year, which had been driving up Shell's share price. The stock market's rumours were a bit muddled, but they may only have been premature and in one sense too conservative. Much of the City apparently thought the Brent field was the same as blocks 211/21 and 211/26, which the oil companies privately call Cormorant. If the output of the Brent field proves to be larger than 15m tons a year, and if the Cormorant field is larger still, their combined output might well be over 50m tons a year. Shell may have to learn to live with a rising share price.

Shell's partner, Esso, could have something exciting to announce on its own in a few weeks. By itself, it is drilling a well in block 206/12, west of the Shetlands: the first and so far the only well to be drilled in this area. As in the Cormorant area, bad weather will stop drilling

Although the Brent field and the concession for which Shell/Esso paid £21m are close, they are not part of the same structure. Oil in one does not automatically mean oil in the other, but it will shake the geologists if the concession proves dry



in a month or two. In both areas, the companies would not have started unless they thought they saw good prospects that the wells could be completed during the present season. Esso's well could prove significant even if commercial quantities of oil are not found. Lesser amounts could still stimulate other companies to start drilling in the concessions they hold in the area.

The Government maintains that none of the discoveries announced so far, including the Brent field, calls for a revision of its official estimates of the oil reserves in the North Sea. According to this estimate, there are now sufficient reserves to make possible an annual production of 75m tons of oil by 1980 from the British sector of the North Sea. This is based on proven discoveries, and reasonable expectations of future discoveries inferred from copious seismic data. Any further proven discoveries will force the Government, however reluctantly, to revise its estimates upwards, bringing them more in line with the guesses of a potential annual 100m to 150m tons that have been floating around the oil industry for a long time. These are based on a combination of confidential information about some actual drillings and shrewd estimates of the seismic data. It will not be possible to play down the size of the North Sea fields much longer.

Key indicators: British economy

Retail trade

Jump of nearly 2% in volume of sales in June, with trade of durable goods shops particularly strong.

Consumer credit

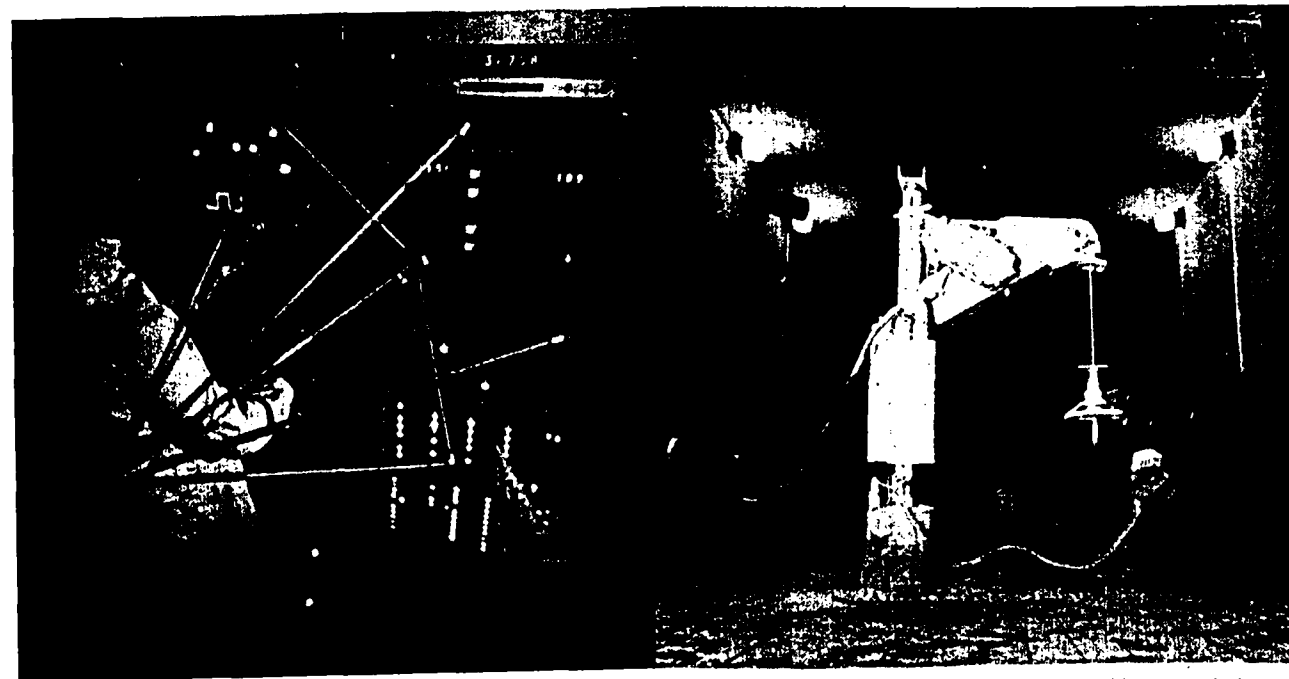
New credit extended again high in June. Total debt outstanding at the end of the month, at £1,798m, was 28% up on a year ago. In July, HP sales of new cars were 18% up on last year, but sales of used cars fell 15%.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	May	131.2	+2.9	+15.6	+4.6
employment*	May	88.7	-0.1	-0.6	-4.4
productivity*	May	147.9	+3.0	+16.1	+9.4
Export trade*†	June	157	+6	+11	-1
Eng'g orders on hand*	December	114	nil	-2½	-9
Retail trade*	June	116.9	+1.8	+3.7	+6.8
Unemployment*	July	159.9	+0.6	-7.8	+6.8
Average earnings*	May	202.2	+0.8	na	+10.8
Retail prices	June	158.0	+0.7	+2.1	+6.1
Export prices	May	151	+½	+2	+7½
Import prices	May	135	nil	+½	+3

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

AEG-TELEFUNKEN invests in the future.

Indeed, on each working day almost
3 million DM for
Research and Development



Electronic measuring controls test the power supply plant of the News Satellite SYMPHONIE.

Under extreme conditions — such as arctic cold — the winch of the rescue helicopter has to work reliably.

Summarized consolidated balance sheet closed on 31st Dec. 1971

Assets	1971 Millions of DM	1970 Millions of DM
Fixed assets	1,268	1,195
Financial assets	667	530
Fixed and financial assets	1,935	1,725
Differences arising on consolidation	192	194
Inventories and work in progress	1,481	1,442
Receivables	2,277	2,285
Liquid assets	367	337
Current assets	4,125	4,064
Balance	6,252	5,983

Liabilities	1971 Millions of DM	1970 Millions of DM
Issued share capital	610	610
Reserves	840	831
Minority interests	47	35
Shareholders' equity	1,497	1,476
Liabilities long-term	1,893	1,701
medium — and short-term	2,801	2,713
Total liabilities	4,694	4,414
Distributable net profit (proposed dividend)	61	93
Balance	6,252	5,983

The annual general meeting held on June 15th 1972 resolved a dividend of 5,— DM per DM 50,— share for the business year 1971. Copies of the Annual Report may be obtained free of charge from AEG Finanzverwaltung, 6 Frankfurt (Main), AEG-Hochhaus, W. Germany.

Berlin and Frankfurt (Main), in July 1972

ALLGEMEINE ELEKTRICITÄTS-GESELLSCHAFT
AEG-TELEFUNKEN

Board of Management

AEG



Debenhams progress.

Salient Figures	1972 £000	1971 £000
Sales	141,544	130,773
Profit before Taxation	8,376	7,004
Profit after Taxation Attributable to Debenhams Limited	5,520	4,825
Preference Dividends	122	122
Profits Attributable to Ordinary Shareholders	5,398	4,703
Ordinary Dividends	4,227	3,758
Retentions	1,171	945

1971-1972

Profit before taxation amounted to £8,376,000, an increase of 19.6% over the previous year. The profit attributable to Ordinary Shareholders increased by 15% to £5,398,000.

Dividends were increased from 20% to 22½%.

Sales reached a record figure of £141,544,000. Despite this, stocks were again reduced from £19,339,000 to £18,534,000, and the number of persons employed was lower than in the previous year.

Six months later...

The food retailing business of Cater Bros. (Provisions) Ltd. has been brought into the Debenhams Group. This will provide a combined food turnover of

over £40,000,000 and form a sound base for future growth.

The first Scan Superstore has been opened at Nottingham, having a selling area of 65,000 sq. ft. of which one quarter is devoted to food.

In a further rationalisation of the organisation it has been announced that 15 small stores will close at the end of January, 1973.

Arrangements have been made for stores to accept the new 'Access' credit card, in addition to the well-known Barclaycard.

Current trading performance is very satisfactory confirming the already published forecast for the current financial year that profits before tax will exceed £10,500,000.

THE DEBENHAM GROUP

Copies of the Report and Accounts can be obtained from the Company Secretary, Debenhams Limited, 1 Welbeck Street, London W1A 1DF.

BUSINESS

Britain

Three against the storm

The predominant feeling in the docks is that the dockers are now likely to go back to work any time Mr Jack Jones, general secretary of the Transport and General Workers' Union, wants to put the question to them. Mr Jones is in a delicate position, and is not in a hurry to act. He has already come down from the mountain once, asked the dockers' delegates to go back to work, and been rebuffed. His prestige cannot risk another refusal. His other problem is that he promised to get concessions on container handling, and he cannot go to the dockers emptyhanded.

He would not be emptyhanded now. Whatever the reports to the contrary earlier this week, Lord Aldington, his co-chairman on the committee that so disastrously failed in its intention to buy off the threat of a national dock strike, has got agreements to employ dockers from most of the container firms he has approached. The three most conspicuous companies to hold out are Lord Vestey's Midland Cold Storage, Mr Bill Tonge's Hays Wharf, and Heaton's of Liverpool, which started the saga of

Industrial Relations Act prosecutions.

These three are unwilling to concede through honeyed persuasion what illegal picketing failed to budge them on: their right to employ whom they like, and on terms that are mutually agreed between themselves and their employees.

As for the bulk of dockers, there are signs that they would be happy to accept the guarantee of work until retirement they have been offered. With this offer, there is no need to use picketing to extend the monopoly of registered dockers. The overt purpose of the picketing is to ensure job security, and jobs are already secured. Many dockers would be happy to see the militants get on with the picketing while they went back to earning a living.

Doubts remain among the employers about how the guarantee of jobs for life is to be paid for. Committees in individual ports have been trying to work out the financing without much success. A rush of dockers to accept voluntary severance would end the problem, but the employers think this

is unlikely. So that leaves them with a large bill to fund. Many employers argue that as they were not consulted before the Aldington-Jones offer, which went well beyond anything they had authorised their negotiators to put up, was made to the dockers, they are not obliged to abide by it. It is unlikely that they will actually do this, but it gives an added incentive to go bankrupt, which some of them are quite close to anyway. One of the Mersey Companies employing 2,300 dockers announced on Wednesday that it was closing down next month, apparently because it was just tired of the whole business.

Ro-ros roll on

The number of ships idle in British ports rose by nearly 70 this week, to 643. The number of idle ships carrying food increased by 25 to 126. The figure for dockers still working remained roughly constant at 788. For those businessmen who wished to get goods away, or bring them in, the main hope was the ro-ro ships, on which lorries drive on and roll off the other end. This is an expanding trade, and the ports which do not employ registered dock workers specialise in it. It is fast, and some forwarders can beat air freight from Heathrow to Orly with it. They take the business at air freight rates but send it by lorry instead, and the customer is none the wiser.

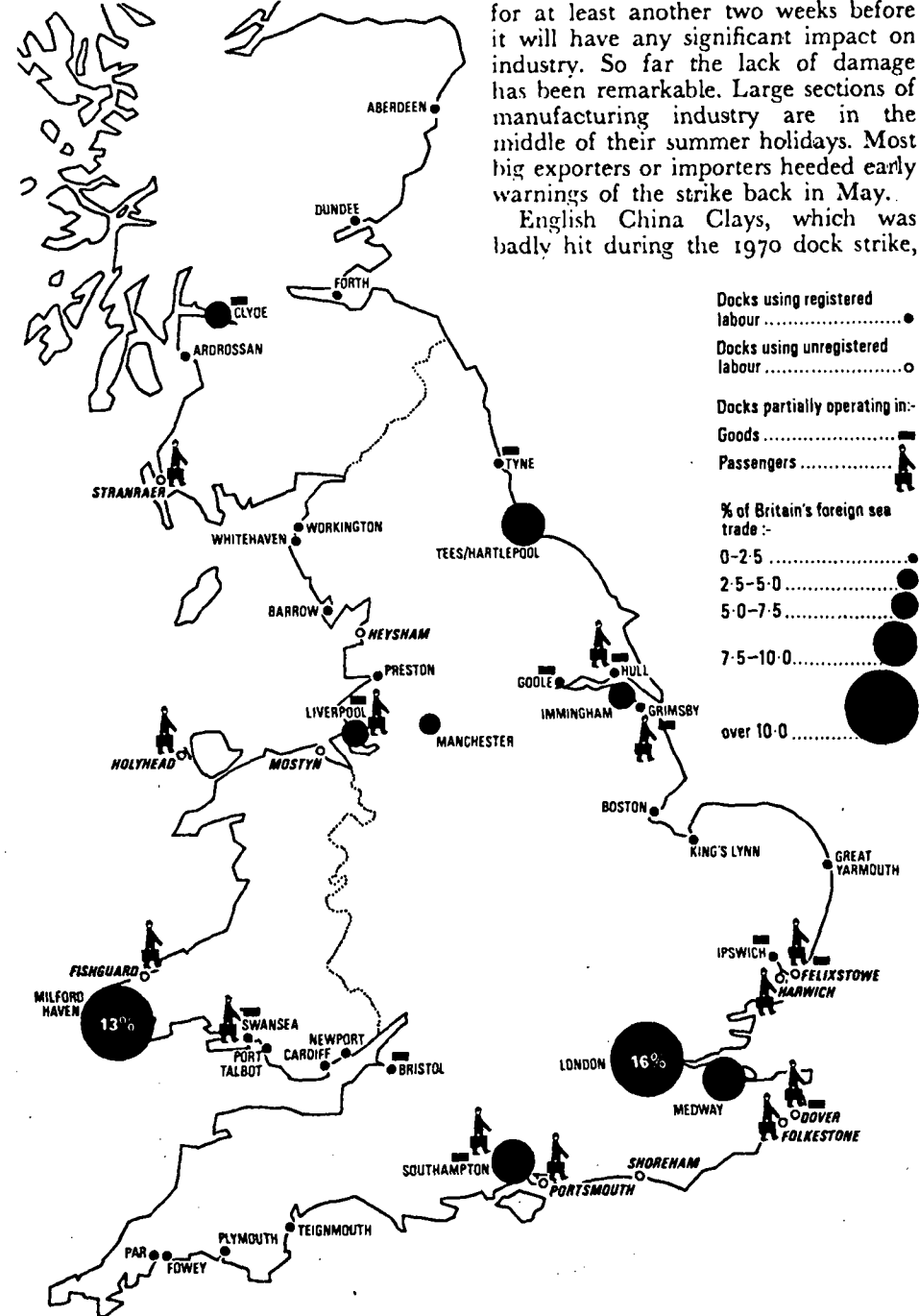
Many ro-ro ports were open only for passengers and holidaymakers with their private cars this week (officially, at least), for fear of blacking. British Rail on the whole was fairly well off. Its men are members of the National Union of Railwaymen, not the TGWU. Elsewhere there were bits and pieces moving, fish at Fleetwood and grain at Goole, using "black" labour. Incoming oil is, broadly speaking, exempt from the effects of the strike, although some of the North Sea drilling rigs have had difficulties obtaining supplies.

Although the strike is aimed at getting work for registered dockers who work in ports that are part of the



It made a change when St Austell's men demonstrated against the dockers

Who handles the trade



National Dock Labour Scheme, many of the non-scheme ports were on strike, too. This included Felixstowe. But the Felixstowe dockers were showing signs of getting bored, and are expected to return to work next week even if their registered colleagues still refuse to. The issue of getting these non-scheme ports into the Dock Labour Scheme, which seemed so pressing a week ago, no longer seems quite so urgent.

Precious little damage so far

The dock strike will have to continue for at least another two weeks before it will have any significant impact on industry. So far the lack of damage has been remarkable. Large sections of manufacturing industry are in the middle of their summer holidays. Most big exporters or importers heeded early warnings of the strike back in May.

English China Clays, which was badly hit during the 1970 dock strike,

for several months. British Leyland's Austin-Morris division finished its holiday at the end of July, and soon announced that it was facing serious congestion. But if things get worse Leyland can divert production to the booming home market, where it still cannot meet demand.

Food supplies will not be in serious danger even if the strike lasts another month. There may be no bananas in the shops, and very few oranges and lemons; but plenty of other fruits and vegetables are being brought in daily on the roll-on, roll-off trucks. Even the Guernsey tomato growers managed to get much of their crop airlifted to Britain. As one Covent Garden manager commented: "The dockers could not have chosen a better time to strike." August is the peak month for home fruit, vegetables and other food.

Animal feed

Let them eat barley

The 100 chickens and 5m pigs that are intensively reared in Britain are likely to get plump less quickly over the next weeks of the dock strike. But there is no need for them to starve, as farmers fear. At a meeting on Wednesday with Mr James Prior, the Minister of Agriculture, farmers pressed the Government to use its emergency powers to clear the 250,000 tons of animal feedstuffs that are stocked, onshore, in warehouses around Britain's docks. Otherwise, the farmers warned, stocks will be exhausted by the middle of next week.

This is an exaggeration. The only feedstuffs that are urgently required are the proteins (like soyabean, fish-meal and linseed oil) which are added to the bulk feed of intensively-reared livestock. All these proteins need to be imported. There is a good week's supply still left in the country, another week's in dockland storage, and a third tied up in ships' holds.

Although some poultry firms are likely to kill an unusually large proportion of their stocks in the next weeks if there is no end to the strike in sight, few will cease production altogether. Many of them are welcoming the excuse to cut their stocks and push up the price of eggs, which has been bumping around at its lowest level for five years as massive surpluses have glutted the market.

Any shortage in cereal feedstuffs is already being dispelled as the harvest is being reaped. Although this year's

took care to build up stocks in overseas warehouses to prevent sales being lost. On Wednesday china clay workers marched through the streets of St Austell in Cornwall to protest at the strike, but they need not have worried too much. Distilleries producing Scotch whisky, Britain's second largest export, are now running out of space to store it. But stocks of Scotch in the biggest overseas market, America, will last

Nchanga Consolidated Copper Mines Limited

INCORPORATED IN THE REPUBLIC OF ZAMBIA

Extracts from the Statement by the Chairman Mr. D. C. Mulaisho

OPERATING RESULTS

Production: Finished copper production of 401 283 tonnes represents a slight increase on the rate for the fifteen months ended the 31st March 1971. Cobalt production for the period was 2 007 tonnes. Plant availability and performance remains good and there is every expectation that the target of 425 000 tonnes for the current financial year should be achieved. Lead and zinc production at Broken Hill was 82 882 tonnes.

Sales: Sales of copper for the year were 420 363 tonnes reflecting a satisfactory reduction in finished stocks in transit to and at African ports. Cobalt sales at 1 546 tonnes were once again well below production. The average revenue per tonne of copper was K767.

Total sales of lead and zinc for the year were 86 674 tonnes and the average revenue per tonne was K225.

Financial: Gross proceeds from the sale of metals were K348 million, and the net profit was K68.3 million. Unappropriated profit of K2.3 million was brought forward from 1971.

The board appropriated K30 million for capital expenditure and K0.12 million for preference share redemption and dividend. Ordinary dividends absorbed K36 million and a balance of K4.5 million was carried forward as unappropriated profit.

Capital expenditure totalled K42.2 million and K12.2 million of this was met by contractor finance and loans.

The Company was successful in raising a loan of K17.8 million from an international banking consortium, which together with contractor finance increased short and long term loans to K47 million compared with K25.2 million at 31st March 1971.

In addition, the Company has utilised contractor finance facilities amounting to K50 million and loan facilities of K24 million against the copper pipeline. These arrangements will be used to finance a substantial part of our capital expenditure programme on existing and new projects which will cost about K180 million over the next five years.

OPERATIONS

Rokana Division: The deepening of the main shaft at South Orebody is nearing completion. Development work between the Central sub-vertical and South Orebody is on schedule although poor ground conditions in some areas have impeded operations. Drilling results at Central-South Orebody have yielded very interesting results and there is every indication that there will be a major addition to ore reserves. A final assessment is awaited.

Construction of the gas collection plant and the third acid plant began in March, 1972. This project is designed to meet the rising demand for acid generated by increased tankhouse production over the next four years, principally from Chingola Division. Periodic current reversal is being installed in the Rokana tankhouse to raise throughput.

To assist in handling the increasing volume of production, the use of Copperbelt metallurgical plant has been maximised through toll arrangements with Roan Consolidated Mines Limited who are providing spare smelting and refining facilities on a temporary basis.

Bwana Mkubwa mine was reopened in May 1971 and is producing at its scheduled annual rate of 15 000 tonnes of copper.

Chingola Division: The second stage of deepening the underground mine is well advanced. No. 6 shaft was completed during the year and work on 'C' shaft is progressing well. Mining operations, both underground and in the open pits, have been satisfactory. The diversion of the Nchanga Stream by use of a tunnel borer was completed by the middle of 1972 and makes possible the mining of additional ore reserves.

The leach cementation plant was commissioned in October 1971. A number of teething problems were experienced but most of these have been overcome and production has improved: it is hoped to achieve the planned rate of 2 000 t.p.m. by September 1972. Stage II, including the solvent extraction plant and new tankhouse is on schedule. When completed—hopefully before the end of 1974—Stage II will produce 55 000 tonnes of copper a year.

Konkola Division: Shaft sinking programmes continue at No. 1 and 3 shafts but the water problem continues to restrict development and the expansion of production. A further increase in pumping capacity from 390 000 cubic metres to 620 000 cubic metres a day is planned. The significant increase of ore reserves from additional diamond drilling between the two shafts continues and grades show a slight increase.

Broken Hill Division: Plant performance was generally satisfactory. As anticipated the overhaul of the Imperial Smelting Furnace did not become necessary until March 1972 when it was shut down for six weeks.

Subject only to the results of final economic viability studies the board has decided to go ahead with the installation of Waelz kilns which will enable metallurgical operations to continue for some eight years after mining ceases in 1982 or thereabouts. The capital cost at approximately K22 million is much higher than preliminary estimates indicated but the scheme will add significantly to annual production and will recover approximately 500 000 tonnes of metal, principally from dump material, which is not treatable in existing plant. At present prices, the additional metal will realise more than K100 million thus contributing importantly to our country's foreign exchange reserves.

ZAMBIANISATION

Last year I emphasised the considerable importance which the Company attaches to Zambianisation. To give it increased impetus a new industry unit has been created with RCM and Mindeco, to co-ordinate Zambianisation, training and manpower planning. This will ensure that training facilities are fully utilised on an industry basis, that unnecessary duplication is eliminated, and that the optimum use is made of the skilled manpower available. Close liaison between the unit and the divisional training establishments has already been achieved.

CONCLUSION

Last year I drew attention to the need to contain and if possible reduce costs of production. At that time copper prices were about £470 per tonne. A year later costs have increased in spite of energetic efforts to control them, and the L.M.E. price has dropped to £420 per tonne. If our expectations of revival in the world economy are not realised, primary producers of copper may yet need to reassess production plans or consider collective action to induce price stability in the world copper market.

The prevailing level of prices is unsatisfactory and if the position remains unchanged for any length of time the case for concerted action by primary producers must become overwhelming. The long-term interests of the copper industry as a whole demand an assured supply of quality copper at realistic and stable prices that will offer reasonable incentives to both producer and consumer. The cost erosion of producer profit margins and continued low prices have largely undermined this requirement for the producer, for whom prospects in the short term are a matter of concern.

Lusaka, 17th July, 1972

Copies of this statement with the report and accounts are being posted to Preference Shareholders of the Company on or about 7th August, 1972, and copies will be obtainable from the London office of the Company at 40 Holborn Viaduct, EC1P 1AJ or from the office of the United Kingdom Transfer Secretaries, Charter Consolidated Limited, Kent House, Station Road, Ashford, Kent, from that date.

harvest is both poor and late, farmers are enjoying unusually good prices because of the strike. Barley is fetching up to £34 a ton; 20 per cent higher than the usual price for this time of year. Most animals can live, if not grow sleek, on barley feed.

Wages

Dustmen coming

Union leaders representing 900,000 local council workers will be putting in their claim for a 43 per cent rise early in September. Last year, they asked for 19 per cent. Their doubling-up is a direct consequence of the miners' and railwaymen's deals earlier in the year. The three unions that represent the council workers have drawn up a four-part plan. They want £4 on basic rates, a 35-hour week, a month's holiday plus two extra statutory holidays, and a threshold agreement. Granted in full, the rise in the wage bill would come to £250m a year, or 5p on the rates. The cost could be even higher if a threshold agreement is made.

Last year's settlement was worth 10 per cent. Traditionally, it sets the level for another 300,000 workers in gas, water and the health service. When the current deal runs out in November, there may well be another bout of selective strikes by dustmen and sewage workers. Glumly, some ministers are also expecting a murderous power strike later in the winter. The electricity workers remember that their go-slow in 1970-71 brought them the Wilberforce award of 22 per cent, and were disappointed by this year's peaceful settlement which they were told was worth only 7 per cent, although average earnings will in fact rise 12 per cent this year, thanks to hangovers from Wilberforce. For this year the electricity workers, like the miners, have already lodged a claim for another 40 per cent. Appetites grow with surrenders.

The building unions left their employers speechless this week by turning down an offer that would have increased minimum earnings by 44 per cent and boosted average earnings by over 26 per cent within 10 months. At first, the Union of Construction, Allied Trades and Technicians voted to accept the record offer. But there was a change of mind when its rival in the industry, the Transport and General Workers' Union, decided to reject it. Both unions are trying to outdo the other in militancy. The six-week-old



I'm in for 43 per cent

campaign of selective strikes continues with London builders voting on Thursday to come out altogether some time in the next two weeks. The building employers have made a tough rejoinder. Leaflets are being handed around building sites up and down the country, urging the men to ignore their unions and accept. An ultimatum to the unions is threatened, which would say that if there is no agreement within 48 hours, the offer will be withdrawn. Meanwhile 194,000 public service industrial workers are refusing to accept an offer of 7½ per cent from the Government.

That is the grim reality of what is happening in the country. On the fantasy level, the Prime Minister met Mr Vic Feather and others on Monday to talk about inflation. They all agreed to study the problem and meet again in six weeks. The headline in *The Times* said: "Downing Street delight at progress." The Confederation of British Industry said 150 of the 200 companies approached had undertaken to freeze prices until end-October.

Upper Clyde

Marathon's OK

The boilermakers tried to pull a fast one at the last minute, but on Monday agreement was reached between men and management on the future of the old John Brown yard of Upper Clyde Shipbuilders. Marathon Manufacturing, of Texas, which bought the yard to build oil rigs, insisted on £12m from the British Government and a promise of no strikes for four years

from the unions. There were professions of satisfaction all round when the unions, including Mr Jimmy Reid, the organiser of Clydebanks work-ins, consented to Marathon's terms. What happens next is another matter.

The agreement seemed to button up the Clyde, since the other three yards on the upper river—Govan, Linthouse and Scotstoun—are already taken care of in a new company, Govan Shipbuilders, which has been promised £35m by the Government and will take over from the liquidator in mid-September. Govan has orders for four ships from Kuwait and is expected to sign soon for more orders from a British owner. But the depressing thing is that Govan will not make money for years, if ever.

The men of the Upper Clyde must see that their long-term future, and that of their sons, lies in the lower reaches of the river. The economics of shipping dictate that large ships are needed. Even oil rigs are getting bigger, with ones the size of the Eiffel Tower needed for the North Sea: as oil prices rise, the incentive to explore for oil in deeper waters will increase.

The best possible news for British shipbuilders is that the Japanese transport ministry has decided to ban new construction of shipyards, except for three projects already under way. The decision reflects both the excess of worldwide shipyard capacity expected in 1975, and the blow to Japanese competitiveness from currency realignments. The Japanese fear that a further yen revaluation would wipe out their price advantage even in supertankers. Plans to accelerate productivity are under way, but by far the cheapest way to modernise, in the Japanese view, is to scrap the old yard and build a new one. The Europeans are unlikely to adopt that formula.

Productivity even in Japan's new yards is suffering from a shortage of orders. At Tsu shipyard, possibly the world's most modern and claimed to be capable of building seven supertankers a year, production is being cut back to 4½ ships a year. Another blow to the Japanese industry is that the cheap loans available for shipyard modernisation are to disappear from 1974.

Bank lending

Politics, not policy

Sir Leslie O'Brien, that straightforward governor of the Bank of England, denies that his arm has been twisted by

his political masters. But it is hard not to see the political overtones in his request to the banks on Monday to "make credit less readily available" to property companies and to individuals wanting a spin on the stock exchange. This specific qualitative, anti-cost-conscious directive really does not square with the assertion in the Bank of England's annual report, published only last month, that the essence of the Bank's new philosophy for credit control is to "allow banks more scope for competition and innovation by moving away from a system based on quantitative restrictions to a generalised method of control where the allocation of credit is determined primarily by its cost." It squares much more obviously with the fact that Mr Edward Heath wants to tell Mr Vic Feather, during their frequent conversations at Downing Street, that the Government is making things more difficult for those unpopular property and stock market speculators.

The economic excuse for this rather retrograde directive is that it will not really make much difference, and the politicians were getting very worried. Since the old brakes came off, credit has expanded very fast; and, particularly since May, competition for loanable funds has hotted up to bring an upward twist in interest rates. The politically unpalatable culmination of this was expected to be a rise in building society mortgage rates on Wednesday; it was delayed for a month, but is almost certain to come in September (by when the societies will know what is the composite rate of income tax they have to pay, which is important for assessing their costs). All this has happened during a period when a lion's share

of new lending has gone not to finance any upsurge in industrial investment but to investors in property and personal borrowers.

Now, according to Sir Leslie himself, the signs are that industrial borrowers are beginning to come forward. Although the bulk of last month's £350m rise in the ordinary loans of the London clearing banks again went to non-industrial borrowers, at least one clearer saw a 20 per cent jump in its lending to industry. The banks would in any case favour switching their loans to their bread-and-butter industrial customers as soon as these started to want to borrow again; they are more comfortable customers than property speculators at a time when property prices have gone to heights that may be too giddy. So Sir Leslie's directive may be rather like a request to a man who has just jumped out of a window to fall towards the ground.

Consumer boom

At long last

"Yes, they're spending; no, they're not." The debate over what people have done with their extra money has batted on like a ping-pong match ever since the budget. Now it has been resolved. Despite the terrible weather, retailers are plainly having a splendid summer.

July seemed even better than June. Department stores have been doing particularly well. While all tills are ringing more merrily, durable goods, particularly colour television sets, continue the star turns everywhere.

There is no sign of the usual summer pause as people go on holiday; and a surprising number of durables are being bought for cash over the counter. Furniture, carpets, curtains and everything else to do with the home are quoted on long delivery dates, often 10 or 12 months. It looks as if some householders who would have liked to move, but could not afford to, splashed out on feathering their old nest instead.

Official statistics are now catching up with the shopping boom. After a rise of 1.8 per cent in June, the index of the volume of retail trade was about 3 per cent above its level six months earlier. To the country's retailers this must seem an explosion. In the five years between 1966 and mid-1971 their turnover rose by about a third, but this represented an increase in the volume of business of only 5 per cent. The rise in real retail business in Britain since the mid-1960s has done little more than keep pace with the

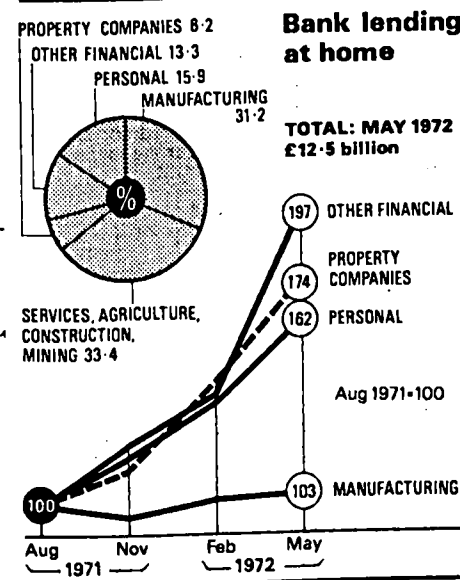
natural growth in population in what is by far the largest period of consumer stagnation in any major industrial country since the war. No wonder Mr Tony Barber is every shopkeeper's friend.

Taxis

Fare thee well

The new deal for taxi users at Heathrow airport got off to a bad start on Monday when 200 drivers struck for two hours in protest against the few touts still trying to milk innocent foreigners of up to £15 in fares. The law says that taxis may now charge only metered fares from Heathrow for up to 20 miles within the Metropolitan Police district, as many drivers have been doing for some time. But the law says nothing about minicabs. Plain clothes detectives now lurk in wait for the touts, but the £400 in fines that some of the touts pay quite regularly are regarded by them as a form of licence fee to ply for hire. One of the taxi drivers' main complaints concerns the difference in regulations between licensed taxis and minicabs. There are about 8,500 licensed taxis in London, but probably more than 20,000 private-hire cars. The minicabs are often cheaper than taxis over anything other than short distances, but they are not allowed to solicit casual business. The licensed men also complain that their cabs can be called off the road immediately anyone considers them a risk, but anyone can ply in a minicab so long as it is properly insured (and some are not even that). Some of the cars used in minicab work are bought for a song and driven until they disintegrate.

The Royal Society for the Prevention of Accidents has asked several pertinent questions about minicabs: should the vehicles be tested beyond the ordinary Ministry of Transport standards for private cars, and should the drivers be tested more strictly than for an ordinary driving licence? The Home Office's committee on taxis recommended most of these things in 1970, but care is needed to see that the rules do not turn into an excuse to stamp out competition. Minicabs provide a service that the taxis sometimes cannot, or will not do, including a parcel delivery service in competition with the post office. Prices are high, but at least one company is prepared to pay £29 for a single trip to deliver computer print-outs between London and Manchester.



Bayer



VISIONA 3 - Ideas for the home of tomorrow from Bayer fibres and Bayer plastics

Growth with a solid foundation

Bayer AG declared dividend for 1971 is DM 239 million

This is the largest distribution made by any German stock corporation for 1971. In addition, DM 24 million was retained to strengthen the reserves.

Summary Report on 1971

At the Annual Meeting held in Cologne on 14 June 1972 it was resolved to

□ distribute a dividend of 13% for 1971, equalling DM 6.50 per share at a par value of DM 50

□ change the company's name to "Bayer Aktiengesellschaft"

The company's solid foundations have stood up to the economic strains of the past few years. Bayer group's world-wide sales showed an increase of some 7% which is in line with the general growth rate of the chemical industry. 82% of the company's consolidated sales were generated in Europe and North America, where 95% of its consolidated investments in plant facilities are located.

The company's affiliates outside Germany are contributing more and more to Bayer's consolidated growth. Their development assures the supply of large markets which otherwise might be affected by exchange risks. In 1971 the bulk of investments in plant facilities outside Germany were made by the following group companies:

Agfa-Gevaert Group, Baychem Corporation, New York, N.V. Bayer S.A., Antwerp, Bayer-Shell Isocyanates N.V., Antwerp, Sumitomo Bayer Urethane Co. Ltd., Osaka, Bayer Industrial S.A., Lima.

Research and Development

The advanced technological level in the chemical industry increasingly demands an effective utilization of resources available for research and development. Consequently, research and development work on current projects was channelled into more promising developments without, however, neglecting the long-term basic scientific research projects. Our principal aim is to develop new products within the shortest possible time. In view of the intense competition in all markets, economic success is more than ever dependent on new ideas, concepts and processes in the technical and commercial areas. Improved productivity is our basis for further economic progress.

Protecting the Environment

In 1971 Bayer invested DM 65 million in facilities for the prevention of air and water pollution. Operating costs of facilities of this type amounted to about DM 150 million. Additionally, Bayer is contributing DM 140 million to a purifying plant being built that will be used jointly by communal organizations and Bayer.

Outlook

Bayer AG (on a non-consolidated basis) plans to expend, up to 1976, a total of

DM 3 billion for new facilities and a further DM 600 million for investments in subsidiaries and affiliates. In this five-year period, its German companies plan to expend about DM 1.6 billion for plant facilities, and its foreign companies approximately DM 2.1 billion. Bayer AG's present sound financial condition indicates that these investment plans can be realized without difficulty.

Business has shown a healthy increase in the first part of 1972 and expectations now are that this year will see a 5 to 6% growth in sales. This sales increase should be paralleled by improved earnings.

British & Irish Subsidiaries of Bayer (Germany)

Bayer (U.K.) Ltd. is the holding company and is responsible for centralized administration and computer services for the following operating companies in the U.K.

BAYER AGROCHEM LTD.
BAYER CHEMICALS LTD.
BAYER DYESTUFFS LTD.
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If you would like to know more about Bayer, we shall be pleased to send you a copy of the Annual Report and Accounts for 1971. Please write to:
The Secretary,
Bayer (U.K.) Ltd., Bayer House,
Richmond, Surrey TW9 1SJ



Bayer AG Summarized Financial Statements for 1971 (expressed in DM 1,000,000)

Balance Sheet at December 31, 1971

Assets		Liabilities and Shareholders' Equity	
Plant and equipment	3,178	Share capital	1,835
Investments in associated companies	1,970	Appropriated retained earnings	1,947
Other investments	129	Pension provision	549
Inventories	954	Accrued expenses	239
Trade accounts receivable	1,026	Convertible debentures	591
Cash and similar liquid items	739	Other long-term liabilities	1,678
Other assets	230	Other liabilities	1,148
		Earnings available for distribution	239
	8,226		8,226

Statement of Earnings and Retained Earnings for the year ended December 31, 1971

Sales	6,276
Materials consumed and other expenses not separately set forth	3,443
Income from investments, and other income	2,833
Personnel costs	220
Depreciation and amortization	3,053
Interest expense	1,719
Taxes on income and capital	595
Net earnings for the year	205
Transfer from appropriated retained earnings (costs of capital increase)	272
Transfer to appropriated retained earnings	1
Earnings available for distribution	263
	24
	239

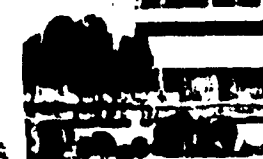
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BUSINESS

International

Europe's mare nostrum

Brussels

Brussels is on holiday; the commission's offices are deserted and its telephones only partially-manned. When the Eurocrats return at the end of the month, their priority will be the EEC's Mediterranean policy. The immediate problem is that Britain has trade treaties with virtually all the Mediterranean countries, under which wines, citrus fruit, tomatoes and other fruit and vegetables now have freer access to Britain than to the Six. As equal access to all the EEC would hurt Italy and badly jolt the common agricultural policy, the obvious interim solution seemed to be the one suggested by Belgium: to maintain the status quo in Britain until a long-term formula has been worked out.

This has been vetoed by the French, who say that, since the new EEC has made trade treaties with north European non-members (ie, Efta), something on the same lines should be done for the south. They have seized on the treaty with Portugal, a member of Efta, as an argument for a similar deal with Spain. This is opposed so far by the Dutch. To sweeten the pill, the French propose that Israel should also be included—as well as all the Mediterranean countries that now have, or

want, preferential trade treaties with the EEC.

The Six have preferential agreements now with Greece, Turkey, Morocco, Tunisia and Malta; they aim specifically for eventual customs union with these countries. Similar treaties with Cyprus and Algeria are under negotiation. More limited agreements (smaller tariff cuts and covering only some products) are in force with Spain, Israel, Egypt and the Lebanon; now Jordan wants one too. Urged on by the French, the EEC would like to add all these countries to the free trade area that EEC and Efta are jointly about to create.

Paradoxically, although many of the existing preferential arrangements violate the rules of Gatt, a free trade area would not. However, its discriminatory impact on trade with America, for one, would be much greater. The Americans grumbled enough about the Efta deals, but at heart they recognised that it was out of the question for the former co-members of Efta to start building tariff barriers against each other; they could also take comfort that these deals did not apply to agriculture. The Americans will be furious as the EEC's



Si, señor, we're Europeans too

Mediterranean free trade policy takes shape, the more so as agriculture will figure strongly in it—and happens to be the one field where America can and does claim to be less protectionist.

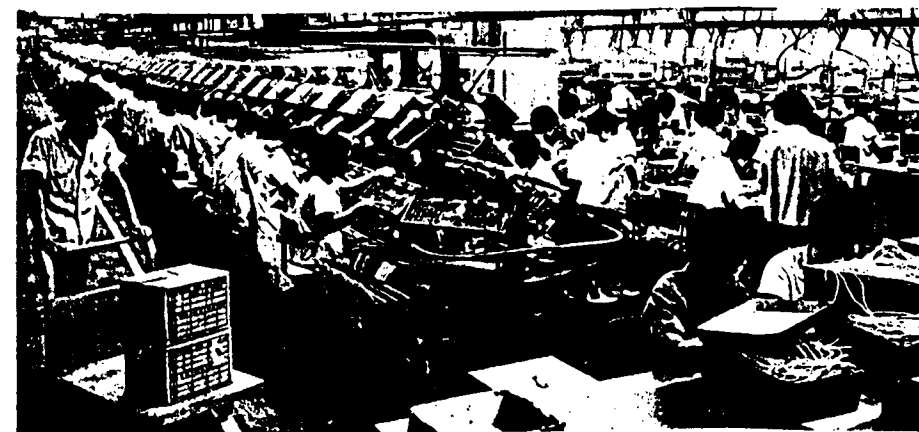
Colour television

Sony and the old PALs act

Hamburg

The bitter shouting match in Germany between AEG-Telefunken and Japan's Sony corporation is the prelude to the long-heralded Japanese invasion of Europe's colour television market. It may also spell the end of phoney pricing in this market.

Retail prices of 25-26 inch colour televisions are around £300-£328 in Britain and continental Europe, compared with £244 in Washington. An 18-19 inch set costs about £240 in London, compared with anything between £109 and £191 in Washington. Admittedly, Britain, like most of western Europe, is using PAL, which is a more advanced version of the American NTSC. But the real explanation of the price differentials is that the



Penny plain, tuppence coloured doesn't hold here

PAL technology is patented by AEG-Telefunken. One of its licensees confirms that one of the conditions of the right to manufacture under licence is to observe strict rules about pricing in the European market. The suspicion is that all licensees are bound in the same way, except in Japan where prices are conspicuously lower.

European manufacturers justify their higher prices because they have shorter production runs and hence higher unit costs. They say, therefore, they should not be exposed to undercutting from American or Japanese manufacturers with longer runs. In the past two years this excuse has worn thinner and thinner, as demand in Europe has built up. And the high European prices are themselves the main reason why demand has not grown even faster.

The Japanese have developed a form of PAL technology of their own. They say it should permit them to market PAL-type sets in Europe without infringing AEG-Telefunken's patents, and some such sets have been sold in Switzerland and Britain. AEG-Telefunken replied by licensing Hitachi and Matsushita to manufacture PAL sets. At the end of May, portable colour sets from Sony appeared on the German market. AEG-Telefunken could take no immediate countersteps, as they had apparently come in via dealers in Holland and Switzerland. But last month it complained about them at talks with Sony about giving Sony a PAL licence. Sony denied that it had violated the German company's patent rights. Eight days later, it announced that it would market Sony sets in Germany from this month.

A war of words has erupted. AEG-Telefunken started proceedings for breach of patent rights. Sony proclaimed that the conditions for manufacturing under a PAL licence broke

anti-cartel laws of Germany, Japan and the common market. It protested to the German cartel office in Berlin. So did AEG-Telefunken. The responsible officials at the cartel office are on holiday, and those remaining have decided to take no action yet. Meanwhile German dealers handle Sony sets at the risk of being sued, until the legal smoke has cleared. But the writing is on the screen.

Air fares

£32 to New York

Yet another meeting was going on between governments at the end of this week to discuss what to do about air fares. Governments normally stay out of the rate-fixing business but they cannot shut their eyes any longer to the chaos developing on the North Atlantic, where one passenger in three now travels in a charter aircraft because scheduled fares are so preposterously out of line with what it actually costs to fly a modern jet. It is now possible for a small, independent operator like Mr Freddie Laker to submit a formal application as he did last week to operate a scheduled service to New York, using newly-bought, wide-bodied DC10s, for a one-way fare of £37 in summer and £32 in winter. The scheduled fare is £113 in summer, £93 in winter.

The British Civil Aviation Authority has to make up its mind what to do about Mr Laker's application which, price apart, goes against all the current ideas about how to meet charter competition. Seats on his flights will not be bookable, and tickets will not go on sale at the airport until six hours before take-off, raising horrendous prospects of queues. All the other schemes now gaining favour turn on cut-price tickets sold well in advance.

Just how far in advance is one of the main points of argument. It is unlikely to be less than two months, but some countries would like it to be as long as six. The idea is an invention of the British Overseas Airways Corporation, which has taken three years to gain anything approaching international acceptance as a sneaky way of getting today's charter travellers back into the scheduled jets. The present, much-flouted rule that all charter passengers have to be long-established members of the club that arranged the flight will then be dropped, and anyone who can raise the money to charter a jet will be free to do so and sell the seats to whomsoever he likes—which is very much what goes on now anyway.

Two points governments have still to settle are whether it should be possible to charter only part of a jet. And if the answer is yes, could this be part of a scheduled flight? If an airline has the equivalent of a full, 707-load of charter passengers and a half-empty 747 taking off on a scheduled flight at about the same time, it seems wasteful to put on two aircraft where one jumbo could comfortably do the job. That, anyway, is the argument of those airlines with surplus jumbo capacity. But not all of them have it, and—although it is done hourly on all the main European holiday routes—the have-nots are fighting this idea of mixing charter and scheduled passengers so hard that governments have been obliged to sit in and arbitrate. The much-abused International Air Transport Association's rate-fixing cartel has as good as collapsed. We will know by the autumn if governments on their own can do any better.

Gold

Giscard's way

The new French tactics on gold are coming into focus. France is not openly pressing for a major increase in the official price of monetary gold, as it was in gaullist days, nor even a minor one, as it was in the financial upheavals last year. But its tactics are designed to achieve the same end. This week French newspapers were happily quoting Signor Guido Carli, governor of the Italian central bank, saying that Italy has never argued for the complete demonetisation of gold.

Italy's reserves are 45 per cent in gold, formally valued at \$38 an ounce. For over a month Italy has been using dollars to support the lira and to settle its central banking debts, whereas the

Key indicators: world commodity prices

Malaysian marketing

The Malaysian government has proposed much stricter marketing arrangements for rubber in an attempt to move the price from its 20 year low. At 15p a kilo, and in the last months often lower, the price of rubber is putting a brake on Malaysia's otherwise booming economy. The government will supervise new plantings, provide a central marketing organisation for smallholders, and control exports.

	Index 1963=100		Percentage change on	
	Aug 2	Aug 9	one month	one year
All items	133.1	133.5	+ 1.8	+11.5
Food	148.2	148.9*	+ 3.1	+14.5
Fibres	102.7	102.5*	- 1.2	+19.2
Metals	181.9	181.5	+ 0.7	- 4.0
Misc	120.0	121.3	+ 3.1	+18.3

*provisional

rules of Europe's "snake-in-the-tunnel" say that members should intervene only in community currencies and settle their debts in a package of assets according to the proportion in their reserves. If the rules of the game had not been bent, Italy would have had to part with a sizeable chunk of gold.

In return for this assistance from its partners, Italy could now go along with France's ideas on gold. These are that the Europeans should adopt a higher price for monetary gold for settlements among themselves. This would allow Italy to return to the strict rules of the Emu (European monetary union), as it would be paying its debts partly in gold, but valued at some much higher figure.

Italy's predicament has come as a godsend to the French, who argue that if only Europe's central banks can be persuaded to adopt a higher gold price for Emu settlements, neither Mr Paul Volcker nor anybody else in the American Treasury will be able to hold out for long against a higher official American gold price. Optimistically a figure of \$70 an ounce, for Europe, was suggested in the gold fever of last week. But this week the free gold price is close to \$67. There is now a counter-rumour circulating in Washington about plans for a new version of the old gold pool to drive the free market price down closer to \$38 an ounce.

Singapore

Chitty, chitty...

Singapore

Singapore wants to become the financial capital of Asia. Whether the latest financial news from the island will advance this objective is an interesting question. What it does show is the inventiveness of its financiers.

Two chit fund management companies have had their assets impounded and their books seized by the financial authorities, including the biggest chit fund group in Singapore. And what are chit funds? They are a device, which only became legal in Singapore in 1971, to match up borrowers and lenders of funds, in a way that smacks of the nineteenth-century forerunners of building societies and friendly societies in Britain.

A chit fund management company organises groups of rich individuals or firms to contribute, say, \$10 a month for a year each. It then auctions the right to have immediate use of the

money. Whichever of the participants puts in the highest bid takes all the contributions flowing in from his group over the year. At the end of the year he will have to stump up the agreed auction price, which will then be split among his group of participants to give them the turn they expected, less an agreed charge to the managers: just compound interest really, dressed up to look a bit like gambling, but in theory ensuring that the funds go to the man or firm able and willing to pay the highest price for their use.

By law, chit fund companies must make compulsory deposits with the authorities and allow their books to be examined by a commissioner of chit funds. They must not themselves bid for money in competition with subscribers. Thus the authorities did foresee one obvious danger: a crisis of liquidity that would leave borrowers unable to repay their loans to chit fund companies, except by bidding for other chit fund money, and so on in a dangerous spiral. But these precautions were not enough. The two biggest companies—Gemini and Stallion—were placed in the official receiver's hands last week. Twenty of the remaining 30 or so others are believed to be under official pressure to increase the deposits they have lodged with the authorities. Stallion, according to an official affidavit, itself had bid successfully, if illegally, for £1m (although its total assets were only £3.8m) in order to meet maturing chit fund loans on which the subscribers had defaulted. Back to first financial principles.

Jamaica

Manley's bananas

Kingston

Those thousands of tons of Jamaican bananas dumped in the Atlantic because of Britain's dock strike were bad news for one of the island's two traditional currency earners. Since there are also doubts about sugar it was an unhappy week. Jamaica could do without dock strikes just now. Unemployment is running at 22 per cent of the working population; investment and tourism are both falling off. Mr Michael Manley, whose government has been in office only five months, cancelled this week's £10,000 party planned to celebrate the tenth anniversary of independence.

France and the rest of the Six are to "take to heart" the problems of West Indian sugar producers when

the present Commonwealth agreements expire in 1974. But no one quite knows what that means and Jamaica lives in fear of the Six's sugar beet lobbies. There is no expansion of sugar planting. Even the once-encouraging tourist trade is suffering from outbreaks of violent crime and an upsurge in black militancy: white visitors and the tourist industry are the targets.

The Manley government has imposed an indefinite freeze on all prices except local farm products, and has commissioned a study of the outflow of foreign exchange with the implied suggestion of controls to follow. There has been no tightening up yet on tax concessions to the numerous foreign-owned companies but there are to be controls on the ownership of property by non-residents and by foreign companies. A commission has been set up to study the bauxite industry.

This goes nothing like as far as the compulsory government "participation" in the aluminium companies' bauxite mines which has been imposed in Guyana, which has been copied from other countries' partial nationalisation of their oil industries. Even so, it marks a step back from Jamaica's traditional tolerance towards the bauxite producers. Officially, the government is merely looking for ways of getting more income from bauxite without taking over the mines, but foreign investors will not be encouraged by it. The flow of foreign investment has already been falling off as the island's growth rate has slumped from an annual 2 per cent to nil last year. What has been seen of Mr Manley's economic policies so far has only increased these misgivings.

Business schools

Goodbye, America

Most European business schools set up in the 1960s were a direct attempt to imitate the Americans. The argument was that American business was successful because it had good managers, and it had good managers because it had business schools. In a set of papers just published by the Organisation for Economic Co-operation and Development, Professor Dean Berry, head of INSEAD (The European Institute of Business Administration at Fontainebleau) makes another slashing attack on this fading philosophy. He argues that management education in elite American schools is dying, and that European schools could be heading for the graveyard



Triumph Investment Trust

Preliminary Results

Record Profits • Increased Dividend Bonus Issue Proposed

Summary of results for the years ended 31st March

	1972 £'000	1971 £'000
Group net profits before taxation	4427	3374
Tax: U.K.	1226	914
Overseas	557	542
Group profit after tax	2644	1456
First interim dividend of 12% (1971 equivalent to 10%)	547	362
Second interim dividend of 21% (1971 Final equivalent to 17.5%)	970	749
Retained profits are	1127	807

The group profit after tax of £2,644,000 shown above represents earnings of 57.5% on the issued share capital of £4,593,688 at 31st March, 1972 (1970/71 adjusted earnings 44.8%).

The Directors have declared a second interim dividend of 21% in lieu of final, payable on 31st August, 1972 to Shareholders on the Register on 11th August, 1972. The total dividends for the year are 33% (1971: 27.5%).

The Directors also propose a 1 for 1 capitalisation issue to be made on 19th September, 1972 to Shareholders on the register on 11th August, 1972.

The 1971 figures shown above have been adjusted where appropriate to take account of the 1 for 5 capitalisation issue made in August, 1971.

The Annual General Meeting, is expected to be held on the 19th September.

Triumph Investment Trust Limited • Pinners Hall Austin Friars London EC2N 2HR

within five years, if they are not careful. Europe, he says, has drawn all the wrong lessons from the early success of the schools like Harvard. Business schools do not produce businessmen; they can only teach the language and style of business, and cannot substitute for experience. Business education cannot be bought on the cheap using American research. Europeans must do their own, because European society is quite different. American management education is dying because it is being sucked into academic respectability. This is because the American dream is fading, and youth no longer holds business in such respect. Indeed, an American businessman complained in another paper that he expected graduates from business schools to "have an understanding of the American free enterprise system," but found "that most American young people are weak on this score."

An increasing number of Europeans argue that Europe's business education is now better than America's. Its output is still far smaller, but its growth is fast. By 1980, it is estimated that western Europe will be spending \$5 billion a year on management education. Already there are around 200 management training centres in Europe. But at least some American business schools have retained the courage of their convictions. Harvard now has plans to open a European campus at Lausanne, next door to the local Nestlé-inspired, but American-oriented, international business school, IMEDE. European business schools will now have a taste of their own prescription for others: competition.

Colombia

We love Europe

Latin America hardly beckons to investors at the moment. So perhaps it is a feather in Colombia's cap that 24 international banks agreed on Monday to provide it with a \$40m medium-term Eurodollar loan, to be used for general development. By the standards of the game, the package is neither large nor particularly multi-banked: Manufacturers Hanover, who arranged it, put together a 54-bank loan of \$250m to IMI (Istituto Mobiliare Italiano) as recently as July 21st. But it is Colombia's second such borrowing (the first arranged by Chase Manhattan) in a matter of months. And although this may only point up the fact that Eurolenders cannot be too

choosy now that traditional doors are closed to them by exchange controls, Dr Rodrigo Llorente, Colombia's finance minister, made no bones in London this week of his hopes that the international spread of these loans would strengthen his country's ties with Europe and Japan to which Colombia wants to export.

But Colombia must have the goods to sell. Coffee's share in its export earnings has been brought down to 49 per cent from 85 per cent in 1962, over a period in which total exports nearly doubled in dollar terms; but diversification must go further. Although the country's gnp has grown by an annual 6.2 per cent in the past four years, this fell short of expectations: the population, already 22½m, grows fast and is about to overtake Argentina's. The new foreign loan commitments should bolster the economy this year, but direct foreign investment is likely to be held back by the Andean common market's pact, to which Colombia now seems to be subscribing indirectly: the pact requires that most foreign firms reduce their holdings in due course to a minority ownership.

Then there is always the problem of inflation, not at present acute in Colombia by Latin American standards, but threatening to be so after an ambitiously large budget. But perhaps the most intriguing question-mark about Colombia is how its flexible exchange rate system, imitating Brazil's crawling peg, will react to the country's present coffee bonanza. The rate of the Colombian peso against the American dollar crawled up about 9 per cent last year: could it now be forced to climb down?

South Korea

Emergency package

The once-model South Korean economy has been plagued by slowing growth, a massive trade deficit and inflation. Seoul's hopes of getting out of its difficulties by massive injections of fresh foreign aid (particularly from Japan) have been disappointed. So the government has now produced a package of emergency economic measures.

Price increases are to be held to 3 per cent a year, compared with the 8 to 12 per cent in the recent past. And the exchange rate (which has been allowed repeatedly, if reluctantly, to depreciate against the dollar in a

managed float) will now be stabilised at 400 won to the dollar—a further devaluation of 6½ per cent on last December's rate. This should take some of the pressure off domestic prices; South Korea's imports amount to over a quarter of its gross national product. But the chief hope of restoring confidence lies in the government's moves to lighten the burden of interest rate charges on the country's manufacturing firms, whose ratio of debt to capital had already risen to nearly 77 per cent by 1970.

A three-year moratorium has been slapped on all "usurious" private loans to industry (equivalent to one-eighth of ordinary bank loans), after which these are to be repaid over five years at an interest rate of 16.2 per cent. Bank lending and deposit rates have been lowered from 19 to 15½ per cent for general loans and from 16.8 to 12 per cent for one-year time deposits—the sixth such downward adjustment since bank rates were doubled in 1965 to bring them into line with free market rates. In addition, the government is making available to firms over £200m in long-term loans at a modest 8 per cent interest charge to fund a portion of the companies' more expensive bank credits.

The move to throttle private money-lenders' activities in a period of sluggish domestic economic activity could leave some of South Korea's lame-duck firms high and dry. Although this could be no bad thing in the long term, the government is insuring against too abrupt an adjustment: a special loan fund of just over £50m will help to "rationalise" industry.

A major question is whether, even now, Seoul has got its exchange rate right. But the Koreans can always hope that a further revaluation of the Japanese yen will help here. And the country's economic and trade prospects would improve if there really were a detente with North Korea.

The Smithsonian pound

	USA	Aug. 9
The difficulties of placing money elsewhere with interest are still helping sterling to ride the dock dispute.	Germany	106
	France	107½
	Italy	108½
	Belgium	106
	Holland	108½
	Denmark	107½
	Switzerland	106½
	Sweden	108
	Japan	108½

Table shows the cost, in Britain, of goods which could have been bought from other countries for £100 at Smithsonian central rates. The method was explained on page 90 of The Economist for July 1st.

BUSINESS

Investment

Thorn + Plessey = £725m

Thorn Electrical Industries is in the process of making an agreed takeover bid for Plessey. Together they will be Britain's tenth largest company, with sales of £725m and profits of £70m. Thorn-Plessey will be the fifth electrical group in Europe. The details of the get-together are still being worked out, although this is not the first time that the two companies have shown a secret interest in each other. But the essential proposition is agreed, cemented by the long and close friendship between Sir Jules Thorn and Sir John Clark, Plessey's chairman.

Thorn's offer is likely to be considerably above the present stock market price of Plessey's shares at 165p, which values the company at £300m. This is still 40% below the 1970 price, although Thorn's shares, at 530p, are close to their all-time high. Thorn recently reported a profit increase of 30% while Plessey is recovering from a two-year setback. Both shares, however, are trading on a p/e of 24, and both companies predict a bright and profitable future.

The merger solves a lot of everyone's difficulties. The two companies have much in common, each closely associated with one family since they were founded: Thorn by Sir Jules himself, and Plessey by the father of the two Clark brothers, now chairman and managing director. Originally the companies were competitors in the market for radio components. Then they diverged. Most of Thorn's £412m of sales are in television and lighting retailed in Britain. Plessey sells telecommunications and capital electronic equipment, much of which is exported. The two will therefore be able to merge without treading on each other's terrain or risking reference to the Monopolies Commission. Yet there will be plenty of room for savings in pooling cash resources and management. Since Thorn is dependent on the consumer's purse and Plessey on public spending, the performance of the two together will be less cyclical.

But there is more to the proposal than that. Together Thorn-Plessey is safe from the prowls of the Dutch

giant Philips, which could otherwise snap up either company by itself. Merged, they are too indigestible. The new group will become Philips's major competitor and Europe's largest component manufacturer.

Once the details have been agreed—the only problem being how much of Thorn's equity should be swapped for Plessey—Sir Jules Thorn will be chairman of the new company. Mr Jack Strowger, the present managing director of Thorn, will probably remain in the same position. But this will be temporary. Sir Jules is now 73. The merger will be the crowning of his career, after which he must be expected to step down, or up to the presidency, with Sir John Clark becoming either chairman or managing director.

While Thorn's future is set on a steady path of growth, Plessey's is likely to be marked with fits and starts. Although Plessey's earnings per share are unchanged this year from last, they are expected to show a sharp improvement in the last quarter of this year, and then could double by 1975. Plessey has got over an unfortunate and loss-making investment in the United States and is increasingly relying on its telecommunications to spin profits. In this field, demand over the next decade is certain to be strong and Plessey's shares therefore are likely to improve by at least 15% on their present price with Thorn's offer.

SEC

After more power

New York

The Securities and Exchange Commission, Wall Street's vigilant watchdog, wants more power. It is using an 800-page report that it sent to Congress this week on the bankruptcy of the Penn Central Railroad in 1968 to push for tighter corporate regulations. America's largest bankruptcy could have been headed off, the SEC claims, if there had been the legislation it is now pressing for in three basic areas. The loophole which allows companies regulated by the Interstate Commerce Commis-



Jules and John: old friends get together

sion to dodge the strict SEC rules when making public stock offerings should be closed. There should be new legislation to subject issues of commercial paper to SEC regulations. And, thirdly, American companies borrowing abroad should have to make a public disclosure of the fact in the foreign country even if the law of the land does not require it.

The SEC's past success at bringing America's corporate practice to heel suggests that the recommendations stand a good chance of being enacted. The SEC's chairman, Mr William Casey, has pleaded that Congress should at least make a start by tightening the rules around the sale of commercial paper, and restricting this form of fund-raising to individual denominations larger than \$50,000. This would have prevented the situation after Penn Central's insolvency, when thousands of small and ill-informed investors were left holding the bag for \$83m in commercial paper which could never have been successfully issued if the company had had to disclose its pending debt maturities and cash resources. If commercial paper were issued only to large-scale investors, this sort of information could be better disseminated and understood.

The two-volume SEC report picks its way through the tangled wreckage of Penn Central, and urges many improvements in existing corporate practices that could be made without new legislation. It repeats its harsh criticisms that the company's directors failed to keep adequate watch over their management, and that some executives sold their shares on the market when they had inside knowledge that the railroad was doomed. The report does not shy from attacking the prestigious bank, Goldman Sachs, for failing to do its homework properly when taking on the

company's money-raising business. All round, it is the strong stuff which has added power and influence to the SEC in the past 10 years since it began assailing American stock exchanges and securities markets for their laxity. Its success, once resented, is now generally welcomed, but this attempt to regulate an area that has previously been the preserve of the corporate executive is bound to meet opposition.

Levitz Furniture

Too hot to mishandle

New York

Levitz Furniture has announced that its sales in July were up by a massive 105% on July last year. The six month total was \$141m, 88% up on 1971, making the company one of the hottest on Wall Street. Despite such super-normal growth, some of the stuffing has come out of Levitz. Recently it cancelled a planned issue of 600,000 shares after the Securities and Exchange Commission found that the prospectus had not revealed that the Teamsters' Union was actively unionising Levitz employees across the country. This week the president, Mr Leon Levitz, and his son announced they are leaving the company: a reminder of how much more exacting the SEC's regulations are than those of Europe's exchanges.

Levitz is a phenomenal stock. It is hard for the non-American investor to imagine a furniture company with a price earnings ratio of 78 on historic earnings. But that is the rating that Wall Street affords Levitz today, even after all the troubles have pulled its price down from \$60 to \$42.

The stock had its birth in the bull

market of 1968 when the brothers Levitz, adopted and helped by brokers Bache and Company, sold investors the concept of marketing furniture on the "warehouse system," under which the buyer picks up the pieces he wants and carts them away in his own station wagon. That might not sound too exciting to people used to buying food from warehouse stores. But in the American furniture industry it was a revolution. In America 5,300 manufacturers supply 35,000 dealers, mostly family-run. Marketing was an alien word until Levitz pushed warehousing. Now lots of the larger dealers are getting in on the act and an unprecedented 4% of the market is in the warehouse hands, which only shows what leeway Levitz and its followers still have.

So Levitz has remained a hot stock, after many other "concept stocks" of the late 1960s wilted in the market plunges of 1969 and 1970. Its capitalisation grew steadily and now stands at \$1 billion. A large proportion of that is held by institutions, for which Levitz is now firmly in the favourite 50.

It is the institutions that are maintaining the price of glamour stocks on Wall Street at the moment, and their grip on a specific price is particularly firm when the float of stock is as small as Levitz's. Detective work by the New York Times indicated that some 85% of the Levitz stock is held by the family, the big institutions and the mutual funds. It would be suicide for the money managers to sell in quantity --and they all know it.

Australia

Betting on the budget

Sydney

Australian stock markets have dropped back from the heady days of late June, when feverish buying from London investors fleeing the pound pushed many Australian share prices to what seemed untenable heights. But the retreat has been small and short-lived.

The Melbourne and Sydney stock exchanges are doing about £3.5m of business a day: substantially higher than the past year's average. And Australian brokers have been regaining some of their old optimism as the Sydney all-ordinaries index has shown a consistent day-to-day recovery this month. It has gained 20 points, to close on Wednesday at 596: the highest level for two years, not counting June's sudden 9% surge to 639.



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FMC Ltd.

Highlights from the Chairman's statement.

Total turnover -- a new record of £203,000,000.

Group trading profit -- at £3,424,000 less than 1% down in a most difficult year.

Group profit before tax -- at £1,600,000 the second best in the company's history, consolidating most of the improvement of the previous year.

Dividend -- held at 12% and covered 2.8 times.

Group Reserves -- increased by £1,256,000 in two years with bank overdrafts down by over £1,000,000 in the last twelve months.

In his Chairman's Statement Sir John Stratton, CBE, described the year's results as "a creditable performance bearing in mind all the facts of the case." On future prospects Sir John said:

"Though I see no dramatic change in the pattern of meat trading in the immediate future, the general trend of rising prices for meat and meat products must continue. This trend will be accentuated as we move into the EEC.

In FMC we have already a large export trade to EEC countries, as well as elsewhere. This has been built up despite varying obstacles against imports from non-member countries, and our opportunities should be greater when such barriers can no longer impede us. We are well placed to take advantage of these opportunities. In the last twelve months large sums have been spent on modernising and improving the capacity of our plant and machinery, particularly at our Harris factories at Ipswich and Calne. This expenditure should help us to expand production and keep down costs. Further substantial expenditure on plant has been planned for 1972/73 with a view to continuing this process. We believe that the higher prices for carcass meat that will be experienced as we move into the EEC will stimulate demand for a wide range of manufactured meat products and we intend to take full advantage of this."

Results for the last 4 years

	Total Turnover £ million	Group Profit Before Tax £'000	Ordinary Dividend %	Times Covered
1968/69	159	836	5	2.3
1969/70	166	915	8	2.0
1970/71	182	1741	12	3.2
1971/72	203	1600	12	2.8

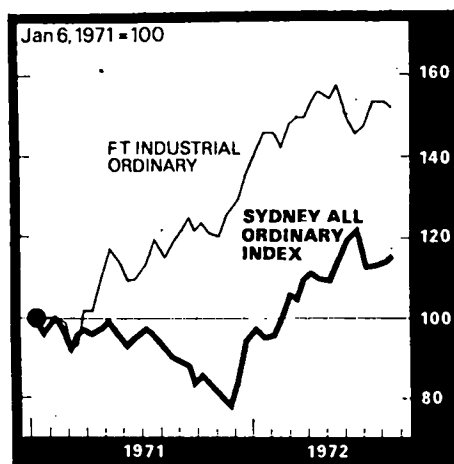
Copies of the complete Annual Report and Accounts may be obtained from The Secretary, FMC Limited, 19/23 Knightsbridge, London, SW1X 7NF



Key indicators: world bourses

	Stock price indices			Percentage change on				
		Aug 9	1972 high low	one week	one month	one year	record high	
Good trading volume on Wall Street. London steady despite dock strike. Not much excitement anywhere else except Canada, which scored new record.	London	514.0	543.6	470.4	- 0.7	+ 3.2	+27.6	- 5.4
	New York	951.2	971.3	889.2	+ 1.1	+ 3.0	+12.4	- 4.4
	Canada	228.2	228.2	187.5	+ 3.4	+ 5.3	+26.6	-
	Australia	593.9	639.3	490.1	+ 1.0	- 0.2	+25.1	-10.5
	Japan	303.7	307.4	199.9	+ 0.6	+ 6.4	+47.1	- 1.2
	H'kong	482.1	509.5	324.0	- 4.0	+ 0.5	+60.2	- 5.4
	Belgium	117.0	117.7	96.9	+ 0.4	+ 3.4	+11.2	- 0.6
	France	84.3	85.7	67.6	+ 1.2	+ 4.1	+ 8.4	- 6.0
	Germany	120.8	120.8	97.1	+ 1.3	+ 6.0	+14.2	-20.1
	Holland	154.1	155.1	105.4	- 0.1	+ 1.9	+27.0	- 0.6
	Italy	48.8	49.9	43.9	- 0.6	- 0.8	*	-58.1
	Sweden	354.1	354.6	308.7	+ 0.1	+ 2.3	+24.8	- 5.7

Stock prices and yields are on pages 81 and 82 *Closed



These prices will be maintained only if Australian industry can prove an attractive enough investment to keep the money that rushed into the market just before sterling floated, intending to stay only temporarily. The carrot to keep these bulls in Australia must be next Tuesday's federal budget. Last year the treasurer, Mr Billy Snedden, introduced a restrictive budget. In this election year it is certain to be expansionary.

It can afford to be. The annual rate of inflation has slowed to 3.6% from 6.8% last year, although unemployment remains obstinately high. Australian business prospects are plainly good. Industrial production is rising. Exports are 11% up on last year, imports 9% down. Everything should be set for profits and dividends unseen in recent years, and for a strong and rising market. This will be edged along by Australia's massive capital inflow which, quite apart from currency speculation, reached £875m in the 12 months to June.

Against this background, the opportunity for investment does not lie in the old glamour mining stocks, which still look expensive, but in the basic blue chips. With consumer spending getting under way, stores are an obvious target. G. J. Coles, the biggest store group, has recently reported a 13% increase in profits, and yet still sells on a p/e of only 14. It looks cheaper than its major rival Myer Emporium (often referred to as Australia's Marks and Spencer) which sells on a p/e of 17.

The expansion of consumer spending should mean good times for the hire purchase companies, Industrial Acceptance Corp and Australian Guarantee Corp, selling at 15 times earnings. Following the pattern of London's market, the banking sector also looks attractive; Australian banks

are shortly going to have to make a full disclosure of their reserves, which will prove to be comfortably high. A seemingly unexciting stock like the Commercial Bank of Australia may prove a good investment. Not, of course, anything like as spectacular as the market's present darling, Woodside-Burmah, whose colossal gas discoveries have boosted the price by 30% to 200p in London in the past five weeks.

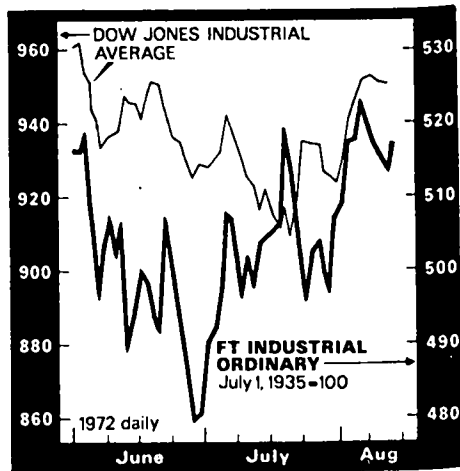
For the British investor who wants a blend between the staid and the spectacular, two new unit trusts have been recently opened in London: Jessel Australia and General, and Vavasour Australian Trust. Slater Walker has also produced an investment trust—Slater Walker Australian. These are probably the safest way back into the Australian markets for private investors who have been burned before by the vagaries of the outback.

London market

Dutch courage

The London market has been chasing hares. After both gold and oil shares had been forced up to dizzying heights last week as brokers felt that no price was too expensive for their clients, the slide came. The gold price dropped predictably back from \$70 an ounce to \$66 and a full 10% was knocked off the value of the Financial Times gold index, with all the market's favourites, President Steyn, Vaal Reefs, Union Corp, in the forefront of the retreat. The market has still not got used to the fact that gold has become a commodity and can quite easily vary in price by 5-10% in a week; a performance that gold shares may not follow, although on Thursday they were firming with the bullion price.

Since the silly season had begun the market decided to re-rate the oil sector last week and pushed up the price of Shell Transport and Trading from 325p to a high of 380p, although the company had explicitly warned that its profits this year would be disappointing. They are. Thursday's results from the Royal Dutch group show profits in the second quarter of £53m, less than half those earned in the same period last year. The market had got nervous ahead of the results and brought the price down to 356p; but it was still shocked that they should have been as bad as Shell had said, and cut the shares further back, to 347p. And the rest of the oil sector drooped in sympathy, British Petroleum shed-



ding 20p.

News from the other Anglo-Dutch giant, Unilever, was remarkably good. Pre-tax profit for the half-year was 11% up at £109m, on only marginally increased sales. At 372p, the shares have improved 10p since the results but are still on a p/e of only 14. The test now will be whether Unilever will be able to maintain its better margins, which it gained largely by a steep drop in the prices of its raw materials.

Although these are the shares that have made the running in the past week none is included in the Financial Times index of 30 industrials. Having gained 25 points last week, this index faded slightly at the start of the week. But at Thursday's close of 517.2 it had shed only 5.6 points. So much for the dock strike. But before that close Bovis shares rose 79p to 460p after P&O announced it had made an agreed bid. There is no industrial logic for a shipper to take over a builder, but plenty of financial logic. P&O is asset-rich and profit-hungry, and Bovis quite the reverse. The hope is that Bovis's property skills will help P&O exploit its assets.

That was not the end of Thursday's excitement in the market. After hours, came the news that the speculated-on bidder for the brewers Courage is Imperial Tobacco. The agreed bid (which will turn one Courage share into one Imps ordinary share, plus 50p of a new 8% convertible, plus 55p of 10½% unsecured loan stock) is worth 220p a share for Courage shareholders. At the same time, Imps announced it is to raise its dividend from 21p to 23½p. Intriguingly, too, Imps and Bats came out with a joint statement that their two companies are to plan their future developments separately. Perhaps Imps is opting out of the European opportunities to go it with Courage in the home market.

Textiles

The way to do it

The interim results from N. Corah, out on Monday, are a tribute to the company's conviction that two years and a lot of money spent in restructuring itself would pay off. A 34% leap in profits to £508,000 has been a textbook example of how to revitalise underused assets through higher productivity. A productivity drive could also have given a lift to the many small British textile companies which have only just managed to stay in business over the past three slump years. But most of them have just sat and felt sorry for themselves. So Corah is not typical, especially as a high proportion of the company's sales are tied to Marks and Spencer. At 91p, on a prospective p/e of 16, the shares therefore look solid in a sector that has been largely left aside in the bull markets of the past 18 months.

The clearest parallel with Corah is Nottingham Manufacturing which, at 158p, is on a p/e of 21 and, with a continually successful record behind it, is still a market favourite. These two companies have been in the forefront of the thoughts gathering in the City over the past few weeks that the textile sector as a whole is undervalued: the fact that the City still links consumer expenditure with textile profits has brought on a mood of speculative buying for the two textile giants, Courtaulds and English Calico. But since the industry is facing the largest wage claim in its history and the prices of man-made fibres are beginning to edge up, the near-certain increases in sales could be made at even lower margins. The textile sector on a p/e of 15 is not underpriced, and N. Corah's results are unlikely to be reflected elsewhere for some time.

Britain's airlines

Can they make profits?

Nobody would pretend that life for a small airline in Britain is a bed of roses, but not everyone loses his shirt. Privately-owned airlines have not in the past been particularly forthcoming with their accounts; as a result, some private backers have badly burnt their fingers. In future, the Government will oblige the airlines to provide more financial information as a condition of

Insurers' choice

It seems a long time since last year's roaring gilt-edged market, but memories are revived by the Department of Trade and Industry's figures on how insurance companies deploy their vast resources. Last year they poured a net £504m into government securities, seven times more than in 1970. The insurance companies' "problem" was that they had to find a home for an extra £1.23 billion of funds. The combination of high yields in gilts and insecurity about equities in the early part of 1971 meant that 41% of this went into government securities. How much was withdrawn in time?

Not that the insurance companies ignored equities: they put £487m into the stock market. This was 34% more than in 1970, and meant that by the end of 1971 insurance funds were controlling £7 billion worth of company securities at book value alone. Their share of equity ownership at market values is now over 12%.

The insurance companies backed their 1971 fancies in the gilt and equity markets at the expense of some of their more traditional sorts of investment. Their holdings in local authority securities dropped by £13m, and their

investments in what insurance companies now consider the troublesome and time-consuming business of mortgages was slashed from £134m to £56m in 1971. Investment in property was cut back by the life companies, intimidated by what was incorrectly considered the inflated heights of the market. This meant that, despite the expansion of property bonds and real estate prices, life fund investment in property was £13m lower than in 1970: a bad mistake. The general insurance companies, however, increased their property investments, and so the overall investment by insurance companies in property remained roughly the same.

The vast bulk of investment money that insurance companies pour into the markets each year comes from life funds; but 1971 showed a particularly large contribution from general insurance. The £265m that these general funds invested accounted for 22% of the total compared with 16% in 1970 and only 8% in 1969. This rapid rise is a reflection of both the way inflation has heaved up premiums and the recovery in underwriting profits.

getting an operator's licence. Meanwhile the Department of Trade and Industry has recently published the results of a handful of privately-owned airlines for either the calendar year 1970 or the financial year 1970-71.

The most important on its list are Lord Thomson's Britannia Airways, Mr Adam Thomson's Caledonian Airways, Mr Freddie Laker's Laker Airways and, for purposes of comparison, British and Commonwealth's British United Airways, which has since been taken over by Caledonian. The figures show how profitable holiday flying can be. Britannia, with no scheduled services, assets of just over £10m and annual sales of just under £9m, made a pre-tax profit of £1.3m.

This put it at the top of the league; with Thomson's new acquisition of the Sunair Lunn Poly Travel group last week it is likely to get pushed higher. British Caledonian, which had no scheduled services in 1970 either, had greater assets (nearly £17m) than Britannia and approximately twice its turnover, but its profits were only £549,000 (with no tax liabilities that year). The remarkable Mr Laker did better than this. His assets stood in March, 1971, at just under £5m, raised on nothing more tangible than his own personal reputation as a manager. Sales were just under

£6m; profits were £385,000 (again no tax was paid). Unfortunate British United, however, was getting more than half its revenue in its last independent year of operation from scheduled services. With assets of £25m, sales of £23m, it lost £600,000, before tax. The secret of being small and successful is either to own, as Laker does, or be owned by, a holiday group, as Britannia is.

Retail Business

Issue No. 174 August 1972

contains the following Special Reports:

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CHAIRMEN'S STATEMENTS

Eastern Asia Navigation Company Limited

A year of outstanding success.

Extracts from the Statement by the Chairman, Mr Y. K. Pao.

Results

The year ended 31st March 1972 has been another one of outstanding success for the Company. Total profits increased by more than 187% to HK\$ 60,712,253 (1971 HK\$ 21,090,946) including capital profits of HK\$ 35,925,406 (HK\$ 7,568,704). Results of subsidiaries included in the consolidated accounts are equally impressive.

Dividends

The amount available for appropriation is HK\$ 64,920,216 from which an interim dividend of 13 cents per share has already been paid, and Directors recommend a final dividend of 22 cents per share totalling HK\$ 20,506,770 (HK\$ 11,139,480) for the year ended 31st March 1972. An interim dividend of 15 cents per share has been declared for the year ended 31st March 1973.

Bonus Issue

Subject to approval at an Extraordinary General Meeting, following the Annual General Meeting to be held in Hong Kong on 31st August 1972, one new share will be issued for every five shares held.

Rights Issue

The Company intends to raise HK\$ 151,902,000 additional capital by means of a one for five rights issue at HK\$ 12 per share.

Future Dividends

For the year ended 31st March 1973 an estimated final dividend of not less than HK\$ 0.25 on the increased number of shares is forecast which, with the interim of HK\$ 0.15 on the presently issued shares, will give a total of not less than HK\$ 0.40.

Shipping Market

The Company has not been adversely affected by the prevailing depression in the shipping market, since good charters have been fixed for all vessels and the Company has been protected against past, and any possible future, Yen revaluation by arranging sufficient income in Japanese Yen to service any outgoing obligations in that currency.

At times like this, the policy of securing long-term charters for every new building bears fruit and allows the Company to face the future with undiminished confidence.

Fleet Structure and Operation

Two bulk carriers and one very large tanker have commenced trading in the reporting period. A bulk carrier, an ore/oil carrier and the part interest in a new building tanker were sold profitably. Orders have been placed for one very large tanker and two car/bulk carriers. The Company has acquired the issued shares in the owning companies of four tankers in the range 70/90,000 tons d.w. all of which have favourable long-term charters.

The total deadweight tonnage of the Fleet in service and on order amounts to 3,436,947 t.d.w. No major difficulties or accidents have been encountered during the year and the Shipping Managers have been very successful in the operation of the Fleet and in keeping universal increases in operating costs within reasonable levels.

Future

The Company intends to watch out for future attractive new building opportunities and sound business commitments, the success of which policy is clearly evidenced by accounts for the year and, satisfied with our record in the past, we shall make every endeavour to accomplish even more in the future.

The Hong Kong and Shanghai Banking Corporation has recently acquired approximately 10% of the Company's shares, and it gives me pleasure to welcome the Bank as one of our shareholders.

Eastern Asia Navigation Company Limited is an Owing Company within the World-Wide Shipping Group.

WEST CUMBERLAND SILK MILLS

Extracts from the circulated statement of the Chairman, Mr. G. M. Miller:

The pre-tax profit of £78,464 as against £50,165 (in fact £68,365 after correcting the overstatement of stock in the year 1969-1970) was achieved in a year generally considered to be difficult for the weaving industry.

The Board feel justified in proposing a final dividend of 5 per cent, making the year's total 10 per cent. (9 per cent.).

The increase in profits has been achieved despite a 4 per cent. decrease in turnover for the year. This loss in turnover is entirely due to the serious trading difficulties which we have met in a number of our Export Markets where the respective Countries' internal conditions have hindered our activities.

The Company is continuing to diversify its production and merchandising; its management and organisation are being streamlined and a number of recommendations, contained in a report received from a firm of Management Consultants, are being implemented.

I look forward with confidence to the future of the Company. Addressing the Annual General Meeting held in Whitehaven on Tuesday 8th August, the Chairman Mr. G. M. Miller said: "The reports for the first four months disclosed that the turnover to date is gratifyingly in excess of the comparable figures for last year. It is still too early in the year to draw any firm conclusions from the Company's performance against budget. However, the Board expect that the rate of recovery experienced last year should be at least maintained."

APPOINTMENT

University of Dar Es Salaam

TANZANIA

Applications are invited for the post of (a) RESEARCH FELLOW or (b) SENIOR RESEARCH FELLOW IN MICRO-ECONOMIC STUDIES in the Economic Research Bureau. Appointee should have M.A. or Ph.D. and have 3 or more years experience in Micro-Economic studies in either teaching or research. Micro-Economic studies will involve a qualitative as well as quantitative analysis of Tanzania's economy, with special emphasis in the post-Arusha Declaration. Salary scales: (a) £EA2,300-£EA2,800 p.a. (b) £EA1,800-£EA2,318 p.a. (£EA6-£7 sterling). F.S.S.U. family passages, biennial overseas leave. Detailed applications (2 copies) including a curriculum vitae and naming 3 referees should be sent by air mail as soon as possible to the Chief Academic Officer, University of Dar-es-Salaam, P.O. Box 35051, Dar-es-Salaam, Tanzania, from whom further particulars may be obtained.

APPOINTMENTS

ECONOMIST



As a result of internal promotion, the Central Intelligence Department of the Imperial Tobacco Group in London has a vacancy for an Economist. He will be concerned mainly with monitoring national and international economic developments and with detailed micro-economic analysis and research in connection with Group development. A degree in Economics is required with 2 1/2 years practical experience of applying economic analysis to business problems. A knowledge of one of the major European languages would be an advantage. The minimum salary envisaged is £2,700 per annum, and there are good career prospects. Please write giving full details of qualifications and experience to: D. A. Clark, General Intelligence Department, Imperial Tobacco Group Ltd., Imperial House, 1 Grosvenor Place, London, SW1X 7HB.

JAMES MORRELL & ASSOCIATES

BUSINESS ANALYST

Leading firm of business forecasters seeks young economist (24-30) to promote its publishing services.

Candidates must have a good degree, preferably in economics or business studies, and 2-3 years' industrial experience. Must be confident in face-to-face business negotiations.

Salary to be negotiated.

Please send full description of career to date to: Leslie Staniland, Deputy Chairman, James Morrell & Associates Ltd., 1 Paternoster Row, London EC4P 4HP.



PRINCIPAL ASSISTANT ENGINEER

£4329 to £5019 p.a.

Applications are invited for this post, which is vacant as a result of promotion, from men or women qualified in engineering or science.

The person appointed will be responsible to the Assistant Commercial Adviser (Tariffs) for the theoretical aspects of electricity pricing. This work involves the interpretation of load characteristics and the analysis of expenditure, their continuing integration into a coherent cost structure, and orderly presentation for discussion with other Departments of the Council and the Electricity Boards. The person appointed will be expected to identify new requirements and improve existing techniques.

Practical experience of retail tariffs would be an advantage, but evidence of an intelligent ability to solve problems is more important. A good honours degree and at least five years post-graduate experience would normally be expected.

Write, giving full personal and career details and quoting E/110/72 by 25 August to:

Howard Bussey, Personnel Officer

the electricity council
30 Millbank, London, SW1P 4RD

INTERNATIONAL FINANCE OPPORTUNITY

Residence—Paris, France

A growing organisation providing financial services and sponsored by outstanding international banks, is seeking an

EXECUTIVE (28-35)

for merger and acquisition work in an advisory capacity, covering the entire European continent.

University degree or equivalent professional qualification is essential, as is experience in investment/commercial banking, or corporate financial planning. Knowledge of company law or background in treasurer's office of an international company would be additional assets.

The successful candidate will be familiar with the European industrial and financial environment and have a working knowledge of German. Knowledge in French is desirable, in addition to basic command of English.

This position presents challenging opportunities for an imaginative, ambitious financier with a sense of responsibility and leadership. Salary is negotiable within the \$15,000 to \$25,000 bracket, depending on qualifications and experiences.

Send curriculum vitae to

No. E9548, Contesse Publicité,
20 Ave. de l'Opera, Paris 1er, France,
who will forward.

£350,000 TO PLAY WITH

Financial acumen more important than bowler hat. YVFF, the thrustful neo-Government social development agency, and Task Force, the innovative, London-based community education and service organisation, in a unique partnership, seek skilled and qualified accountant to handle finance, management and organisation of these two rapidly developing agencies.

Task Force and YVFF together deploy 130 young professionals throughout Britain in teams aiming to stimulate community self-help in deprived areas and urban conurbations.

This position will be Assistant Director status heading the joint finance and administrative department in the national HQ Resource Centre which services and advises field units. Preference will be given to a man under 35, thoroughly competent yet adaptable, with a flair for people and wanting to broaden his experience and interests.

We don't try to compete financially with industry but think we may have something worth even more to offer. Salary £2,500 x £180, £3,400. Appointment according to experience/qualifications. Write in confidence to Anthony D. Steen, Director of YVFF, Abbey House, 2/8 Victoria Street, London, S.W.1.

Closing date: Monday 21st August.

APPOINTMENTS

The Bank for International Settlements, Basle, Switzerland has a vacancy for a

SENIOR TRANSLATOR/REVISER

Age 30-45. Languages required: English (mother tongue), German, French and Italian. Candidates should have a good degree from a British university and preferably experience in translating financial and economic texts.

Good salary, pension scheme and many other ancillary benefits.

Please write, enclosing short curriculum vitae and recent photograph, to the Staff Office, Bank for International Settlements, CH-4002 Basle.

University of St. Andrews

DEPARTMENT OF ECONOMICS

Applications are invited for the post of LECTURER in ECONOMICS. Salary scales: Lecturer £1764-£4299; Senior Lecturer £4143-£5247; starting salary in either case according to qualifications and experience. F.S.S.U. grant towards expenses of furniture removal. Applications (two copies, preferably in typescript), with the names of three referees, should be lodged by 26 August, 1972, with the Deputy Secretary of the University, Collegiate Gate, St. Andrews, from whom further particulars may be obtained.

University of Birmingham

CENTRE FOR URBAN & REGIONAL STUDIES

Housing Research Post (RE-ADVERTISEMENT)

Applications are invited from graduates in economics, social sciences and other related fields for a further post of SENIOR RESEARCH ASSOCIATE or RESEARCH ASSOCIATE for a period of two years in the first instance from as soon as possible. The post is in connection with a Housing Systems research programme supported by S.S.R.C. Applicants must have experience of housing research.

Salary: £1320-£1935 (Research Associate), £1935-£2676 (Senior Research Associate)—in exceptional cases to £3652 plus F.S.S.U.

Applications (3 copies) naming 3 referees should be sent by 1st September 1972 to Assistant Registrar (C), University of Birmingham, Edgbaston, Birmingham B15 2TT, from whom application forms and further particulars should be obtained.

Please quote ref C/054/G.

Herfordshire County Council

EDUCATION COMMITTEE

Administrative Assistant—Buildings and Statistics

Applications invited from young men and women aged under 35 with good educational background who already have or would be interested in furthering their career by studying for a qualification either in statistics or in social science. Facilities could be provided for training. The duties of the post will include work with the collection, analysis and presentation of statistics and administration work related to the education building programme. Salary on grade AP.2/3 £1930 to £2100 with starting point related to age, experience and ability.

Apply to the County Education Officer (Ref. AP.2/3/360), County Hall, Herford, giving details of age, education, experience and the names of two referees as soon as possible.

APPOINTMENTS

University of Stirling

INSTITUTE OF FINANCE AND INVESTMENT

Applications are invited for a post of RESEARCH FELLOW in the Institute of Finance and Investment, for work on a study of Flows of Funds in U.K. Capital Markets. Applicants should have a good Honours Degree in Economics, and should either have successfully completed a higher degree, including the use of econometric techniques, or have equivalent relevant experience. Salary will be on the scale £1764 to £2556 per annum, plus F.S.S.U.

Applications, including the names of two referees, should be sent not later than 4 September 1972 to the Deputy Secretary (EC), University of Stirling, Stirling from whom further particulars may be obtained.

Polytechnic of the South Bank

DEPARTMENT OF ESTATE MANAGEMENT

Lecturer in Economics

To lecture in Economics to degree and professional course students in Departments of Building Economics, Estate Management and Town Planning.

Applicants should have a degree in Economics, preferably with a knowledge of Land Economics. Previous experience in teaching not essential.

Salary scale up to £3,201 per annum.

Further particulars and application forms from the Clerk to the Council (Room 251), Polytechnic of the South Bank, Borough Road, London SE1 0AA. Tel. 01 928 8869.

BUSINESS ANNOUNCEMENT

STATE OF ABU DHABI EXPLORATION AND EXPLOITATION OF OIL RESOURCES

With reference to the announcement concerning the above subject that appeared in earlier issues of this paper, the Government of Abu Dhabi wishes hereby to inform interested parties that the bidding period concerning the (14827) sq kms in question has now been extended to 30th September, 1972.

For further details application may be made

to the
Minister of Petroleum and Industry,
Abu Dhabi,
Post-Box No. 9.

(Signed)
MANA SAEED AL-OTEIBA,
Minister of Petroleum and Industry and
Chairman of the Board of Administration,
Abu Dhabi National Oil Company.

Department of Agriculture and Fisheries for Scotland

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see pages 5, 76 to 78

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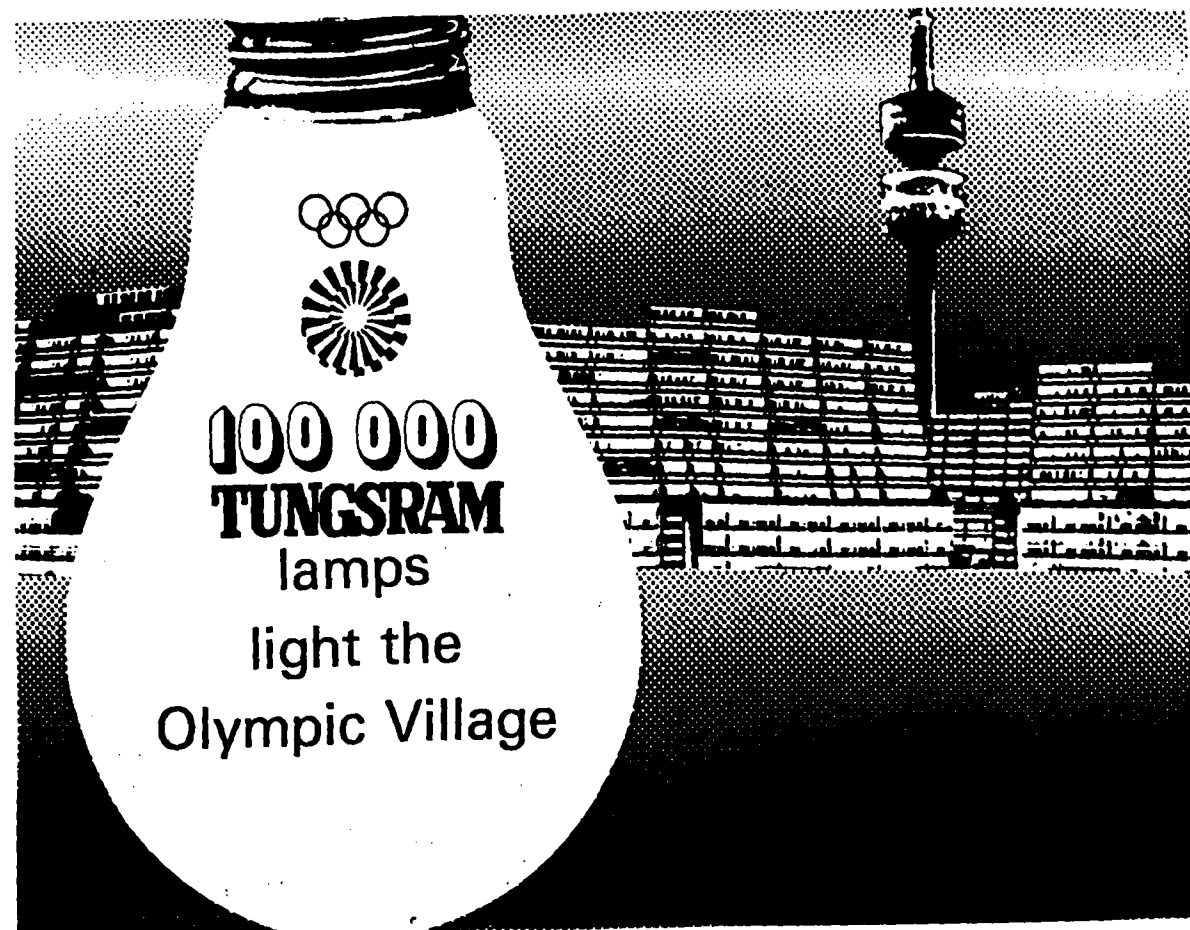


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STOCK PRICES AND YIELDS

Prices, 1972		British funds	Price, Aug. 2 1972	Price, Aug. 9 1972	Not red. yield, Aug. 9 1972	£ p	£ p	Eurobonds	Last week's prices	This week's prices	Yield to maturity %	
High	Low											
98 ¹ / ₂	97 ¹ / ₂	British Electric 3%	1968-73	97 ¹ / ₂	97 ¹ / ₂	3.785	6-1	Anglo-American 7 ¹ / ₂ %	1987	95 ¹ / ₂ -6 ¹ / ₂	95 ¹ / ₂ -6 ¹ / ₂	7.76
89 ¹ / ₂	75 ¹ / ₂	British Electric 3 ¹ / ₂ %	1974-79	77 ¹ / ₂	77	6.160	7-8	Amoco (C) 8%	1987	93 ¹ / ₂ -4 ¹ / ₂	93 ¹ / ₂ -4 ¹ / ₂	8.49
109	96	Treasury 8 ¹ / ₂ %	1980-82	99 ¹ / ₂	99	5.285	8-7	General American Trans. 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
108 ¹ / ₂	94 ¹ / ₂	Treasury 8 ¹ / ₂ %	1984-86	97 ¹ / ₂	97	5.455	8-9	General Cable 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
96 ¹ / ₂	81 ¹ / ₂	Treasury 6 ¹ / ₂ %	1985-87	84	83 ¹ / ₂	5.690	8-74	International Utilities 8 ¹ / ₂ %	1987	100-1	100-1	7.97
66 ¹ / ₂	54 ¹ / ₂	British Transport 3%	1978-88	56 ¹ / ₂	55 ¹ / ₂	6.290	8-05	Kleinwort Benson 8 ¹ / ₂ %	1987	101 ¹ / ₂ -2 ¹ / ₂	101-2	7.63
86 ¹ / ₂	71 ¹ / ₂	Funding 6 ¹ / ₂ %	1993	75	71 ¹ / ₂	6.010	8-97 ¹ / ₂	Motorola 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
111 ¹ / ₂	94 ¹ / ₂	Treasury 9 ¹ / ₂ %	1994	98 ¹ / ₂	97 ¹ / ₂	5.675	9-46 ¹ / ₂	PL American Rockwell 8 ¹ / ₂ %	1987	100-1	100-1	7.73
58	46 ¹ / ₂	British Gas 3 ¹ / ₂ %	1990-95	48 ¹ / ₂	48 ¹ / ₂	6.065	8-09 ¹ / ₂	Quintessence 8 ¹ / ₂ %	1987	99 ¹ / ₂ -100 ¹ / ₂	99-100	8.12
89 ¹ / ₂	75	Treasury 6 ¹ / ₂ %	1995-98	77 ¹ / ₂	77	5.880	9-310	Wellcome 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
73 ¹ / ₂	61	Treasury 5 ¹ / ₂ %	2008-12	63 ¹ / ₂	60 ¹ / ₂	5.895	9-265	Williams and Glyn's 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	100 ¹ / ₂ -1 ¹ / ₂	7.92
43 ¹ / ₂	36 ¹ / ₂	War Loan 3 ¹ / ₂ %	after 1952	37 ¹ / ₂	37 ¹ / ₂	5.645	9-475	Inter-American Devel. Bank (DM) 6 ¹ / ₂ %	1987	103 ¹ / ₂ -4	103 ¹ / ₂ -4	6.33
30 ¹ / ₂	26 ¹ / ₂	Consols 2 ¹ / ₂ %		27	26 ¹ / ₂	5.640	9-435	Malaysia (DM) 7 ¹ / ₂ %	1987	99 ¹ / ₂ -100	99 ¹ / ₂ -100	7.00
								Walter Walker (DM) 7 ¹ / ₂ %	1987	102 ¹ / ₂ -3	102 ¹ / ₂ -3	6.99

[illegible]

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co., and The First Boston Corporation. * Ex dividend. † Ex capital. ‡ Ex rights. † Ex all. (f) Flat yield. (l) To latest date.

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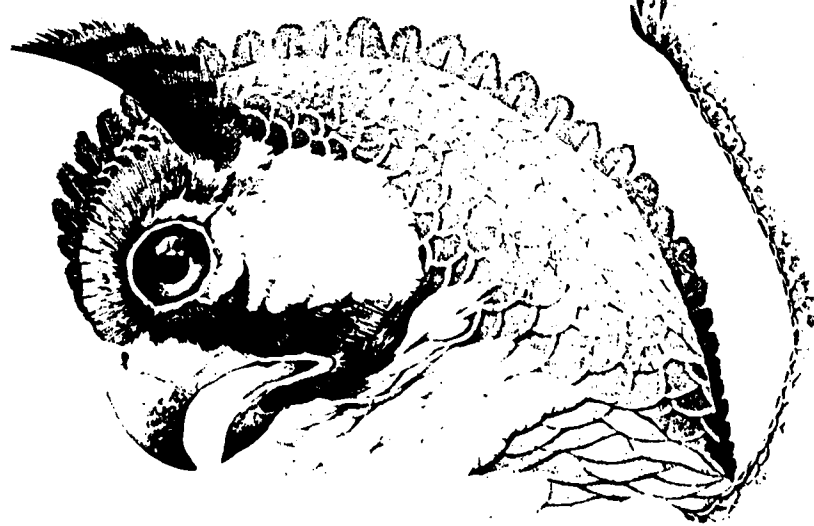
Money Market Indicators

Most money market rates in London eased a bit further this week—though not without substantial help from the authorities via the discount houses. Sterling remained remarkably unruffled by the dock strike.

Bank Rate 6% (from 5%, 21/6/72)		Base Rate 6½%-7%	
Deposit rates		Eurosterling deposits (in Paris)	
7 days' notice:		2 days' notice	8½
Clearing banks	5-5½	3 months'	8½-9
Local authorities		New York	
3 months' fixed:	7½	Treasury bills	
Local authorities	7½-7¾	3-93	
Finance houses	8½	Certs. of deposit	
		4-85	
Interbank rate		Sterling: Spot rate \$2-4540	
7 days'	7½	Forward discount	
		(3 months') 2-20 cents	
Treasury bills		Forward cover (3 months'):	
3 months'	5-78	Annual Int. cost 3-59%	
Eurodollar deposits		Investment currency:	
7 days' notice	4½	Investment \$ 26% prem	
3 months'	5%		
Covered arbitrage margins		In favour of	
(3 months')		Last week % This week %	
Treasury bills		N. York 1¼ N. York 1½	
Eurodollar/UK local		N. York ¾ N. York 1¼	
authority loans		London ¾ N. York 1¼	
Eurodollar/Eurosterling		London 7½ London 7½	
Uncovered arbitrage margins (7 days')			
Eurodollar/UK local		London 7½ London 7½	
authority loans			
Eurodollar/Eurosterling			

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August 19, 1972



Making the best

The Government is sensibly keeping its cool with General Amin. But it must immediately start making plans to settle the Asians who hold British passports in Britain—whatever Mr Powell says about it, page 13. What General Amin has done to his own economy is little short of disastrous, page 66.



Wahlkampfmunition

The Germans have got a word for the stuff you throw about in election campaigns, and Rainer Barzel and Willy Brandt are ready to start chucking, page 27.

Behind the dikes

The argument about the dikes is important, but Henry Kissinger isn't likely to confuse it with the real issue in Indochina, page 14.

The cod saga

Britain got a court judgment in its 50-mile-limit fishing dispute with Iceland, but it's not likely to make much difference, page 71.



Defying the thugs

Despite the dock militants' efforts at intimidation, the union decision has been to accept the amended offer by the Aldington-Jones committee. Many ports are going back to work, but Liverpool isn't. The settlement requires some unpleasant bullying of employers who run their businesses better than the big docks do, page 63.

What the women of Garthorpe did on Tuesday the country may do tomorrow, page 21.

Private firms, particularly in the engineering industry, seem to be managing their wage negotiations a little better than the Government does, page 64.

There is a consumer boom all right, but exports are not growing, page 71.

A stock market indicator for chaos, page 83.



If he's lucky

Mr Whitelaw is ready to get political talks about Northern Ireland's future off the ground, but in the end he is going to have to make the main decisions, himself, page 16.

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Letters

Dock strike

SIR—It is, as you say in your interesting article about the docks situation (August 5th), perfectly obvious that the country as a whole is on a hiding to nothing since the "establishment" is on a surrender path.

As has been seen so often over the past few years and months—Ulster, docks, mines and, no doubt, soon the Ugandan Asians—all our governments and the now almost completely discredited establishment (civil service) are, under the guise of liberal blah-blah, completely gutless.

I no longer ever admit to being a native of this now so spineless country.

Unless the "real" people take over and build a completely new society very soon, then I fear that this one will sink lower and lower to final extinction, as a place worth living in.

Sensitive, intelligent, sensible, and badly needed young people will pour out—and who can blame them? In any situation people need leadership, not gutless vacillation and frightened give-in-manship. We need a peoples' vigilante group to take over from the police and fight to the death, if need be, the like of B. Steer and co.—Yours faithfully,
E. GAGE
Chelmsford, Essex

SIR—Isn't it time there was some action on the part of consumers? There is a quiet, legitimate, effective answer to the dock strike and all other unreasonable strikes.

If the products or services of those who, noisily, and by fair means and foul, squeeze out of the economy more than is their due were boycotted until such time as their pay were put into line with the economy it should help to cure the outrageous situation that now prevails.

This would give employers and union leaders who do realise what is happening to the country through inflation, but who now fear to do what they know to be economically feasible, a handle to hold on to during negotiations. At present it is just too easy to pass along the higher prices to the consumer. If the consumer balks, they must negotiate more sensibly.

How will the consumer know what to boycott in some of these complicated situations? Lists of goods and services must be published. Perhaps a watch dog board could be set up. Then a campaign must be put on so the consumer will know exactly why he must boycott these items, and hold out on it till the "all clear" is sounded.—Yours faithfully,
RUTH TAPLIN
Castries, St Lucia, WI

SIR—I respectfully submit that Mr G. Reichardt's coining of "hoodlumocracy" (Letters, August 12th) may, and should, pass into the national vocabulary parallel to "quisling," "blitz" and "sputnik."

I am a socialist, over 40, and have never voted Conservative in my life but I totally repudiate any communion with men who march, 800-strong, on Felixstowe armed with billhooks, bludgeons and garden forks. Their political progeniture seems to owe more to Al Capone than to Harold Laski. I am deeply interested in the reform of society but I want a society left to reform. I invite you to contemplate a situation where militant strikers were injured so that life could be saved only by blood-transfusion and discovered that hospitals were militantly picketed by the National Union of Blood Transfusion Operatives in protest against the Industrial Relations Act.

I begin to suspect that, if Mr Enoch Powell ever led his party in a general election, he would gain at least as many votes from traditional Labour supporters as from his own party.

Will history record Mr Heath as second violinist to Nero?—Yours faithfully,
SIMON ELLIS
London, W4

SIR—"Sapping the will" (August 5th) does not go deep enough. I appeal to you to go on to expose the causes of the rot which is poisoning our national life.

Compare the self-respect, self-reliance and self-responsibility, the confidence and energy of Queen Victoria's subjects with the temper and behaviour of today. What has happened? Even in 1898 all was not well with the mighty British Empire. Social and economic hardship at home, formidable economic competition and militarist nationalism abroad, and envious hatred of the world-wide empire combined to threaten the British future. The reckoning came quickly. In just over 30 years (1914-45) the British in the United Kingdom and from overseas fought to a finish the two most exhausting wars in their whole history, with 21 years of disabled economy, financial fumbling, world slump and timid leadership between them. By 1945 there was an appalling price to pay: not only in debt and national rehabilitation, but in terms of the human spirit, depleted by the continuance of physical austerity.

Isn't that when the rot began? When the efforts demanded by self-respect and the customary standards of British conduct became unacceptable? That was the source of the infection. No more endurance, no more hardship: "we've a right to take it easy and enjoy ourselves." A purpose in living that required self-reliance and self-responsibility began to crumble in the individual and the nation. Loss of self-respect led to loss of patriotism; and loss of self-discipline was replaced by cynicism, grasping selfishness and hedonism. Of course, this is an obsolete kind of language, because the moral values which it represents have been repudiated. Maybe it is

necessary to emphasise that, in fact, morals (in the sense of responsible, moderate conduct) cannot be banished. If ignored, they exert negative influences that are literally destructive.

Other factors have contributed, and are mostly unrecognised. Here is the first of them. Apart from an understandable leaven of class hatred, the motives underlying socialism were idealist and humane. The methods of establishing it were, however, far from innocuous. The expansion and magnification of the state, dating from 1945 (counting wartime controls as exceptional), have had, among others, one deplorable result. They have encouraged the easy assumption that the citizen need no longer fend for himself: from the cradle to the grave he is in the care of the state. The employers are saddled with a similar responsibility to those whom they employ. Thus the Department of Social Security, in effect, finances strikes; and the port employers are being pressed to enrol and pay crippling wages to dockers for whom they have no work.

The second factor, "Progressive" sneers at the former empire and Commonwealth are a typically inverted way of alluding to the grievous wound to British confidence by the striking of the flag around the world in the 20 years following the last war. There are still many Britons who do not regard our imperial record as shameful, both at home and overseas; and there are still thousands of British families who abruptly lost their livings and their prospects at the successive declarations of independence. The effect of this has been to intensify the mood of rancorous or despondent misgiving.

Third and last. Since the second war we have not had a leader. Churchill in his last administration was, by general admission, too old and weary to rally his fellow countrymen. For 27 years there has been no one as head of government with the stature, courage, conviction and mission to rouse and recall the British to their better selves, to chastise and inspire them to faith and purpose, to goad and stimulate them to energy and effort. We are still abdicating: sovereignty, law and order, honesty and resolve.

To the call of an undoubtedly great and apostolic man the British would thankfully and ardently respond. The whole atmosphere would change, because it would be the beginning of the end of our troubles.—Yours faithfully,
Fleet; Hants, W. F. WENTWORTH-SHEILDS

Counter-violence

SIR—Because I believed you knew better, I was shocked into audible blasphemy on reading your dissent from Edmund Burke (July 29th) in your comment that neither the new vehemence of the Uruguayan army nor the new strength of the Protestant militants in Ulster can be justified. Elsewhere in the same issue you speculate that "when the gods would destroy a country they

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first make its communicators and financiers mad." I submit that your implication that it is wrong for those threatened with organised violence to associate for self-defence casts doubt on your own sanity.

The impression I have been getting from *The Economist* is that Britain is in a state comparable to that of the sad 1930s. There was confirming evidence in this morning's news, which told of a British soldier, apparently under orders not to use his weapons, allowing himself to be killed by a swarm of Roman Catholic children. Also, the eagerness of British politicians to appease the IRA reminds me of Mr Chamberlain submitting his speech to Mussolini for approval before presenting it to the House of Commons. Small comfort these days, when man is showing he is as unfit for liberal democracy as he is for Christianity, to remember that nemesis overtook both Chamberlain and Mussolini. —Yours faithfully, R. J. DIAMOND
Pasadena, California

World money

SIR—Fred Hirsch refers to gold as a growth commodity far too valuable to use as an efficient means of exchange (August 5th). Since few countries today are prepared to part with it, the logic of that statement is easy to see, but I wonder if we have yet come to the point where we trust one another enough to build a lasting system based on the synthetic reserves which are being handed out these days. There will be many countries which will wish to continue to hold gold in their reserves for strategic reasons and because valuable commodities make an excellent store of wealth.—Yours faithfully,
Hamilton, Bermuda ALAN R. THOMSON

Bank lending

SIR—The reaction of many to the denial by the Bank of England that its exercise of qualitative controls was unconnected with the CBI and TUC initiative (August 12th) could be a knowing smile.

But the smile must be wiped away if one takes the Bank's denial at its face value. For this simply avers that in the absence of clear indicators that there was at least some industrial revival the Bank of England would have left the banks to maintain an all time high outflow of credit to property speculators. This evidently would have been treated as an acceptable alternative to achieve an economic revival for the country.

The inflation of house prices over the past two years has been the single most disruptive social force that has confronted the nation. Under prevailing market conditions, self-interest asserts itself one way or another.

Owner-occupiers expect to benefit from every excess arising from inflation; tenants, plagued by the apprehension that any change must be unfairly adverse, take every step to resist change.

There are so many ways in which social

accounting must be brought into reckoning, along with monetary controls. I cannot accept that the Bank of England, the joint stock banks or the building societies have mastered that discipline yet.—Yours faithfully,
JOHN T. WILLIS
London, WC2 Director, Shelter

Paper industry

SIR—Your article "Rippon's paper tiger" (July 15th) assuredly must have been written for political ends and without any knowledge of the paper-making industry in this country.

Great Britain is the largest producer of paper in Europe and Scandinavia in spite of the fact that it has to import nearly all its raw material. When Britain entered Efta, the paper-making industry warned the government that unless assistance was given in some form or other the industry would not be able to compete, to the substantial detriment of our balance of payments.

The Six of the EEC have been wiser and have maintained a substantial tariff, at present 12 per cent against Scandinavia, and have built up a healthy industry. They propose to reduce this to 8 per cent by 1977, which is an excellent sign, but why should not this country receive the same benefits on entry to the EEC? After all, we shall suffer quite a few disabilities: why should we not receive the advantages?

You refer to "Britain's declining and largely inefficient paper industry." True, many old mills have closed down and more will follow suit, but what is being left is efficient and is more suitable to this country's varied market than many of the Scandinavian mills.

The paper industry in this country employs nearly 100,000 people, and it has already allowed over 33½ per cent of its market to be handed over to imports. Is it expected quietly to hand over the remainder and go out of business, and to allow the Swedes and Finns to enjoy the whole market?

I myself am 100 per cent for entry into the EEC, though in the process this country will have to suffer many disadvantages. Why should we, therefore, on entry, not immediately come into line with the regulations appertaining to the Six and enjoy some of the advantages, thereby keeping a viable and efficient paper-making industry alive in this country, thus saving much foreign currency.

The paper industry is a world-wide growth industry, and does not go cap in hand to the Government for huge sums of largesse, unlike many other industries. We merely ask for equality with our new partners in the EEC.—Yours faithfully,
Dartford, Kent A. D. P. TANNER

Textile imports

SIR—You state (July 1st) that both Germany and Holland have much more generous import arrangements for textiles

from poor countries than Britain. I must say that this statement comes as a considerable surprise to me. Earlier in your article you state that over half of Britain's clothing and textile imports come from low-cost countries and I have seen from other statistics that for the European Economic Community countries as a whole the percentage is approximately 20 per cent. The comparison does not lead one to deduce that Britain's arrangements are less generous than those of the EEC countries.

It is a matter of very grave concern for those companies in Britain which are trying to maintain their position in the textile industry by modernising and improving their efficiency that recent governments of all colours have seen fit to allow, either by positive policy or sheer indifference, such a large proportion of the total textile consumption of Britain to come from low-cost countries.

It is obviously right that a developed country such as Britain should play its part in assisting the developing world, but it is surely a matter of seeing the situation in perspective. While 20 per cent textile imports, as in the EEC, is perhaps on the low side 50 per cent, as in Britain, is surely too high to permit real stability in Britain's own textile trade.—Yours faithfully,
J. B. BRYSON
Belfast

Rhodesia

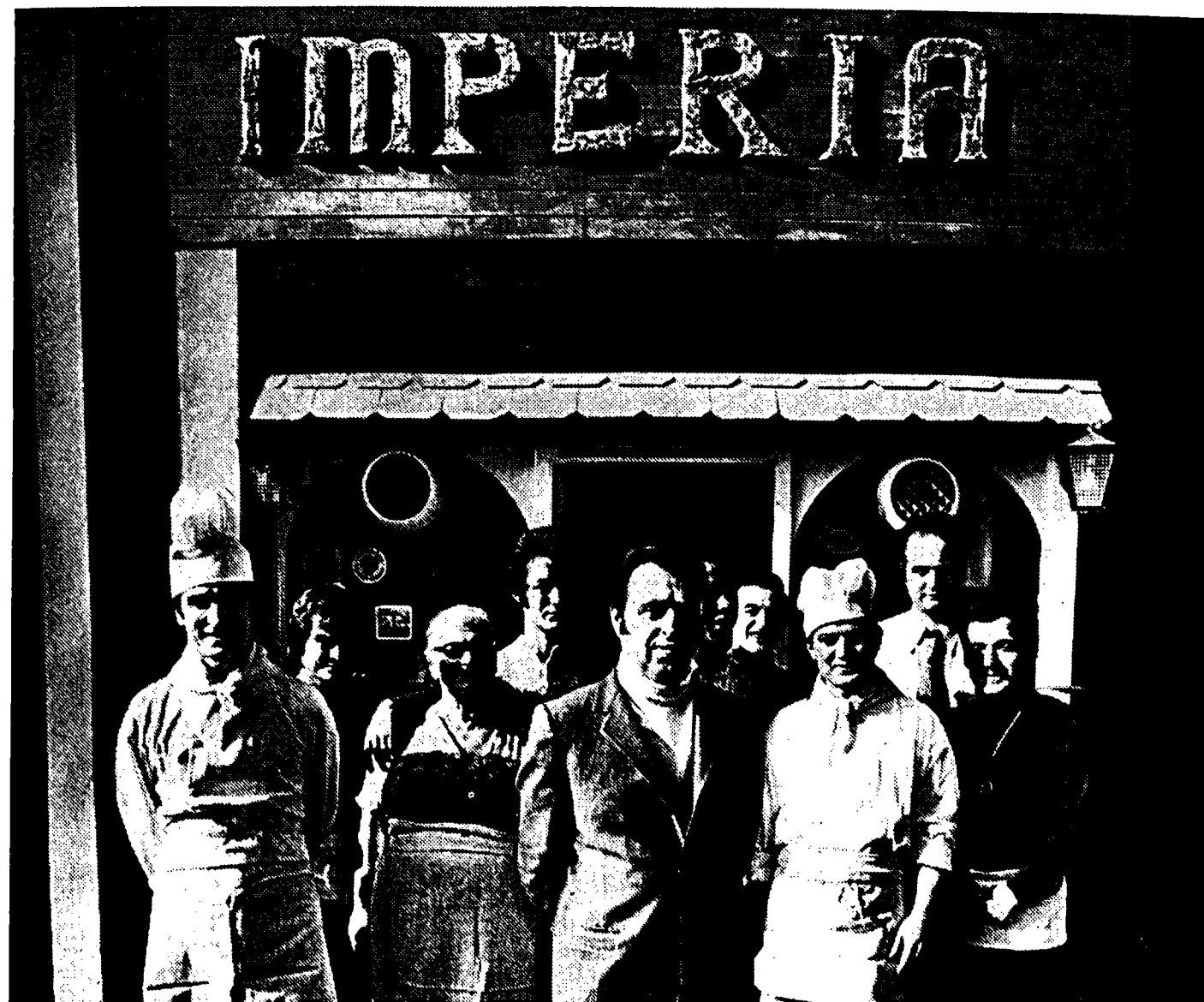
SIR—Your article on Rhodesian sanctions (July 29th), implying that these may be intensified in September when China presides over the Security Council, perhaps overlooks the fact that China itself buys quantities of Rhodesian chrome. So, despite its supposed sympathy for black Africa, China acts in its own economic interests and, like the United States and most western European countries, trades with Rhodesia. The only country really harmed by sanctions is Britain.—Yours faithfully,
J. E. LATHAM
London, SW10

Bus v train

SIR—Your excellent articles showing the general superiority of buses to trains are long overdue. You have, however, failed to mention the vital effect of station time. Meyer, Kain and Wohl, in their Rand Corporation study of "The Urban Transportation Problem," proved that one bus bay can handle 70 buses per hour, whilst a footnote in a Prices and Incomes Board report of a few years ago proved that as signalled stations are added to a rail system line capacity drops.

Nor need rail/road conversion be confined to open sections of the underground, such as the Stanmore branch. In the Santa Doloroso silver mine works buses follow dump trucks at 15½-second headway, whilst the Blackwall tunnel proves that ventilation problems can be overcome.

Lastly, you will be interested to know



The day the Imperia installed air conditioning. A true story.

There is a restaurant in Charing Cross Road, London, called the Imperia.

It's intimate, and it serves good speciality dishes at low prices.

But it tended to become hot and smoky as the evening wore on. And customers were finding that as they enjoyed their lasagne verdi at one table, they were also having to savour the aroma of someone else's steak pizzaiola two tables along.

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I think it was worth it, too. I've been there. And I'll keep on going there.

If you'd like to know more about air conditioning, phone or write to Bernard Hough, The Air Conditioning Advisory Bureau, 2 Charing Cross, London SW1A 2DR. 01-839 7182.

He'll arrange for your Electricity Board to give you any information and advice you want. And help you to get a free estimate of the equipment you need, and the cost.



The Air Conditioning Advisory Bureau.

that research is under way at the University of Ghent, for the Belgian Vincinal administration, to devise a method of electronically-synchronised overtaking via vehicle-mounted roof ramps, in the opposing direction, at speeds of 40-45 kph on busways formed from obsolete single-line railways.—Yours faithfully,
Cambridge

GERALD VAN GEKHUIS

SIR—Your idea of the railways turning the track into high-speed bus-lanes (August 12th) may well provide a solution to British Rail's economic problems, but can you tell me how you imagine the bus-lanes could be built in practice. For example, on the Marylebone line? Presumably the bus-lanes would take two to three years to build, while the railway would be closed at stage one. How would we commuters manage in the meantime?—Yours faithfully,
Chesham, Bucks

PATRICK ARBUTHNOT

McGovernment

SIR—I agree that the Democratic presidential candidate's defence proposals revive the massive retaliation spectre of the 1950s (July 29th). However, I must take issue with your historical attribution. Mr Dulles was merely the spokesman, and not the author, of a policy which was an outgrowth of a substantial curtailment of our defence expenditures resulting from the efforts of George Humphrey, the then Secretary of State. His forecast of "inflation that will curl your hair" was a particularly effective metaphor, as you recall, in persuading the Congress to curb our military budget. In short, Dulles did not have, in that fiscal framework, the luxury of options in responding to communist threats. The successor administrations did, and perhaps the morass of Vietnam resulted from their exercise.—Yours faithfully, GAVIN MURPHY
New York

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Ugandan Asians

SIR—May I develop your admirable articles on the Ugandan Asians (August 12th)?

Though Whitehall dilatoriness over the financing of the recently-opened Hongkong-Kowloon road tunnel showed a lamentable erosion of our old capacity to think imperially, I suggest that there are plenty of men in the field, in both official and private capacities, who have not lost the old touch. Hongkong proves it. The nerve and good faith which enabled the Hongkong and Shanghai Bank to handle so well the financial transition from the Japanese occupation is still there.

We still have an empire, mainly little islands scattered across the oceans of the world, long vanished from the general consciousness.

But, as the example of Hongkong and the advertisements for the Caymans show, the political stability provided by the colonial system is an asset.

A combination of refined financial techniques and swift communications and telecommunications has brought the little islands into the mainstream.

Their geographical location prevents their having a hope of achieving the position of Hongkong but I suggest that the multifarious abilities of the East African Asians could bring enormous benefit, especially in the Pacific, which is becoming increasingly important.

Though the Hongkong achievement is out of reach, I suggest the Indian achievement in Mauritius is an attainable goal.

Anyone with experience at home and abroad of people originally from the Indian subcontinent knows how deep has been the British imprint. These people are, by and large, on our side.

The Italians planned their inter-war Cyrenaican settlements with great care. I am confident that in London there are enough experienced and enthusiastic people to form a working-party to examine the possibilities of imperial settlement for a proportion, at any rate, of these East African Asians, who came into our orbit through the empire.—Yours faithfully,
George A. Short

Manchester

Population

SIR—I am worried by the increasing popularity of the catch-phrase "zero population growth" or "zpg." My worry results from a desire, not that population growth should continue, but that it should halt and then go into reverse. Like the understain, this seems to be a possibility we don't talk about. The reason, I suspect, is that we have a primeval fear of seeing our tribe shrink away, and we rationalise this fear by referring to the horrors (even with zpg) of ageing populations and falling activity rates. It is true, of course, that shrinkage would eventually bring us back to a mirror-image Adam and Eve—but in the long term: even Adam and Eve

are dead.

Perhaps, also, we have learnt to fear the effects of any geometric trend. But with shrinkage the more familiar—and frightening—growth curve is turned round and instead of steepening it becomes gentler with time. To illustrate the undramatic nature of such a trend—and for fun—I have calculated the United Kingdom population over the next century, assuming that it could be stabilised by 1980 and then work up to a shrinkage rate of 0.5 per cent per annum.

	United Kingdom home population (millions)
1970	55.7
1980	58.0
1990	56.4
2000	53.6
2010	51.0
2020	48.5
2030	46.2
2040	43.9
2050	41.8
2060	39.7
2070	37.8
2080	35.9

Concealed in those figures could be the realisation of some of our most cherished hopes. So let us accept population shrinkage as an objective, and start discussing the means and the implications—for education, for industry, for private and public investment, for social values, for our whole growth-gorged philosophy.—Yours faithfully
John Standingford
Barnet, Herts

Fighting fish

SIR—Your remarks on the Icelandic fishing dispute (July 15th) seem only to have the barest resemblance to reality.

First, despite your denial, there is a real danger of overfishing off Iceland. The average fish size has been falling, while the cod reproduction rate of 1.1 is almost half the prewar figure. If the Icelandic grounds are such as the Georges Banks, then effective control must be implemented.

Secondly, it is wrong to say that Iceland's decision to extend its limits was the result of a new left-wing government; all five parties in Iceland were committed to it before the election and the bill went through the Althing without any dissenting votes. Rather, I would suggest that the real reason for the extension lies in the example set by countries like the United Kingdom in claiming and exploiting the mineral rights of their own continental shelf. Why, the Icelanders ask, should a country which legally exploits a monopoly of its sea bed not also be allowed to exploit the fish above the bed?

The consequences to Britain of Iceland's extension are not grave; many English fishermen, and almost all Scottish fishermen, earn their livelihood from coastal fishing, an industry that would undoubtedly benefit greatly from the United Kingdom following Iceland's lead.—Yours faithfully,
Glasgow

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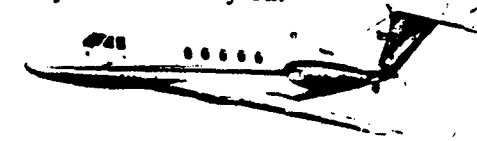
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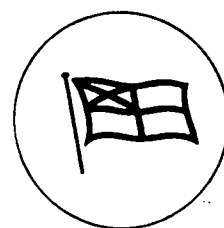
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The Economist

August 19, 1972



Making the best of it

The Government's prompt acknowledgement of responsibility for Uganda's Asian holders of British passports is admirable, and goes some way to wipe out the shame of the Commonwealth Immigration Act of 1968. It is good, too, that the British side, to judge by Mr Rippon's attitude, can keep its cool when required. But it would be doing Uganda's unfortunate Asian community a great disservice indeed to pretend that President Amin's determination to expel them within 90 days does not present this country with some staggering problems. Those problems are by no means insoluble, but the well being, if not also the very lives, of many thousands of British citizens could be put at risk if everyone concerned does not recognise just how difficult they are.

There is, first of all, the deadline. As Mr Rippon said on his return to London on Wednesday, that deadline cannot be met in a humane and orderly manner. Even if the British Government acts immediately, as it must, to prepare for the Asians' arrival, it may well prove impossible to bring up to 50,000 people from Uganda to Britain in 90 days in anything like a tolerable state. It must be hoped that General Amin has been made fully aware that the responsibility for those British citizens which the Government has accepted does not start only when they reach Dover or Heathrow.

It would, of course, be very nice if God would only communicate a change of mind to General Amin. But the only two working assumptions on which Mr Heath can operate is that, at worst, General Amin will put into concentration camps any of the Asians still remaining in Uganda after 90 days, and that, at best, if the arrangements for bringing the Asians who are entitled to come to Britain are sufficiently far advanced General Amin might be persuaded to extend the deadline. Either way the evacuation requires an immediate and massive effort by the British Government and by local and voluntary authorities in this country.

It will not be a welcome effort to many British people. Mr Enoch Powell has already sounded off: on Wednes-

day he grandiloquently accepted the continuing obligation for Britain to succour those in distress, but he then pronounced it an obligation which would be more than met if Britain took only an "infinitesimal" number of refugees. Unfortunately, Mr Powell will have many supporters for that view, and those supporters will become increasingly vocal the moment steps actually start to be taken to receive the Asians. That should not be an excuse to put off action until it is certain that the intolerable will in fact occur. To do so would be a grave mistake. The Government must realise that to let the Asians in, however or whenever it is done, will cause it a good deal of political pain, but the shouting will die quicker and the Asians themselves will have a better chance to be decently assimilated if the measures to help them are started immediately. All British political parties must do their best to make common cause on that, nationally and locally.

International effort needed

What needs to be done? The first step is to find out the exact scale of the problem, and the team of British officials in Kampala must be reinforced to sort out who are British, Indian or Ugandan citizens. International opinion must be mobilised to persuade General Amin to extend the deadline and to allow the deported to take some (although they will not get anything like all) of their capital. The international community must be ready to accept responsibility for those Asians who believe themselves to be Ugandans but may find themselves stateless at any time. The very problem of transporting the Asians out of Uganda may also need international co-operation.

At home, one of the more encouraging things this week has been the response of some local authorities—notably Leicester and the London borough of Brent—who have reason to anticipate that substantial numbers of Ugandan Asians will choose to live with their relatives in their areas. But such boroughs cannot be expected

ted to take more than a few hundred families each, and the Government must offer generous assistance to all those local authorities who will take immigrants. It will probably be necessary to relieve housing bottlenecks in existing properties and hope the overcrowding will only be short term. It will almost certainly be necessary to step up new housing starts and to encourage special educational measures (such as learning English), probably in ad hoc immigrant schools to begin with. Special employment registers will also be required. These are local measures to meet a national obligation and the burden of paying for them should not fall on the ratepayers.

Inevitably, as Ealing has already shown, there will be demands for some form of direction or dispersal. That will be anathema to others, and would hamper the natural process of absorption anyway. This does not mean that much could not be done to encourage the immigrants to settle in areas where there is a housing surplus. Since many of the Asians are accustomed to work in the service trades they may actually help service industries (like tourism) where they are most needed and under-staffed—out of London. Encouragement to settle in those places where there are both housing and jobs should be part of the screening process.

And although the outlook both for the Uganda Asians and the home community is not easy, especially if the refugees come in one mass exodus, it is not wholly

negative. Many of the immigrants will be business-inclined and their predecessors have already made an impact in the shopping and catering trades. Much will depend upon how much of their own capital they are allowed to bring, but there is a precedent here which could be followed. When 7,000 British subjects were expelled from Egypt at the time of Suez they got £7.4m in loans from the British Government (most of which was soon repaid as they made profits from their new businesses). To assist the Asians in that way may cause the racialists to go into paroxysms, but such a policy would be economically sensible.

The overriding need is for the Government to act swiftly, intelligently and humanely while a good deal of the country still feels angry at General Amin. But it would compound the Asians' present misery to pretend to them that they are going to be welcomed with open arms by everyone in this country; they are not, but if the problem is handled well there will be enough goodwill at least to make their reception tolerable. After all, Britain absorbed 30,000 Hungarians in the wake of the Russian invasion in 1956, and £2.6m was raised by voluntary subscription to help them. Britain accepted more than its share of moral obligation then, and rightly so. The effort must be no less generous and determined now simply because the faces are coloured.



It is a real issue

Henry Kissinger, flying from Le Duc Tho to President Thieu, is one man who doesn't think the Indochina war is pointless

It has happened often enough before with Vietnam, and it is happening again now: the argument is all about means, and hardly anybody is talking about ends. It is right that the methods used to fight the war should always be kept under inspection; that applies particularly at the moment to the American bombing of North Vietnam. But in a week that has seen the withdrawal of the American army's last combat unit from South Vietnam, and the more or less simultaneous arrival on the battlefield of units from what may be North Vietnam's last previously uncommitted fighting division, there is something eerily unreal about much of the present American debate. It is no use talking about methods and ignoring causes. How matters; why matters even more.

The numbers are wrong

The argument about means has come back to the question of whether the United States is systematically trying to destroy the network of dikes that protects the Red river delta. On the evidence that has been produced so far, by anyone with any claim to objectivity, it is almost certainly not. Mr Ramsey Clark, the former American attorney-general, is reported to have said on his return from North Vietnam on Monday that in a tour of more than 600 miles he had seen "at least three" bombed dikes. As it happens, that is the number this

paper was able to identify on the map it published on July 29th; they may or may not be the same three. The Americans themselves say they have hit at least 12 dikes, 10 of which had roads or anti-aircraft guns on them or were close to other legitimate targets. None of this constitutes a deliberate attack on the dike system. Even the North Vietnamese claim reported by one of Mr Clark's fellow-tourists—that dikes have been damaged in 58 places in four months—has to be measured against the fact that there are about 2,500 miles of dikes, some of them 40 or 50 yards wide at the base, and that there have been 200 to 300 American planes a day over North Vietnam during most of that four months. It is worth remembering that at this time last year, without any bombing at all, the dikes were already being swamped by the flood-waters that inundated much of the delta. So far this year's rains have not been as heavy; but if there is another flood the cause could be the damage nature did last year, more than the bombing now.

Of course, it is clear that American bombs have been hitting a good many other non-military targets in addition to some dikes: there is sufficient evidence of that, from the scrupulous Joseph Kraft as well as from other recipients of visas to Hanoi. It is not enough to say that these are the inevitable accidents involved in the still rather imprecise business of delivering high explosive over

long distances, whether the means of delivery is an American bomber or the rockets and artillery the North Vietnamese are using in the south. The pilots have to be reminded to be accurate, even if it means they are likelier to get killed; the search for technological precision has to be continued, by laser beams and television-guided bombs and whatever the next device is; the men who select the targets have to be as careful as the airmen are expected to be. It is possible that within a few weeks the Americans will have come to the end of their list of legitimate targets. From then on they may be able to reduce the number of planes they send out each day, and concentrate on keeping out of action the two railway lines and the emergency oil pipeline from China to Hanoi, and the roads and storage areas south of Hanoi that supply the army beyond the borders.

The issue is what the South Vietnamese prefer

But none of this relieves the American opponents of the war from the responsibility they have too. It is a fair criticism of the way they have been conducting their argument that they have talked almost exclusively about the means by which the war is fought, and even then almost entirely about the American and South Vietnamese side of it. Mr McGovern has said very little so far this year about the issues behind the war except to repeat the phrase that South Vietnam is a "corrupt military dictatorship." There is some truth, if not a decisive amount, in each of those words; it would be odd if there were not, in a poor country fighting a long war. But to try to dismiss the causes of the war in that single phrase, like a man irritably hitting out at a wasp, makes Mr McGovern seem either naive or contemptuous about the problems of south-east Asia, and perhaps both.

The advantage that Mr Nixon has over Mr McGovern at the moment—the reason why the American opinion polls are still on his side over Vietnam—is the fact that this year's attack by the North Vietnamese army has made a good many people re-examine their ideas about the nature of the war. In the past Mr Nixon, like Mr Johnson before him, had managed to make life remarkably difficult for himself in explaining what he was trying to achieve in Vietnam. He did this by erecting a whole superstructure of other reasons and justifications for the war, on top of the basic argument about self-determination for the South Vietnamese. There were those tottering dominoes in the rest of south-east Asia; there was the credibility of America's promises to its friends in Europe and Israel; there was even the curious proposition that the United States was just not going to lose a war, full stop.

All of these reasons, except the last one, had something to be said for them, but they did not make it easy to offer a simple explanation to baffled and war-weary Americans. Anyway, none of these other arguments would justify the war unless it could be shown that a policy of resisting the communists in South Vietnam was something the South Vietnamese themselves were willing to fight for too. Events have now simplified Mr Nixon's

task. The North Vietnamese invasion, and South Vietnam's resistance to it, have made this conflict look less like a civil war within the south, and more like a war between two separate states, than ever before.

The most obvious thing about south-east Asia today is that North Vietnam has virtually its entire army outside its own frontiers, fighting in three different countries. In South Vietnam and Cambodia, the local communists and their supporters would certainly be unable to keep the war going without North Vietnamese help; in Laos, the most the Pathet Lao could hold on to by themselves would probably be the hill-country in the north and the east. In all three countries the local armies go on fighting the North Vietnamese, and getting the recruits to replace the losses of each successive campaign, even though they seem condemned to a permanent defensive war. They do not fight brilliantly, and quite possibly they would be defeated without the help of American air power gives them; but that is because they are up against the most efficient army in their part of the world, and nobody who has read any history believes that there is much connection between the efficiency of an army and the acceptability of the political ideas it serves. There is no evidence from the movement of refugees in Indochina that a majority of people in the areas occupied by the North Vietnamese army have welcomed the sort of government it has brought with it. It is true that most of the refugees want to get out of the fighting zone as much because they are afraid of the bombing the government's counter-attack will bring as because of what the communists do when they arrive; but they always move away from the North Vietnamese, not deeper into their territory.

Ask Lenin's question

Lenin said that if you want to see your way through a difficult problem you should ask who is doing what to whom. It is a test that should be applied to the four countries of Indochina. Whose army is where?

This is the basic difficulty in the private talks between Mr Kissinger and Mr Le Duc Tho, which went into their 16th session on Monday, after which Mr Kissinger flew off to talk to President Thieu in Saigon. The North Vietnamese are saying that their army will keep on fighting until the Americans agree to remove Mr Thieu from power and put the communists into a new government in Saigon. The Americans are saying that who next governs South Vietnam should be decided by an election. They recognise that an election held after such a war will be something less than a perfect expression of people's wishes, but they have suggested a number of ways of making it as free as possible. It is the difference between those who believe that power comes from the barrel of a gun, and those who think that power should be referred, even if imperfectly, to the people who have to live under it. There is no real compromise between such points of view, and those who want to make even more concessions to the North Vietnamese in the name of peace should recognise what it is they are proposing. They are proposing to subordinate politics to violence.

There is a curious similarity between those who advocate this sort of "peace" in Indochina, and those who advocate peace on similar terms in Britain's present industrial crisis. The militants among Britain's dockers have been using violence to insist that they should be given jobs in companies outside the docks, irrespective of the wishes of those companies and ultimately at the expense of the men who at present work in them. The North Vietnamese are using their army to insist that their friends should be put into the governments of

South Vietnam and Cambodia and Laos, irrespective of any attempt to test the wishes of the population of those countries. And there are many people who would greet giving both of them what they want as a feat of peace-making, who in fact demand such a peace, and who deplore a policy of resistance because, they say, it will only lead to more trouble. The comparison is worth dwelling on. It is strange how many people will put up with injustice, for others, in the name of a temporary suspension of trouble for themselves.



If the luck holds

Mr Whitelaw can get Northern Ireland back to talking serious politics again, but he will need to take the big decisions himself

The Provisional IRA has failed to make any effective response so far to the army's martyrless occupation of the no-go areas in Belfast and Londonderry. Instead, the bombings and shootings have declined remarkably. The issue of the moment in Northern Ireland is the number of individual killings of Catholics and Protestants that have taken place since direct rule began: this is a serious matter, and it could make serious political trouble, but, unlike so much else that has faced Mr Willie Whitelaw in Belfast, it is not a likely precursor of civil war. The Provisionals must be expected to have another major try at setting the communities at each other's throats, and they may succeed. Yet the political and moral effect of Bloody Friday in Northern Ireland and far beyond it has been to deny to the Provos the indiscriminate bombing which had been their most effective tactic, the one, indeed, which forced the Faulkner government to insist on the internment policy which, in turn, proved to be Stormont's downfall. If the Provos' next effort fails, they could find themselves out of business faster than anyone has yet dared to say.

But guerrilla wars seldom come to an end while there is an open frontier across which men and arms can be moved to hit the targets they want and back over which wanted men can always find refuge. The first requirement of the British Government in what are likely to be the difficult and wearying months ahead while Mr Whitelaw tries to get political life going again in Northern Ireland should be to encourage the Irish prime minister, Mr Lynch, to go every bit as far against the IRA as his own electorate in Mid-Cork showed it was ready to go two weeks ago. Mr Lynch is not popular with everyone in the Conservative Government, but even those whose personalities clash with his should be encouraged by the plain evidence that he has reverted to the policy which he was propounding, with sense and eloquence, two years ago: that Irish unity is not just round the corner, that there are two traditions in the island, and that the way towards reconciliation is by persuading the two traditions to adapt cautiously to each other over the years. Mr Whitelaw and Mr Lynch would probably get on famously if they met, and the

Secretary of State must sometimes be tempted to do what Lord O'Neill once did, a temptation that is the easier to resist because Lord O'Neill paid so dearly for the initiative. The Protestants in the north see Mr Whitelaw in a different light now that the no-go areas have gone, but they are not ready to change their view of Mr Lynch or anyone who talks to him.

That is, of course, a misfortune. If Ireland were actually united under Mr Lynch he could manage very well without the Social Democratic and Labour party but he would need to come to terms with the Unionists. It is, therefore, the nicest of hypothetical questions whether, two decades or so from now, it will be the Unionist politicians or the Catholic ones in the north who prove to be most against an understanding with the south. But for as far as anyone can see now the Dublin government and the northern Protestants are not going to admit that they are, or could be, natural allies. So Mr Whitelaw's task is to get Mr Lynch's co-operation and understanding in determining the next political steps in Northern Ireland without stiffening the moderate Protestants' backs again.

The clamour of opinions

This means that Mr Lynch is not going to be invited to any talks this year, something that he himself seems to have accepted with a good grace. He knows as well as anyone that even if most of Ulster's parties with elected representatives were got to Mr Whitelaw's conference table the prospect of anything meaningful resulting from the clamour of their opinions is nil. It is a necessary exercise to try to get them there. If some of them, like the SDLP or even Mr Faulkner in one of his moods, care to commit political suicide by attaching wildly unrealistic conditions to their attendance (the political equivalent of a Bloody Friday), then it may even be to the good, although Mr Whitelaw could have difficulty explaining this to the less percipient at Westminster. What is most likely to happen is that the differences are going to be so wide and deep that Mr Whitelaw can cheerfully say at the end that he has listened carefully to everyone but that the disagreement

leaves him no option but to make up his own mind. At precisely that moment he would be wise to listen to whatever Mr Lynch may put to him privately.

There are many ingenious and sensible ideas about how Northern Ireland's affairs could be regulated in the next decade or two if, as it is safe to assume, the November referendum shows a massive majority for continuing the constitutional link with the United Kingdom. Thus Mr Charles Carter, writing under the auspices of the Irish Association*, has suggested that a Northern Ireland inside the United Kingdom should have control over its own economic affairs, virtually to the extent that the republic has over its economy. He would go along with a condominium between Dublin and Westminster over defence and foreign policy and would allow Northern Ireland citizens to opt for either nationality and vote for both Parliaments. Sir Fred Catherwood, contributing to a collection of papers published for the Institute for the Study of Conflict†, advocates the need for a two-thirds majority in a future Ulster assembly, first to encourage the participation of the minority community and then, by that participation, to secure the demise of the border issue. These are all useful suggestions, but they are probably a bit in advance of what Mr Whitelaw will feel he can do this year.

There is a fair argument to be made for Mr Whitelaw to have a scheme ready on paper, going beyond the plain choice between belonging to the United Kingdom and belonging to the Irish Republic, which could be put to the voters in November. But that could be held to prejudice the main issue and there might not be time to put out a coherent plan anyway. What Mr Whitelaw has to judge is the temper of his province. It is getting weary of its civil war. Most of the Catholic community seems weary enough now to wish to be rid of the gunmen if it dared to be. It might be more positive yet if the army can defeat whatever the Provisionals try next without the captures and occupations

*"The Northern Ireland Problem." By Denis P. Barrist and Charles F. Carter. Oxford University Press. 90p.
†"The Ulster Debate." Report of a Study Group of the Institute for the Study of Conflict. The Bodley Head. 95p.



A candle in a fog

What was a nice man like Forbes Burnham of Guyana doing at something like that non-aligned conference? Well, playing host, actually

It was the French, with their capacity for believing their own rhetoric, who invented the third world when most of the rest of us were trying to make do with the familiar one. The idea of a middle way between capitalism and communism has its charms, and no one would deny that the developing countries have some common interests to defend in their economic relationship with the richer world. But since those heady days back in 1961 when Sukarno, Nehru and Marshal Tito got

and searches all conspiring to make the Catholics believe that they are going to be defenceless against a hostile majority and pushed down into an inferior community again. Most of the Protestant community has never been ready to see the industrial and financial society it built up driven into ruin by its own extremists; its blackest moments have been when it felt it saw no alternative. It may be more positive in its pursuit of agreement if it can believe that the IRA is under control and sectarian politics can be partly subordinated to the opportunities and problems of going into Europe. Both sides may accept compromises if they feel secure again. For that the first priority is continued pressure against the IRA and the second the assurance by the British Government that the control of internal security is not going to fall into openly sectarian hands again.

These are the real problems for Mr Whitelaw to decide. He is still in the business of opening as many political doors as he can, and keeping them open as long as he can. A political scheme drawn up while Northern Ireland lives under the real threat of an IRA counter-stroke is bound to be very different from one which seems right to a country that has begun to find its feet again. A scheme that makes sense in a purely Northern Ireland context could soon get out of date if the political and economic advantages of the Europe of Ten start to get Irishmen thinking beyond the nationalist issue. If Mr Whitelaw decides that his choice cannot be taken within the present time-scale for direct rule there would be no voice (except perhaps his own) which would deny him another year's hard labour. Northern Ireland, if the luck holds, is coming out of a night of malignancy and despair. It is a time for moderate men to be encouraged to speak and show themselves: for as many schools of thought as the island supports to contend politically with each other so that what has grown in the darkness can be seen in the light for what it is. If the combination of exhaustion and hope is sufficient, Ulster may yet take, and work, what seems to Mr Whitelaw and Mr Lynch and decent and realistic men to be closest to a decent and realistic settlement.

together to toast the concept of non-alignment in Belgrade, the idea has lost most of what credibility it ever had. Today the phrase "non-alignment" has become about as politically neutral as "people's democracy" or "democratic centralism."

Consider what went on at Georgetown in Guyana, at the fourth international conference of 64 supposedly non-aligned countries last week. The meeting could have served a constructive purpose. The delegates could have

discussed new arrangements between producer countries to defend the prices of primary exports. They could have talked about exchange of technology and industrial co-operation. They might have had another go at trying to persuade the western countries to let them have a stake in the system of special drawing rights. But when the agenda was announced "economic problems" were listed as point nine, right down at the bottom of the page. The people who wanted to tackle the bread-and-butter issues had been elbowed aside by those who took more pleasure in rehashing the old witches' brews.

Who are you non-aligned against?

So the delegates spent a whole day wrangling over whether or not the Vietcong should take a seat at the "non-aligned" table and whether Prince Sihanouk, who now lives in Peking, should be recognised as the true leader of Cambodia. When they decided to give the Vietcong and Prince Sihanouk's envoys seats at the conference table, three Asian delegations (from Indonesia, Malaysia and Laos) walked out. But there were other things that might also alarm those who still have sympathy for the original concept of non-alignment. The list of invited guests included guerrilla movements from South Africa, Rhodesia and Portuguese Africa, and a few young men from the revolutionary Puerto Rican socialist party. The Palestine commandos not only turned up, but went home congratulating themselves on the attack on the Israelis that was written into the final declaration. Chile's marxist president, Sr Allende, also got the conference's total support for a policy that even the Chilean communist party has started to have public doubts about.

All these views about the state of the world—which included a demand that the Americans should pull everything out of Vietnam unconditionally, and a statement of the "urgent necessity" of helping to arm and train African guerrillas—would have been the normal product of a student teach-in. But it is a pity that so many foreign ministers were induced to waste the best part of a working week in an exchange of rhetoric that will do nothing to help their countries deal with their own problems, and which many of them intended as nothing but rhetoric anyway.

One of the things that went wrong in Georgetown was that the Africans and the Arabs had most things their own way, at the expense of the other delegates. This was obvious when they insisted on seating the Vietcong, and used their weight of numbers to do so, when it was clear that this would oblige the delegates of three south-east Asian countries to leave. It was even more obvious when they put into action their prearranged plan to make Algiers the site of the next conference, although almost all the Asians wanted Colombo. The Ceylonese have been dusting down their big new Chinese-donated conference hall, and they appeared to have a solid claim to receive the delegates next time. Ceylon was the only Asian country to break off diplomatic relations with Israel during the six-day war in 1967, which should have given it the Arabs' backing. There have

been non-aligned summits in Cairo and Lusaka, but there has never been one in Asia. The Afro-Arabs' insistence on railroading through their choice of Algiers was not only a slight to the Asians; it makes a nonsense of the claim that these conferences are a demonstration of third-world solidarity.

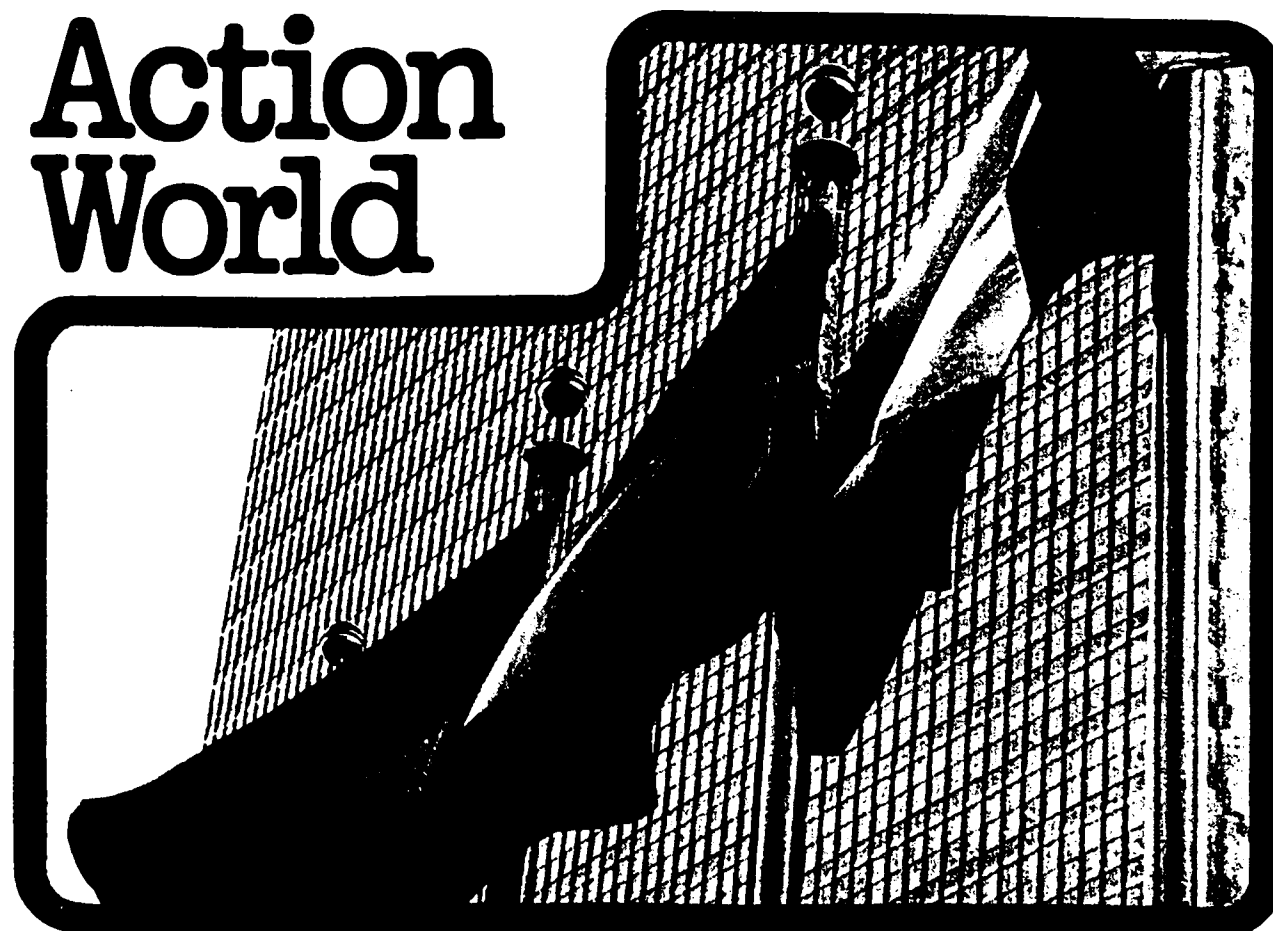
Assuming that a fair proportion of the countries that will actually turn up in Algiers next time want to get some business done, how can they? Three lessons can be drawn from the fiasco in Georgetown. The first is that only governments should be represented at future conferences. It is not the function of any group of politicians who profess to be non-aligned to take it upon themselves to decide that a legally constituted government such as Marshal Lon Nol's is an "imperialist puppet," and that a political exile living in the capital of a superpower is the rightful, and neutralist, representative of the Cambodian people. The concept of non-alignment flickers like a candle in a fog when it is used to support so open a taking of sides.

Second, the voting procedure at these conferences should be revised. The African delegates at Georgetown operated as a caucus to get their own way throughout the discussions, at the expense of the Asians, who were snubbed, and the Latin Americans, whose voice (apart from Mr Burnham's opening address on behalf of Guyana) went almost unheard. The Arabs, marching in step with the Africans, did well for themselves by getting the conference to endorse their view of the Middle East crisis. But non-alignment, as the Asians are saying, is not a geographical notion, and it is a pity to see a regional clique stealing the show and to some extent rigging the vote. Perhaps it would be fairer to assign voting power to the various countries according to their population. Failing that, it will be up to the Asians and the Latin Americans to organise their own voting lobbies.

The subjects for Algiers

The other point is that it is clear that the main effect of meetings like the Georgetown one is to divert attention from the ways in which the developing countries can do something practical to narrow the widening gap between the rich and poor nations. It tempts them to relate all their problems to a conspiracy theory of international relations. (In practice, of course, the United States comes in for most of the blame and China for none at all.) The coffee producers' agreement the Brazilians are pressing for at the moment—which will cover the Portuguese and the Colombians as well as the Africans—is far more constructive than any of the proposals put forward at Georgetown. If the developing countries are ever to find a useful form of co-operation it will be on the basis of the economic issues where a country following a free-market development model, such as Brazil, can make common cause with a socialist state such as Tanzania. This cannot be done on the Georgetown model. Maybe the differences among the developing countries, with their diverse economic policies, are so great that it cannot be done at all. But any hope that it can will not survive another non-discussion.

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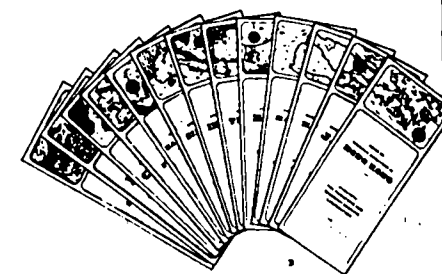
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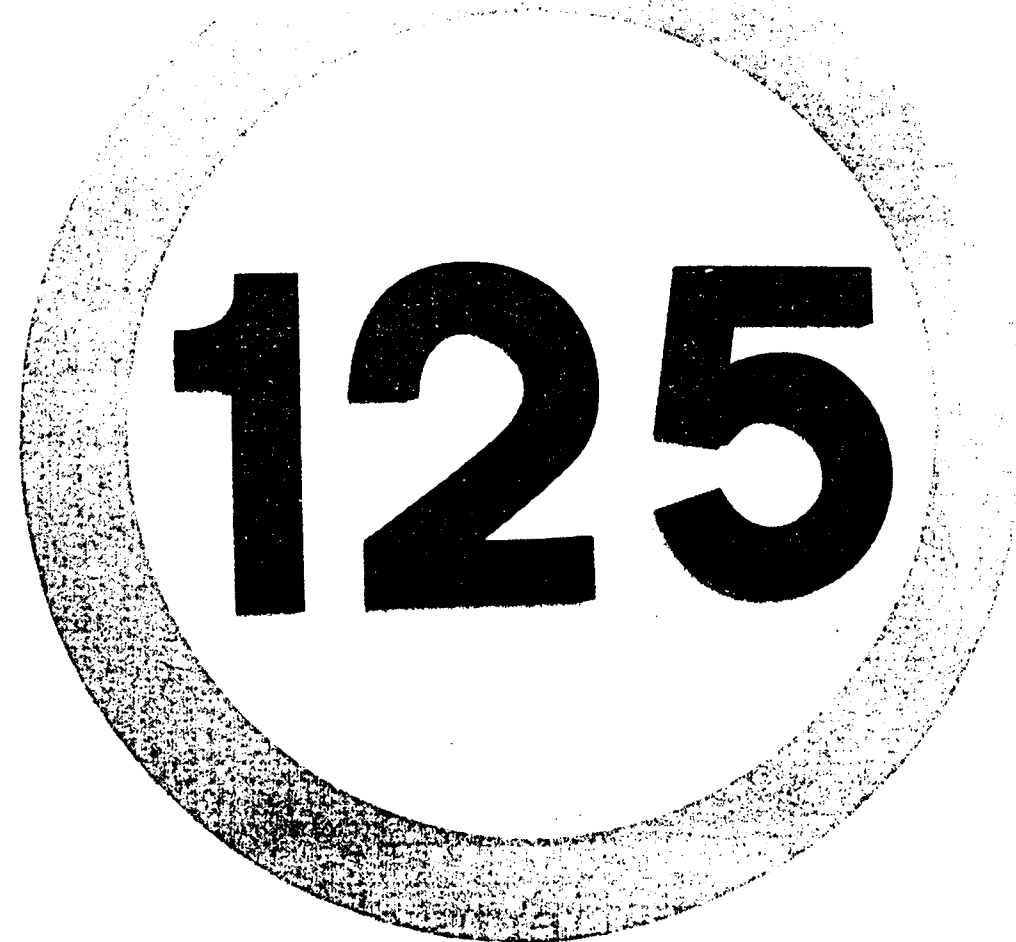
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The tactics of intimidation

It was a laugh but no joke when a group of dockers complained to the police on Tuesday that, as they were driving in their cars through the village of Garthorpe in Lincolnshire to picket a wharf six miles away, they were set upon by an angry band of housewives. What had apparently finally incensed the village ladies were Monday night's television pictures of pickets from outside the area clashing with police at the wharf. The women waved placards urging "no violence"; but the placards, sticks and stones came down on the dockers' cars when they refused to turn back.

The Daily Mirror knew what it was doing when it made the incident the front page splash on Wednesday morning. The ladies of Garthorpe had done what an increasing number of British citizens feel like doing as they watch the police defending themselves when attacked but are seemingly impotent to prevent the violence and intimidation which now accompany every major industrial dispute. And it is not only the police and workers not involved in the dispute who are the victims of the

militants and the fanatics. Mr Jack Jones and the delegates' conference of the Transport and General Workers Union had a taste of it when they met to call off the strike on Wednesday (see page 63).

Unless the militants (it does not seem to matter which union is involved) change their tactics, and there is no sign that they are ready to, the question of picketing will become a major political issue. Even before Tuesday's have-a-go senior police officers were expressing in private their growing fears that the militants' tactics would lead to retaliatory violence by members of the public. The police forces themselves are only too well aware how ill-equipped they are at present to deal with the problem on their own.

Although the law on picketing (see last week's issue of *The Economist*) is ill-defined it is not all that obscure that the presence of several hundred picketers can be regarded as anything but blatant intimidation rather than "peaceful persuasion." But it is sheer numbers which prevent even those chief constables who would like to act against such intimidation from doing so, for outside London it is virtually impossible for any police force to muster the hundreds of men at very short notice that are needed. While the police lack that ability the initiative will always lie with the militants, for they can pick and choose their targets outside their own areas and then scale down the operation when the police reserves have been built up in any one place.

Those were the tactics employed by the miners, picked up by the engineering workers in the Midlands, and used by the dockers with almost total impunity. They do not require very large numbers of men to be effective, and it must be obvious to every trade

unionist where such tactics will inevitably lead. If the union leaders themselves are unable to check the drift the Government will be forced to strengthen the law on picketing—possibly by reducing to a handful the number of men who can lawfully picket at any one place of work—and organise its implementation. For if it does not, the ladies of Garthorpe have shown in their own small way the alternative course.

Health service

Maternal mortality

In the three years 1967-69 there were 527 deaths in England and Wales directly resulting from pregnancy and childbirth, and 455 of them were the subject of a confidential inquiry (HMSO, 85p) by the Department of Health. This is the sixth of its kind: with all the current talk about the need for monitoring performance in the health service, it is worth pointing out that this particular aspect of the maternity services has been monitored since 1952.

In the years 1952-54 over 1,000 maternal deaths were investigated (out of 1,404 that occurred), and the birth-rate was then lower. So there is no doubt about the improvement. But with the rise in standards of care the investigators have themselves become stricter in applying the test of whether a death was avoidable or not. Thus accompanying the fall in the death-rate is a rise in the proportion of deaths with avoidable factors—43.1 per cent in 1952-54 but 56 per cent in 1967-69. This does not mean that 255 mothers' deaths could have been avoided, but the avoidability test does indicate the sort of case in which particular care should be taken. The report points out that although the proportion of births that take place in hospital is continuing to rise, too many unsuitable cases are still booked for home confinement, and it describes one or two horrifying examples of medical mismanagement by general practitioners looking after mothers either at home or in GP maternity units. Hospi-



Jones: a taste of militancy

tal care was by no means faultless either. Admittedly, the most complicated cases are—or should be—booked for hospital delivery, so the hospital death rate can be expected to be higher. All the more reason, therefore, for careful supervision by senior doctors, which on occasion was completely lacking. In particular, 34 of the 50 deaths associated with anaesthesia in 1967-69 had avoidable factors, and in most of these deaths the anaesthetic was administered by a junior doctor. But it is still true that many deaths, whether in or out of hospital, might have been avoided had the mother sought advice and followed it.

The effect of the Abortion Act is apparent in this report. Abortion is the biggest single cause of maternal death, accounting for 117 of the deaths investigated in 1967-69. Of these 74 resulted from illegal abortion (all deemed to have avoidable factors), and 32 were of coloured women. But over the three-year period the number fell from 28 and 29 in 1967 and 1968 to 17 in 1969—the first full year of the Abortion Act. Nevertheless, the switch to legal abortion has not put an end to avoidable deaths, particularly when the operation is carried out after the first three months of pregnancy.

In a preface to the report, Sir George Godber (Chief Medical Officer) says that in 1952 no one contemplated the extent of the fall in maternal mortality over the next 20 years. If the report is followed up—action has already been taken over anaesthesia—perhaps its successor will show that his goal—a reduction in maternal deaths to below 100 a year—is near realisation. In 1970 they numbered 146.

Cricket

What the actress saw

Cricket is dead, long live cricket. A season which began with appropriately funeral weather is ending with a rout of the pessimists and decorative pictures in papers with an eye for such things of an actress in a bikini lolling on the boundary at the Oval. For others there was Mick Jagger among the members. England kept the ashes, but Australia squared the series on the last day of the last match and receipts for the five tests rose to a new record of around £1m. Three one-day matches between the two sides are still to come and, rain apart, are bound to be sell-outs.

The series has been an absorbing



Cricket itself is not out

one and it might seem to those with tiresomely good memories that *The Economist* (see April 22, 1972) owes someone an apology. Looking back, there is little cause to modify the assessment of the sides as other than mediocre. In many ways the excitement of the series has been the product of their weaknesses, the inconsistency of their top batsmen and, in the early days, the rank fallibility of their fielding. But as should have been anticipated, because cricket is uniquely that kind of game, there were exemplary individual performances and partnerships which, time and again, rescued their teams from what had seemed to be certain, ignominious defeat. There was little to deserve the title of greatness but much of courage and tenacity, and if amends are due to any they should go particularly to the two captains, the Australian, Ian Chappell, who, with his brother, Greg, did so much to win the last test, and Ray Illingworth, who not only demonstrated his rare intelligence as a tactician but also acted the reliable anchorman when, invariably, the established English batsmen failed.

Although, undoubtedly, there are better teams in the world, the battle for the ashes remains the supreme contest so far as spectators are concerned. But it has not been only the test matches which have drawn the crowds. The one-day, limited overs game has caught the imagination and, with a second tobacco firm offering sponsorship this season, there are now three such competitions and no sign of satiation. Others may question the ethical relationship between cigarette manufacturers and sport but it has been

financially a life-saver for cricket.

The pity is that there is no sign that this new popular enthusiasm has spilled over into the county championship. The cricketing addict may be delighted by the sight of unfashionable counties like Gloucester and Essex near the top, but three-day matches are still lonely affairs. It is evident that those who rule cricket must learn to live with the one-day game, for cricket will not live on as a professional sport without it. Some commentators argue that the lack of concentration and the suicidal spasms shown by England's test batsmen are attributable to the demands of get on or get out imposed upon them in one-day games. But there are players who look first-class whether they are playing one-day, three-day or five-day matches. The different forms of the game call for an adaptation of technique and an assertion of character. Nothing less will be expected in future of men who want to play at the top level and make a decent living at it.

Water

Name games

It is always wonderful to see how a radical government reform of administration, designed to sweep away a host of unnecessary minor bureaucracies, always ends by something pretty similar to each supposedly redundant institution creeping back into the system—under, of course, another name. The Government's important scheme for the abolition of the Water Resources Board, the British Waterways Board and no fewer than 1,400 minor water authorities, and the creation of 10 new regional water authorities, was more than welcome.

But it has naturally attracted a good deal of criticism, not least from the host of local authorities to be deprived of their water powers. However, on August 11th the Department of the Environment announced the details of the proposals for the new advisory body, the National Water Council, which (despite the fact that it will have no executive powers) do their best to make it sound as like the old Water Resources Board as possible. At the same time, the department promised the creation of a hideously-titled Water Space Amenity Commission which (despite the fact that power will still rest with the regional water authorities) is supposed to provide the same impetus to improve Britain's canals and waterways that has recently been the signal achievement of the

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In the course of his Statement, the Chairman, The Rt. Hon. The Earl of Inchcape, reports that:

“The profit available to Ordinary Shareholders for the year under review at £5,036,450 confirms the estimated profit contained in the Offer document relating to our recent acquisition of Dodwell and Company Limited in May this year of “approximately £5 million”. The available profit compares favourably with the comparable figure of £3,436,610 for the previous year. The increase in earnings per Ordinary Share was 46 per cent.

The inclusion of a full year's profit from recent acquisitions, particularly Bewac Motor Corporation Limited and Anglo-French Holdings Limited (formerly Wheelock Marden & Co. (Malaysia) Limited), has contributed to the improved result,

together with the inclusion of six months' profits from the new acquisitions in Australia, Melinga Mining and Finance Company Pty. Limited and Timber Investments Limited. Apart from this, however, most of the other Group companies have returned better results and contributed to the satisfactory figures shown in the Accounts.

I would emphasise the difficulty of forecasting the results of a diverse and widely-spread group at this stage in the financial year, especially in a year including a major development such as the recent acquisition of Dodwell and Company Limited and with the added difficulty of world currency markets being in disarray but on present information there is little doubt in my mind that the progress of the Group will continue.☺☺

Salient features of year's results

	1972	1971
Profit before Taxation	£9,514,000	£6,544,000
Profit available to Ordinary Shareholders	£5,036,000	£3,437,000
Earnings per Ordinary Share	26.6p	18.2p
Dividends per Ordinary Share	13p	9p
Ordinary Shareholders Capital Employed	£34,387,000	£27,754,000
Return on Ordinary Shareholders Capital Employed	14.6%	12.4%

Geographical Distribution

The following table gives a broad indication of the geographical distribution of the income attributable to Shareholders and Loan Stockholders of Inchcape & Co. Limited, after charging taxation.

	1972 %	1971 %
Africa	11	18
Australia	2	1
Canada	1	1
Caribbean	1	1
Hong Kong	23	19
India	1	4
Malaysia, Singapore and Brunei	19	20
Middle East	28	18
Thailand	3	2
United Kingdom and Europe	11	16
	<u>100%</u>	<u>100%</u>

Group Activities

The percentage contribution to the profit, before taxation and loan stock interest, of the various activities of the Group was as follows:

	1972 %	1971 %
General Merchants, Agents, Managers and Secretaries	39	40
Motor Vehicle Distribution and Assembly	39	30
Shipping and Lighterage	11	8
Timber and Construction Industries	4	4
Engineering Works	3	2
Investment Trusts	1	2
Associated Companies	4	9
Trade and Other Investment Income	3	7
Head Office Expenditure less Sundry Activities	(-4)	(-2)
	<u>100%</u>	<u>100%</u>



The Annual General Meeting will be held at the Queen's Room, Baltic Exchange Chambers, 14/20 St. Mary Axe, London E.C.3, on 8th September, 1972, at 12.15 p.m.

Copies of the Annual Report & Accounts may be obtained from the Secretary, Inchcape & Co. Limited, 40 St. Mary Axe, London EC3A 8EU. Telephone: 01-283 4680.

All these securities having been sold, this announcement appears as a matter of record only.



£10,000,000 Metropolitan Estate and Property International N.V.

6½ per cent. Sterling/Deutsche Mark Loan 1987

represented by 20,000 Bonds of £500 each unconditionally and irrevocably guaranteed as to payment of principal, premium (if any) and interest by

Metropolitan Estate and Property Corporation Limited

Issue Price 99¼ Per Cent

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PIERSON, HELDRING & PIERSON

have subscribed for or procured subscribers for the Bonds.

The Sale of the Bonds has been underwritten by, among others:

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American Express Securities S.A.	Crédit Suisse (Bahamas) Limited	Lavoro Bank Finance Company, N.V.
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Associated Japanese Bank	Den Norske Creditbank	Lehman Brothers
(International) Limited	Deutsche Bank Aktiengesellschaft	Lloyds & Bole International Bank
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Bankhaus Friedrich Simon, K.G. & A.	Drayton Corporation Limited	Model, Roland & Co., Inc.
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Banque Ameribas	Eastman Dillon, Union Securities & Co.	Morgan & Cie International S.A.
Banque Blyth	Incorporated	Morgan Grenfell & Co. Limited
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Banque de Paris et des Pays-Bas	Goldman Sachs International Corp.	Società Nazionale Sviluppo
Banque Populaire Suisse	Greenshields Incorporated	Société Générale de Banque S.A.
(Underwriters) S.A.	Gutzwiller, Kurz, Bungenier Securities	Strauss, Turnbull & Co.
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Banque de Suez et de l'Union des Mines	Hambros Bank Limited	Sveriges Kreditbank
Banque de l'Union Européenne	Handelsbank in Zurich (Overseas)	Swiss Bank Corporation (Overseas)
Banque de l'Union Parisienne	Limited	Limited
Baring Brothers & Co., Limited	Hill Samuel & Co. Limited	Swiss Italian Banking Corporation
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Creditanstalt-Bankverein	Kreditbank S.A. Luxembourg	

British Waterways Board. And on August 15th, Mr Peter Walker and his parliamentary under-secretary, Mr Eldon Griffiths, wrote to the four local authority associations and the Greater London Council in terms which make it clear that they accept their pleas for more consultation with, and devolution to, local authorities than the original proposals appeared to allow for.

The local authorities were particularly concerned about losing their control over "sewerage" (meaning the provision of sewers, rather than the disposal of sewage). It is obviously right that all powers over water supply, use and drainage should be vested in authorities covering areas large enough to take in entire water basins, but there is no reason why the RWAs should not hand down limited control to local authorities. These will, in fact, be able to requisition sewerage from the RWAs, though Mr Walker is not yet saying whether he will allow them to be the only bodies to do so. And he has also agreed that local authorities should be represented on the RWAs.

The GLC, which is never shy, went so far as to ask to become a RWA itself. This would have made great sense for the London area, but the department has turned it down because with the area boundaries now planned the GLC would thereby have become the water authority for towns as far off as Banbury. It was therefore possible to turn the tables neatly and use the local authorities' demands for local democracy against the GLC. The department has also turned down the suggestion that the Thames area should be cut in half. That would apparently make hydrological nonsense while still leaving the GLC responsible for Luton's sewerage.

The Government's consultation paper leaves it less than clear what (apart from providing advice in all directions and licensing pleasure craft) the new amenity commission will actually be able to do. It is to be chaired by the "amenity member" of the National Water Council, whose own functions are not all that concrete. The council is intended to be a forum for the RWAs, whose chairmen will be ex-officio members, and an advisory committee for the Government. But the environment department is full of the importance of inland waterways for leisure, pointing out that there are more people messing around the waterways on a summer weekend than there are on the football terraces on a winter

weekend. The comparison is getting a little too apt. Considering the increasing use of the waterways and the unuseable condition of so many of them, the water enthusiasts will soon be packed as tight as the football crowds. That brings one back to the reason for this administrative upheaval, though in an effort to be tactful with local authorities the department is at present using euphemisms for it: the need for a new system to get the waterways out of the stinking mess that the old system (and, to be fair, shortage of money) has allowed them to get into.

Fanfare for Europe

And brass bands too

It is impossible not to have a sense of remoteness, almost of unreality, when talking in August of a national festival to be held in January to celebrate Britain's entry into Europe. But festivals, like treaties, if they are going to be worth while have to be prepared in advance, and a Fanfare for Europe is a good idea only so long as it is well done.

It is right to recognise from the start that Fanfare has been conceived as a public relations exercise to win support and stimulate enthusiasm for European entry and the Government is providing up to £350,000. But that should not invalidate it or compromise the quality of it. Any programme offering more than 150 events on a countrywide basis is likely to contain one or two items which, on the day, turn out to be palpably less exciting than they looked on paper. What should stimulate the organisers is the knowledge that they will face

political as well as artistic criticism of their efforts.

The prospect of staging a festival in January must be daunting, although to have held it at any other time would probably have seemed artificial and from the political point of view would have diminished its potential impact upon public opinion. Of the two parallel committees which are planning the celebrations the one chaired by Lord Mancroft, responsible for everything which cannot be called cultural, obviously has most to fear from the weather. Who, for instance, would wander out into a snowstorm to watch a parade of vintage EEC cars? The time of year must also make it difficult to put on, say, an international football match, so heavy are the commitments of clubs and players.

It is not surprising, therefore, that preparations for the artistic side of things look to be more firmly in hand. These have been the work of Lord Goodman's committee and the chairman has enjoyed the help of several influential figures. He also has an experienced professional, Mr Stephen Reiss, as full-time director. The result has been an impressive programme, combining artists, orchestras and theatre companies of international reputation with a full and proper representation of regional talent.

One of the most heartening aspects of what is so far known of the festival is that the organisers have clearly understood the need to make Fanfare for Europe a genuinely national festival and not just a series of metropolitan galas, and also one which will appeal beyond the privileged, aesthetic minority. The Goodman committee is certainly not to be criticised for aiming at the best. What must be hoped is that as many as possible will be allowed to share the pleasure.



Goodman and Mancroft: let the good times roll



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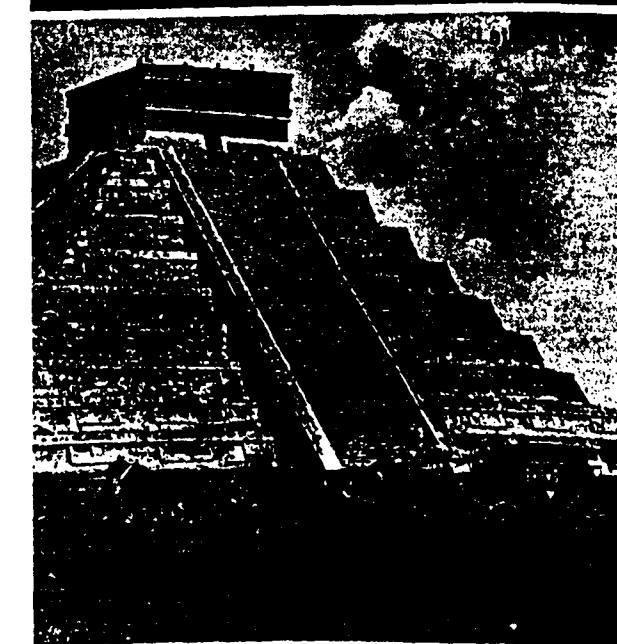
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THE WORLD

International Report

The armourers are thriving along the Rhine

FROM OUR BONN CORRESPONDENT

The Christian Democrat opposition leader, Herr Barzel, came back from holiday this week and asserted that "Dieses Land ist nicht in Ordnung," which, if translated by Sean O'Casey, would mean that west Germany is in a state of chassiss. Allowing for pardonable exaggeration on the part of an opposition leader, the diagnosis does contain elements of truth. The fact of the political matter is that the country is in a brittle and nervous state.

The election campaign has already begun, though it is worth repeating that there is still no definite election date (the heavy betting is still on December 3rd). The chancellor, Herr Brandt, has been stumping the country this week, showing himself to an electorate which has still to experience the constitutional eccentricity of a premature election. Every issue, from the rise in the cost of living index (up 5.6 per cent during the past year) to the intra-German talks, is being examined for its campaign value. During these sultry August days on the Rhine, down which many a political reputation may soon be sold, one word keeps cropping up: *Wahlkampf-munition*, meaning ammunition for the

election campaign. *Wahlkampf-munition* ricochets around the country, substituting itself for the smack of firm government from a government with a majority of none. Since the west Germans conduct their politics seriously, and on occasion bitterly, the country is in for four months of rare politicking.

The Quick affair must be seen in this context. The government, including the minister in charge of the chancellor's office, Herr Ehmke, repeatedly denies that it has any responsibility for the instigation of the searches of the magazine's offices. The opposition says it doesn't believe the government, which allegedly had a motive for hounding Quick because it had published the private letter of resignation to the chancellor from the former minister of finance and economics, Herr Schiller.

Clearly there are principles involved, notably two that are often in conflict: the freedom of the press and the necessary secrecy of government business (Bonn has the reputation of being the leakiest capital in the world). But the whole affair has been blown up

and obfuscated by electoral considerations, by rumour, by the uncertain promise of scandals to come, and above all by the remarkable tenacity of the anti-government Springer press. Amid all this *Wahlkampf-munition* flak, it seems that nobody has had the time to ponder why, if the Quick affair has done such electoral harm to the government, the government should be suspected of having taken the risk of putting it in train. At this point, doublethink-minded readers are invited to begin exercising their imaginations. Herr Brandt has merely exercised his political cool. Given the present talk about a "fair" election agreement between the parties, as in the past, it has to be said that the campaign has got off to a very inauspicious start.

Meanwhile, in Düsseldorf, the advertising agency boys have been in session for some weeks, tossing suggestions for party images around and seeing which of them will stick to the wall. Four agencies are involved, the Christian Democrats allowing themselves the luxury of two. Given the comparative unpopularity of the Social Democrats as a party, it seems that the ever-popular Herr Brandt is destined for personal packaging even more than in the past. There will be some such slogan as "Every vote for the SPD is a vote for Willy Brandt." The Christian Democrats will make much of the dissension inside Herr Brandt's party (this week Herr Barzel saw Herr Schiller, who is still contributing to the general nervousness by keeping his own political counsel). The opposition will also sound warnings that the Social Democrats will shift ominously to the left if they are re-elected, and that they bring inflation in their train.

Although inflation applies equally to election expenses, the parties are in the happy position of receiving state subsidies at the rate of DM2.50 for every vote they got at the last election, as well as donations from private, industrial or trade union sources. Each of the two larger parties, the Social Democrats and Christian Democrats, has some DM40m (about £5m) at the moment to invest in the coming battle.



Barzel sees disorder, Brandt keeps his cool





Two down: Pintado (left) and Martins

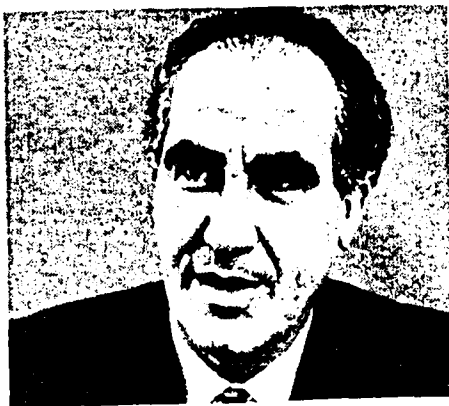
Portugal

Two steps backward

Those Portuguese who expected great things from Dr Caetano when he became their prime minister after Salazar's stroke in 1968 will not like his latest decision. His attempts to give a new momentum to the static "situation" created by Salazar have run out of steam. Indeed, such changes as still occur suggest a rolling backward.

Dr Caetano has been obliged to bow to the insistence of his most conservative colleagues that the 77-year-old Admiral Américo Thomaz, who has been president of the republic since 1958, should be given a third seven-year term. The right-wingers, who also continue to dominate the single-party national assembly, have thus consolidated their double grip on the prime minister, for according to the constitution he can be dismissed by the president at any time—and this constitutional provision is no longer the dead letter that it was in Salazar's day. Moreover, the few reformists whom Dr Caetano had brought into the government are now being squeezed out.

As a formal consequence of Admiral Thomaz's reappointment, all the ministers offered their resignations; and when the new government was announced, on August 10th, sweeping changes were made in the economic posts. Senhor Rogério Martins and Senhor Xavier Pintado, who as junior ministers respectively for industry and commerce had shown themselves eager to lift Portugal out of the stuffily monopolistic ways of the Salazarian system and to fit it for a European role, have been ousted. So has Senhor João Dias Rosas, who as economic and finance minister had allowed some scope to these two young technocrats. The



diehards of the ruling party will be reassured by the appointment of the chairman of its executive committee to succeed Senhor Dias Rosas, and of another member of that committee to replace Senhor Martins. But many Portuguese will note sadly that Dr Caetano no longer seems to be in a position to make even symbolic gestures in the direction of reform.

Holland

Neglect and nemesis

Labour drawn from Mediterranean countries has long played an important part in the economies of France, Switzerland, west Germany and even Scandinavia. But, until last week's outbreak of race riots in Rotterdam, it was not generally realised that the same applied to Holland too—which, with more than 900 people per square mile, is the world's most densely populated country. The Dutch enjoyed a reputation for skill in assimilation, arising from their remarkably successful absorption of some 300,000 refugees from Indonesia during the first decade of its independence. They had made a particular effort to resettle these refugees, who were regarded as a national responsibility whatever the colour of their skin. But no such care was given to the reception of the Spaniards, Italians, Yugoslavs, Turks and others who came to Holland as migrant workers in more recent years. The formation of ghettos duly followed.

The Dutch authorities had already begun to worry about the prospect of Indian, Pakistani and Caribbean migrants moving in from Britain after the enlargement of the common market, but they did not apparently foresee the more immediate trouble of the

kind that broke out on August 9th in Rotterdam. Turks who had settled in the city's Afrikaander district were the main victims of mob violence that was still raging six days later when the mayor of Rotterdam, vainly trying to calm a rampaging crowd, was himself attacked and had to be rescued by armed police. Now the authorities are hastily getting to grips with what has clearly become a critical situation. Things are not made any easier by the fact that the breakdown of Mr Biesheuvel's year-old coalition has been followed by the formation of a temporary minority government intended only to last until elections are held in November.

Australia

The last chance

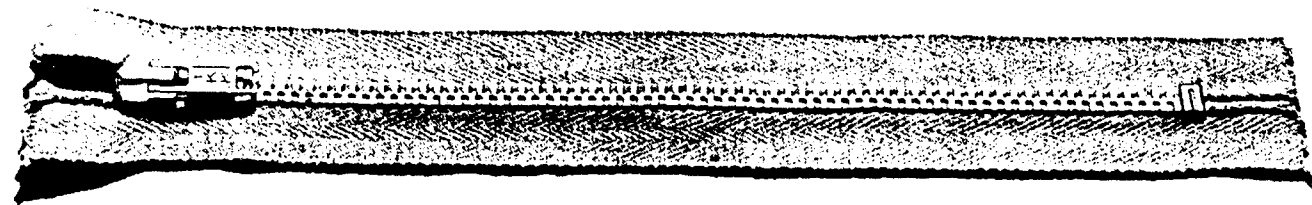
FROM OUR CANBERRA CORRESPONDENT

If elections were decided solely by budgets, the Australian government would be a certainty to stay in power in November after the budget announced on Tuesday night. The Treasurer, Mr Snedden, raised pensions of all kinds, provided fresh educational benefits, increased grants to a variety of organisations, lowered personal income tax by an average of 10 per cent, and reduced estate duty (see page 82). It was a giveaway budget, but acceptable because most people had been urging the government to stimulate the economy and damn the inflationary consequences.

The level of unemployment is about 2 per cent, which would draw no attention in most other developed countries but is regarded as too high in Australia. So Mr Snedden is deliberately trying to make the economy move faster. The fact that in the process he is giving a great many people more money is being attacked by his opponents as vote-buying; but he can reply that any treasurer would do much the same in the circumstances.

The question now is whether this budget can redeem the 23-year-old coalition government of the Liberal and Country parties in time for the election. Opinion polls suggest that if the election were held now the government would be swept from office by the Labor opposition. Its prestige is low and that of its prime minister, Mr McMahon, is lower even than his party's. Although he is diligent and hardworking, he looks uncertain and inconsistent. His speeches are dull, and his whole public presence suggests indecision. These public manifestations

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McMahon, looking indecisive

do not tell the whole truth, but they are what the public has to go on. There has even been a belated effort to replace him by his dethroned predecessor, Mr John Gorton, before the election, which must be held by the end of November. This scheme will come to nothing, since even the most dissatisfied member of parliament can see that it is no good swapping horses so far from midstream.

It looks as if the most the budget can do politically is to restore some of the government's lost standing, but probably not the whole of it. However, it would be wrong to view this financial exercise solely in political terms. The government's expansiveness has enabled a number of worthwhile steps to be taken, steps which would be hailed as social advances for whatever reason they were being taken. For example, the budget's provisions for old people are not only generous but also creative. Even if Mr Snedden's party loses the election, he can feel that he did some good while he had the chance.

Uganda

An even bigger problem?

FROM OUR UGANDA CORRESPONDENT

Now that Britain has decided that it must, if need be, take in the 50,000 British Asians from Uganda its government is going to have to face a second and even harder question. What attitude should it adopt to the very many Ugandan Asians who are being told that their Ugandan citizenship is being revoked? Mr Rippon predicted when he was in Uganda that these people would pose an even bigger problem

than the passport-holding British Asians. He looks like being proved right.

The exodus of the British passport holders calls for the solution of many practical problems, including the sale of their businesses here, the provision of foreign exchange by the Ugandan banks and of transport to Britain. Awesome though these problems may be, solutions no doubt can and will be found. Uganda's finance minister has talked of holding the assets of expellees in frozen bank accounts and releasing foreign exchange to them as and when it becomes available. General Amin himself has promised government support for Africans wishing to buy Asian businesses (where the money will come from he did not say, but it might be from those "frozen" bank accounts). But for the 10,000 people, or perhaps even more, who are liable to lose their Ugandan citizenship in a verification campaign that is designed to discover the minutest flaw in an Asian citizen's documentation, the future must depend on finding a country to take them.

The British Government is involved for two reasons. First, those affected were formerly British subjects, and many of them will have lost their Ugandan citizenship because they did not renounce their British citizenship quickly enough; and delays at the Home Office have been partly to blame for this. Second, in many Asian families here citizenship cuts across family ties. If Britain will not admit stateless Ugandan Asians, parents will be separated from children.

In this respect, if in no other, Mr Rippon's visit may prove to have been useful, for it did establish a channel of communication through which problems of this kind can at least be discussed. Whether they can be resolved is another matter. Mr Rippon's own experience showed that communication with General Amin is not necessarily the precursor of compromise. His talks here won no concessions from the Ugandan side, except oral promises that Asians' businesses would be sold fairly and their lives and property safeguarded, and every fresh mention of the difficulties involved in the exodus seemed to spur General Amin to a fresh manoeuvre to ensure that his time limit of 90 days would be met. In fairness it must be added that General Amin had made his mind up long before Mr Rippon arrived, and that no British minister could have devised a diplomacy to counter his alternation between lambastings of British

imperialism and assurances that "the British are my best friends."

What General Amin wants ultimately is that all people of Asian origin should leave Uganda. How this is to be achieved even he is not yet clear. But if he remains in power and defers his promised handover to a civilian regime, a way may still be found. His contention is that Asians do not integrate willingly with other racial groups. So the biggest long term problem for Uganda's Asians concerns not those who are about to leave, nor even those who must leave and have nowhere to go, but those who must stay and face the next round.

Morocco

Second time lucky

King Hassan of Morocco has a charmed life. On Wednesday he survived the second attempt on his life in 13 months when his Boeing 727, in which he was returning from a holiday in France, was attacked in the air by at least one of the Moroccan air force's escorting fighters. The king's plane landed safely. The rebel planes then attacked the group of ministers and officials waiting at the airport and, soon after, the king's palace in Rabat. The army promptly took over the air force base at Kenitra. Several air force officers were arrested, and two others fled to Gibraltar and asked the British Government for asylum. On Thursday it was reported in Rabat that General Oufkir, the defence minister, had killed himself.

When senior army officers tried to overthrow King Hassan in July last year, by ordering trainee non-commissioned officers to mow down his birthday-party guests and take over Rabat radio and ministry buildings, the Libyan leader, Colonel Qaddafi, jumped to the false conclusion that this was Morocco's socialist revolution. The young air force officers involved in Wednesday's affair are more likely to share Colonel Qaddafi's political ideas than were the instigators of the attempt last year.

Whatever, and whoever, lies behind this week's plot, King Hassan's throne now looks distinctly insecure. After last year's botched coup General Oufkir, the security chief, was made minister of defence to purge the armed forces of dissidents. He cannot have done his job well—and there are already suggestions that he secretly promoted this new plot, and that ministers may also have been involved.



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THE ECONOMIST AUGUST 19, 1972

Hijackers

Please land somewhere else

The Algerians have got stuck with another lot of problem hijackers. Their government regards the providing of asylum for political refugees as part and parcel of its international policy, which is one of general support for liberation movements, and as a humanitarian and hospitable action too. But when those who claim to be political refugees arrive in hijacked planes, and carry suitcases stuffed with money extorted from the planes' owners, the government is faced with an embarrassing dilemma. It has happened twice this summer.

On June 3rd, a Boeing 720 landed at Algiers after being hijacked from America. The hijackers, a man and a woman, had collected \$500,000 from Western Airlines. They claimed to be members of the Black Panthers, and asked for asylum. Three weeks later the government returned the money to the airline, but it has not yet announced its decision about the hijackers' fate. The hijackers of the Delta Airlines DC8 that landed on August 1st brought \$1m with them and also claimed Black Panther membership. The Algerians confiscated the money and began inquiries about the hijackers' backgrounds; the Americans claim that two of them are escaped criminals.

The Algerians' hesitation about what to do spurred their best known Black Panther guest, Mr Eldridge Cleaver, to write an open letter to President Boumedienne. Those who deprived the Black Panthers of money, he said, were depriving them of freedom. This was followed by a letter from the hijackers themselves saying they were shocked at their treatment by the Algerian government. The government's reply was to send police to search the Black Panther headquarters in Algiers and to allow the newspaper *El Moudjahid* to comment that, although Algeria was "a land of refuge for all noble causes, it would not wish them to be tarnished by any sort of impurity." Delta Airlines will almost certainly get its money back, and the two men whom the Americans claim are escaped criminals may not be allowed to stay in Algeria.

If this sort of compromise deters potential hijackers from choosing Algeria as their destination, its government will be delighted. It is becoming increasingly disturbed about the Black

INTERNATIONAL REPORT

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Another view of Cleaver

Panthers. The split within the movement's ranks, which has led to internecine killings in the United States, has given the Algerians a jaundiced view of Mr Cleaver and his faction, who have settled in their midst. But no other country seems to want them, and the Algerians do not want to ship them back to the United States.

When the Algerians are criticised for not extraditing hijackers back to America, they ask why there is no similar demand, for example, for the Bonn government to return the Czechs who, in June, escaped by hijacking a plane to Germany and killed one of its crew in the process. One difference is that there are many ways of leaving the United States other than by hijacking aircraft, which is one of the few means of escape for those who want to leave a country that tightly controls all movement by its citizens.

The subcontinent

No entry

While India and Pakistan this week celebrate their silver jubilees of 25 years of independence, the final seal on Bangladesh's new independence—admission to the United Nations—swings in the balance. No sooner had Bangladesh applied for UN membership last week than President Bhutto announced that this week's meeting of the Pakistani national assembly would not take the long expected step of recognising the new state, and the Chinese representative in the Security

Council threatened to use his veto to block its entry, unless two conditions are met. These are the return of the 93,000 Pakistani prisoners of war from India, and the complete withdrawal of Indian troops from Bangladesh. There may now be only a few Indian soldiers left in Bangladesh. But there is not a chance of the first condition being met by Monday, when Bangladesh's application is due to receive further Security Council consideration. If an early vote is demanded, a Chinese veto looks certain.

The Chinese are certainly playing an odd hand. They base their stand against Bangladesh partly on the fact that the General Assembly resolution which was passed during the December war, and which called for an immediate ceasefire and withdrawal of troops, was rejected by India, with Russian backing. At the time, this resolution got much support—104 votes to 11. But all this has long been overtaken by events. Last year many people looked askance at China's support for Pakistan against a visibly popular separatist movement in east Bengal. And for the self-proclaimed champion of the rights of small states to veto Bangladesh will look odder still. Are the Chinese following the "revisionist" Russians in putting national interests before those of world revolution? Whatever Peking's motives, Mr Bhutto would hardly have been categorical in refusing recognition had he not been sure of Chinese backing.

Nevertheless, Mr Bhutto has his own reasons for backpedalling on recognition. As last month's language riots in Sind showed, what is left of Pakistan has still not reached a comfortable degree of political stability. A prime objective of the rioters was to burn the offices of Mr Bhutto's own People's party. More ominous still was the dismissal last week of six senior army officers who were accused of having tried to stage a coup last December. The possibility of an extra-parliamentary opposition appealing to the army could arise again if Bangladesh were recognised.

Mr Bhutto may be withholding recognition in the hope that a growth of anti-Indian feeling in Dacca will in time lead Sheikh Mujibur Rahman to accept some sort of link with Pakistan. True, there are some signs that Bengalis may be coming to resent Indian domination of the new country, and the opposition parties are fanning this resentment. But this could only be a long-term development; and Mr

Bhutto would be unwise to rely on it.

His decision will not necessarily disrupt last month's Simla accord between India and Pakistan. On August 10th, Indian and Pakistani officers had a successful meeting to work out the details of withdrawals from occupied areas in the west. Agreement has even been reached on a slightly altered ceasefire line in Kashmir. But it is now unlikely that the second summit meeting planned for September will take place. The first item on its agenda would have been the Pakistani prisoners, whose return India says is conditional on Pakistani recognition of Bangladesh. Now China has weighed in on Pakistan's side. But Bangladesh can live without UN membership a bit longer; and it is probably easier for the Indian economy to go on feeding 93,000 extra mouths than it is for Pakistani emotions to be denied the return of the prisoners of war.

Japan and China

Let's normalise, not abrogate

FROM OUR TOKYO CORRESPONDENT

Japan and China are now officially committed to a rapprochement. A week ago, Peking's news agency announced that Mr Chou En-lai had invited the Japanese prime minister, Mr Kakuei Tanaka, "to visit China for negotiations and settlement of the question of normalisation of diplomatic relations between China and Japan." Mr Tanaka had in fact accepted the invitation the day before, when his foreign minister met Mr Sun Ping-hua, the deputy secretary-general of the China-Japan friendship association. Then this week, on the 27th anniversary of the end of the second world war, Mr Tanaka himself and Mr Sun got together for a chat at the Imperial Hotel.

No date for Mr Tanaka's visit to Peking has been announced, and a Japanese government spokesman has said that no date will be made public until after his meeting on August 31st with President Nixon. However, the Japanese press continues to predict a week-long period late next month, after Mr Heath's visit to Tokyo. Some observers expect that a preparatory mission, consisting of representatives both from the Liberal Democratic party and from the foreign ministry, will travel to Peking well ahead of Mr Tanaka. Meanwhile,

domestic politics continue to favour Mr Tanaka and the ruling party's special council dealing with Chinese problems has given its approval to his proposed trip.

What is likely to come out of this visit? The fast pace of events in the six weeks since Mr Tanaka took office suggests that Peking and Tokyo are now bent on setting the process of normalisation in motion, and irrevocably. This can be done, according to those here who expect it to be done, through a general statement in which both sides could acknowledge the end of hostilities and accept a set of principles—such as non-interference in the domestic affairs of other countries (implying, presumably, an end to China's formerly frequent attempts to influence Japanese domestic politics), and the idea that no single power should dominate east Asia. Full-scale normalisation, according to this argument, would have to wait until the details of a Japan-China peace treaty can be worked out.

This relatively smooth scenario would depend on the willingness of both sides to shelve the legal tangles that could obstruct normalisation. The question of Japan's present ties to Taiwan is clearly the most intractable of these issues. Here the Japanese goal is to reverse the current formula, and to establish full diplomatic relations with Peking while keeping a semi-official "trade" channel open to Taipei.

The Japanese, though they are famous opportunists on political matters, are also famous legalists when they have to get down to legal matters. Plainly Japan would like to avoid an outright abrogation of its 1952 peace treaty with the Taipei government. Through various hints and leaks, Mr Tanaka's new government has indicated that it expects that Japan's diplomatic ties with Taipei will be severed and that the 1952 treaty will become "ineffective." To the Japanese, in the legal context, "ineffective" sounds better than "abrogated"; to the Chinese, it is hoped, the distinction will not matter.

Certainly the Chinese, when viewed from Tokyo, seem at least as anxious as the Japanese to normalise relations. But the Japanese press is already so committed to normalisation, and is so firmly playing down all news that might dampen this prospect, that a sudden stiffening in China's apparent terms would create grave problems for Mr Tanaka in the domestic field as well as in the diplomatic one.

Japan and Taiwan

Trade follows two flags

FROM OUR HONGKONG CORRESPONDENT

For Taiwan, the prospective insult of an abrogated peace treaty has been added to the long-expected injury of Japan's switch of diplomatic recognition to Peking. But the precise formula for the approaching visit to Peking by the Japanese prime minister, Mr Kakuei Tanaka, will probably not be even tentatively shaped until Mr Tanaka meets Mr Nixon in Honolulu at the end of this month. By confucian standards, the annulment of the bilateral treaty that was concluded in 1952 between Chiang Kai-shek and Mr Yoshida, who was then Japan's prime minister, is perfidious as well as insulting, because both sides had hailed it for 20 years as a shining example of self-restraint and self-respect.

When Japan capitulated in 1945, Chiang was the first allied leader to urge publicly that the Japanese should be treated with "magnanimity and non-retaliation," and he held aloof from the armed occupation of Japan. But when the 1951 San Francisco peace conference was convened, Mao was in Peking and Chiang was in Taipei. Britain sided with Russia against the United States in urging that the Chinese communists should replace the Nationalists at the peace conference. In the end China was not represented there at all, and it was agreed that the Japanese should in due course decide for themselves which government represented China. (Russia refused to sign the 1951 treaty because of the Peking government's absence from the conference.) Mr Yoshida chose the Nationalists, and the bilateral 1952 treaty was duly signed.

However, in this imperfect world, neither international insults nor con-



The analysts of Chiang

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Confucian analects get the same high priority as trade. And the new, resilient Chiang Ching-kuo administration in Taipei has no doubt that Japanese industrialists will discover effective means of circumventing Peking's insistence that contracts will be granted to them only when they stop doing trade deals with Taiwan. Much Japanese business with Taiwan is already conducted through dummy companies. Taiwan's new trade centre in Tokyo—established after the diplomatic switch had been tacitly accepted—will be followed by a tourist centre there, and Japanese counterparts in Taipei are expected to operate long after the diplomats have departed.

A Taipei official spokesman recently remarked blandly that "transferred or non-existent diplomatic ties do not necessarily sabotage trade." It was a Confucian understatement. Taiwan's trade with Canada, west Germany, Holland, Britain, Singapore, Indonesia and Malaysia actually increased last year. Japan still supplies some 40 per cent of Taiwan's imports, and the total in the first four months of this year reached a record of \$267m.

Canada and China

Beavers in Peking

FROM OUR CANADA CORRESPONDENT

In the flock of flying visitors to Peking, the 500 Canadian businessmen who are now in the Chinese capital may be less colourful in plumage than the eagles that surrounded President Nixon in February or the doves that accompanied Mr Waldheim, the UN secretary-general, earlier this month. Yet, even if they seem mere sparrows in comparison, their search is not just for scraps. The 13-day fair that Canada's external affairs minister, Mr Mitchell Sharp, is to open on August 21st is the largest that any foreign country has yet staged in Peking. The Canadian government has invested about \$2m in preparing for it, paying for everything from the translation of 400 technical papers into Chinese to the transporting to Peking of plastic ice for Canadian skaters to dance on.

Canadian sales to China leapt from \$112m in 1969 to \$204m last year, putting Canada among China's top five trading partners. A great part of this increase has been in wheat sales, and the prairie farmers have cashed in on the establishment of diplomatic relations in 1970, after which the Chinese switched purchases away from an Australia that retained its links with



Sharp's the word for salesmanship

Taiwan. Three large wheat agreements between China and Canada have been made since July, 1971, and Ottawa expects that record shipments of more than 3m tons will be made this year.

But the Peking fair is not just a big wheat silo. The 225 firms exhibiting are a cross-section of Canadian industry, from primary oil producers to electronics manufacturers. In talks held last year, when Mr Jean-Luc Pepin, the trade minister, visited China, his hosts outlined general areas in which they were interested in imports: transport equipment, base metals, wood-pulp, livestock for breeding, and medical materials were high on their list. Some of these items are already flowing to China. And there are other items which, according to the Canadian embassy staff, the Chinese have shown interest in buying from this country: they include industrial chemicals, insecticides, and special paper products. The general picture that Canadians see is one of the Chinese making up for time lost during the cultural revolution, but being careful to remain as autarchic as possible and to use imports only in essential areas of agriculture and industry. They have no wish to succumb to other nations' consumer goods; the Canadians got this message, and have put no consumer goods on show.

Whether Canada will remain a favoured trading partner once China's relations with the United States and Australia get better is not clear. At this month's fair, the Chinese did not bar Canadian firms that are in fact American subsidiaries; and some energetic American importers who went to the Canton fair in May placed some pretty large orders for Chinese goods,

which should in turn soften Chinese attitudes about purchasing American wheat and technology. Conscious of this coming rivalry from its big neighbour, and conscious also of the need to show a corresponding increase in purchases from the Chinese, Canada arranged that they should put on the largest foreign display at the Canadian national exhibition in Toronto, which coincides with the Peking fair this month.

For their part the Chinese have been giving preferential treatment to Canada in various ways. They allowed three Canadian Pacific chartered airliners to enter Chinese air space to bring the businessmen all the way to Peking. They agreed to the exhibiting of films that show the Canadian way of life as well as of purely technical films. And no doubt Mr Sharp will be told how they are looking forward to welcoming Mr Trudeau next year.

Thailand

The revolution that never was

FROM A CORRESPONDENT IN BANGKOK

The trouble with announcing a revolution without actually having one is that it is not easy for people to take it seriously. So the makers of the coup in Thailand of last November 17th must now be realising. For all the melodramatic reasons given by Field Marshal Thanom Kittikachorn for sacking himself as prime minister and pointing his tanks at an (emptied) parliament building for a few weeks, it is tempting to see the whole thing as a dramatic public relations effort to shake the complacency not only of Thailand's people but also of its rulers. It might have been more successful if it had not been so obviously an imitation of the previous, and decisive, coup in 1958 by the strong man of that time, Field Marshal Sarit.

For all the theatre, the coup does seem to have changed some things. The incidence of violent crime, for instance, appears to have been checked by 20 summary executions. The security forces have mounted operations against the two worst areas of insurgency, in the far north and the deep south, which although probably not as successful as claimed were at least the first proper drives against the guerrillas. There have been successes in putting down gun-running from Laos and narcotics trafficking. The seizure in Cheng Rai province in the extreme north on July 24th of more than 2,000



Prapas needs someone in front

kilos of opium, morphine and heroin, claimed to be worth \$213m to the drug-pushers in New York, capped a recent series of pounces that have silenced, at least temporarily, American accusations of half-heartedness.

Two issues remain to be settled. Foreigners, and foreign companies, in Thailand are still uncertain of their future position. More important, there has still been no decisive move towards the promised restoration of ministerial government.

Some new legislation about aliens has been on the cards for three years or longer. The original idea was just to bring the immigration laws up to date. But now the aim has grown more ambitious, and there are two main bills on the stocks. One will institute a system of work permits for foreigners working in Thailand; the other will regulate the way foreign businesses can operate in Thailand. The debate about them demonstrates how ambivalent the Thais are about the whole business.

On the one hand, leading Thais make speeches from time to time welcoming foreign investment. On the other, the Thai chamber of commerce is working assiduously behind the scenes to limit the opportunities open to foreigners. Despite public gestures of encouragement, it looks as if the draft legislation the government is drawing up will require 51 per cent Thai participation in most Thai limited companies, and the policy of forcing Thai control on foreign-financed business enterprises is already beginning. The World Bank, in its latest report on Thailand, advises the government to clear up the uncertainty in order to give real encouragement to foreign investment.

It is extraordinary that for the past decade there has been virtually no change in the patchwork quilt of political groupings that makes up the power

structure in Thailand. Field Marshal Thanom is a nice man who needs to be backed by a tough man; General Prapas, the minister of the interior, is a tough man who needs to be fronted by a nice man. There are rumours now that the national executive council, which presides over the result of November's coup, has not yet carried out its promise of restoring ministerial government because of tensions within the ruling caucus; the problem is probably rivalry among the second-line men over the succession to the more important posts.

None of this has prevented the Thais from keeping their options open in foreign policy. Much of the American air power in the Vietnam war comes from bases in Thailand. Yet a Thai pingpong team is off to Peking next month. There's nothing like waiting to see which way the ball bounces.

Russia

Fear of the waves

The Soviet government is getting worried about the prospect of foreign television programmes reaching Russian homes by way of artificial satellites. Its foreign minister wrote to the United Nations secretary-general, Mr Kurt Waldheim, last week suggesting that all television broadcasts not approved of by the governments of the receiving nations should be outlawed by an international convention. Mr Gromyko asked that his proposal be put on the agenda of the United Nations general assembly when it meets next month.

In fact, his fears are a bit premature. Even the most powerful artificial satellites in use now send relatively faint signals to the earth, and these need to be picked up by large aerials and amplified before being piped to radio and television stations or telephone subscribers. The Soviet government isn't about to put up aerials for that. But American space communications technology is making good progress, and it may soon be possible to construct satellites capable of direct transmission without the aid of aerials and amplifiers on the earth.

Russia's friends in eastern Europe, who have also taken up the theme of the alleged threat from foreign television broadcasts, claim that these could be used by the big powers to establish their dominance over weaker countries, as the Polish paper *Głos Pracy* put it last week. But presumably the real worry of the communist

governments is the possibility that such broadcasts might destroy their own monopoly of information.

Their monopoly is already breached by the radio broadcasts beamed to eastern Europe by the BBC, the Voice of America and the two American-financed stations in Munich, Radio Free Europe and Radio Liberty. The Munich stations are a particular thorn in the flesh of Russia and other east European countries because of their relatively outspoken political commentaries on internal developments in communist countries. The Soviet Union and its allies have gone to great lengths to have these stations silenced or discredited, and very nearly succeeded earlier this year when the American Senate voted to stop the stations' funds. That decision was reversed, and the stations have survived for the time being. It is easy to imagine the chagrin of the Russians if they were to be replaced by a number of television stations that provided hot competition for the stale and predictable domestic product.

These Russian manoeuvres aimed at restricting international freedom of communications will have to be resisted. After all, Russia itself claims to want better east-west relations, and one of the most important purposes of any real improvement should be to increase the two-way flow of people and ideas. Rather than complain about western television programmes, why don't the Russians try beaming their own to the west—as they already do in radio?

Czechoslovakia

He may not even get the benefit

The present series of political trials in Czechoslovakia started just over a month ago. The score over the month is nine trials with 46 defendants, and no acquittals. In Brno last week the two chief accused were women; they were sentenced to 4½ and 3½ years of imprisonment. The trials have produced a lot of bad publicity for Czechoslovakia in the west, and some strains and stresses in the ranks of the west European communist parties. Even *Pravda* was moved on Monday to react to some of the unfavourable comments; and on Wednesday, perhaps in response to them, the prosecution of 10 young Czechoslovaks was called off.

Whatever their international consequences, the Czechoslovak trials have

served to put out of action a small but important group of people who had long been a thorn in the flesh of the regime headed by Mr Husak. Most of those who have been tried were communists or ex-communists in their thirties or forties who felt very strongly that the spirit of the 1968 "Prague spring" had to be kept alive. Their actions were limited to things like putting out leaflets to remind voters of their constitutional rights during last November's election, and informing sympathetic western communists about what was happening; but this was enough to make the regime move against them.

Mr Husak has presumably made the familiar calculation that the suppression of a fairly small number of known "troublemakers" will leave him free to pursue his policy of keeping other Czechoslovaks quiet by letting them have more consumer goods. But even if the device works, he may still have to face the painful sight of somebody else enjoying the fruits of his labours. His chief rival in the ruling party, Vasil Bilak, has just received fulsome birthday greetings from the Soviet central committee, and it looks as if he is being groomed to take over the party leadership. Mr Husak may find himself being shoved upstairs into the presidency of Czechoslovakia as the reward for his endeavours to make the country safe for Mr Brezhnev.

Haiti

Guns make friends

FROM OUR CENTRAL AMERICA CORRESPONDENT

The memory of "Papa Doc" has faded enough for Haiti to be given the mark of regained respectability: the Americans are going to sell it arms again. Ten years ago President Kennedy suspended all economic and military assistance to Haiti in an effort to force President François Duvalier to ease his repression of local opposition groups. The attempt failed: until his death in April last year, Papa Doc continued his regular purges of enemies and friends alike, undeterred by foreign criticism. So when he was succeeded last year by his 20-year-old son, Mr Jean-Claude Duvalier, the Americans decided to review their policy towards the impoverished black republic and try to reassert their influence over its government.

In no time at all the American ambassador, Mr Clinton Knox, was to be seen regularly visiting the national palace to confer with the new presi-

dent-for-life and his influential mother, Mrs Simone Duvalier. American embassy spokesmen began to say that "things were much improved" under Jean-Claude. A year ago American economic advisers returned to Haiti after a nine-year break. Now the United States has decided to resume arms sales. A military mission which visited Port-au-Prince early in August is expected to recommend the sale of between \$5m and \$10m worth of arms to Haiti this year, and new arrangements are to be made for the training of army officers by American teams.

To obtain this change of policy, the Haitian government tried to convince the Americans that it was threatened by the Castro regime in Cuba, by the Dominican Republic (with which it shares the island of Hispaniola), and by Haitian exiles. None of these "enemies" seems very real; the Dominican Republic, at any rate, is more scared of Haiti than vice versa, and the exiles are divided and ineffective. A more convincing reason for the arms sales is that the United States would like to consolidate its influence over the Haitian army.

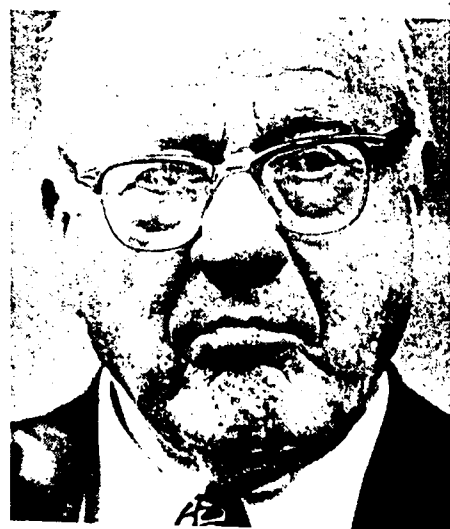
During the 1960s, Papa Doc Duvalier deliberately weakened the army and gave responsibility for internal security to his private militia of thugs called the Tonton Macoutes. After the old man's death efforts were made to dismantle the Tonton Macoutes, and a new elite regiment, called the Leopards, was created in the army to counter-balance the power of the presidential guard. Increasingly, therefore, the army is moving back towards a position as arbiter of Haitian politics. It has already happened several times in recent years in Latin America. If and when it is Haiti's turn, the United States hopes to have a few good friends among Haiti's senior military officers.

The Olympics

Forever Avery

Mr Avery Brundage, the crusty octogenarian president of the international Olympic committee, arrived in Munich on Tuesday with every intention of sticking to his insistence that Rhodesian athletes should take part, on the same terms as they did in Tokyo in 1964—almost as if UDI had never happened. For the moment this seems to suit Mr Ian Smith's book as well as Mr Brundage's.

By mid-week, the expected mass boycott by African nations had not



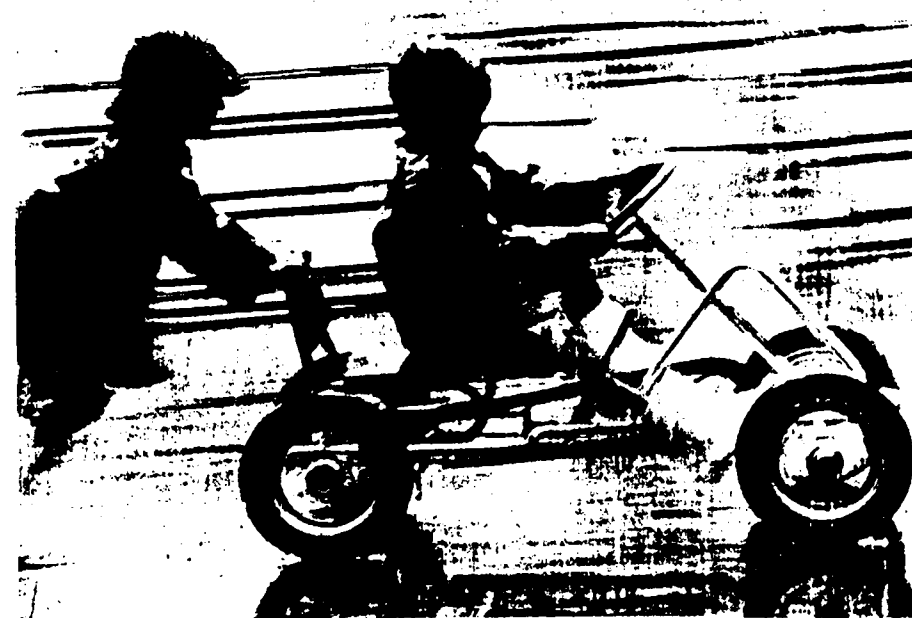
Brundage takes umbrage

taken full shape. Tanzania had withdrawn. Kenya, Ethiopia, Sierra Leone, Sudan, Liberia, Uganda, Ghana and Zambia had decided to withdraw if the Rhodesians did participate. In purely athletic terms, Kenya was the one that mattered most, though Keino and his team-mates could not expect to achieve in Munich the spectacular success that they enjoyed at the high altitude of Mexico City in 1968. The same might be said to apply to Ethiopia, but its long-distance runners do not seem to need altitude all that much; they won the marathon at each of the last three Olympics.

But for west Germany, the host nation, what matters is less the displeasure of the Africans than the new intentions of the east Germans. The spectacle of the east German team marching around the Munich track under its own flag will have immense political symbolism; indeed, Herr Ulbricht and Herr Honecker have been preparing for this day for the past four years. Reports are still circulating that Herr Ulbricht himself may decide to attend. If he does it will give Herr Brandt a political headache that not even Mr Brundage's very special rules of protocol may be able to smoothe away.

But perhaps the most significant aspect of the Munich games is the non-story which (appropriately) has never been reported by the daily press. So far there has been no significant rumbling of black-power protest or disaffection from the black athletes who form the backbone of the American track team. A week before the 1968 Olympics it was a very different story. This may, or may not, have political significance. Mr Nixon will be keeping his fingers crossed.

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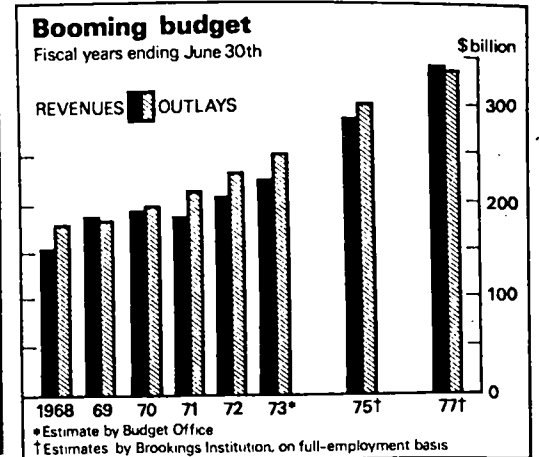
August 16, 1972

THE WORLD

American Survey



Shultz (Treasury), Weinberger (Budget office) and the problem they share



Spending for a tax increase

Washington, DC

On the anniversary of President Nixon's "new economic policy" of last August, his Administration has been pointing with pride to the accomplishments of that policy, notably a distinct pickup in the rate of growth of the national output and some slowing (by most measures) in the rate of inflation. But the joy is tempered by constant warnings from the President and his top economic officials about the dangerous trend of government spending. They have good reason for their concern. Congress, whose procedures—quite apart from partisan politics—seem to make self-control impossible, is in the process of adding billions of dollars to the total spending proposed by the President for this year; at \$250 billion that total itself is large enough to produce a deficit of some \$30 billion in the budget. The problem may not be so much the current fiscal year 1973, ending next June; many economists believe that such a deficit, or even one a little larger, remains appropriate so long as there is still a substantial amount of underused resources in the economy. The problem lies in the future.

Making their calculations mainly before Congress embarked on its current spending spree, economists of the

Brookings Institution estimated earlier this year that, with laws now on the books and the addition only of new programmes already proposed by Mr Nixon, federal spending will reach \$300 billion in the 1975 fiscal year. Assuming that the resources of the country would be fully employed by then, they estimated that the present tax system would yield only \$283 billion in revenues in that year. The obvious conclusion was that a tax increase would be necessary, especially if any more programmes were undertaken.

The Administration, while not objecting to the Brookings arithmetic, has persistently rejected its conclusion. Pointing to the "tax revolt" around the country and to the fact that Congress has not enacted a general tax increase in peacetime since 1933, Mr Herbert Stein, the chairman of the President's Council of Economic Advisers, says that "a tax increase could become necessary without being probable." Mr George Shultz, the Secretary of the Treasury, noting the present budget of \$250 billion, says that the American people are not so persuaded of the ability of the government to spend effectively that they regard a quarter trillion dollars as insufficient.

Asked what can be done, these men and Mr Caspar Weinberger, the budget chief, simply refuse to concede that a tax increase will be necessary and make rather vague pledges that spending somehow can be held below the amounts projected by Brookings. A tax increase is "the worst way" to solve the problem, says Mr Weinberger.

Last month the President issued an unusual special appeal to Congress, saying:

just when we have succeeded in cutting the rate of inflation in half, and just when we have succeeded in making it possible for America's workers to score their largest real spendable income gains in eight years, this tangible, pocketbook progress may be wiped out by proposed excessive spending.

He threatened to veto bills that would push spending above his budgeted levels, but that is not always easy to do. And he again asked the Democratic Congress to impose a spending ceiling upon itself of \$250 billion for this year; this would be unprecedented and Congress apparently has no intention of doing it, though the Republican leaders have promised to make a good try. The President this week vetoed the pending bill appropriating \$30.5 billion for education and health programmes, on the ground that it would all but force him to spend \$1.8 billion more than he wanted. He may possibly veto other bills that are nearing final enactment, but this is only a partial answer to the problem.

There is no doubt that the heart of the matter lies in Congress and its procedures for handling spending and

revenues—procedures that Mr Weinberger has labelled “gruesome.” Many Congressmen, perhaps a majority, do not even understand how they are adding to the spending total and to the deficit. They continue to regard the annual appropriations bills—in which Congress nearly always makes a small net reduction from presidential requests—as the beginning and ending of government spending. In fact, most government spending occurs now through programmes establishing certain levels of benefits, with appropriations following automatically.

This year alone, Congress has already increased or is in the process of increasing benefits for ex-servicemen, retired military personnel, coal miners, pensioners and local school districts—all through separate legislative actions without the slightest effort at co-ordination. Only one of these increases came through an appropriation bill, the one which the President has just vetoed. What Congress does not seem to understand is that, though each year it may cut total appropriations below the President's request, in places like defence where there is some discretion, it still votes \$15 billion-\$20 billion more than the previous year, mainly because of its own earlier actions. Appropriations bills are now the least important part of the government's spending process.

A grotesque example of this has just come to light. As long ago as 1967, Congress—hoping to improve “social services” to the poor and slow the increase in the number of people on public welfare—provided that the federal government would pay 75 per cent of state and local government expenditures in social services for persons on welfare and for the general purpose of improving the cohesiveness of the family. Ingenious state officials, following the original example of California, have learned how to use this obscure provision of the law to obtain federal money for numerous programmes which they had previously paid for themselves. Applications for federal aid under this scheme have zoomed to \$4.8 billion in the current fiscal year, though last winter an estimate was \$1.2 billion.

On the assumption that total spending at a level well above the yield of the tax system at full employment will again revive classic demand-pull inflation, what can be done? Most private observers reject the Administration's contention that a general increase in taxes can be avoided (while accepting its argument that vast new revenues

cannot be achieved quickly by closing “loopholes” in the tax laws that mainly favour the rich). But there is much in what Mr Stein and Mr Shultz say. Even during the height of the Vietnam war, when the need for a tax increase was obvious to everyone, it took Congress 11 months to enact the surcharges on income taxes proposed by President Johnson. In peacetime individual Congressmen would be able to find even more excuses for inaction.

Another solution would be a major reform of congressional procedures, which might just be possible, particularly if the next Congress is more conservative, as it may be if President Nixon achieves a sweeping victory in November. Although this would come too late to help the spending problem much for the next year or two, it could improve the situation significantly for the latter half of the decade by forcing Congress to realise what it is doing to spending and to raise taxes if it insists on more spending than is proposed by the President in office.

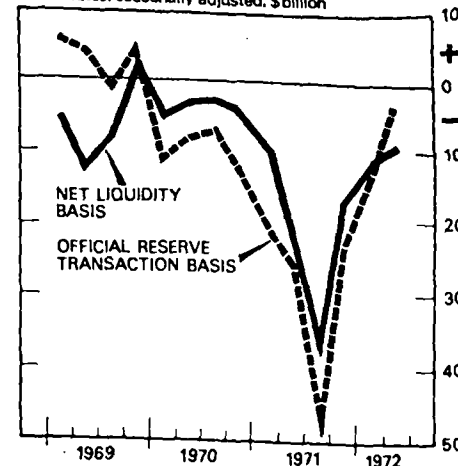
Unfortunately, the most likely prospect is that there will be neither a large tax increase nor congressional reform. This appears to leave only one alternative: renewed inflation, in 1973 or, more likely, later. Such a result is not inevitable, but the outlook is not promising.

Trade challenge

Mr Paul Volcker, Under Secretary of the Treasury for Monetary Affairs, reporting on the year since the new economic policy of August 15, 1971, believed that “we can confidently look forward to improvement in our trade and payments.” His optimism was justified immediately when the figures came out for America's international transactions in the second quarter of this year; they showed rapidly shrinking deficits. Indeed the accounts might have been in balance on the basis of official reserve transactions, which represent the dollars held by central banks abroad, had it not been for the speculative pressures set off at the end of the period by the floating of the pound. But when the figures based on current accounts are available, in a few weeks' time, they are not expected to be so favourable since they reflect the trading figures more closely; there the deficit, at \$1.93 billion, was worse than in the first three months of 1972.

But the President's Council of Economic Advisers, in the report on the economy at mid-year which it has just

Balance not so bad: International payments, annual rates, seasonally adjusted, \$billion



issued, has reason to think that in real terms the trade deficit may have been stabilised; prices of imports have been rising much faster than those of exports. While this year's economic recovery in America has stimulated the demand for imports, the price differential should slow this down while encouraging exports. But if the United States is ever to re-establish its trading account on a satisfactory basis, and if the protectionist forces in the country are to be held in check, then foreign barriers against American exports must be lowered. “Strong new commitments on a multinational basis,” in the words of the CEA's report, are essential, however difficult these may be to negotiate under today's conditions. In principle America's trading partners agree that there is a need for reform in the international trading system; but in practice they are very suspicious of the conditions which, in the view of the President's economic advisers, should govern the negotiations.

The CEA's report sets a challenge with its insistence that any new trade agreement should be comprehensive, covering all economic sectors, especially agriculture, and all forms of trade barrier. Maximum reliance, the report says, should be placed on “market-directed trade” and policies designed to insulate major sectors from market forces should be avoided. Any new system of trading rules should be fairer than the present one. Domestic social policies, such as those setting environmental or health standards, should not be allowed to disrupt foreign trade. Finally there must be safeguards allowing industries time to adjust and providing help in making the adjustment, when patterns of production or consumption are changed as the result of trade agreements.

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Consolidated Statement of Condition, June 30, 1972

ASSETS

Cash and Due from Banks	\$ 3,589,713,886
U. S. Government Obligations	461,035,008
Obligations of States and Political Subdivisions ..	849,670,450
Other Securities	76,950,820
Total Securities	1,387,656,278
Loans	8,373,616,496
Banking Premises and Equipment	119,122,673
Customers' Liability on Acceptances	366,362,778
Accrued Interest and Other Assets	208,307,428
Total	\$14,044,779,539

LIABILITIES

Demand Deposits	\$ 6,453,362,841
Savings Deposits	963,370,255
Other Time Deposits	1,606,874,534
Deposits in Overseas Offices	2,940,739,836
Total Deposits	11,964,347,466
Borrowed Funds	511,337,071
Acceptances	374,103,725
Accrued Taxes and Other Expenses	113,535,686
Dividend Payable	10,920,000
Other Liabilities	85,944,627
Unearned Income	25,115,171
Total Liabilities	13,085,303,746

RESERVE FOR POSSIBLE LOAN LOSSES 164,262,657

CAPITAL FUNDS

Capital Notes (6½%, due 1979)	100,000,000
Shareholder's Equity:	
Capital Stock (\$15 par value)	
Authorized and Outstanding—14,000,000 shares	210,000,000
Surplus	340,000,000
Undivided Profits	145,213,136
Total Shareholder's Equity	695,213,136
Total Capital Funds	795,213,136
Total	\$14,044,779,539

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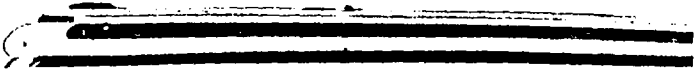
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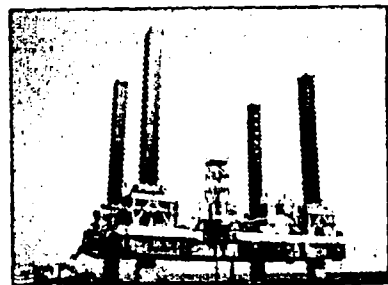
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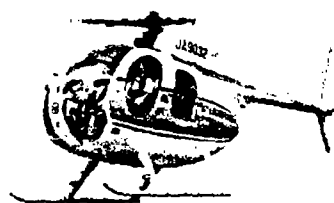


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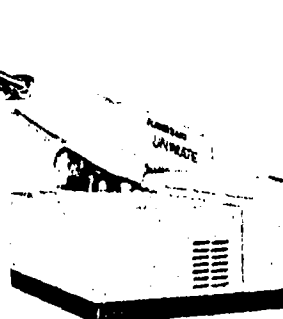


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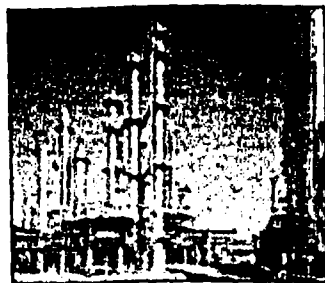
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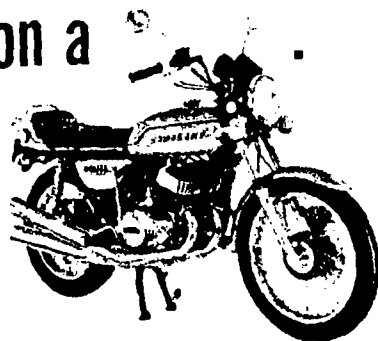
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ELECTION '72

On the box

The thesis that competitive television will not prove that it has come of age until it has shown the courage to be dull is all very well, but few professional broadcasters see much point in being worthy if their programmes are also unseen or unheard. That would probably be the fate of the three major networks if they followed the Public

Broadcasting Service's decision to show next week's Republican convention neat and unadulterated. The PBS cameras will be trained on the podium at Miami Beach and there they will stay—whatever the major networks might be doing to show—or create—interesting events on the floor or outside. If those events are genuine the PBS will discreetly draw its viewers' attention to the commercial stations.

The two leading frontmen of PBS, Mr Sander Vanocur and Mr Robert MacNeil, are not exactly enamoured by the decision and not simply because

it leaves them with very little to do. They have a valid argument that no television service, even a small minority one, should accept any political party's offerings at their face value, which is largely what the PBS broadcasts of the Republican convention will do. But there is an equally valid argument that political parties are entitled to have their whole case heard before it is challenged or analysed (or, worse still, ignored for something superficially more interesting) and, as the major networks are unwilling to do that at national conventions, it comes down to

Conventional Republicans

FROM A CORRESPONDENT IN MIAMI BEACH

Two national political conventions will take place in the gaudy resort city of Miami Beach next week. In the north hall of the Miami Beach convention centre, the Republican party's convention will renominate Mr Richard Nixon for President of the United States and Mr Spiro Agnew for Vice President. The job will be done by 1,348 delegates and an equal number of alternates, substituting enthusiasm for suspense.

Outside the hall, and beyond the chain link fence that surrounds it, is where the real action may well take place. How much of it? That depends upon the number of people attracted by the dozens of political dissent movements in the country. Optimistic local officials predict, hesitantly, that there will not be many more than the 3,000 or 4,000 who came for the Democratic convention. Optimistic protest leaders, such as Mr Rennie Davis of the People's Coalition for Peace and Justice, predict that the demonstrators will number as many as 30,000. Supposedly objective people who have worked as medical, religious and social service volunteers at other protests across the country make estimates in the range of 15,000 to 20,000. The more outsiders there are, the greater will be the possibilities of violent confrontation with the 7,000 policemen, government security agents and troops who have been assembled to protect the city and the convention.

At this writing, the major protest groups, who have formed a Miami Conventions Coalition, have promised to conduct only non-violent dissent. They have shared their plans for demonstrations with local officials, who are co-ordinating in order to prevent clashes between dissenters of conflicting ideologies. That approach worked with surprising success last month, but even those leaders most determined to avoid violence and mass arrests admit that they cannot force fellow dissenters to maintain cool heads.

Up till now, the only serious alarm raised has been over plans of the Vietnam Veterans Against the War. Six of the organisation's leaders have been charged by the government with conspiracy to disrupt the convention with violence. Last week the Miami Herald reported evidence that VVAW officers had bought a number of weapons, including eight cases of slingshots, and that a federal grand jury which summoned 23 members to testify deliberately timed the appearance date to get the leaders out of Miami Beach during the Democratic convention. It would come as no surprise if similar action were taken this week or next against the VVAW.

As for the convention of the Republican party, the preliminary events have begun. The platform and rules committees began their deliberations on Monday. They and other committees have been meeting all week. The convention proper opens at 1 pm next Monday, August 21st, with welcoming speeches, action on committee reports and election of California's Governor, Mr Ronald Reagan, as temporary chairman.

The evening session starts at 8.30 with a speech by Mr Reagan. Then, in a gesture of unity, five-minute keynote talks will be given by Mr Edward Brooke, the party's only black Senator, by Mayor Richard Lugar of Indianapolis, the President's favourite young city official, and by Mrs Ann Armstrong, co-chairman of the Republican National Committee. She will be the first female keynoter in the party's 118-year history.

On Tuesday afternoon the convention will act on the reports of the various committees, with Congressman Gerald Ford of Michigan as permanent chairman. In the evening session, Governor Nelson Rockefeller of New York will renominate President Nixon. Next day Vice President Agnew will be renominated and the President and Vice President will give their acceptance



Back to jail for Vietnam Veterans

speeches. All will be carefully timed to suit the television audiences, with none of the argument and delay that beset the lively Democrats.

With the Republican convention in general carefully orchestrated and choreographed by the White House, there is little prospect of a controversy, except on the topic of reforming the party's and the convention's procedures. A committee, headed by Mrs Rosemary Ginn of Missouri, has proposed a list of reforms designed to broaden the party's base by opening the action to more women, youths and members of minority groups. This year's convention—with some states already accepting the spirit of those proposals—will have more delegates and alternates in each of those categories than any previous Republican convention, although not as high a proportion as the Democrats achieved. If the convention as a whole adopts the reforms, they will be put into effect for the 1976 gathering when a new presidential nominee will have to be chosen. If there is any argument, it will be over how far reform should go.

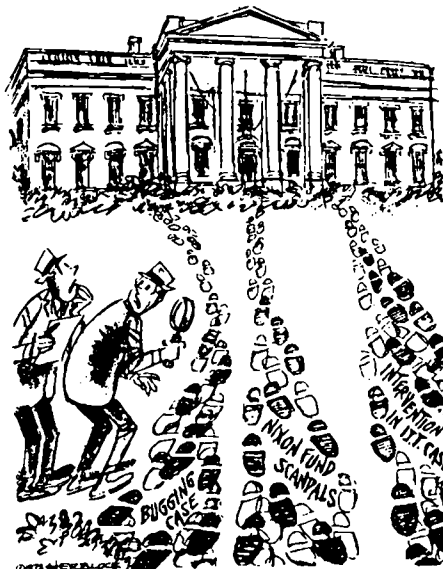
an argument for at least one service carrying a broadcast of complete record. It will, no doubt, only have minority appeal; but that is what minority networks should cater for.

In fact, the major networks have behaved pretty well so far. At the Democratic convention what come over the screens was recognisably the same convention that was taking place in the hall, which was a vast improvement on the coverage of both party conventions four years ago. But that was probably because this time the story was the convention itself. No doubt those few people who wanted to hear and see every speech in full were irritated when the networks cut away from the podium to interviews on the convention floor, as, inevitably, they will do with the Republicans. But that is not an abuse of television's power; it is a matter of news judgment—as it will be next week if the networks spend more time on demonstrations outside the hall than they did at the Democratic convention.

But even if the networks come through the Republican convention without serious criticism there will be no cause for complacency. There is still an intensely competitive situation between the major networks, and there is still the danger that in their desire to keep one step ahead of their rivals they might, at some future convention where the result was not a foregone conclusion, create an entirely phoney situation which could affect the outcome of the event that they were supposed to be merely reporting.

Watergate, part 2

There is one political serial running in Washington which lifts up the spirits of the most depressed Democrat and which Senator McGovern is exploiting relentlessly. It is the sequel to the clumsy break-in at the Watergate headquarters of the Democratic National Committee in June by five men with wire-tapping implements—and with connections reaching into the Central Intelligence Agency, the Committee for the Re-election of the President, the Republican National Committee and the White House itself. Suspicions of a link to someone high up in the Republican establishment have been strengthened by the revelation that a cheque for \$25,000, representing contributions to the Republican presidential campaign, turned up in the Florida bank account of Mr Bernard Barker; he is one of the five suspects



"Strange—They All Seem To Have Some Connection With This Place"

in the bugging incident and apparently their leader.

A cheque for \$25,000 is small beer, no doubt, to a party whose national presidential committees have just reported collecting \$3.8m and spending \$5.9m in June and July alone and which, on August 1st, still had \$7.7m in the kitty. But the awkward fact is that a midwestern fund-raiser gave the cheque to Mr Maurice Stans, the President's fund-raiser-in-chief, on April 10th, three days after the reporting requirements of the new federal elections act went into effect. Yet there is no record of it in the party's reports to the Office of Federal Elections. That office's head is now suggesting that several violations of the act may have been committed. Worse still, Mr Stans has failed so far to make any public statement about what he did with the cheque. He is supposed to have told the Federal Bureau of Investigation that he turned it over to Mr G. Gordon Liddy, financial counsel to the Committee to Re-elect the President, and that it was eventually exchanged for cash, which was paid into party funds. But this account raises new questions. Mr Liddy has since been fired by the committee for refusing to answer the FBI's questions.

The Republicans, ostensibly to ensure that political passions do not intrude, want any trial or inquiry arising out of this affair to be postponed until after the election. They are likely to have their wish, even if the grand jury now looking into the case brings in criminal indictments and even though the judge who is to hear a \$1m civil suit (brought by Mr Lawrence O'Brien, head of the Democratic National Committee at the

time of the break-in), has refused to postpone the trial. But next week Mr O'Brien's lawyers are to begin taking formal statements from over a dozen Republicans, including Mr Stans and Mr John Mitchell, the former Attorney General and subsequently, for a time, head of the Committee to Re-elect the President. Meanwhile Senator Proxmire, a Democrat, is threatening that the Senate will institute its own bipartisan examination, to be completed in 30 days, unless President Nixon arranges for an independent inquiry.

Courts' plea

FROM A SPECIAL CORRESPONDENT
IN SAN FRANCISCO

Mr Ramsey Clark, the former Attorney General, recently returned from North Vietnam, provided a disquieting presence with his talk of buckling dikes and napalmed babies, but he was much the odd man out at the American bar association's 95th annual meeting in San Francisco this week. No one expected the 7,000 lawyers and judges to dash over to Indochina to learn "the truth" about American bombing, as Mr Clark suggested. They seemed more comfortable with the observation of the current Attorney General, Mr Richard Kleindienst, that "this is not an age of shame." Anyway, the bar decided long ago that the war was a "political issue," best left to the legislature.

The meeting also provided a forum for Chief Justice Warren Burger's third annual "state of the judiciary" report. Like Mr Clark, he served a challenge, but of an entirely different sort. Mr Burger asked the lawyers to help to unclog the judicial machinery by supporting administrative efficiency. He suggested to Congress that it co-operate in two specific ways. The first was to eliminate the special three-judge federal district courts that channel "constitutional" cases to the Supreme Court without the benefit of a judgment by an appeals court.

These three-judge courts were set up by Congress in 1910 when states which had created commissions to regulate the rates charged by privately-owned public utilities such as gas companies often found themselves stymied by orders obtained from a local federal district judge. The new courts included a member of the circuit's court of appeals, as well as two district judges, chosen by lot, and there was a right of appeal directly to the Supreme Court. Recently three-judge courts have been used increasingly by lawyers

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MCDONNELL DOUGLAS

handling cases concerning civil liberties (318 were convoked last year compared with 129 in 1963) and these courts have been responsible, at least in part, for the doubling of the workload of the Supreme Court in the past decade. At lower levels they make great demands on the available judges.

Mr Burger also asked Congress to attach a "court impact statement" to every law creating new federal crimes or civil actions. By this he meant that Congress should estimate the number of additional judges which the measures would necessitate. The effect might be to deter Congress from passing such laws. The Chief Justice suggested, as well, that the number of federal judges should be increased from 670 today to 900 by 1980.

Specials winged

The best that the Senate could do was to make it more difficult to shoot a neighbour, a policeman or a presidential candidate; it still refuses to make it too difficult. Under the new gun control law which passed the upper house last week the manufacture and sale of the small and cheap pistols called Saturday night specials is prohibited. This type of easily-concealed handgun is the sort that wounded Governor George Wallace last May and which killed Senator Robert Kennedy four years ago. According to crime statistics handguns were used in over 50 per cent of the murders committed in 1970 and nearly all the policemen killed last year were murdered by these guns.

Those who are in favour of gun controls may have chosen the right target when they picked the Saturday night special, but their firing was not accurate enough. The Senate's measure will only remove from the market about 1m of the 2.5m pistols which are sold annually in America. It will not get rid of the millions which are already privately owned although it does encourage people to turn them in voluntarily in return for \$25. Nor does the bill forbid individuals to sell guns: many criminals manage to get hold of their weapons through private sales. It is estimated that there are over 100m firearms of all types in millions of private homes throughout the country. A large number of these are rifles or shotguns used by sportsmen who fanatically resist all attempts to restrict their freedom. Efforts in Congress to require guns to be licensed and registered have been beaten back time and again, most recently last week.

It's more fun by ferry

FROM A CORRESPONDENT IN SAN FRANCISCO

Commuter ferry boats, with wall-to-wall carpeting for comfort and jet-propulsion turbine engines for speed and smoothness, are in prospect for San Francisco Bay, even though they promise to be far costlier than was first expected. Three vessels are proposed, each capable of carrying 750 passengers at a speed of 25 knots an hour. But the bids ranged from \$3m-\$7m higher than the original estimates and the cost of the three boats will amount to between \$12m and \$16m.

Such extravagant transport for commuters dismays the sponsor, the Golden Gate Bridge and Highway District, but it still plans to lure motorists from their smog- and - congestion - producing cars with the offer of a speedy, refreshing ferry ride from home to office and back, complete with luxurious cocktail and coffee bars. One ferry boat has been operated experimentally by the bridge authorities for the past two years; it runs from a pier near downtown San Francisco across the neck of San Francisco Bay to the northerly bedroom community of Marin County.

No metropolitan region in the United States has been more imaginative in its moves to solve its traffic problem than San Francisco, which opens its high-speed 75-mile modern suburban railway system next month.

Now the rest of California is also modifying its passion for the motor car. A new statewide sales tax of five cents a gallon imposed on petrol since July 1st will provide about \$140m a year for Californian cities and counties to put into public transport. The ferry boat system will have a share of these funds, which the federal government will triple. This is the first time that money for public transport facilities has been drawn from something other than the over-used property tax.

The motor car has also enabled the

Golden Gate Bridge District to provide mass transport, both by ferry boat and by bus. Bridge tolls of 25 cents a crossing on something over 33m cars a year have permitted the authority to build up a surplus of about \$25m and to forecast an annual profit of some \$4.5m now that its construction bonds are all paid off. The existence of this reserve, together with the congestion on the narrow bridge that arches over the Golden Gate, led the state legislature to order the bridge authority to provide some alternative means of transport which would reduce both pollution and congestion. Thus, by an odd twist of history, the bridge, whose opening in 1937 ultimately killed off what was then the largest ferry-boat fleet anywhere in the world, has now provided money to bring ferry boats back to San Francisco Bay.

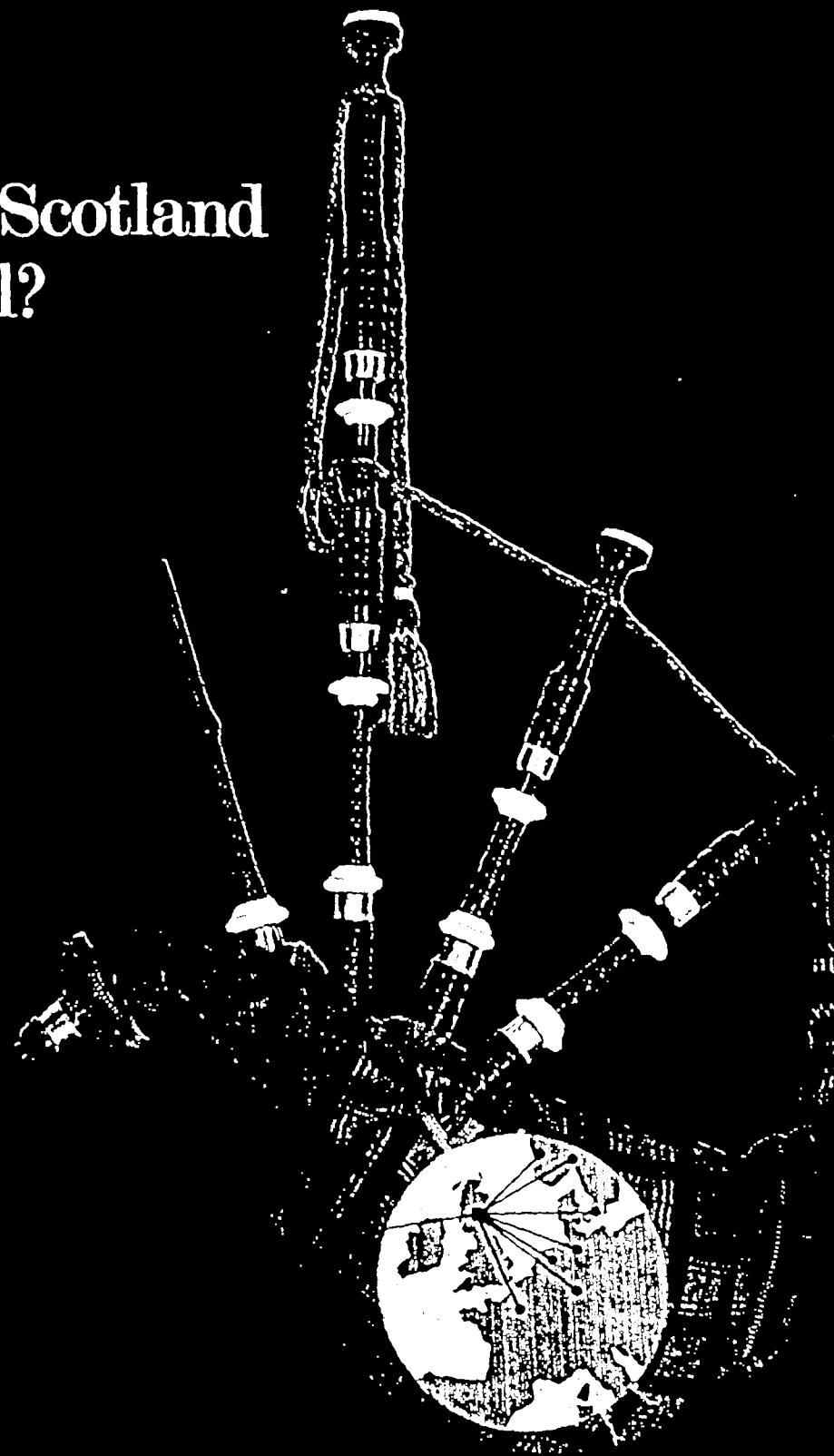
The bridge authority began by virtually exempting car pools, and cars with three or more occupants, from paying tolls. This year the bridge district is also operating a \$9m fleet of 186 new-style buses that make stops all through the San Francisco business district, giving speedy express service to the Marin County area; then they fan out to become a local service in a charming suburban district which never before had adequate public transportation. This costs money: the bridge district provides a subsidy of more than \$3m a year, even though the number of riders is increasing rapidly.

Ultimately, it is hoped, more sophisticated ways can be found to speed bus service through the city (perhaps by tunnel). But for engineering reasons, Marin County is still unlikely ever to see high-speed trains, such as will link the rest of the San Francisco commuter area, because it is not advisable for them to use the Golden Gate Bridge.



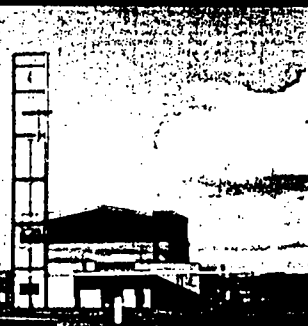
Today's slower boat to Marin County

What makes Scotland international?

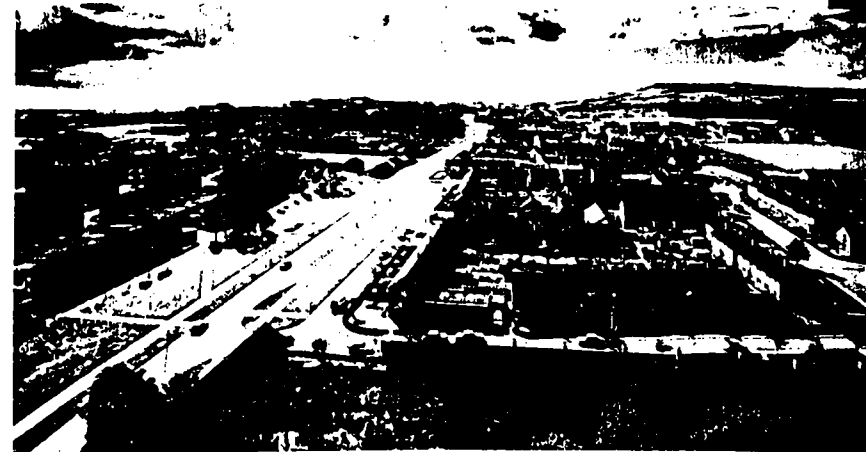


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Mr. Murray Mott, managing director of Cessna Industrial Products Ltd. states:
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GLENROTHES

Books

Old man eloquent

SUKARNO: A POLITICAL BIOGRAPHY
 By J. D. Legge.
 Allen Lane, The Penguin Press. 442
 pages. £3.50.

Prince Sihanouk once called Sukarno "a scatterbrained old man fond of virgins." Professor Legge's estimate of the late Indonesian leader is more charitable and rather more accurate. The picture of Sukarno that emerges from this book is of a complex man of great talents and weaknesses. The author clearly faced considerable problems of interpretation. The Sukarno of the 1930s, eagerly proclaiming the cause of Indonesian nationalism, was a much more attractive figure than the leader of Indonesia during the confrontation with Malaysia: a man grown gross in physical appearance and increasingly coarse in his search for sexual satisfaction.

It is a tribute to Professor Legge's own balanced approach that he is able to cull from the numerous existing accounts of Sukarno's life a picture of the man that is convincing without being colourless. He does not hide the warts. But the account provided here shows how Sukarno could continue to be a figure of veneration for his countrymen, even when his image throughout the outside world, with a few and rather special exceptions, was black. Not least, a reader of Professor Legge's book will gain some sense of Sukarno's qualities as an orator. To have heard him address a political meeting at the height of his powers was an experience not to be forgotten.

The size and importance of the Indonesian state has made it a subject of continuing interest to scholars and journalists since the second world war. Not surprisingly, the flamboyant personality and dramatic political actions of the first Indonesian president became and remain a focus for attention. At first glance, the approach that Professor Legge has adopted is surprising. Almost half the book is concerned with events before the proclamation of Indonesia's independence in 1945. Moreover, in its concluding chapter the book only gives a brief

account of that most controversial of developments, the 1965 *Gestapu* affair. This highlights the importance of Sukarno's early life, but leaves important aspects of the attempted coup unresolved. But it is justified by the author's own statement of intent. This is an account of Sukarno's political career, and that began long before the Dutch unwillingly conceded independence to Indonesia. The affair of September, 1965, is still open to further research; by acknowledging this Professor Legge injects a degree of calm into what has become a matter of frenetic and frequently ill-judged commentary.

This book is the best introduction to Sukarno yet published; but it is not, as the author rightly points out, definitive. Not all specialists will agree with Professor Legge's view of Sukarno's role during the second world war, nor with his description of the Indonesian leader as the "Chairman of the Revolution." And the author is plainly reluctant to come to a firm conclusion about Sukarno's intentions towards the Indonesian Communist party. But Professor Legge has been meticulous in recording the range of opinions, and the problems of reconciling contrary yet considerable views of Sukarno. He remains a controversial figure; this book will do little to move his record from the arena of debate. On the contrary, it provides a starting point for debate.



Sukarno: gross national leader

Fratricidal fresco

O JERUSALEM I

By Larry Collins and Dominique
 Lapierre.
 Weidenfeld and Nicolson.
 638 pages. £4.

GENESIS 1948

By Dan Kurzman.
 Vallentine, Mitchell. 768 pages.
 £3.95.

This genre (what the dustcover of "O Jerusalem!" describes as "historic fresco") has its own peculiar requirements. The first, it must be admitted, is a great deal of industry. Mr Kurzman writes like a tape-recorder, Messrs Collins and Lapierre like a reel of film, but for both books the feat of bringing editorial order to such a mass of material is far from despicable. Comprehensiveness is achieved by accumulation. Weidenfeld and Nicolson's blurb-writer quantifies this with pride: "One hundred and fifty thousand miles travelled across the Middle East, Europe and America, two thousand interviews, six thousand pages of documentation, the collaboration of twenty investigators and the study of half a ton of secret documents. . . ." The price for such a mountain of endeavour is surely reasonable. Both books have been published elsewhere: "O Jerusalem!" in particular achieved great popular success when published in France last summer. Neither can be condemned as instant history.

The second, equally laudable, requirement is to create something readable out of all this honest toil. There is no lack of colour. In a nasty, cruel little struggle like the Palestinian war of 1948 there was enough slaughter, rape, ambush and destruction to fill every chapter; neither Mr Kurzman nor Messrs Collins and Lapierre appear to have any difficulty in resisting the temptation to reduce this blood and pain to cold statistics. Perhaps while the war of 1967 was a matter for military analysis, the war of 1948 was a matter simply for reportage; even so, the high drama with which Mr Kurzman recharges innumerable reported snatches of conversation, orders and remarks reputedly made nearly a quarter of a century ago is a bit rich.

Messrs Collins and Lapierre are less impassioned, but the literary tricks jump out of both books like stuffed rabbits. Trick number one is the ascription of thoughts and emotions without quotation marks: so-and-so held his breath; someone else's voice is low



Pillar of fire: Jerusalem, 1948

with fury and barely-concealed passion. Trick number two is the addition of trivia, particularly of personal appearance, to sharpen an image: "Shoes polished and uniforms pressed. . . ." Trick number three is the portentous use of hindsight: "It was to be almost two decades before [Ben Gurion] would shed tears again. . . ." Trick number four is to achieve balance by juxtaposition rather than judgment: to chop from Jewish hospitals to Arab doctors, from Haganah to Arab Legion. All of these can be legitimate, useful and instructive: in turn, an escape from the heavy paraphernalia of footnotes; a leavening of official reportese; a light spicing of perspective; and a way out of set-piece one-sided chapters or strict chronology.

But there are limits. If one man remembers wondering if he was dying when blood spurted from his chest, it is a fair presumption that that was what he felt at the time: but not all reminiscent self-analysis is so accurate. Then, does it really improve the narrative to be told that "the middle-aged woman in her bathrobe" was reluctant to wake such-and-such a character up? Or, for that matter, that it was to be "a year before" so-and-so "got home for lunch?" Messrs Collins and Lapierre, despite obvious sympathy for the Jews of 1948, are at their best, their most careful, and their most hard-working (and footnote-ridden) on the brutal slaughter of Arab villagers at Deir Yassin. So is Mr Kurzman. But in both books, judgment and analysis are conspicuous by their absence.

As she is spoke

A CONCISE PRONOUNCING
DICTIONARY OF BRITISH AND
AMERICAN ENGLISH

By J. Windsor Lewis.
Oxford University Press. 254 pages.
£1.40.

"Foreigners," said Mark Twain, "always spell better than they pronounce." The Oxford University Press, whose dictionaries have been helping them to do so for quite a while, has now devoted one to the delicate matter of English pronunciation—or rather, to the delicate differences between British and American English, quaintly symbolised in the text by £ and \$. It is designed for those to whom either kind of English is a foreign language, though they will first have to assimilate the "simplified" phonetic alphabet used by Mr J. Windsor Lewis, for which Oxford had to get special type made, and which is explained by reference to other English words. This takes some getting used to: Churchill, for example, comes out as something like tf3tfl. But the result is an admirable and fascinating piece of work.

The accents represented are described as "general American" and "BBC English"; that excludes, for example, Southern drawl or English public-school elision. But sometimes as many as three or four different pronunciations are given. For example, lieutenant appears as lef'tenant, loo'tenant but also le'tenant (British Navy). For American pronunciations Mr Windsor Lewis deferred to American authorities and acknowledges his debt to Webster's Third International Dictionary; for English pronunciation, on which he is a considerable expert, he has been monitoring BBC and subsequently ITV newsreaders since 1963, even sending them questionnaires on their linguistic backgrounds. Mr Windsor Lewis's sharp ear had picked up distinctions they probably did not know they made: in "the outlook for Thursday and Friday," for example, the a in Thursday is pronounced as in sit while the a in Friday is pronounced as in page.

The most common distinction appears to be the English failure to pronounce every r (ove'time, unde'neath). Then there is a whole list of words for which Americans turn the vowel into a double o (Toosday, dooty) or -ile into ill (missill, virill). There are differences of emphasis (garage and garage). Many differences in tone seem to be incapable of representation. A lot of the words for which only one

pronunciation is given—Oxbridge, for example—would still be a dead giveaway (the 24,000 words listed include a useful proportion of proper names). But the author is, after all, trying to show the foreign student what is correct rather than pander to the accent-conscious; which makes one wonder why he gives an American pronunciation for Llandudno and Llanelli (all simple l-sounds), especially when he does not record the common British mispronunciation of Arkansas. But at least he does not record the English aristocracy's established mispronunciation of Londonderry.

Beyond price

ECONOMIC ANALYSIS FOR
EDUCATIONAL PLANNING

Edited by Karl A. Fox.
Johns Hopkins University Press.
392 pages. £6.75.

The problem of applying economics to educational institutions or to educational systems is that for the conclusions to be practicable a great many assumptions have to be made; added to the dubiety of the analysis is the uncertainty of the assumptions. This book has the merit of being an attempt to take a series of specific questions and choose the most suitable set of techniques to answer them, rather than setting out a priori deductions which lead inexorably to a foregone conclusion. But it still has a serious drawback at its heart, namely that it assumes a series of relationships; and on that assumption rests a series of prescriptions which to the ordinary man might seem at the very best arguable, and at the very worst disreputable.

Professor Fox and a team of younger Indian economists decided to apply economic theory to the process of decision-making at Iowa State university. This was 10 years ago, when such attempts were not as frequent as they are now. It is also worth pointing out that it was at the peak of the Kennedy period of near-full employment, when resources were thought to be scarce. At that moment the demand for higher education seemed beyond the likely possibilities of American finance, though it has since been achieved with ease and the era of low employment levels has thrown doubt upon the basic full-employment assumption. This caveat applies to similar attempts being made now. But then, resource efficiency seemed essential to achieve the targets.

Since the basic problem was that

many inputs and most outputs had no direct price or monetary value, and that therefore a market simulation exercise could not be mounted to point to an optimal allocation of resources according to the canons of market or price theory, it was decided to adopt a series of notional prices for the activities of the economics department of Iowa State. Possible courses of action were then plotted out on a computer model similar to those used by Jan Tinbergen in the Netherlands and since widely adopted elsewhere. This was a serious and worthwhile attempt to answer a serious question—how best to allocate resources where there are effectively no prices—and despite some hilarious moments along the way (one serious book equals six articles, one article equals eight book-reviews) it is a valuable lesson in the strengths and weaknesses of the approach and of the techniques. What shines through the complexities of the work, which is lucidly presented and admirably sophisticated in its approach, is the weakness of the assumptions underlying the algebra and the computer formulations. For it is doubtful whether these sorts of decisions are best taken by numerical simulation; common sense still seems a better guide.

Travels of the mind

WILD EXCURSIONS: THE LIFE AND
FICTION OF LAURENCE STERNE

By David Thomson.
Weidenfeld and Nicolson. 340
pages. £3.95.

Since the name of Sterne is bound to conjure up "A Sentimental Journey," it may be as well to establish at once that the "Wild Excursions" of the title have nothing to do with any travels undertaken either by Yorick or his creator. They refer to the vagaries of the muse. If ever a writer was a master of deviation, it was Sterne. By indirections he found directions out; even his most outrageous digressions are calculated, in Charles Churchill's words, "to help the whole with wondrous art."

Mr Thomson delights in Sterne's fiction, but does not pretend that he was an estimable man; "equivocal, unreliable, evasive and unappetising" are some of the adjectives he uses. But he is fascinated by a quality thought of as distinctively modern—Sterne's uncertainty about his own identity. Reality for him was essentially a matter of his own consciousness. Fiction was a means of exploring his inner



Sterne: eccentric fiction

world of doubts and dreams.

"Tristram Shandy" was a best-seller in its day, though sober critics, Dr Johnson among them, reckoned that its eccentricity would tell against its chances of long survival. They judged wrongly; but Sterne enthusiasts, since his first vogue, have not been very numerous. Only a few years ago, Shandy Hall, in Sterne's Yorkshire parish of Coxwold, was in a state of sad dilapidation. It has, however, just been restored, and this book is dedicated to the secretary of the Sterne Trust, who lives there. It is an attractive introduction to one of the most original of English authors.

Reform and reaction

THE DIARY OF SIR EDWARD HAMILTON,
1880-1885

Edited by Dudley W. R. Bahlman.
Clarendon Press: Oxford University
Press. Two volumes, 1,046 pages.
£10 per set.

THE POLITICS OF REFORM, 1884
By Andrew Jones.
Cambridge University Press. 295
pages. £6.40.

LORD SALISBURY ON POLITICS: A
SELECTION FROM HIS ARTICLES IN THE
QUARTERLY REVIEW, 1860-1883

Edited by Paul Smith.
Cambridge University Press. 395
pages. £6.80.

A man, as Lady Bracknell remarked to Ernest Worthing, should know either everything or nothing. "Eddy" Hamilton, a private secretary to Mr Gladstone from 1880 to 1882 and principal private secretary for the rest

of the GOM's rather unhappy second ministry, was the kind of amiable, unassuming, thoroughly straightforward young man who would have answered, like Ernest, that he knew nothing. Mr Jones, one suspects, is the kind of young Cambridge historian who knows everything. And Lord Salisbury, as one who earned his bread in lean disinherited years by journalism, of course knew everything as part of the journalist's stock-in-trade.

Hamilton indeed had a fairly accurate notion of his intellectual limitations: he "knew that he had a valuable talent for clear written—not oral—exposition; with characteristic modesty he ascribed this talent to his possession of moderate rather than superior intellectual powers." Aware of unsurpassed opportunities as one in the confidence of great men and the spectator of great events, he determined to keep a diary which might become a "contribution to history." Hamilton appreciated also that he could not penetrate "that unintelligibility" which Gladstone himself "went so far as to say . . . was a characteristic common to all men of political mark." Mr Jones, who has made use of Hamilton's diaries and found them valuable as "a reliable factual record of the comings and

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goings at Downing Street," observes from a standpoint of great advantage—which, it is fair to remark, was not constructed entirely by Mr Jones's own unaided efforts—that Hamilton "fails to plumb Gladstonian depths." How many did—or have? Hamilton in many ways was disequipped for the task. There was no spice of malice in him. Greville would have done better. Hamilton was not uncritical of Gladstone, but too overawed and too Liberal in political sympathy. He was the rather sad case of a valet who could not help making a hero of his master. But at least he could have the satisfaction of pointing out that Mr Jones is incorrect in alleging that he did not take a degree at Oxford.

Lord Salisbury and Mr Jones, in their very different ways—though Mr Jones bids fair to emulate Salisbury's talent as a master of "flouts and jibes and jeers"—both repudiate the assumption at the bottom of Hamilton's Liberalism. Hamilton assumed that politics is a national process informed increasingly by decency, fair dealing, tolerance and good will, whereby the legitimate prerogatives of an entity called "the people" will ultimately be realised. Lord Salisbury and Mr Jones insist that politics is about the struggle for power between social groups and interests. Salisbury, in 1883, judging that if classes were not in actual conflict, they were "at least matching each other with vigilant distrust," foresaw a future of rancorous dissension, an epoch of "sharp contention, in which the country will need all the strength that can be given to it by the union and energy of the Conservative party." Mr Jones analyses with dogmatic verve and opaquely allusive brilliance a particular series of transactions between Gladstone and Salisbury about franchise reform and constituency redistribution in 1884 and 1885. He insists that the historian's concern centrally is what the politicians of the past concerned themselves with: "the bases of power for a generation."

He is concerned to demonstrate how and why the Third Reform Act of 1884 and the Redistribution Act of 1885 which established the modern pattern of constituencies were deals between party leaders about the appropriation and sharing out of bases of political power. Gladstone wanted a reform act more than he wanted a conflict with the Lords; Salisbury wanted to avoid a Commons-Lords conflict more than he wanted to stop reform; but his price for co-operation was equitable redistribution of the con-



Salisbury: politics mean power

stituencies which let in the Liberal majority of 1880.

Above all Mr Jones repudiates the interpretation that the transactions of 1884 and 1885 had to do with the march of democracy towards its goals. "Historians whose sympathies lie with the inarticulate in their unknown graves, and who dismiss as an exercise in word-play the subtle exercise of power by 'an insolent aristocratical band,' are those to whose academic predilections and moral outrage one cannot defer." The subtle exercise of power! Indeed, it has all the allurements of a kind of historiographical pornography. It is there, without doubt, and much needs to be understood. But it has been, and is, not the only thing there, and obsession with it carries the penalty of sterility. Gladstone once had occasion to remind his insolently aristocratical brother-in-law that outside were millions of hard hands, who had to be governed by force, fraud, or good will; and that good will unquestionably was answering best.

Spoilt monument

STANLEY MORISON
By Nicolas Barker.
Macmillan. 566 pages. £10.

No one was like Stanley Morison: strong-featured, infinitely attractive, with a voice like a bell, and nonpareil achievements in many fields. But he was always a puzzle. How could one man comprehend so many different, often seemingly incompatible, features? A rationalist from his earliest years, yet a devout Catholic from the age of 22; a profound scholar, entirely self-taught, yet a practical businessman; a hater of the capitalist system, who regarded money-making

as evil but enjoyed wielding influence at the centre of the establishment.

When Mr Barker told Morison that he wanted to write his life, Morison said: "You will find it very difficult, because I have never looked back." That is not so true for Morison's later years, when documentation and recent memory took over, but true of his earlier years. His development remains something of a mystery, particularly in two respects. The first and most important is his conversion from atheism to Catholicism. Little remains to explain why anyone so critical should have needed an authoritative faith and never wavered from it.

Nor is it easy to understand how, starting from nothing, a bank clerk inspired by a printing supplement of The Times, he became so quickly a great and acknowledged scholar in his field. Hardly enough documents remain to explain the transitional stages; one can only put it down to natural talent and a typically clear view, from the start, of how to study his chosen subject: historically, but always with a view to discovering causes and applying the lessons so learned to the needs of the day. The expertise so gained led on to other things; to his long connection with the Monotype Corporation and the Cambridge University Press; to the Times New Roman, one of the best of all modern types; and thence to being a highly influential character in the development of The Times.

The publishers are right to call this the definitive life of Stanley Morison. Mr Barker has made a thorough job of it, but unfortunately also a clumsy one. For all its virtues of substance, it is not a book which one reads without distraction and irritation. It is beautifully printed—of course by Morison's Cambridge University Press—and there is nothing to complain of there, except that the proof-reading is short of perfect. The text is less good. Mr Barker has a pleasant style, but it is undisciplined. To find out what he means one has too often to turn to the notes at the end of the book, which have an excruciatingly clumsy system of reference, or even to the index, which is fortunately excellent. There is no chronological table, a serious loss in so varied a life.

All this is nothing compared with the lack of illustration. A book which is largely about the development of founts demands constant illustration, on the page, of the types referred to: in the whole book there is only one such illustration, and that of someone

else's fount. It can only usefully be read if one has beside one books, such as Morison's "On Type Designs," which are so illustrated. Some 16 pages of plates, inserted at the end—mostly irrelevant, under-scaled and smudgy—are no consolation. The book is already pricey: it passes comprehension that the last ha'porth of tar should have been grudged.

Freewheeling

THE TWISTED ROAD TO AUSCHWITZ
By Karl A. Schleunes.
Deutsch. 287 pages. £2.50.

There is little in this account of nazi policy towards the Jews that has not already been discussed by other historians in much greater detail. Yet Mr Schleunes's approach is strongly his own. He writes as one haunted by misgiving: for "the realisation that some men will construct a factory in which to kill other men raises the gravest questions about man himself." Are not most of us being dangerously complacent in supposing it could never happen again?

Mr Schleunes does not put the question quite so plainly: but he answers it in the affirmative. Pointing out that the "final solution" was in no anti-semitic German's mind at the outset—not even in Hitler's or Himmler's—Mr Schleunes follows the course of the road to the extermination camps mile by mile, and turn by turn. The terrible destination was reached in consequence of assorted human weaknesses, individual and collective—of ignorance, prejudice, avarice, inertia, apathy and fear, all subjected eventually to the tensions of desperate international war. So far as the German people themselves were concerned the irrevocable step was taken with the introduction of press censorship (*Gleichschaltung*, call it what you will), after which disquieting information was withheld from the public, and no further stage in the direction of Auschwitz could be openly challenged.

Views in view

THE LANDSCAPE OF IDEAS
By Patrick Nuttgens.
Faber. 116 pages. £4.

Perhaps because so much of what we see built around us now seems formless and unrelated to its surroundings, it gives particular pleasure to realise that the more satisfying man-made land-

scapes of the past did not occur by accident. There have been many good books in recent and not so recent years on various aspects of what might be called the philosophy of the environment or, in Dr Nuttgens's better phrase, "The Landscape of Ideas." He draws heavily on earlier authors for his book, which ranges from Delphi to Chartres, from eighteenth-century Scottish villages (his own speciality) to twentieth-century English new towns.

The theme is a rich one, although his separate chapters, originally a series of lectures, read better individually than they do as a whole. The best is "The Metaphysics of Light" (as expressed in medieval cathedrals), which leans on Mr Otto von Simson's classic study "The Gothic Cathedral" and on Mr J. R. Johnson's technical analysis of the mystical effect of the glass of Chartres. It takes half an hour for the full intensity of the glass to penetrate the human eye inside the dark cathedral, a gradual revelation achieved deliberately, so it has been proved, by particular methods of manufacture and construction.

The latest and best-known environmental philosophy is the social philosophy of the new towns, so well documented already that it is a pity that a chapter on it was unavoidable. Dr Nuttgens's look at the future follows closely the rather over-rated writings of Mr Constantinos Doxiadis. What it boils down to is that however fast or slowly you travel, people are much the same size when you get there. Still, architects do need reminding.

Short list

Africa Contemporary Record, 1971-72, edited by Colin Legum (Rex Collings, £12.50). Of all the many works of reference devoted to Africa, this is the only one that is worth buying in its latest edition year after year. There are certainly other works which give basic information more than adequately. But each bumper volume of "Africa Contemporary Record" that appears provides a wealth of information about the past year's events in a continent not noted for its unchanging character. Comprehensive, lucid and accurate, it fulfils all the requirements that one might ask of such a work of reference.

A Survey of Race Relations in South Africa compiled by Muriel Horrell and others (University of California Press, £1.80 paperbound). What "Africa Contemporary Record" is for Africa, this book is for South Africa. In a

country where words lose their meaning and figures become twisted, the South African Institute of Race Relations valiantly continues to separate the facts from the fallacies. This annual survey is a tribute to the dedication and scholarship of Mrs Muriel Horrell and her research staff. As long as its publication is allowed in their country no South African can plead ignorance of what is taking place. It is the Bradshaw of apartheid.

German-English Glossary of Financial and Economic Terms by C. A. Gunston and C. M. Corner (Fritz Knapp Verlag, Germany; London: Macdonald and Evans, £10). This is the sixth edition of what has now become a standard work, "greatly compressed, but in content much amplified" (as it claims on the title page) since it first appeared in 1953. The glossary is sensible and useful, giving brief explanations as well as translations of the more obscure items and, sometimes, translations for whole phrases and sentences. The book is pricey at £10, or more as the pound floats down farther, but would be worth having for anyone who frequently finds himself faced with terms like *volkswirtschaftliches Gesamtprodukt*—gnp to you.

Sukarno

A political biography
J. D. Legge

Sukarno was one of the charismatic leaders of Asian and African nationalism. In the twenties and thirties he helped create in his people an awareness of the injustices of colonial rule. He became the embodiment of their aspirations, and he gave them the sense of being part of Indonesia over and above their sense of being, say, Javanese or Ambonese. Sukarno was also a highly individual leader with a distinctive, mercurial style. His vanity, charm, resourcefulness and unpredictability were a source of both admiration and exasperation. Among his people he inspired devotion or hostility—but never indifference. Professor Legge's book is a comprehensive analysis of Sukarno's career and its impact on Indonesia.
£3.50

Allen Lane
The Penguin Press



CREDIT LYONNAIS

Financial Year 1971

EXTRACTS FROM THE DIRECTORS' REPORT

Throughout 1971, when interest rates were dropping, business continued to increase steadily; the balance sheet totals reached FF72,916m at the 31st of December 1971, an improvement of 34.7% over the position at the 31st of December 1970. The profit for 1971 amounted to FF109,557,541 compared with FF90,768,372 in 1970.

RESOURCES

Deposits from clients reached FF40,970m (+22.2%) of which 49.3% related to private individuals. The increase in sight deposits, as in 1970, was considerably lower than that of savings and long-term deposits which increased by 35.2%. Savings now represent 49.4% of all clients' deposits. Foreign branches were responsible for slightly over 4% of the total.

The resources made available to Crédit Lyonnais, by banks and other financial institutions operating on the money markets, rose from FF9,968m to FF17,832m; this was primarily due to long-term deals which doubled, whereas sight deposits only increased by 8.2%.

LOANS

Loans to customers increased by 14.8%, rising to FF44,024m principally in the following areas: private individuals, property and foreign trade. Industrial and commercial activities combined represented 65.4% of the total.

Advances to Banks and to non-banking organisations operating on the money market nearly doubled, having increased by FF8,496m. This related equally to sight and long-term loans.

Liquid liabilities have increased considerably. The heading "Account with the Bank of France, Treasury Bills and Giro Loans" has been multiplied five times.

CLIENTS—FACILITIES & IMPROVEMENTS

Certain services have been improved and better adapted to resolve the financial problems facing groups of companies: intervention on the international money market, bridging loans in connection with an increase in Share Capital, complex financing operations.

During 1971 Crédit Lyonnais also undertook to improve its knowledge of the requirements of small to medium-sized companies and merchants. This effort was illustrated, at the end of the year, by the advent of "banking guides" for company directors, traders and exporters. The new procedures for accelerating purchases of capital plant costing under FF500,000 have been widely used.

The intervention of Crédit Lyonnais has either been direct or through its many subsidiaries, which have grown considerably during 1971 primarily in the leasing field.

INTERNATIONAL OPERATIONS

The expansion of Crédit Lyonnais' international activities necessitated strengthening its footholds abroad. In this respect the year was marked by the opening of a branch in New York.

International operations developed rapidly during 1971, primarily as a result of the agreement made with the Banco di Roma and the Commerzbank. Clients, both private individuals and companies, are now able to benefit from the Group's 3,000 branches and its world-wide network.

A new and simplified financing procedure, based on a specialised structure, enables Crédit Lyonnais to offer more rapidly to its subsidiaries or its clients a wide variety of loans which they may require in the native countries of our banking partners. Numerous loans have already been channelled in this manner.

Similarly the execution of payment orders has been accelerated and information on potential markets and entries into negotiation with the customers of our partners have been provided promptly to companies requiring these services.

Five joint representative offices have been opened in more distant countries, while in New York our common subsidiary Europartners Securities Corporation has experienced an outstanding growth rate.

Finally, international financing, as a whole, has expanded considerably.

BALANCE SHEET AS AT 31st DECEMBER 1971

ASSETS	FF
CASH, BANQUE DE FRANCE, TREASURY BILLS, GIRO ACCOUNTS	3,889,972,628.45
BANKS AND NON-BANKING ORGANISATIONS OPERATING ON THE MONEY MARKET:	
a) current accounts	4,529,162,568.89
b) loan accounts	13,010,325,642.68
TREASURY BONDS AND PENSION FUND SECURITIES	6,746,420,213.07
LOANS TO CUSTOMERS:	
a) short-term	17,723,352,898.29
b) medium-term	6,853,443,911.62
c) long-term	2,582,544,126.67
CUSTOMERS' OVERDRAFTS	9,741,276,613.73
PREPAYMENTS AND SUNDRY ADJUSTMENTS	3,438,192,808.93
SUNDRY DEBTORS	915,971,116.89
DEBTORS BY ACCEPTANCE	2,236,844,949.65
DEBTORS FOR SECURITY TRANSACTIONS	467,175,111.72
LOAN TERM INVESTMENTS	143,288,790.28
SHAREHOLDINGS IN SUBSIDIARIES	440,125,247.24
FIXED ASSETS	197,487,818.30
	72,915,584,446.41

LIABILITIES	FF
BANQUE DE FRANCE, BANKS AND NON-BANKING ORGANISATIONS OPERATING ON THE MONEY MARKET:	
a) current accounts	3,506,097,983.08
b) deposit accounts	14,126,117,278.51
COMPANY ACCOUNTS AND OTHER:	
a) current accounts	9,636,173,859.23
b) deposit accounts	4,065,994,173.04
PRIVATE ACCOUNTS:	
a) current accounts	11,097,514,126.15
b) deposit accounts	1,563,788,175.57
c) savings accounts	7,530,693,876.87
CERTIFICATES OF DEPOSIT	7,075,221,459.40
ACCRUALS AND SUNDRY ADJUSTMENTS	7,129,328,662.27
SUNDRY CREDITORS	3,628,807,079.94
CREDITORS BY ACCEPTANCE	2,236,844,949.65
CREDITORS FOR SECURITY TRANSACTIONS	340,099,557.22
RESERVES	385,482,889.84
SHARE CAPITAL	480,000,000.00
PROFITS: a) balance brought forward	3,862,834.74
b) profit for the year	109,557,540.90
	72,915,584,446.41

CONTINGENT LIABILITIES	FF
BILLS OF EXCHANGE DISCOUNTED WITH THE BANK OF FRANCE	7,479,134,000.00
GUARANTEES AND CASHING FACILITIES GRANTED TO CLIENTS	6,058,539,000.00
DOCUMENTARY CREDITS	3,269,750,000.00
OTHER GUARANTEES	1,509,026,000.00

PROFIT AND LOSS ACCOUNT

DEBIT	FF	FF
General Expenses		2,160,629,368
Salaries and Wages	1,403,843,000	
Other taxes (excluding Corporation Tax)	147,003,837	
Other General Expenses	609,782,531	
Tax on Financial Activities		61,173,429
Depreciation and Sundries		199,479,149
Corporation Tax		240,000,000
Profit for the year		109,557,541
		2,770,839,487
CREDIT	FF	FF
Trading Profit		2,705,619,684
Investment Income		52,632,016
Income from Property and other receipts		12,587,787
		2,770,839,487

HEAD OFFICE: 19 Boulevard des Italiens Paris 2e
LONDON: City 40 Lombard St, EC3V 9BX West End 18 Regent St, SW1Y 4PU S. Kensington 19 Old Brompton Rd, SW7 3HZ
GLASGOW: 153 Buchanan St, Glasgow G1 2HZ
International Partners: Banco Di Roma, Commerzbank AG

ISRAEL INFORMATION CENTRE

The Information Division of the Ministry for Foreign Affairs has opened an Information Centre in Jerusalem.

The purpose of the Centre is to supply you, free of charge, with information services on the following subjects:

- ★ ISRAEL, History, Society, Economy, Government, Foreign Relations, Education and Science, Culture and other subjects.
- ★ THE ARAB-ISRAELI CONFLICT. History, Principal issues, Israeli positions.
- ★ THE MIDDLE EAST. Current affairs.

You may ask for information on specific subjects, or simply request to add your name to our mailing list. Our address is:

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Profession

Address

Signature

Date

B. ELLIOTT & CO. LTD**Machine Tools and Engineering Products**

Extracts from the accounts for the year to 31st March, 1972,
and the report of the Chairman, Jack Frye, C.B.E.

RESULTS**YEAR ENDED 31st MARCH**

	1972			1971		
	Group as now constituted	Operations closed or being closed	Total	Group as now constituted	Operations closed or being closed	Total
	£'000	£'000	£'000	£'000	£'000	£'000
GROSS TURNOVER	24,371	2,481	26,852	28,033	5,167	33,200
EXTERNAL TURNOVER	21,978	1,439	23,417	24,374	2,583	26,957
TRADING SURPLUS/(LOSS)	2,007	(691)	1,316	2,855	(678)	2,177
PROFIT/(LOSS) BEFORE TAX	924	(840)	84	1,744	(986)	758
			1972			1971
			£'000			£'000
Profit before tax of group as now constituted			924			1,744
Less loss before tax of operations closed or being closed			(840)			(986)
			84			758
Taxation and Minorities			371			566
			(287)			192
Cost of and provision for terminating operations closed or being closed			533			102
Loss (1971-Profit) for the year			(820)			90

* As a result of the unprecedented recession in demand for machine tools further reductions have been made in the investment in machine tool manufacturing. Provision has been made in the 1972 figures above for terminating all operations closed or being closed.

* Overall the Group is in a stronger financial position than before, with a much better balance of its investment between machine tool manufacture, machine tool merchanting and general engineering, which is now an increasingly important proportion of its business.

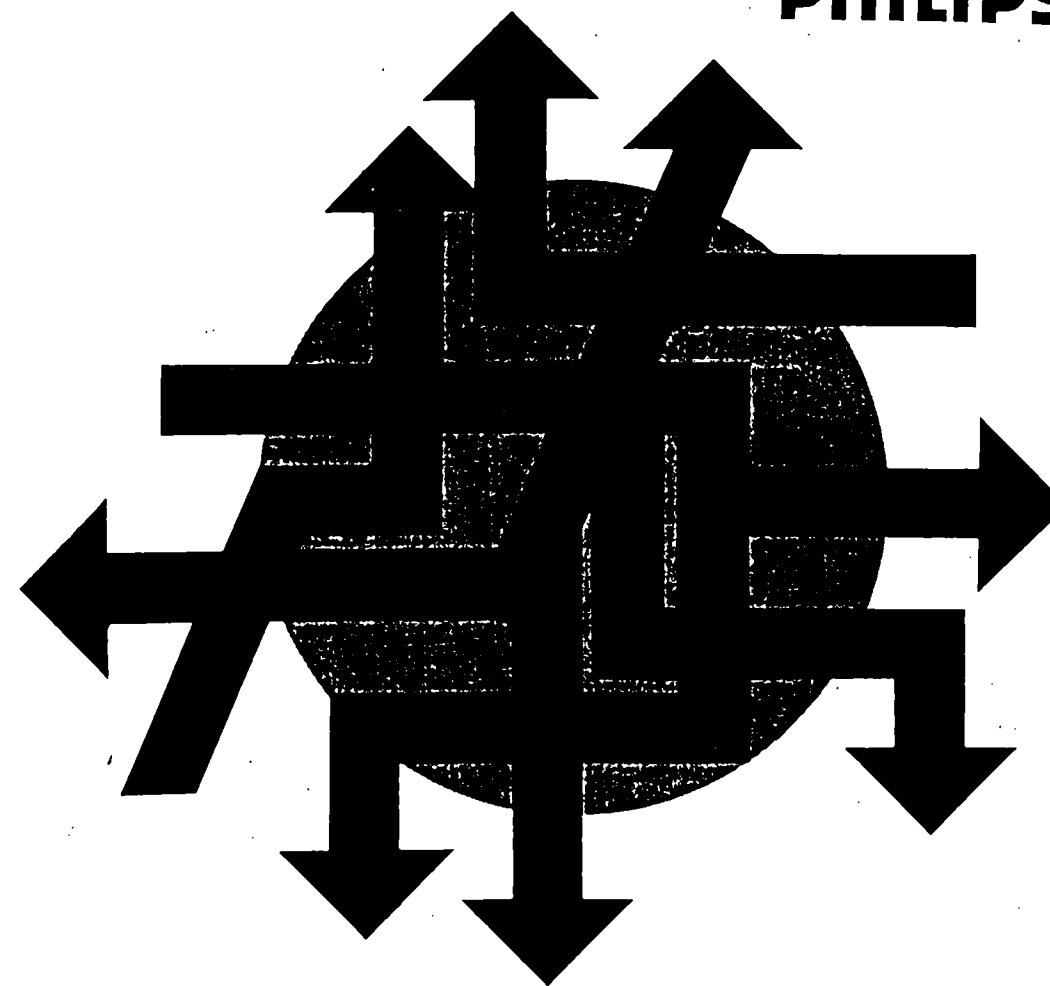
* In the year to 31st March 1972 the Group as now constituted showed a profit before tax of £924,000. Operations closed or being closed made a loss before tax of £840,000; in addition costs of and provisions for termination of these operations amounted to £533,000. Substantial tax losses are available for relief against profits in the current and future years.

* Revaluation of Group properties shows a surplus of £521,000.

* Borrowings and commitments have been reduced by £3,200,000 since May, 1969. The Group has adequate facilities available for current requirements and to cover any expansion of trade in the near future.

* In the first three months of the current year the Group has operated at a reasonable profit; in view of this the Directors have recommended a final dividend of 2½% for the year to March 1972 and expect to resume the payment of an interim dividend in the current year unless there is a further deterioration in demand.

A copy of the report and accounts including the Chairman's Statement for the year to 31st March, 1972, can be obtained from The Secretary, B. Elliott & Co Ltd, BEC House, Victoria Road, London NW10 6NY.

PHILIPS

Tied-up in a communications knot?

The opportunities offered by data-communications - one of the pivots on which present day business turns - are today greater than ever.

With the increasing use of computers for information storage, processing and distribution, it becomes progressively easier to link all types of branches to an automatic information-distribution network and, perhaps more important still, for management to be kept abreast of events all around the world, either through private computers or by timesharing or data-banks.

Data-switching and -transmission are indispensable to the maintenance of clear, direct communications: but the reliability, flexibility and speed of the equipment are the limits to your scope.

If they tie you up in a communications knot, find out about Philips data-switching and data-transmission equipment. Get in touch with N.V. Philips' Telecommunicatie Industrie, P.O. Box 32, Hilversum, The Netherlands.



Business Brief

Can commodity agreements work?

The annual meeting of the International Coffee Council, which started in London on Thursday, promises some tough haggling sessions. The coffee producing countries held a preliminary get-together in Geneva last weekend, and came up with proposals for an initial world coffee quota of 49m 60-kilo bags for 1972-73. The proposals are clearly designed to keep coffee prices around their present levels. Prices are now higher than at any time since the International Coffee Agreement was set up in 1962, partly because of a severe frost in Brazil last month, but mainly because the major producers have taken to limiting exports. But this week prices on the London futures market have been falling sharply on the news that Brazil is reducing its coffee export tax and scrapping the quota system for exporters only recently set up. The coffee consumers at the London meeting are likely to hold out for a quota of nearer 56m bags, which would help to ease prices further.

The 1962 agreement—which runs out next year, and will have to be renegotiated at the meeting—divides the world's coffee production between 25 countries. Supporters say that, despite a number of crises, it has kept the coffee price steady over the past decade. Critics say that it has done so only because Brazil, the world's largest coffee producer with over one-third of total output, has sometimes not been filling its quotas, partly because of bad weather but also because it is getting rich enough to be more interested in producing other things. Nevertheless, Brazil is still the dominant voice in the agreement; and it exerts that voice so as to keep the quotas (and thus the export earnings) of poorer African countries lower than they would be in the absence of an agreement. The Africans are unlikely to stand for this for long; and the agreement—like so many

commodity agreements before—may soon be broken up. The United States has already complained about recent tactics for keeping prices up, and may well want to bow out of the agreement altogether.

The coffee talks will revive the old argument over whether or not commodity agreements are a good thing. The advocates of more attempts at commodity agreements or cartels for primary products are those who think that such attempts will aid poor producers of primary products by keeping up prices in the medium-term as well as the short-term. They are now joined by some customers for these commodities (eg, the Japanese) for an opposite reason; they think that agreements keep commodities in "adequate," or sometimes excessive, and thus eventually cheap supply. Most national bureaucrats in the poor countries, and many international bureaucrats dealing with them, advocate agreements because they say that greater stability in commodity prices is essential for modern development planning.

Criticisms

Economists have traditionally opposed commodity agreements, because attempts to fix (ie, put up) prices can lead to great distortions in both the level and geographic distribution of supply. Commodity agreements provide an incentive to keep developing countries concentrating on products for which they are losing a comparative advantage, while trying unsuccessfully to bully even poorer underdeveloped countries from advancing economically into them. Economists argue that the leaders in successful development in each poor area of the world (Japan, Mexico, the tourist development countries) have almost always been those who have not been protected by the cartelised sugar agreements and tin agreements and rubber agreements whose

remains have littered the world trading scene for so many years. It used to be supposed that cartel agreements would work in commodities with presumably inelastic supply, like oil and gold and diamonds; but now there are doubts whether the cartelised markets even in them have helped balanced development in, say, the Middle East, Ghana or Sierra Leone.

Nevertheless, advocacy of commodity agreements is growing; and so certainly is criticism of absolutely free markets.

Classical markets

The best example of an "absolutely free" market is the London Metal Exchange's copper market. It is also largely typical of the markets in all base metals, silver, cocoa and some other internationally-traded commodities. Interestingly, Imperial Chemical Industries is trying to get a similar free market going for bulk chemicals, while the aluminium industry is fighting hard to prevent the LME from opening a free market in aluminium.

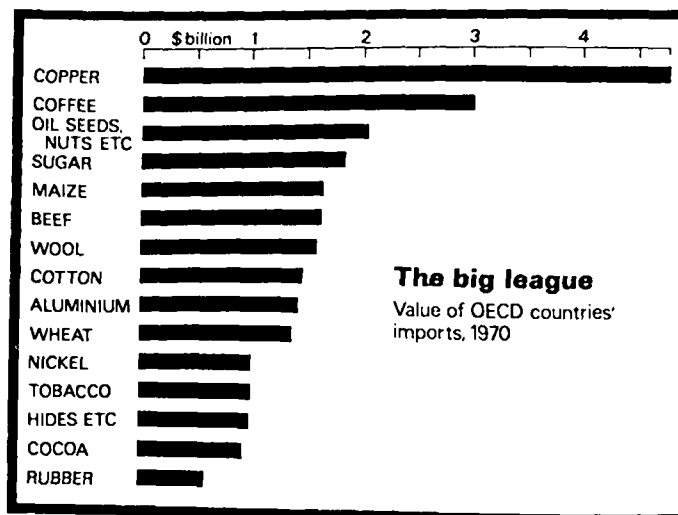
The LME has a nominal annual turnover in copper contracts worth £1.2 billion (1971), but the great majority of this never materialises into an actual delivery. Contracts are bought and sold by consumers and industrial speculators who wish to cover forward. The market essentially determines the price that a consumer is willing to

pay for the marginal surplus or deficit in the copper supply.

In 1968, when demand for copper was running about 5% ahead of supply, the price of copper nearly doubled to £817 a ton. When industrial recession and an expansion of copper mines turned that deficit into a very slight surplus, the price came back to £400. Although this was only the price at the margin, it affected the price of all copper internationally traded in the world. Because of this, the cost of all consumption in the industrialised world fell by 30% from 1969 to 1971, although total copper consumption probably only levelled out over that period. In oil or iron ore, this kind of over-reaction would be unthinkable.

The Japanese, the world's largest importers of copper, are opposed to such fluctuations in prices. So are some other big consumers. Britain's largest consumer of copper, British Insulated Callender's Cables, was stuck on a profit plateau while the copper price was high; then, when the price came down in 1970, its profits leapt by 36%, although its sales volume increased only marginally. For the company and its shareholders the fluctuating price was a nuisance; the company thinks that its job is to make cables, not speculate in copper.

Another criticism of a free market is that the violent price



fluctuations may be partly caused by speculation. Earlier this year the LME warned its members against speculation because consumers were angered by copper prices bobbing up and down without market backing. Supporters of a free market will say that speculation would be much worse in markets where attempts were made to hold to limits, because these speculators have a one-way option. In free markets, at least, they are deterred because prices sometimes fall. Back in 1970, the Swiss branch of the United Bank of California, in a move reminiscent of the 1920s, tried to corner the cocoa market, failed, and the price then dropped 35%. If both producers and consumers want to avoid this kind of "disruption," what can they do?

Mixed systems

An example of a "half-and-half market" is the method used in selling such commodities as tin and rubber. Free market forces are given a certain amount of rein, but, if the price moves excessively, a central authority steps into the market and supports or sells the commodity. The mechanism is similar to a dirty currency float. With tin, a buffer stock has been financed by the producers with which they intervene on the LME. The intervention limits are fixed every year. Currently, if tin falls below £1,450 a ton the buffer stock manager buys; if it rises above £1,790, he sells; in the middle range he can largely deal as he wishes. The aim of the International Tin Agreement is that tin should rarely move by more than 15%

in a year.

This sort of compromise only works because free market forces are not shut out. Some people think that it would not be difficult for the copper producers to imitate it, but all attempts to date have ended in a failure to agree on who should finance it. One difficult problem to overcome is the complete absence of any common political link between the copper producers of black Africa, Latin America, Australia and South Africa.

The rubber market operates on an easier, though cruder, system. The Malaysian government, which controls most of the world's supply, buys directly in the open market to support the price. This method of control can work only if there are relatively few producers and the intervention point is constantly adapted to market conditions.

A second variation on the free market is the system used for pricing zinc, lead, platinum and many other metals. The producers fix their smelter prices between themselves. The free market then runs an exchange in parallel which will usually be at a slight discount or premium to the official price. But the two are inevitably tied together, preventing wild fluctuations. The consumer goes directly to the smelters for normal requirements, and uses the free market only for marginal purchases or to sell surplus stocks. This system probably would work even for copper, and that is indeed one major example of it. In the United States, the world's largest producer and consumer of copper, the price of the metal is fixed in broadly this way.

Quotas

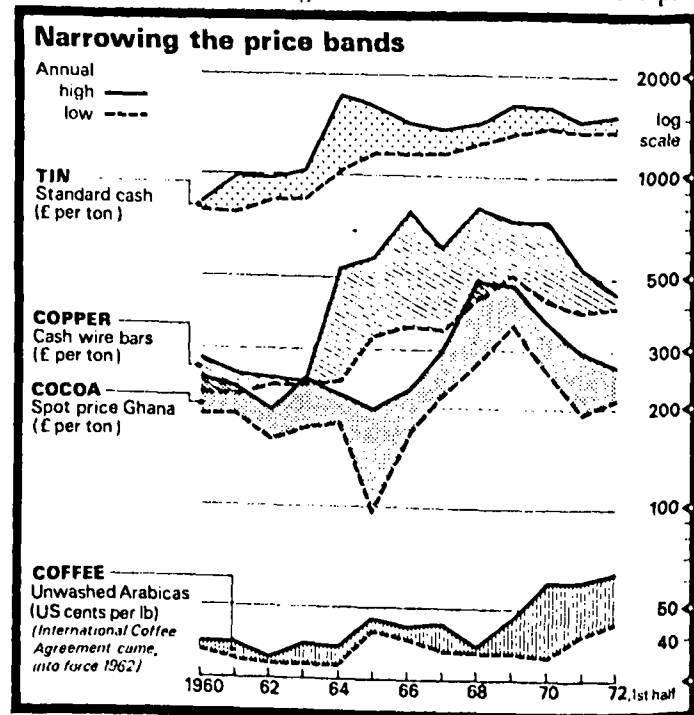
The crudest way to control a commodity market is for the producers to divide total output between themselves and, having gauged world demand, supply the market with only enough to keep the price up. The most popular recent example among most countries is the tea agreement which, by restricting supplies, has forced the tea price up 10% in its two years of life, although in the previous 10 years the price had fallen steadily. It will be interesting to see if Ceylon, India and East African countries do expand more quickly as a result. Supporters of the system say that quotas are often the best method of sustaining prices of commodities sold at auction. They are used, among others, for tobacco (locally), coffee and sisal.

The danger of quotas is their inflexibility. Once a country has been allotted its share of the world's output of a particular commodity, there is little incentive for it to boost either its production or efficiency. And the system does not allow for the constantly shifting conditions of commodity production. A tea pact made even a decade ago would have given the tea producers of East Africa only a 9% share of the world market; today they have 16%. At the turn of the century rubber was grown only in Latin America; now all of it comes from south-east Asia. Ceylon used to grow coffee, but now produces only tea.

Quotas suffer from the evils of most cartels. They may work

more successfully when a single country has an overwhelming share of the world's production. In 1970 the world's wool price, set largely by Australian markets, was bumping along at its lowest since the war. Now it has climbed by 56%, earning Australia at least an extra £30m a year. The rise was aided by the establishment of a central wool commission which bought up much of the crop at auction. The Australians are now considering a plan under which all their wool should be centrally bought and resold.

This way of controlling the price is also practised internationally in the diamond industry. De Beers entirely controls the marketing of diamonds and therefore the world price. The central diamond selling organisation is a model that has been frequently copied in an attempt to raise prices. Ghana has a central cocoa board, and Bangladesh has recently set up a jute board to buy the country's entire output. The difficulty of those running these new cartels is to persuade consumer countries to promise to buy only from them. Repeated attempts to set up a cocoa pact for the five major producing countries have come to nothing, both in Geneva and at the Santiago Unctad conference, because the consumer countries could not agree. The consumers want to hold back because prices at the moment are very low, and any new price range would raise them artificially, though to nothing like what they were only three years ago.



Tin and coffee have regulated markets; copper and cocoa do not. This chart shows how annual fluctuations are much greater without agreements.



Yes, we have an awful lot of coffee in Brazil

All these bonds having been sold, this announcement appears as a matter of record only.

NEW ISSUE

8th of August 1972



Banque Extérieure d'Algérie

\$ 25,000,000

8 3/4 per cent. Bonds Due 1984

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Arab African Bank Arab Bank (Overseas) Ltd. Associated Japanese Bank (International) Banca Commerciale Italiana
Banco di Roma / Commerzbank AG / Crédit Lyonnais Banque Commerciale pour l'Europe du Nord - Paris

The British Bank of the Middle East The First Boston Corporation First Chicago Kleinwort, Benson
Libyan Arab Foreign Bank Lloyds & Bolsa International Bank Western American Bank (Europe)

Banca Nazionale del Lavoro Bank of Bahrain and Kuwait B.S.C. Banque Audi S.A.L. Banque de Commerce S.A.

Banque Française du Commerce Extérieur Banque Franco-Arabe d'Investissements Internationaux Banque de l'Indochine

Banque Internationale à Luxembourg S.A. Banque Joseph T. Geagea S.A.L. Banque Libanaise pour le Commerce S.A.L.

Continental Bank S.A. Credito Italiano The Daiwa Securities Co., Ltd. Fuji Bank (Schweiz) A.G.

Goldman, Sachs & Co. Japan International Bank Kansallis-Osake-Pankki Kjøbenhavns Handelsbank

The Nippon Kangyo Kakumaru Securities Co., Ltd. Den norske Creditbank Orion Bank

Smith, Barney & Co. Union de Banques Arabes & Françaises - U.B.A.F. Vereinsbank in Hamburg

BUSINESS

Any peace at any price

The dockers' delegates agreed by 53 to 30 on Wednesday to call off their national strike, but the unofficial leaders voted unanimously in the afternoon to continue it

The Liverpool dockers decided to stay out on Thursday, but at Tilbury the vote was unanimously for going back and the militants hardly got a hearing. At the private ports, which were reluctant strikers anyway, the men were already drifting back; at Felixstowe they had begun again on Wednesday afternoon. The temperature seemed to be coming down, perhaps as the dockers grasped just what damage to their remaining claims for public sympathy the militants' behaviour had cost them.

There were fewer militant toughs, and more police, outside Transport House this time than last as the delegates inside discussed the improved Aldington-Jones proposals on Wednesday. The militants threw their weight around, but four weeks on social security was beginning to tell among the ranks of the placard-bearers. For all the intimidation being tried outside, the 53-30 vote suggested that the dockers might have gone back earlier, had the question been put sooner. As the militants chased the "traitor" delegates through the streets, Mr Jack Jones, general secretary of the Transport and General Workers' Union, told a press conference that he was confident that all the ports would abide by the conference's democratic decision.

At that point about 30 dockers burst into the room, including several of the militants' leaders. Mr Jones was punched and had water thrown over him, and journalists had their notes torn up and were ordered out by extremists bent on telling Mr Jones in private what they thought of him. As the reporters left, another lynching party rushed the stairs in search of Mr Jones. They accused him of selling them out, which shows just how out of touch they are with reality. What he has guaranteed them is permanent employment at a crippling cost to everyone else. The stamp of the militants, apart from their obscenities, has been their refusal to believe this.

To the delegates' conference Mr Jones was able to elaborate on the Aldington-Jones plan, and what he said makes the precedents being set by the docks industry all the more disturbing. The country's smaller ports are the latest victims of the efforts at appeasement. The Minister for Transport Industries, Mr John Peyton, has instructed the National Ports Council to report by October 31st on whether some of these smaller ports should be controlled by their big and inefficient competitors. It is one thing (and a bad thing at that) to

rescue lame ducks indiscriminately, but it is much worse to wing healthy birds. It is to be hoped that Mr Peyton is chiefly playing for time.

In the opposition to Labour's plan for nationalising the docks the Conservatives made great play of the healthy competition provided by independent ports. Their favourite was Felixstowe, a privately-owned port, where dockers earn up to £4,000 a year, and which by sheer efficiency has won business from the near-bankrupt public-sector ports. It has grown to an annual pre-tax profit of over £500,000, and its payroll has risen from 8 to over 800 men. This is the way to generate employment opportunities. But now Felixstowe and others like it are being asked to finance the mistakes of incompetent giants like London, Liverpool and Hull, where the chief militants are. These are ports with high strike records, which are frightening shipowners away. They are overmanned and inefficient: by Lord Aldington's own admission container packing in these ports has been uneconomic because of the wasteful administration charges imposed by the ports.

The second piece of news Mr Jones had was how the committee had concluded that one "appropriate procedure" for getting container packing back into the hands of dockers was for port authorities to surcharge all containers from firms who do not "observe proper conditions of working." The issue of container packing has been blown up out of all proportion by the militants in this dispute, and the Aldington-Jones committee found it convenient to go along with the hard luck story. It is as a red rag to a bull when, in a declining labour market, a leading employer of dockers packs his bags, leaves the docks and reopens shop again just outside dockland. But who drove him out? And there are only about 500 jobs that dockers could do in this container packing area—against 12,000 dockers who will become redundant in the next three years. Many of these 500 jobs are held by dockers already, and others have in the past been turned down by them.

The issue is whether the Government is going to insist that precedents are created under which efficient businesses have to subsidise the competitors they are winning customers from. It is ironic that such precedents should be created by a Government whose Prime Minister once

forced through the abolition of resale price maintenance. Mr Heath never argued then that if Tesco took business away from Safeway by price-cutting it should pay Safeway a subsidy equal to the price cuts. Nor did he ever argue that if Safeway took customers from Tesco because Tesco's staff were slow, or unco-operative or pilfered, then Safeway had to employ Tesco's displaced staff. But that is what the Aldington-Jones committee is doing now in the Government's name.

The third piece of news Mr Jones delivered to the dockers was of moves to establish a cold store inside the Port of London, and to release several hundred acres of London's disused dockland for warehouse and other distribution activities, where dockers and others in dockland can be employed. This is meant to be an example to other ports, and is, at least, one welcome piece of news. One of the omissions of the original Aldington-Jones report was that it paid little attention to the social plight of communities that are dying.

The central part of the committee's proposals remains the abolition of the temporary unattached register, so that, instead of doing nothing and getting £23 a week, unneeded dockers will be given a sort of job and paid nearer £40 a week. But increased pay to these dockers may reduce the incentive to take the £4,000 redundancy pay and leave.

The greater danger is the precedent the dockers are

creating for other groups of workers. This is already happening in dockland, where there are as many non-dockers as dockers employed. The ports are one of the last bastions of the old-fashioned pen-pushing clerks of Dickens's day. There are 900 clerks on strike in Liverpool, demanding a guarantee of job security, a voluntary severance scheme comparable with what Aldington-Jones has recommended for the dockers, and other proposals that have a familiar ring about them.

The nation found that it could get by for four weeks without the major ports, where the militancy is generated. The National Ports Council, which will undertake what may turn out to be a bullying review of the smaller ports, has always been biased towards allowing the largest ones to maintain their predominance. It believes that the smaller harbours do not have sufficient potential to cater for all the country's trade. Is that true? With modern handling methods, turnaround in port is so fast that far fewer berths are needed.

The answer to the rundown in jobs in traditional dockland, and other industries that need to change, is to create enough jobs in the country as a whole for no one to be afraid of the mobility required by an expanding economy. After all, in percentage terms the rundown in dockland is no worse than what the railways and coal mines have gone through fairly painlessly, and in actual numbers of men it is a fraction the size.

Does private industry do better?

The engineering industry struck a better wage bargain with the unions this week than the Government, with its own record of surrender, had any right to hope that it would

It is an alarming commentary on the still galloping rate of wage inflation that the engineering industry's new national pay deal, struck on Wednesday, looks almost tolerable. Engineering is a militant sector of industry and plenty has happened in the mines, on the railways and now in the docks to suggest that militancy cannot lose. But in an unprecedented display of solidarity, the engineering employers concluded the bones of a national deal that should add at most only 3.6 per cent to the industry's wage bill in 1973. Together with the 7-8 per cent increases conceded during this summer's plant level strikes and sit-ins, the annual total will be around 11 or 12 per cent. Normally this would be regarded as terrible (which it is), but it is below what has been the national average.

It could have been even worse. The engineering deal may yet turn out to be more expensive than it looks—there is a lot of small print yet to be written in. But, in principle, the deal is confined to minimum rates, setting the levels below which no one's pay will fall. Not many engineering workers are paid on the basic rates and the unions have accepted that the deal does not mean the start of a general post for everyone above them. What else? One extra day's holiday this year and another in 1973.

The minimum goes up in two stages, in the next pay packet, and again on August 25th next year. It will lift the labourer's rate for a 40-hour week from £16 first to £17.50 and then to £20, and the skilled rate from today's £19.50 to £22 and then £25. There is a nod towards equal pay: women's rates get a proportionally greater increase, from £13 to £15.50, going up next year to 90 per cent of the male labourer's rate, or £18 a week, the most expensive single concession in the agreement.

The Engineering Employers' Federation estimates the cost of the new minimum wage as equivalent to 2 per cent on the wage bill this year and 2.4 per cent next (after making some allowance for further local deals during 1973). Add to that another 0.6 per cent for firms upping incentive schemes that have begun to look less attractive now the minimum rate has gone up and a further 0.6 per cent this year and again next year for each of the extra days' holiday. How did they get away with it?

The engineering industry has an inglorious record of surrender to inflationary, and at times preposterous, wage claims, and the motor manufacturers are traditionally the most craven sector of it. But this time, when the unions put in a wage claim that would have cost £700m to meet in full, something snapped. The employers

were so angry that they offered the unions only £1.50 a week extra. Mr Hugh Scanlon, the engineers' president, therefore decided to take the battle to the grass roots, and attempt to pick off the managements one by one by negotiating with each company separately. It ought to have worked out for him; Mr Scanlon is one of the union movement's most able tacticians. But this fight did not go exactly the way he wanted.

He misjudged the mood of his members, even in his old home territory, Manchester. There were plenty of sit-ins and strikes, all well-publicised and designed to strike terror into the hearts of other employers. But many were poorly supported. The employers resisted by adopting trade union tactics: a £2m strike fund, daily briefings to keep wavering employers in line and even expulsion from the bosses' club, the EEF (six were actually booted out). The workers had no heart for the fight, having learned the hard way that bigger rises mean fewer jobs. The lesson of 106,000 engineering industry redundancies in 1971, which had allowed the industry to keep unit wage costs stable, seems to have passed right over Mr Scanlon's head. Also, real earnings in engineering were moving ahead faster than prices. The disputes cost the engineering industry 3,710,000 lost days in the first six months of this year, but it cost the hard pressed union £750,000 in strike pay. No wonder, then, that Mr Scanlon was willing to bow to pressure from leaders of other engineering unions (so long as it did not show) and resume national talks.

What the industry cannot necessarily rely on is Mr Scanlon repeating this year's mistakes. He needs to do something to restore the prestige he has lost among his left-wing members and there are plenty of fresh fights coming up. The industry is dreading next year's round of talks. Engineering companies have learned the advantage of solidarity and working together, but a few big deals in or outside the industry could cut the ground from under their feet. The motor industry continues to be the weak point. British Leyland has been giving huge

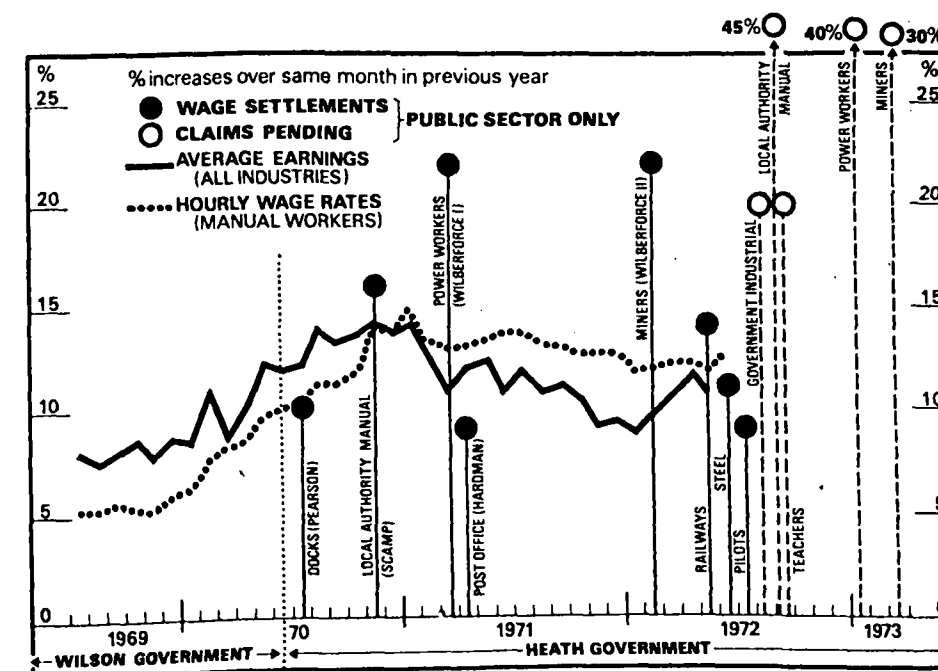
wage rises, but it is at least getting something in return for its money: a new wage system throughout its factories that ought to reduce substantially the power of the militants. British Leyland considers it is worth paying a sizeable premium for that. This week it made a breakthrough at the notoriously militant Longbridge plant in Birmingham, where the shop stewards agreed for the first time to discuss the new system. This may in its turn have repercussions at Jaguar, where a strike is now in its eighth week, and make the men think they would be wise to negotiate around the extra £4 a week offered them.

More ominous is the impending renegotiation of the Ford pay deal, which is due next spring. That, and a comparable settlement by Chrysler at around the same time, was the signal that started the country's calamitous wage inflation on its way at the beginning of 1971. There is a queue of massive public sector claims also in the wings. They will all watch what the million building workers settle for in the end. The builders have already been offered and have rejected a 44 per cent increase in their minimum rates which would have boosted the wage bill by 13½-14½ per cent this year and the same amount next year. They want 70 per cent, and have decided to step up their campaign to get it. Only a third of building workers belong to a union, and they are quarrelling among themselves, so that a call for a national strike would probably flop. Hence the attack on selected sites where the unions are strongest. The building contractors met on Thursday to see whether there was enough solidarity among them to follow engineering's example and set up a strike fund. They agreed that in principle there was and that they would set up a committee to work out the details. The contractors are seriously worried about the intimidation not only on the sites, but directed at the men's wives and families. Although any kind of picketing of a man's home is illegal under the Industrial Relations Act, the militants do not worry about that. But the contractors' trouble is that even if they get tough now they have already conceded a super-inflationary rise.

The Government gives more than industry

Wage inflation may have begun in private industry in the last days of the Wilson government, but in a shattering series of wage awards in the public sector since then this Government has contributed far more to the subsequent rate of inflation than industry has done. How much longer industry can resist pressures to match the rate of public sector settlements is a matter for prayer.

Earnings may be hit by lack of overtime, but the basic wage rate is beginning to show another turn upwards. The engineers' settlement is much in line with the general rate of increase in private industry, but the offer that building contractors have made, and had turned down, is most certainly not.



The cost of President Amin

The human cost of Uganda's erratic president cannot be measured. But the economic cost to his own country can—and is hair-raising

President Amin's decision to deport Uganda's Asians who hold British passports probably has no economic calculation behind it at all. But his political need for scapegoats has not come as a surprise to those who do watch Uganda's economy, least of all to the compilers of the latest "confidential" report of the International Monetary Fund and World Bank on this sorry subject which has been privately circulating round the world for some time. Because such reports are passed, via the executive directors, to no fewer than 120 governments, leaks are not uncommon.

The report makes it painfully clear that the economic consequences of General Amin's accession to power have been even more damaging than outsiders have been in a position to suppose. In just 20 months, from January last year, the general has virtually bankrupted his country by his heavy spending on armaments. The conclusion of the joint report is that Uganda's financial position "is approaching a crisis." The staff of the IMF and World Bank managed to extract some unpublished data, added estimates of their own, and did not mince words about the results. Their only caveat was over the timing of the crunch:

How soon this may come about is difficult to say. The situation may continue somewhat longer since foreign exchange will be coming in from the new coffee and cotton crops . . . and bank credit to the government could be expanded further against the advance deposits importers are now required to make.

It is only this relief from the sales of its new crops that has kept Uganda coasting on. But these inflows cannot long be adequate. According to the report, the current overseas account swung from a surplus of over \$20m in 1970 to a deficit of roughly \$56m last year. This drained the reserves by \$52m: indeed, they would have been exhausted but for \$7m coming in at the turn of the year from the IMF in the form of new SDRs (special drawing rights) and an automatic increase in Uganda's credit tranche. Even so, by early 1972 the reserves had slipped to below \$5m, or less than would

be needed to pay for just two weeks of current imports. (At their peak of \$77m in September, 1970, they could have covered almost eight months of imports.)

The deterioration is attributed mainly to the splurge on arms. It is reckoned that Uganda's identifiable military outlays could have risen to over \$90m in the fiscal year that ended in June, from \$20m in the last full financial year of the Obote government in 1968-69. Moreover, the true budget deficit of President Amin's government in this past financial year was at least \$112m, more than twice the officially published figure.

All this has been underwritten in part by some \$42m of unpublicised medium and short-term foreign debt contracted during 1970 and 1971, which may have had an average maturity of around three years and borne an average interest rate of about 8 per cent a year. But the report also suggests that, nevertheless, a large part of recent arms purchases has had to be financed in cash, or at very short-term with substantial down-payments. Altogether, the servicing of the cumulative foreign debt is expected to cost about \$33m this year and over \$40m next year, figures that would absorb 13-15 per cent of Uganda's export earnings over the period.

The Ugandan authorities may say that these figures are not unusually high compared with debt ratios in some other countries and that Uganda did impose import controls last December. But the report reckons that these controls are cutting mainly into imports by the private sector, damaging both investment and production at home. Nor was the staff impressed with the ratio argument; the absolute amounts of debt involved are substantial for a country with so few foreign exchange resources, and Uganda is already thought to have raised the question of rescheduling with some of its overseas creditors.

None the less, as the international assessors conclude: "The basic problem in Uganda is not a debt problem: it is a spending problem." That will not be solved—nor are creditors likely to be reassured—by the president's decision to deport a large part of the country's ablest citizens.



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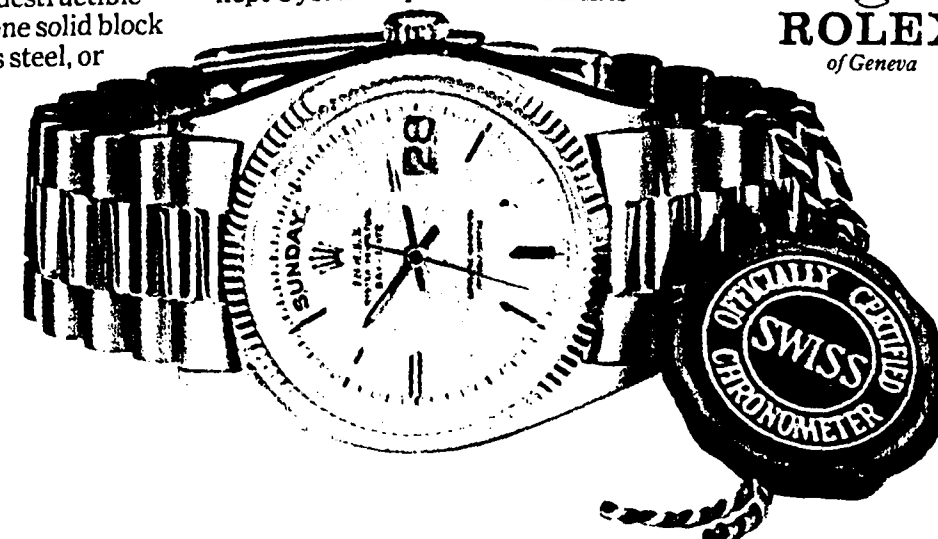
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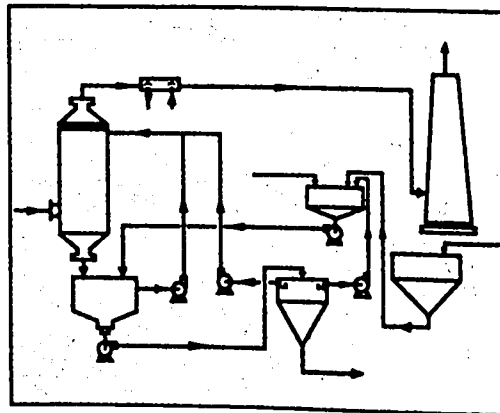
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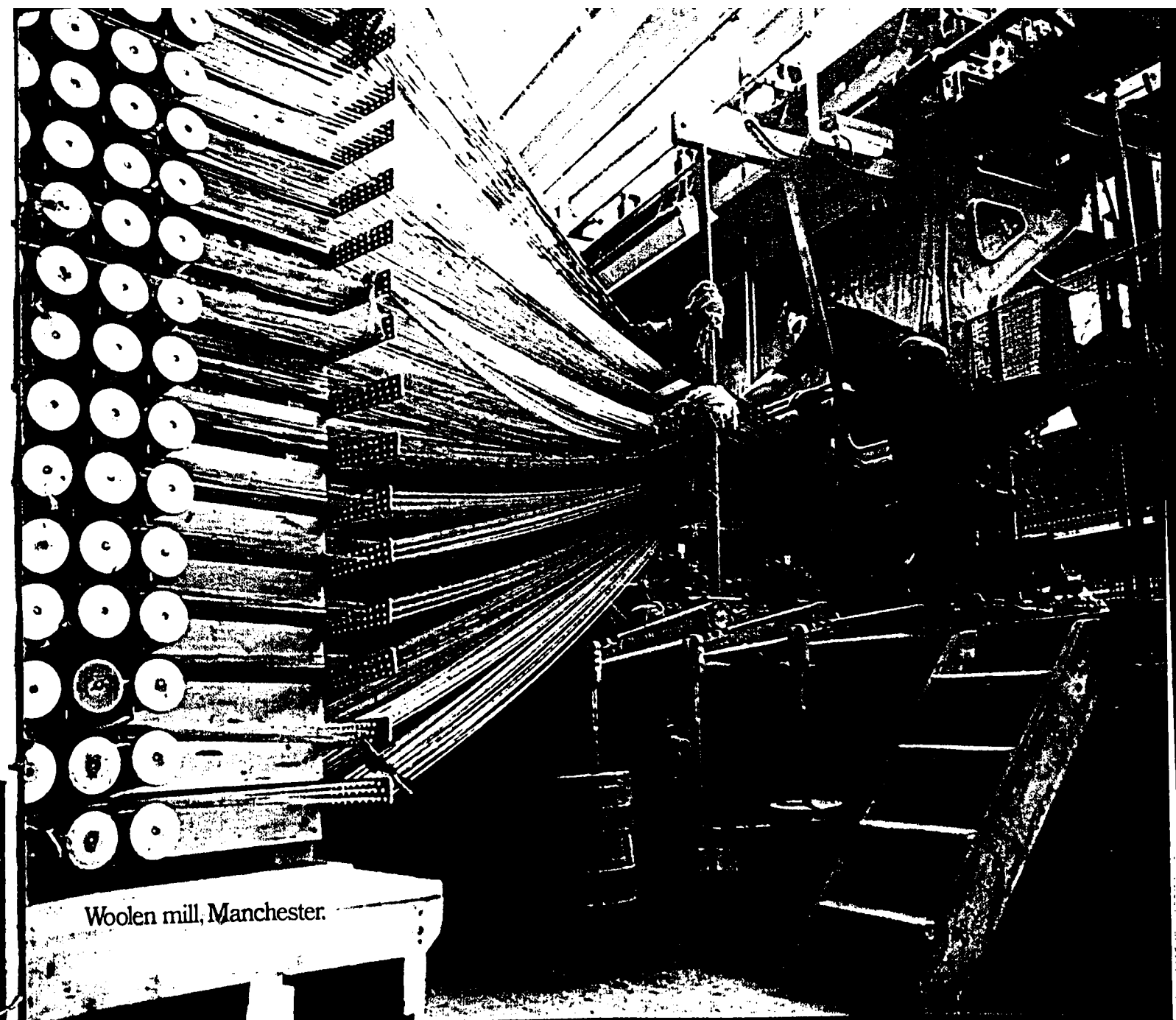


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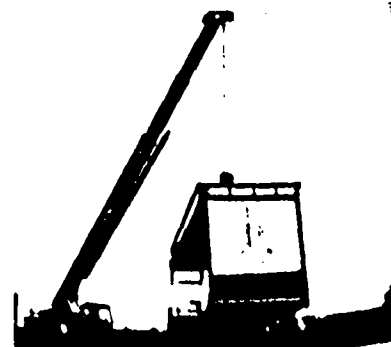
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BUSINESS

Britain

Yes, we have a cod war

The decision went, as expected, in Britain's favour when the International Court of Justice at The Hague gave its interim judgment on Thursday that Iceland's claim to impose a 50-mile fishing limit was illegal. This gives Britain a marginally stronger negotiating position (and would justify the use of the navy to protect British trawlers), but that is about all. Iceland, which had denied that the court had any jurisdiction, said immediately that it would ignore the judgment, and it will try to impose the new limits from September 1st.

The issue is not at all an easy one. Britain and other fishing countries (especially west Germany) have undoubted historical rights in the waters Iceland now claims for its own. But many developing countries take the view that wider fishing limits are their due. Since Iceland's 200,000 people depend on fishing and fish products for 85 per cent of their foreign earnings, there is considerable sympathy for them. Britain offered to reduce its catch in the disputed waters to 75 per cent of the 180,000

tons haul of the past few years. But Iceland wants British trawlers to be confined to two small areas and restricted in other ways. British trawlermen say this could not possibly yield the catch they need. And in the long term Iceland's manifest aim is to expel British and German trawlers from waters within the 50-mile limit, as it has already done with its 12-mile limit.

Plans are even being laid to annex the whole of Iceland's continental shelf, some of it up to 80 miles offshore. Since about half of Britain's deep sea catch comes from these banks and provides a livelihood for Hull and Grimsby, the Government obviously thinks that putting pressure on Iceland will be a necessary evil.

Iceland has four small patrol boats and two reconnaissance aircraft, and would be unable to police the whole area. But offending British trawlers were caught last time and would be again if they put into Iceland's ports for emergencies or repairs. Even with extra support ships, access to Iceland's ports is vital for many smaller British fishing vessels, which otherwise will be forced to fish in more dangerous northern seas for which they are ill-equipped.

Iceland's case is based on the need to conserve stocks. The sustainable yield is now only 80 per cent of that 10 years ago. Cod now being caught are young small fish. Few have the chance to spawn twice, or to grow to the most efficient marketing size. But Iceland's record of conservation is not good, and the government has given no indication that it will cut back its own catch. Indeed, 40 new large trawlers are on order and the fleet is likely to expand by 30 per cent. There was a similar build-up of the herring fleet 10 years ago.

But Britain has few bargaining counters. Iceland's tiny population

(equal to Aberdeen's) lives on the cod. If Britain refused to buy Icelandic catches they could easily be sold off to America or Russia. The Government's threat to hold up Iceland's EEC treaty is either bluff or unacceptable bullying. The fish dispute has become interwoven with the left-wing campaign in Iceland to get the country out of Nato, and the American base off the island, a movement led largely by Mr Ludvik Josephsson, the communist minister of fisheries. British warships patrolling Iceland's fishing grounds would please him. Not surprisingly, Russia has accepted its expulsion from Iceland's 50-mile waters without a murmur.

Economy

Lopsided boom

Any lingering doubts on whether the British public is spending à la Barber will be dispelled this weekend. Figures for the second quarter will have been revised upwards, and there is no reason to doubt the Treasury's claim that the level of spending in the first half of this year was probably in line with what it told the Chancellor to expect at budget-time. A huge amount of extra purchasing power must have been released.

Price inflation in Britain is now accelerating again just because wages have been running so far ahead. In the year to June, 1972, hourly wage rates rose by 12½ per cent and the cost of living by 6 per cent. So, over that time, real hourly wage rates increased by as much as 6 per cent, compared with an average of under 2 per cent in the previous 12 years. Now that overtime is beginning to turn up, too, the standard of living of millions has been given a big boost.

But how lopsided the expansion in economic activity has been is still guesswork. Exports are holding up in value, but not growing: the July figure, which was little, if at all, affected by the dock strike, was £761m. That, broadly, has been the monthly value ever since the spring of 1971; this means that, after allowing for price



Josephsson: hoping for gunboats

increases, the volume of exports has fallen 5 per cent. There seems little hope that exports can continue to cover imports when these resume their pre-strike levels and more.

Nor do the latest figures of industrial production provide any assurance that economic growth is widening out. The fact that the index for all industries in June was a shade off its all-time peak in May is probably not significant. But the extent to which the total index has been helped by the construction boom and an unseasonal use of fuel and power in a bad summer is. Britain's manufacturers by themselves turned out only fractionally more, a mere 0.6 per cent more, in the March-June quarter than they had done 18 months before, at the close of 1970. Some sectors did manage to grow (chemicals by 6 per cent), their gains being offset by falls elsewhere, largely in metal manufacture. But what is particularly depressing is that the engineering industry, which accounts for two-fifths of manufacturing activity, increased its combined output scarcely a whit over those 18 months.

So have we talked ourselves out of a consumer boom? Not at all: property, services, cars and consumer durables can absorb a lot of money between them. Unfortunately for home suppliers, some of these things can be, and are being, imported. But one trade in Britain at least must be pleased with the new affluent society. The Department of Trade and Industry reported on Monday that deliveries of domestic furniture in June were valued at £23.6m and orders-in-hand at £57.8m, figures that compare with £17.6m and £38.7m respectively a year before. How many of these manufacturers were signatories to the CBI pledge?

Oil

Klondike days

Unemployment in the Cromarty Firth area dropped from 13 per cent to less than 5 per cent in six months, as the boom in North Sea oil jobs got under way. Stories of the rate at which new jobs are being created get wilder at every telling. Although no oil will come ashore for years, the supply industries are moving into top gear.

The Cromarty Firth is emerging as the centre of the oil-platform building industry. Already one firm, Brown and Root, is building the first platforms for delivery next summer, and three other companies will be setting up shortly. A Cromarty port authority is to be

created to be the overlord for industrial development and help to build wharves and docks.

Brown and Root has recruited most of its labour locally and is spending £1m in training unskilled men. But the demand for labour is going to outrun supply, and there could be large-scale migration into the area. To meet this, the local council is planning to build 4,000 new houses in the next two years. Cromarty looks like becoming a classic growth point that will trigger off development throughout the region.

The platform industry is big enough by itself: between 100 and 250 platforms (each bigger than Nelson's column) are expected to be needed in the next 30 years. But a spin-off in ancillary industry is being felt throughout the Highlands. In Fort William, a new company has been set up to start trials on underwater equipment. In Invergordon, a factory is being built to make pipe coatings which will employ about 250. Nearby, an American consortium, including Lincoln Electric and Arnco Steel, has been set up to service the platform industry with welding gases and other services.

Orkney and Shetland are buzzing with activity. Hudsons, a supply group, has set up a base in Shetland and plans another in Orkney. It is spending about £1m on each. A consortium of British Petroleum, Shell and Sedco plans to set up a base near Scapa Flow, probably as a prelude to building bunkering facilities and oil terminals. Sedco is expected to build a local factory to produce "top-structures" for oil platforms, which means such things as the living quarters for the oilmen. Local businessmen are on the ball, and are combining to provide a variety of services.

Altogether, the industry is expected to provide 6,000 new jobs in the Highlands in the next few years. That is more than the total unemployed in the entire Highlands and Islands area. This does not include any of the developments in Aberdeen, now well established as the Houston of the north. Around 110 new companies have moved in since the oil boom got under way, and two more come each week.

About 2,800 people in north-east Scotland are employed directly or indirectly by the oil business, and by 1975 the total should be nearer 10,000. The only worry is that 50 per cent of the new companies coming to Aberdeen are American, and only 40 per cent British. The Government is at last trying to prod British industry into action. This week, the Department of Trade

and Industry published an assessment in its weekly Trade and Industry of the developing market in oil equipment, calculating that the total market over the next decade should be worth £1,500m.

Whitehall is now pushing ahead with the necessary infrastructure. It has provided a £1m loan to expand Aberdeen's harbour and has amended an ancient law to allow the expansion of Peterhead's harbour, where BP will bring its oil ashore. It has also accelerated the local road building programme. But why are ministers still so reticent in telling the good news about the regional success story of the decade?

Rolls-Royce

Scraping the barrel

The courtship of tiny British airlines that the two big American manufacturers, Lockheed and McDonnell-Douglas, have been carrying on in the past 10 days shows that they are beginning to scrape the barrel for new customers. Lockheed has now sold 110 Tristars, and McDonnell-Douglas 168 DC 10s, and they have exhausted all but two of the sort of airline that buys up to 50 jets at a time. The only uncommitted large customers immediately worth fighting for are the Japanese, who have said they will choose their next jet from whichever of the two is the quieter, and Pan American, whose financial travails make it unwilling to order anything at present. The two companies are therefore now courting airlines who may never buy more than two or three jets at a time, and it was



DC 10's jet troubles are mechanical



Tristar's are to do with size



ROYAL DUTCH/SHELL GROUP OF COMPANIES

This is an interim report by Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited on the results of the Royal Dutch/Shell Group of Companies, in which their interests are 60% and 40% respectively.

Results for First Half 1972

The net income of the Royal Dutch/Shell Group of Companies for the second quarter of 1972 was £53.2 million, making a total of £126.4 million for the first half of the year. The comparable amounts for 1971 (before the appropriations in that year for additional depreciation) were £111.6 million and £224.5 million respectively.

No account has been taken in the first half of 1972 of adjustments amounting to a net charge of £34 million arising from the translation of non-sterling assets and liabilities at the floating rate of the pound sterling prevailing on June 30. The accounting principles for dealing with such adjustments have been under general review. Amortization of the adjustments relating to long-term loans over their periods to redemption would have the effect of deferring the whole of the above net charge.

The volume of oil sold in the second quarter by Group companies outside North America increased by 8.0% over the second quarter of last year, making an increase of 4.5% for the half year. In spite of continuing increases in costs, prices in the principal markets outside North America were substantially below those obtained in the second quarter of last year.

There were improved results from Shell Oil and Shell Canada but the fiscal measures in Venezuela again had a particularly adverse effect on the earnings of Compañía Shell de Venezuela.

Group companies' capital expenditure during the half year totalled £322 million, compared with £313 million in the first half of 1971.

STATEMENT OF INCOME

	Second Quarter			First Half		
	1972 £ million	1971	percentage change	1972 £ million	1971	percentage change
Revenues						
Sales proceeds	1,885.8	1,788.3		3,755.1	3,617.3	
less Sales taxes, excise duties and similar levies	605.3	567.2		1,160.2	1,102.1	
	1,280.5	1,221.1	+ 4.9%	2,594.9	2,515.2	+ 3.2%
Other revenues	44.2	42.9		77.3	80.0	
Share of earnings of associated companies	13.1	14.6		31.4	33.0	
Interest income	13.7	12.9		25.8	27.0	
	1,351.5	1,291.5	+ 4.6%	2,729.4	2,655.2	+ 2.8%
Costs and expenses						
Purchased oil, chemicals and metals, including purchases from associated companies	361.0	362.5		719.5	727.8	
Operating, selling and administrative expenses	568.4	484.1		1,179.0	1,050.1	
	929.4	846.6	+ 9.8%	1,898.5	1,777.9	+ 6.8%
Exploration (including dry holes) and research	46.4	43.5	+ 6.6%	89.9	84.8	+ 6.1%
Depreciation, depletion and amortization	102.6	94.5	+ 8.5%	201.2	186.9	+ 7.6%
Interest expense	27.2	20.0	+ 36.5%	52.4	40.0	+ 31.1%
Taxation on income	184.3	170.9	+ 7.8%	344.5	325.5	+ 5.8%
Income applicable to minority interests	8.4	4.4	+ 88.5%	16.5	15.6	+ 5.5%
	1,298.3	1,179.9	+ 10.0%	2,603.0	2,430.7	+ 7.1%
Net income for the period	53.2	111.6	- 52.3%	126.4	224.5	- 43.7%

FINANCIAL DATA

	Second Quarter		First Half	
	1972	1971	1972	1971
	£ million		£ million	
Capital expenditure	168.6	180.8	322.3	313.0
Cash and short-term securities, June 30			722.4	493.3
Long-term debt, June 30			1,224.7	806.7

OPERATIONAL DATA

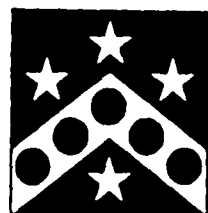
	Second Quarter			First Half		
	1972	1971	percentage change	1972	1971	percentage change
	thousand barrels daily			thousand barrels daily		
Gross production of crude oil	4,446	4,654	- 4.5%	4,462	4,606	- 3.1%
Net production of crude oil	4,015	4,178	- 3.9%	4,029	4,127	- 2.4%
Crude oil purchased under special supply contracts	904	953	- 5.1%	914	905	+ 1.0%
Crude oil processed	4,963	5,059	- 1.9%	4,973	5,084	- 2.2%
Sales of crude oil and oil products	6,072	5,706	+ 6.4%	6,334	6,103	+ 3.8%
	million cubic feet daily			million cubic feet daily		
Sales of natural gas	5,700	5,092	+ 11.9%	6,013	5,444	+ 10.5%

The operational data represent 100 per cent of consolidated companies' figures plus the Group proportion of associated companies' figures.

PARENT COMPANY EQUITY IN GROUP NET INCOME

	Second Quarter		First Half	
	1972	1971	1972	1971
	£ million		£ million	
ROYAL DUTCH (60%)	31.9	67.0	75.8	134.7
SHELL TRANSPORT (40%)	21.3	44.6	50.6	89.8
	per Ordinary Share		per Ordinary Share	
Expressed in terms of the parent companies' ordinary shares outstanding at June 30, 1972, these figures are equivalent to:				
ROYAL DUTCH (134,018,522 shares of N.fl.20 each)	23.83p	49.96p	56.60p	100.52p
SHELL TRANSPORT (552,417,207 " " 25p " ")	3.85p	8.08p	9.15p	16.26p

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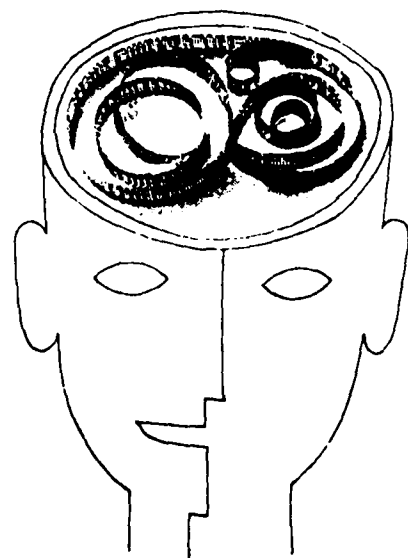
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the discovery that Lockheed was bringing the Tristar for demonstrations this week that led to the hurried appearance of the DC 10 last weekend.

Both are wide-bodied jets in the Boeing 747 tradition, which gives charter airlines the opportunity to pack the passengers in while still giving them the illusion of travelling in some style. Among small British charter operators the score is so far two each. Court Line has bought two Tristars, which is hardly surprising since Mr Ian Morrow, who is managing director of Rolls-Royce, is a director of one of Court Line's chief customers, and Rolls-Royce's future is tied up with the Tristars. Laker Airways has bought two DC 10s. Both may buy more, but the airlines worth watching are Lord Thomson's Britannia, financially the most successful of all the small British operators with a fleet of 10 jets, and British Caledonian with a fleet of 32, a dozen of which are long-range aircraft. British Caledonian will have to change soon to wide-bodied jets if it is to establish itself on murderously competitive routes like the North Atlantic.

The DC 10's substantial edge over the Tristar lies in the size of its engines. Although both jets set out as medium-range aircraft, DC 10s will be delivered later this year which can operate on the North Atlantic, something the Tristar will not be able to do until Rolls-Royce has spent the £31m recently allocated by the British Government to step up its engine power. Airlines in the charter business need jets for the North Atlantic holiday traffic, although whether they would need quite so many were the scheduled airlines to adopt a more competitive fares policy is another matter. McDonnell-Douglas is also promising, if it gets enough orders, to shorten the DC 10, take the third engine out of its tail and, presto, produce a short-range twin-engined version that would use all the same components as the bigger DC 10s, which is nice for the company and for the airlines.

Some would say the sooner McDonnell-Douglas gets rid of its tail engine the better, since the engine seems determined to get rid of itself. Bearings have twice broken in the low pressure turbine immediately behind the combustion section of the jet, allowing the turbine to slide along the rotor shaft until it tangled with the next stage, flinging segments of engine out of the back of the aircraft. The immediate cure is frequent inspection

of the bearing; the most comforting hypothesis is that the cause lies in the lubricating oil; all sorts of stiffening of joints and changes in operating procedure are going on, but McDonnell-Douglas may have something much more serious on its hands.

What it does not have are Lockheed's persisting money troubles. McDonnell-Douglas can finance any work on the DC 10 itself. Even Rolls-Royce has the British Government behind it. But Lockheed does not have the money to modify the Tristar into the sort of North Atlantic aircraft that the DC 10 is now becoming, and will have to borrow it from sceptical bankers wanting to know when a profit is expected out of the Tristar. Tristar sales of 275 is the latest magic figure; even counting options for a further 54 aircraft, this leaves Lockheed a long way to go. Lockheed is not, in the circumstances, talking of trying to match McDonnell-Douglas with a truncated, tubby, twin-engined Tristar version.

Fast trains

Speed merchants

British Rail's new generation of 100 mph-plus trains is being threatened by the drivers, who are refusing to drive the prototypes. Behind their action lie the urge for more money and worries about job security in an overmanned industry, but also some genuine concern about the safe running of the trains.

BR has two trains under development. One is the 125 mph high-speed train, due for introduction in 1974 on the London to Bristol route, where the railways face stiff motorway competi-



Now we want a driver

tion. This is a hotted-up conventional train, with 5,000 hp engines, compared with the 3,000 hp on the present Inter-City trains, which have a maximum speed of 100 mph. The second train is the advanced passenger train (APT), which will come in a little later, and involves a host of technical innovations that will give it 155 mph on existing track, travelling 50 per cent faster on curves without inconveniencing passengers, and braking from full speed in the distance today's trains need.

The drivers' union is holding out for higher pay on faster trains and so far is getting nowhere. But it has also raised three other serious points. It objects to the cab, with no side-windows and only one seat. BR has now belatedly promised to modify the design. The union wants two drivers. Here BR rightly does not want to commit itself, though it needs to do more research on what crew a 155 mph train does need. The drivers are not satisfied, either, with the 80 hours' training suggested.

BR has designed the APT with one driver's seat quite deliberately, to cut its huge wages bill. APT should help anyway, because a driver will cover more miles in a working day. But there is room for argument about whether high-speed trains need one driver, or two, or even none. Little is known about the job. No driver is likely to see obstacles in his path at these speeds, but two drivers might have a better chance of recognising something wrong than one. The union says that on existing 100 mph trains, many of which have only one driver, the men are beginning to feel the strain of being on their own. This makes the drivers' criticism of the design of the APT cab all the more pertinent. There are signs that foreign drivers would be reluctant to work such trains, which is important for APT's export potential. The fast trains being designed by the French and Swedes keep their side-windows.

The drivers are right, too, to be concerned about training, but it is not clear quite how disinterested their concern is. Drivers now get a mileage bonus for driving fast trains. Since an APT train will cover 250,000 miles a year, against 200,000 for the present Inter-City trains, the APT should increase average earnings and all the drivers want to have a bash at it. On the present rota system, all the men in a depot would be able to, but there must be reservations about how many of today's drivers would themselves be safe at 155 mph.

Nationalised industries

What public dividend?

Several nationalised industries, steel among them, have envied the British Overseas Airways Corporation's peculiar capital structure, under which it pays the Treasury the usual fixed interest on half its capital but the equivalent of a public company's ordinary dividend on the rest. Since the experiment started in 1965, BOAC has made profits, and the dividend in 1970-71, not a particularly good year, was still 7½ per cent. But last year was dreadful; BOAC only just made an operating surplus of £2m, a third of the previous year's. The corporation decided this was the year to ask the Treasury to take the rough with the smooth and it proposed to pass its dividend. The British Airways Board approved. The Government did not. BOAC was ordered to pay a £3¼m dividend, or 5 per cent, and has therefore shown a net loss of £1.4m, its first in a decade.

The corporation is understandably sulky, and this shows through its annual report, published on Thursday. But the argument will be over whether the Government was right to act as it did. BOAC is going to plead that it acted as a normal, prudent company. But the relationship of a nationalised industry when it borrows from the Treasury can never be the same as that of a publicly-quoted company when it borrows on the open market, and it is not unknown for public companies to pay dividends out of reserves in order to maintain good relations with their shareholders. It is a warning to the

other nationalised industries that public dividend capital on the BOAC lines is not an open authorisation to management to cease paying interest on it every time the going gets tough. Not that the biggest loss-makers have ever taken particularly seriously the obligation to pay fixed interest on ordinary Treasury borrowings.

Insurance

Exit two

Two insurance companies have given up trying to write motor insurance profitably. The Excess and the Welfare both prefer to concentrate on their main business of, respectively, handling industrial and commercial risks from Lloyd's brokers and life assurance. Despite the large and repeated increases in premiums motorists have been charged for the past 18 months—and will pay over the next 18—insurance companies are still finding it difficult to keep pace with the rising cost of claims. These costs tend to increase faster than prices generally, as they consist of labour-intensive garage costs and injury awards by courts. A further problem is that the higher the premiums the more capital an insurance company needs to insure a given number of cars; cutting the number of policies issued means higher administrative costs per policy. So smaller companies concerned mainly with non-motor business may stop bothering with motor in future.

One point needs to be got straight. The exit of Excess and of Welfare is in no way a consequence of the ending of the motor tariff in 1969, which produced cut-throat competition for two years and big losses for the com-

panies before sanity returned. On past form, if the tariff were still in existence, the companies would find it even harder to get their rates up to meet increased claims costs, just because of the time it takes to get agreement among the members. But the tariff still remains for industrial and commercial fire insurance, and last week the Monopolies Commission said it should go. Under the tariff system, member companies (which include all the big ones except two) agree on premium rates and policy conditions among themselves, and refuse to share in the insurance on any factory or whatever unless club members get first option on at least 65 per cent of it.

The companies are fighting to keep the tariff, warning that its disappearance would mean an outbreak of pretty frenetic competition, a decline in public confidence, a cutback in fire insurance and reinsurance on offer, and instability and losses all round. The Government is unconvinced and has accepted the recommendation "in principle." It is not easy to see the companies falling over themselves in heedless competition to insure ICI's plastics factories, or even a well-fire-protected store, fitted with sprinklers and everything, the more so as insurance on all these buildings, apart from the smallest, is shared out round the market. By the same token, although the 65 per cent rule is an unnecessary restrictive practice, collective rate-fixing by these companies (which have only 63 per cent of the market) may not be as harmful as all that. The real objection to the system is its inflexibility to changing conditions. Without it the outcome might be not chaos but price leadership, which may be the ideal set-up.

Key indicators: British economy

Overseas trade

Surplus of £29m in July. The dock strike reduced imports but had little effect on exports. The floating of sterling also had a greater effect on imports, increasing their value by an estimated £25m.

Industrial output

Down nearly 1% from May's record level. Gas and electricity output again exceptionally high because of bad weather.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	June	129.7	-0.9	+2.4	+3.0
employment*	May	88.7	-0.1	-0.6	-4.4
productivity*	May	147.6	+2.8	+16.0	+9.2
Export trade*†	July	149	-6	+1	-3
Retail trade*	June	116.9	+1.8	+3.7	+6.8
Unemployment*	July	159.9	+0.6	-7.8	+6.8
Average earnings*	May	202.2	+0.8	na	+10.8
Retail prices	June	158.0	+0.7	+2.1	+6.1
Export prices	May	151	+½	+2	+7½
Import prices	May	135	nil	+½	+3

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

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UDT Group: Sir Alexander Ross reports...

**Profit up by 72%,
scrip issue planned;
further growth ahead.**

THE YEAR'S RESULTS The group has achieved a record profit of £19,161,000 before tax, an increase of 72% on the previous year, with earnings per share up from 12.33p to 18.47p. The Board recommends a final dividend of 17% on the ordinary stock. This, together with the interim of 13% paid in March, makes a total dividend for the year of 30% (7.50p per ordinary stock unit) compared with 25% (6.25p per ordinary stock unit) for the year to 30th June 1971.

The Board also recommends that an issue by way of capitalisation of reserves be made to ordinary stockholders at the rate of one ordinary stock unit for each ordinary stock unit registered at the close of business on 6th September, 1972 and that the authorised share capital of the company be increased by £20 million.

The stock units comprised in this issue will not rank for the final dividend recommended for the year to 30th June 1973. However, the Board intends that for the year to 30th June 1973 the total rate of dividend on the increased ordinary capital should be at least 17%, equivalent to a dividend of 34% on the present issued ordinary capital.

SCOPE OF ACTIVITIES

The scope of our activities is too little recognised. The reputation of UDT as one of the leading finance houses in Europe has tended to divert attention from the range of our other banking and financial operations. Of group profit, 41.3% emanated from UK banking and industrial finance, compared with 27.7% from consumer credit.

BANKING STATUS We now have the benefit of exemption from the Protection of Depositors Act, the added advantage of access to marginally cheaper funds, and the ability to issue our own certificates of deposit. Formal recognition of our banking status and its intangible advantages will greatly assist our future development.

CONSUMER CREDIT Abolition of control orders and removal of ceiling restrictions have led to rapid expansion in the consumer credit market. We are confident of our ability to take advantage of this challenge. Our past growth has depended primarily upon an ability to meet customers' needs and to seize opportunities as they arise. It has been largely through these skills that we have grown.

There is ample scope for us to expand both our point of sale and direct credit business. We have written a record volume of business during the year and our current planning and marketing efforts are aimed at an increasing share of the growing market. Our computer and other techniques will enable us to handle this expansion without a proportionate rise in overheads.

It would be wrong to assume that the likely impact of

clearing banks on the consumer credit market represents a major threat to our business. Many of our customers have current accounts with clearing banks, but more than half the adult population have no such accounts. From that majority we derive valuable business for point of sale credit and direct loans.

MONEYCENTRES Our new Moneycentres offer, directly to the customer, personal credit schemes, current account and other facilities, and counselling on financial matters. These services are provided in attractive surroundings and at convenient times, including Saturdays. Our confidence that the Moneycentres meet a real need is supported by their most encouraging initial success.

BUSINESS CREDIT Through both our instalment credit and banking divisions we offer a wide variety of credit for commercial and industrial purposes in the United Kingdom. Apart from the clearing banks, we are one of the principal suppliers of this type of credit.

INDUSTRIAL DIVISION Our industrial division deals with other than purely financial operations. It manages our equipment hiring and distributive activities which, though basically financial, also involve special technical skills in handling associated services; it provides internal management expertise in a variety of industries - a valuable adjunct to our merchant banking operations; and it supplies entrepreneurial skills whenever our resources can be advantageously deployed outside the field of banking and finance.

SUMMARY OF RESULTS	1972	1971
	£'000	£'000
Group Profit before Tax	19,161	11,130
Group Profit after Tax	11,157	7,021
Dividends paid		
on Ordinary Stock: Interim	13%	11%
Final	17%	14%
Earnings per Ordinary Stock Unit	18.47p	12.33p

OVERSEAS Our overseas activities, which have consistently contributed a substantial part of total profit, are being further extended. Existing operations, principally in the provision of commercial and industrial finance and services, are growing steadily and total receivables now exceed £100m. Our planned expansion will be sustained by our experience in establishing and controlling overseas activities.

PROSPECTS I am confident that the continued expansion of our operations will ensure significant increases in group profits over the longer term. With reasonable stability in trading conditions greater profits should be earned in the current year. The effect of any adverse movements in UK money costs will be mitigated by the composition of our current funding: by our substantial portfolio of loans at interest rates related to the cost of money; by our overseas activities which are mainly funded in the countries of operation; and by those expanding operations in the industrial division which are less dependent on borrowed funds.

Copies of the Report & Accounts are available from the Group Secretary, 51 Eastcheap, London EC3P 3BU



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BUSINESS

International

It's mid-August and there isn't a crisis yet

With only five weeks to go before the annual meeting of the International Monetary Fund, much political heat has been generated but not too many exchange market jitters. And despite all the odds against it—Britain's labour problems, Italy's political tangles, the failure of Japan's gimmicks to dent its disruptive export strength, and the openly divided views of governments on gold and dollar convertibility—there is a chance that calm, or relative calm, will prevail in this sensitive time for currencies.

This is not because agreement on long-term monetary reform looks any closer. Far from it. The IMF executive directors are not finding it easy to agree on their own report, and Washington has emphasised again this week, in the mid-year outlook from President Nixon's Council of Economic Advisers, that any agreement on international monetary reform must be linked to substantial trade concessions to help America to get a sustainable surplus on its balance of payments.

This has raised hackles in Europe, where it has been interpreted as an attack on the common market's agricultural policy. But the exchange markets have focused less on America's pre-IMF (and pre-election) bargaining stance than on hard pointers to short-term dollar stability.

There are three: (1) the readiness of the Federal Reserve to intervene again in the markets, most recently in Belgian francs, to underwrite the Smithsonian structure of exchange rates; (2) the official confirmation that, but for the backlash of the sterling float in June, America's balance of payments would have swung into surplus in the second quarter of this year; and (3) the expectation that New York money market rates will again begin to rise, after an earlier

upward trend had been reversed by the conversion into marketable American government securities of a substantial portion of the dollars that had flooded into foreign central banks in the speculation after the pound float.

But, when all is said and done, the main reason why the Smithsonian structure is holding up is because the pound has been taken out of it. Of course, what remains of the structure would be vulnerable if sterling were floundering hopelessly. But the pound rode out the dock strike with remarkable aplomb. Indeed, the spot rate was much steadier throughout the 20 days of the official strike than it had been in its eight weeks inside the EEC snake. This was partly because Britain's underlying payments have not, yet, swung into deficit; partly because relatively high interest returns here and exchange controls abroad have made alternative outlets for funds less attractive.

It would be rash to assume that the official settlement of the dock strike on Wednesday means that sterling is now out of danger. There is a long list of potentially inflationary wage claims coming up (see page 63). But the exchange markets are more likely to wait on, than to anticipate, trouble here. As for the weakest member left in the EEC snake, the Bank of Italy has insisted that the pressure on the lira has not reached dangerous proportions and, for once, such denial of intervention may reflect the truth.

Israel-EEC

The orange card

Jerusalem

Israel is not satisfied with the EEC's long-term plan to form a Mediterranean free trade area, linked to the

EEC in the same way as the remaining EFTA countries will be. Mr Abba Eban, the Israeli foreign minister, has welcomed the idea but only as a long-term solution. What is urgent, he said, is the need to widen Israel's treaty with the EEC when the new members join, or soon after. Britain's entry is likely to cause serious economic losses to Israel.

Israel wants associate status but is unlikely to get what has been already denied to the EFTA countries. So, as a second best, Israel is asking for developing country status, which would mean that its exports would qualify for favoured treatment under the Unctad generalised preferences scheme, as do the exports of such developing countries as Singapore and Mexico which are far from the bottom of the development ladder. But the Israelis recognise that they will be lucky to get this either, and will probably have to settle for a widening of their existing agreement until a Mediterranean free trade area comes about.

Under the present deal, dating from June, 1970, the EEC agreed to halve the external tariff rates for Israeli exports, but with a wide range of exceptions, including many types of fruit (eg, oranges), vegetables and food products, and some industrial goods.



They could turn sour

When Britain joins the effect of these exceptions will be more severe: oranges, plywood and citrus fruit will pay higher duties in Britain. Some other Israeli exports like woollen fabrics will bear lower ones, but these are of much less importance to Israel. Altogether the new EEC accounted for 40 per cent of Israel's 1971 exports of £390m (including virtually all its citrus exports), and provided 48 per cent of its 1971 imports of £730m.

Israel will probably have to offer the EEC something in return. EEC exports now get tariff cuts in the Israeli market, but the cuts are less than half as generous as the ones Israel gets. Israeli ministers are now in a mood to trade a much bigger opening up of the Israeli market in return for better access to the EEC. This Israeli adventurousness, however, will be wasted if it runs into political opposition from the French, as previous overtures have. Support from Britain, Germany, Benelux and the Scandinavians will help. But the French will probably demand concessions for Spain too—and that would upset the Dutch.

Italian television

Too clever by half

Rome

Italy's decision to open up a colour television service in time for the Olympic games looks like a monumental defeat for common sense. Unwilling to decide between the Secam (French) and Pal (German) systems, Rome is to use each of them on alternate days.

Most of the 40,000 Italians with colour sets have Pal ones, picking up programmes from Switzerland and Yugoslavia. Practically nobody owns a Secam set. Italian manufacturers make Pal sets for export—and in the hope that the government will eventually choose Pal—all under licence from AEG-Telefunken, which holds a 25 per cent stake in Zanussi, Italy's largest domestic appliance manufacturer. The decision to give equal time to Secam is exclusively political. President Pompidou himself has pushed hard for it, painting pictures of France and Italy jointly selling Secam systems in Spain, other Mediterranean countries and South America. The French claim there are great opportunities to strengthen the Latin cultural and political influence in these countries, the ties with east Europe (where Russia uses a modified form of Secam) and to stave off German technological domination.

The Germans have relied on Pal's

technical superiority, Italian RAI-TV's known preference for it, and the influence wielded by the Italian television manufacturing lobby. But the botched choice could be the last straw for the Germans. German industry is already furious about the prevarication over the planned new power station for Rome, in which Kraftwerk Union may have been balked of a £60m contract because of domestic political pressures. Germany will now be less willing than ever to help Italy get its EEC regional policy, or with easy let-outs from the rules of monetary union.

The row in Italy itself is one which Signor Giulio Andreotti's new government could do without. There are dark mutterings about politicians who might benefit personally from a choice of Secam, and the communist opposition, in particular, wants to know how RAI-TV is capable suddenly of launching

full-scale Secam and Pal transmissions at the drop of a hat, when only limited test transmissions have been conducted so far. The hunt is on to know who authorised the expenditure needed, at a time when there has been no money to raise state pensions.

Russia and Japan

Linked by a pipe

Tokyo

El Paso Natural Gas is negotiating with the Russians to buy Siberian gas on a 20-year contract to supply both the east and west coasts of America. It is one of several American companies now exploring the possibilities of oil and gas deals which, on past Soviet performance, may take years to come to anything.

The talks were revealed by a Soviet

Looking a rich nephew in the mouth

Cairo

Colonel Qaddafi has now pulled off another coup, according to French reports, by browbeating the Italian oil and gas holding company, ENI, into ceding a 50 per cent stake in one of its Libyan concessions. ENI, naturally, has been putting out denials.

The colonel plainly means to prove to other Arabs his diplomatic skill in securing more "participation" in oil operations. But what sort of participation the Libyan government is going to have in the Egypt-Libya union is another matter, and one that economists in Cairo have now had three weeks to brood over.

Even after recent cuts in Libya's oil production, 2.2m Libyans have an oil income of £800m a year. In 1971, the 35m Egyptians exported goods worth only £340m, but imported £500m worth. Libya's reserves last December had topped £1 billion (nearing, say, Belgium's); Egypt's reserves are one-tenth this size and it has known foreign debts of £800m, including £60m to the United States, on which it defaulted on payment in April and July; it owes unknown amounts to Russia.

But many Egyptians doubt if Colonel Qaddafi sees himself in the role of rich nephew paying off the debts of his old uncle, although he may use his millions to beef up Egypt's military capacity against Israel. They would be surprised if the Libyans allowed their oil money to flow into a joint central bank. And they are concerned that Libyan money might surge into Egypt's domestic economy, causing an avalanche of inflation and enabling Libyans to buy up Egyptian businesses.

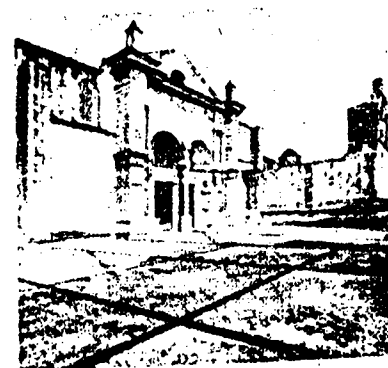
For fear of getting the worst of both

worlds, the Egyptians are now studying less ambitious paths to economic union. Trade between the two countries has been averaging no more than £1.5m a year. Communications are part of the trouble. Alexandria and Tripoli are 1,000 miles apart. Roads are bad. Developing road and sea transport would make good sense. So might vaguer plans for piping 1m cubic metres of Nile water a day to Libya for drinking and irrigation, and for a nuclear power and desalination plant to provide water for agricultural development along the coastal strip. In such schemes Libya would provide the money, Egypt the expertise.



Who's riding whom?

Now...from the Dominican Republic... nickel for world markets



La Española was discovered by Christopher Columbus back in 1492. It became the isle he loved best. His tomb is enshrined in a cathedral in Santo Domingo, the country's picturesque capital.

And only 50 miles from the great discoverer's shrine, in the hills of the Yuna Valley, Falconbridge has just unlocked nickel ore deposits that have lain undisturbed for countless centuries.

It was 1955 when Falconbridge became interested in the Yuna's promising nickel-bearing deposits. From a miner's standpoint, they were easy to extract; from a metallurgist's, there was no known process that would permit

economic recovery of the nickel.

Falconbridge research evolved the answer, a patented pyrometallurgical process that made economic production of ferronickel from these ores technically feasible.

International financing was arranged, and in 1969 Falconbridge Dominicana, C. por A., commenced work on the huge \$180 million mining and smelting complex, the largest industrial undertaking in the history of the Dominican Republic.



First commercial production ingots were poured and shipped in December, 1971. And on June 21 this year at inauguration ceremonies, the Dominican Republic officially joined the ranks of the world's nickel producing countries.



Falconbridge... an international group of companies mining, smelting, refining and marketing worldwide...

FALCONBRIDGE
Toronto Canada



72-O-1



trade official now in America. Tokyo will not be pleased. Gas is one of the joint Soviet-Japanese projects on which talks have dragged on for years but on which agreement has never materialised. And even the Japanese oil deal could still come unstuck for political reasons.

The Russians developed a sudden enthusiasm for an oil deal with Japan after President Nixon announced his Peking visit. In January Mr Andrei Gromyko arrived in Tokyo, offering talks on a peace treaty and on Japanese participation in Siberian development. If he was hoping to quench the growing Japanese interest in trade and investment in China he did not succeed. Japan's relations with Peking have warmed since Mr Tanaka took over as prime minister; he plans to take to the Peking trail himself next month. Pessimists in Tokyo are afraid Moscow may now register its displeasure by going slow on its Siberian offer and instead cultivating the Americans—like Occidental Petroleum, which has now started detailed talks with the Russians as a follow-up to the hazy deal fixed last month.

The Japanese are now dead keen on the oil deal, having allowed the idea to hang fire for months among doubts about its technical feasibility and its cost. They have been to see for themselves that Russia's Tyumen deposits are as big as they are cracked up to be and that the quality (less than 1 per cent sulphur) is as good. Something like £1.2 billion will need to be spent on developing the reserves and laying 2,700 miles of pipe to carry the oil from Irkutsk to Nakhodka, on Russia's Pacific coast. Deliveries could begin about 1976, at 40m tons a year for 20 years. This would help to diversify Japan's sources of oil away from the Middle East, which now supplies 85 per cent of the 240m tons a year that Japan imports.

Australian budget

Snedden tries

Sydney

It was a foregone conclusion that Mr Billy Snedden, the federal treasurer, would present a popular budget on Tuesday in a last-ditch attempt to swing opinion in advance of the general election in October or November. But has he gone too far? The budget is a political prospectus constructed to take full electoral advantage of the existing slack in the Australian economy and the unprece-

dent strength of the balance of payments, while still bearing the Liberal party trademark.

There were some concessions to the welfare state: pensioners, for instance, will receive bigger benefits and the means test will be abolished over three years. But Mr Snedden's declared aim has been to get taxes down rather than spending up. Tax concessions will cost £210m to the exchequer at last year's tax rates, and, in consequence, revenue will rise 6.8 per cent (to £4.6 billion) or less than usual. Spending, however, is up 11.6 per cent at £4.9m, although this is little more than the natural growth expected from inflation and real gnp growth. The main tax cuts are a 10 per cent reduction in income tax, tapered to give bigger percentage cuts towards the bottom of the scale, and a big jump in the tax threshold from £200 to £505.

Politics apart, the boost is intended to lift Australia's growth rate from the 3 per cent level where it has been stuck for the past year, mainly because of sluggish consumer spending. The aim is to boost business investment outlays as well as personal spending, and so bring down the unemployment rate from its present 2 per cent to, say, the 1½ per cent to which Australia is more accustomed. Mr Snedden's optimism is indicated by the government's new immigration plans for a total of 140,000 new settlers in 1972, after a year in which immigration dropped by about one-third to 88,000, largely because Canberra, with one eye on unemployment, has been limiting the assisted passages scheme.

Car engines

Reverend power

The Stirling engine was invented in 1816 by a Scottish minister: this piece of advanced technology has now been bought by the Ford Motor Company from Philips of Holland, which has been

working on it since 1938. It illustrates the lengths to which the big motor companies are now going in order to meet the demand for ever-intensifying controls of fumes and noise from cars, most immediately the new American standards that take effect in 1975.

The Stirling consumes little fuel and is low on fumes and noise. It works on external rather than internal combustion. The internal combustion engine produces power by compressing air and fuel into a small space and igniting it. The explosion moves the pistons which turn a crankshaft and compress the next charge to be ignited. Internal combustion engines need gearboxes and clutches, and leave a residue of unburnt gases, a further waste of power as well as fumes. External combustion engines (of which the steam engine is one form), use the fuel to vapourise a fluid, which then drives a piston. So exhaust gases can be recycled for further use cutting pollution to about 2 per cent of that caused by a normal car.

This is not the sum total of Ford's research effort. The company has also invested in a research firm called Thermo-Electron, which is developing a steam engine, and has even explored the stratified charge engine. This is an internal combustion engine, but the air is sucked in on its own and only when the valves are closed is vaporised fuel sprayed in. Because of the tight control over the combustion process fuel consumption and fumes are cut. Ford's team regards it as a serious contender for 1980.

But the Wankel rotary engine is still where Detroit's hopes chiefly centre. This, too, is an internal combustion engine, but the ignition and expansion of gases take place in a space formed by a triangular rotor inside a casing. Some, but by no means all, of Detroit, rates the rotary the anti-pollution winner. General Motors thinks so anyway, having paid \$50m for the rights to make it.

BUSINESS

Investment

A ratio for chaos

During the dock strike the Financial Times industrial ordinary index rose 40 points. So is the market just having a silly season, or is it really well adjusted to Britain's industrial chaos?

Strikes lead to bigger wage deals, which accelerate inflation. This pushes up interest rates and makes equity yields look low; it also cuts directly into profits because of higher costs. But if prices are raised to match wages, equities gain by inflation because they become more attractive than fixed-interest stocks. That leaves the inflationary impact of strikes on shares unpredictable. Output losses are another matter.

Production and, therefore, company profits suffer not only from strikes inside companies but from national strikes, like the miners' one. Indeed the miners' strike, including the power cuts that accompanied it, is a useful indicator of the relation between the loss of output and the loss of profits that strikes cause. Industrial production was cut by about 2.1% in the first three months of this year (excluding loss of coal and electricity production), while industrial company profits were 7.9% lower, according to Phillips and Drew, the brokers. This suggests that the ratio between lost output and lost profits was about 1:4 for this period.

Some strike-earnings ratios

British Leyland	146
Beaverbrook Newspapers	35
General Electric Company	16
Westinghouse	16
Joseph Lucas	10
Birmid Qualcast	9
Dunlop	8
Associated Engineering	5
Dickinson Robinson Group	5
Associated Newspapers	5
Great Universal Stores	2
Imperial Chemical Industries	2
Marks and Spencer	1
Barclays Bank	0
Tilley Lamp	-10
G&M Power Plant	-15

But, of course, a proportion of output lost during this and other strikes, is made up later. It is hard to estimate how much this is, and it depends primarily on the spare capacity.

Assuming that, on average, one-third of lost production is recovered, then a week's strike will cut a typical company's annual profits by 5%. But this does not mean that the share price should fall by 5% unless profits in all future years are going to fall by 5%. In fact, profits in future years will fall because a week's profit growth has been lost, but the impact is comparatively negligible.

The share price, in theory, is equal to the sum of future years' earnings suitably discounted. So if the share is on a prospective p/e ratio in the current year of 16 (roughly the average at the moment), a fall in the current year's earnings of 5% should only affect the price by 1/16 x 5%, that is 0.31%. On this basis, a week-long general strike should depress the FT industrial ordinary index by only 0.31%, about 1½ points. Of course it would do nothing of the sort, but that is what reason would say and reason tends to win eventually. A longer strike would have proportionately greater effects because the ratio between lost output and profits would change. Still, it may be less remarkable than some people think that the market should have treated the dock strike as peanuts.

But all this assumes that the strike in question is a one-off event, which is seldom true in recent years. If a company is hit by a strike in one year, it is likely to be hit again in the future (even if the strike is the first in the company's history, like that recently at Imperial Tobacco). So even one strike should have a permanent impact on a share's rating (although the relative drop in the share price should still be



Hands up, shares down

less than the relative drop in that year's profits).

In general, then, the stock market is right to take most strikes in its stride. But there are a few individual companies in which the effects can be very large.

We have devised a new measure to identify the small handful of companies which do suffer badly from strikes: the strike-earnings ratio. This is defined as the percentage by which a company's earnings would have exceeded its actual earnings over the past two years had there been no strikes. Thus British Leyland has an s/e ratio of 146. This means that its earnings would have been 146% higher in the past two years had there been no strikes.

Our table shows estimates of s/e ratios for a sample of companies. These are compiled from company and brokers' estimates and our own guesswork. An s/e ratio of zero means that a company is unaffected by strikes. A negative s/e ratio means that the company has actually gained by strikes. Our two examples are Tilley Lamp, which makes paraffin lamps, and G&M Power Plant, which makes electric generators. Both have done very nicely as a result of the various power cuts over the past two years. Ever Ready might have been another example, but the gain from extra torch battery sales has been wiped out by the loss of production caused by the strikes.

Key indicators: world commodity prices

Coffee jitters

Coffee prices fell sharply but then rallied on the London market as consumer countries prepared to put up a stiff fight at the London coffee talks against the producers' plans to impose their own pattern of export quotas and prices. If the consumers stand firm in their demands for bigger export quotas, the end of the International Coffee Agreement could be near.

	Index 1963=100		Percentage change on	
	Aug 9	Aug 16	one month	one year
All items	133.7	134.5*	+ 1.0	+12.4
Food	149.0	151.3*	+ 2.4	+16.1
Fibres	102.5	101.9*	- 1.1	+18.4
Metals	181.5	182.4	- 0.7	- 2.8
Misc	122.4	119.7*	+ 1.5	+16.3

*provisional

Glynwed Interim Report

52 weeks ending 30th December, 1972

Trading results. The unaudited results of the Group for the 26 weeks ended 1st July 1972, together with the published figures for the corresponding period of the previous year and the final audited figures for that year are summarised below:

	1972 26 weeks to 1st July £	1971 Half year to 30th June £	1971 Year ended 31st December £
Turnover of the Group	57,071,000	42,510,000	85,787,000
Group Trading Profit	5,220,000	4,150,000	9,112,000
Debt and Loan Stock			
Interest	799,000	781,000	1,555,000
Group Profit before Taxation	4,421,000	3,369,000	7,557,000
Taxation	1,768,000	1,348,000	2,816,000
Preacquisition Profits			84,000
Group Profit after Taxation	2,653,000	2,021,000	4,657,000
Dividends: Ordinary—Interim 3.5p	1,439,029	3.125p 1,052,667	3.125p 1,052,667
Final		5.25p 1,816,205	
7% Preference	50,033	50,033	100,066

Notes: 1. U.K. Taxation on the profits of the current half year has been estimated on the basis of Corporation Tax at 40%; Overseas Taxation has been estimated at the appropriate rate.

2. Turnover and Profits before Taxation of three newly acquired subsidiaries amounting to £9,957,000 and £525,000 respectively have been included. (John Cashmore Limited from 1st February, 1972.)

GLYNWED

STATEMENT

Trading results. Group profit before taxation shows an increase of approximately 31% in the first half of 1972 over the corresponding period of the year 1971 (16% if new subsidiaries are excluded).

The half year's figures reflect the continuing high level of activity for the building sector of the economy and most of the increase in profits came from that part of the Group's business which supplies the building industry. Most of the other areas of the Group's activities have only shown any material upturn in trading during the last few weeks of the period. It is estimated that the disruption caused by the miners' strike cost the Group some £250,000 in profits. The South African subsidiary has had a difficult period of trading due mainly to economic restrictions.

Acquisitions. Since 1st January 1972 the Group has acquired four companies, three of which are included in the half year's figures, viz. W. H. Paul Limited (Steel Pressings), W. Lewthwaite & Sons Limited (Stockists of Bearings) and John Cashmore Limited (Steel Stockholders). The fourth acquisition, Sidney Flavel & Co. Limited (Gas Appliance Manufacturers), was not finalised at 1st July 1972 and has, therefore, not been included in the results.

Dividend and Prospects. The Directors have declared an Interim Dividend for the 52 weeks ending 30th December 1972 of 3.5p per share (1971: 3.125p) subject to deduction of income tax. In order to minimise the Company's liability to tax under the forthcoming change in the U.K. tax system, this dividend will be paid on 3rd January 1973 to Ordinary shareholders on the Register at the close of business on 15th September, 1972. The Directors expect, in the absence of unforeseen circumstances, that profits before tax for the second half of 1972 will show an improvement over those earned in the first half of the year.

GLYNWED LIMITED Bilston · Staffordshire

London and Wall Street After the bids

Bull markets have a delightful habit of ignoring bad news and exaggerating good news. So it was with London this week. The continuation of the dock strike did not depress shares, but as soon as it looked like ending prices shot up. On Wednesday, when the dock delegates voted to end the strike, the Financial Times 500-share index hit a new peak of 227.9. And the 30-share industrial ordinary index was close to its high, although it shaded 4½ points on Thursday to close at 533.3, in a rather idle market.

But the main interest still centres on bid stocks. Despite last Thursday's news that P&O had made an agreed bid for Bovis, the market reckoned someone else would step in with a pre-emptive bid for P&O to exploit its rich assets. P&O shares rose 70p on the week to 355p. After the recent spate of brewery takeovers, Guinness and Scottish and Newcastle both rose sharply in the hope that they might go the same way.

Our Wall Street correspondent reports that the market there continues to play its cards close to the chest, price gains one day as likely as not being partly clipped the next. But the emphasis has been on "partly." Prices have moved higher by an impressive 6% since the current rally started in the third week in July. Indeed, on Monday the blue-chip Dow Jones industrial average, after putting on 20 points in two days, hit 973.51, its highest since December, 1968, and only 2% off its all-time peak. But by mid-week it had eased to 964.25.

The latest weakness was mainly in motor stocks, induced by the Nixon

Administration's request that the car industry reconsider its plans to raise prices on 1973 models. Chrysler, which was the first to assail the White House request by branding it "arbitrary and discriminatory," saw its shares close on Wednesday at \$30½, down \$½. General Motors was off \$1½ at \$75½, Ford fell \$1½ to \$64½, while American Motors wound up at \$10, down \$½.

On the other hand, American Telephone and Telegraph, one of the big board's most actively traded issues, on Wednesday climbed \$½ to \$43½ following the announcement that the quarterly dividend had been raised to 70 cents from 65 cents. Another fairly active stock, Plessey, which denied a report in these columns last week that it was all set to join forces with Thorn Electrical Industries, held at \$3 for the day, down only \$½ from the year's high reached last Friday.

While the current rally basically mirrors continued economic strengthening, confidence has been slow to return to the market, as evidenced by the continued moderate trading volume, roughly 15m shares a day. The recovery, brokers observe, has been sustained not so much from any marked expansion in demand as from a reluctance of present holders to part with stocks. So it has been a bloodless recovery, but a rally none the less.

Tobacco

Dobson's choice?

The news that should have been announced on Wednesday was that British Imperial Tobacco is the name of Britain's newest and biggest multinational company, formed from the merger of Imperial Tobacco and British-American Tobacco. Instead the two companies explained that a year's

joint talks had led to an agreement to end their 70-year-old trading deal.

One of the two main arguments for a merger is that EEC competition rules, as interpreted in a test case at the Court of Justice last year, mean that no company can hold a monopoly of a brand of goods in one country. Since an agreement in 1902, Imps has sold no fags outside Britain and Bats none inside, although both companies sell many of the same brands, like Players. So it would be legal for a German importer to buy, say, Players in Britain and sell them in Germany in direct competition with the identical cigarettes produced by Bats. The second argument is that Bats's earnings come almost entirely from abroad and so will be taxed more heavily under the new corporation tax system. In a merged company Bats's foreign earnings could be offset by Imps's home earnings.

The two chairmen, Mr Richard Dobson and Sir John Partridge, explained on Wednesday that they had rejected the merger plan because they were frightened that the new company would be too big to be popular, and might come under attack from the EEC commission. This may be true, but neither company seems to have talked to officials in Brussels. Although Bats would have been Europe's biggest tobacco firm, it would have had only 29% of the total market, and the commission could hardly take tough action against it while both France and Italy have state monopolies in tobacco. City gossip has it that neither board was happy at the inevitable demotions that would follow a merger. Anyway, the decision was taken not to merge, but to end the 1902 agreement, so the two companies are now free to compete in the same markets.

This would be fine if there was a real prospect of competition between them. But to judge by the tone of Wednesday's press conference neither has any plans to do so. The trouble is that Imps and Bats cannot be expected to operate independently while Imps holds 28% of the Bats equity. But Imps is reluctant to pay up the £50m capital gains tax that liquidation would require. There must be a good chance that either the Monopolies Commission or the EEC commission will eventually ask Imps to sell its stake in Bats.

The main loser from the failure to agree on a merger is undoubtedly Bats, and its share price dropped sharply on the news. Imps, meanwhile, is proceeding with its bid for Courage.



POUR FAVORISER LE DEVELOPPEMENT DU
COMMERCE ET DE L'INDUSTRIE EN FRANCE

A leading International Bank founded in France in 1864

Balance Sheet as at 31 December 1971

Liabilities

Banks of issue, banks, and the money market:	
Current accounts	F 4,685,009,213.41
Deposit accounts and borrowings	13,118,545,803.98
Commercial Accounts:	
Current accounts	9,654,727,981.14
Deposit accounts	4,169,771,590.73
Private accounts:	
Current accounts	8,712,387,476.64
Deposit accounts	1,797,492,853.09
Special savings accounts	5,104,134,326.96
Deposit Receipts	4,517,737,126.00
Equalisation Accounts, Provisions and Sundries	4,812,017,106.17
Sundry Creditors	728,051,583.16
Acceptances payable	1,998,812,315.70
Securities transactions accounts	276,985,028.67
Reserves	310,000,000.00
Capital	400,000,000.00
Brought forward	8,898,666.00
Profit for the year	113,843,079.00
	F60,408,414,150.65

Assets

Cash, Banks of Issue, Public Treasury,	
Giro Accounts	F 4,327,432,730.73
Banks and the money market:	
Current Accounts	3,169,213,599.80
Deposit accounts and loans	11,506,848,490.30
Treasury Bonds and securities received in pledge or bought firm	6,177,697,171.57
Credits to customers—portfolio:	
Short term	14,739,843,759.40
Medium term	5,929,702,100.06
Long term	1,972,265,227.67
Credits to customers—debtors accounts	6,830,748,903.83
Equalisation accounts and sundries	2,780,131,107.94
Sundry Debtors	77,519,228.60
Debtors on acceptances	1,998,812,315.70
Securities transactions accounts	280,058,643.59
Investment securities	6,859,059.23
Securities of and shareholdings in Subsidiaries	312,197,320.24
Fixed Assets	229,084,491.99
	F60,408,414,150.65

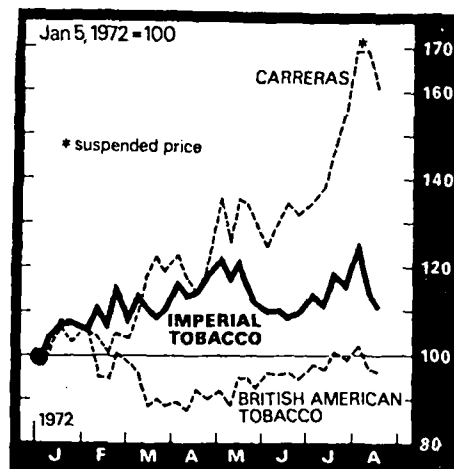
Head Office and International Division: 29 Boulevard Haussmann, Paris, (9e). Main UK Branch: 105-108 Old Broad Street, London EC2P 2HR. Manchester Branch: 28-32 Fountain Street, Manchester, M60 2AD.

Key indicators: world bourses

	Stock price indices			Percentage change on			
	Aug 16	1972 high	low	one week	one month	one year	record high
London sets this week's pace. But Tokyo astonishes again by its climbing capacity. Australia not all that excited by its budget.	537.9	543.6	470.4	+ 4.6	+ 3.7	+33.6	- 1.0
	New York 964.3	973.5	889.2	+ 1.4	+ 5.2	+ 8.8	- 3.1
Canada	229.9	231.1	187.5	+ 0.7	+ 6.6	+27.0	- 0.5
Australia	603.0	639.3	490.1	+ 1.5	+ 3.5	+29.9	- 9.1
Japan	308.7	308.7	199.9	+ 1.6	+ 8.4	+69.5	-
H'kong	457.2	509.5	324.0	- 5.2	- 7.1	+50.8	-10.3
Belgium	117.3	117.7	96.9	+ 0.3	+ 2.6	+14.0	- 0.3
France	85.4	85.7	67.6	+ 1.3	+ 5.8	+10.1	- 5.4
Germany	119.3	121.3	97.1	- 1.2	+ 5.9	+15.8	-21.0
Holland	155.3	155.3	105.4	+ 0.8	+ 3.4	+31.4	-
Italy	48.7	49.9	43.9	- 0.2	- 2.4	*	-58.2
Sweden	351.5	354.6	308.7	- 0.7	- 0.5	+26.1	- 6.4

Stock prices and yields are on pages 97 and 98

*Closed



There was talk in the City that another bidder would emerge for Courage, because the Imps bid was not generous enough. In fact, the Imps bid is even more generous than the Grand Metropolitan bid for Watney Mann. The approximate exit p/e ratio for Courage is 27, against Watney's 23.5.

While Imps and Bats have fiddled about, Carreras has merged itself into a new European group, Rothmans International. The quotation for the shares reopened this week close to the pre-suspension level of 71p. This values the company on a p/e ratio of 12½, assuming full dilution after the full conversion of the convertible bonds. But since the majority of the bonds cannot be converted until 1977, this basis of valuation makes the shares look more expensive than they actually are. When the speculators who rushed in before the suspension have finished ditching their holdings, the share could rise a little higher. Given Rothmans's large stake in Europe, which is a faster-growing market than Britain, the share probably deserves a higher rating than Imps or Gallaher do.

Smith and Nephew

No miracles

Those who expected that the Hydron soft contact lenses would turn solid, reliable Smith and Nephew into a shooting star overnight have been disappointed. The results to mid-June bear no sign that the lenses have been marketed since March. But, then, it was unrealistic to expect anything so soon after the launch. Speculation over the pay-off from Hydron sent S and N's shares bounding to 81p earlier this year. They started this week at 74p, and then shed 2½p after results, which showed the group's

pre-tax profits in the second quarter 11% up on the year before. When the less good performance in the strike-hit first quarter is included, the rise for the half-year over the same period of 1971 was 8.4%, to £3.8m. The corresponding increase in sales was 9.4%, to £30.5m.

The real disappointment is the quiet time experienced by S and N's bulk pharmaceutical and hygiene business. (One of its household names is Elastoplast.) This was compensated for by the expected good out-turn from 55%-owned Gala, whose results are consolidated; and a better-than-expected turn-in from the associated companies. Among these, British Tissues showed it was nearly back to break-even compared with a loss of £1.1m last year, of which S and N sustained its 20% share. Despite only modest results from Jeyes, the associates altogether provided pre-tax profits of £174,000 in the first six months, compared with £98,000 in the same period last year.

As market leader in many essentials, S and N is usually well-placed to outstrip inflation. But price control made it much more difficult to maintain margins after allowing for the 8% interest on the £7.5m loan stock issued in April, 1971. S and N, however, has ducked out of signing the CBI agreement again.

The prospective p/e of 22 reflects increasing appreciation of good quality earnings, with a touch of spice from Hydron, which still has major marketing problems to sort out. The decision to price soft lenses at a premium over conventional hard ones may be a mistake, but Hydron has other uses.

Carrington Viyella

Material improvement

In the end, the first-half results from Carrington Viyella were not quite up to the market's expectations. Over the past euphoric month the share price had risen 30% and this fell back 1½p to 47p. But recent optimism has been far nearer the mark than the earlier despondency fuelled by a gloomy chairman's warning to the annual general meeting of the blows to the first-quarter's figures dealt by the power cuts, consumer reluctance in advance of the budget and world overcapacity in polyester yarn. These remarks may have owed something to strategy since they were accompanied

by a plea for more protection against imports. And when it began to dawn on shareholders that an upturn could be expected in the first half after all, they overreacted—but not by too much. The pre-tax profits of £3.07m were just within the range the market expected and would have been better without a more conservative depreciation charge.

Comparison with the same period last year is confused by the ever-changing structure of the group. In particular, there was the sale last September to the fairy godmother, ICI, of the two trouble-hit polyester texturing interests, William Tatton and Aycliffe Textiles, for £10m cash plus royalties. The proceeds were partly devoted to reducing Carrington's hefty borrowing; the interest charge, helped also by lower interest rates, was down by a useful £580,000. This saving, together with the royalties from Tatton and Aycliffe, probably contributed in the half-year only some £200,000 less than the profits the companies made in the comparable period last year. So it was an excellent deal for Carrington, particularly as the companies are now making a loss.

In the absence of another strike, some quickening in the pace of growth can be expected in the usually more profitable second half. A 32% upturn would produce £8m pre-tax profits for the year, giving a prospective p/e of 16 at 47p. The share can just about support this, but not much more. There is still the question-mark hanging over the 64% shareholding that must be reduced by ICI.

Paper & Packaging Bulletin

This was formerly known as Paper Bulletin

The publication has now broadened its scope to cover the plastic packaging industry as well as all aspects of paper and board.

Special reports in the August issue

CYCLICAL VARIATION IN BRITISH DEMAND FOR PAPER & BOARD FLEXIBLE PACKING MATERIALS

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The Economist Intelligence Unit

27 St. James's Place London SW1A 1NT
or 137 Avenue Louise 1050 Brussels

Carrington Viyella LIMITED

INTERIM STATEMENT

The Directors of Carrington Viyella Limited announce the following unaudited results for the Group for the six months to 30th June, 1972:

	1972 £'000	1971 £'000
Sales to External Customers	74,647	77,465
Profit before Depreciation	6,863	6,647
Depreciation	(2,473)	(2,316)
Profit after Depreciation	4,390	4,331
Investment Income	37	43
Interest payable	(1,357)	(1,937)
Profit before Taxation	3,070	2,437
Taxation	(1,201)	(941)
Profit after Taxation	1,869	1,496
Interest of Minorities	(84)	(4)
Preference Dividend	(366)	(341)
Profit attributable to Ordinary Shareholders	1,419	1,151
Cost of Interim Ordinary Dividend (Gross)	699	699

1. On 30th September, 1971, the Company's main texturing interests were sold to Imperial Chemical Industries Limited. On 30th April, 1972, the Company sold its subsidiary Ingham & Tipping Limited. On 25th May, 1972, the Company acquired a majority holding in Consolidated Textile Mills Limited of Canada and sold its wholly owned subsidiary, Dominion Dyeing & Printing Company Limited to that company.

The results related to these companies are included for the appropriate periods.

2. The growth in external sales for the first six months of 1972 compared with the same period of 1971 was 9% excluding those companies sold and those acquired in these periods (see Paragraph 1).

3. As reported at the Annual General Meeting the profits for the first quarter were adversely affected by the severe impact of the miners' strike and the consequent power cuts. The profits for the second quarter showed a good recovery.

4. Provided that there are no further adverse factors beyond the control of the Company, there are indications that the second half of the year is likely to show continuing progress, since in most areas the level of activity and order books are ahead of this period last year.

5. During the early part of 1972 the Board decided to adjust depreciation rates for plant and machinery to accord with a re-assessment of the economic life of these assets.

6. Dividends paid and payable on the Cumulative Preference Shares:

	Cost £'000	1972	1971
6% to 30th June, 1971	—	—	168
6½% from 1st July, 1971	—	—	182
7½% to 30th June, 1971	—	—	173
8% from 1st July, 1971	—	—	184
		732	707

INTERIM DIVIDEND

7. The Directors have declared an Interim Dividend of 2% less tax on the Ordinary Share capital of the Company.

INFLATION AHEAD

Proceed with caution

The rate of inflation in the United States in the 1970's will be nearly twice the rate of the 1960's. This will affect your profits. But you can do something about it. For sound judgment on the U.S. economy, you can consult a private information service that U.S. businessmen have been using—profitably—for nearly fifty years.

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Investment trusts

Time to buy?

Investment trusts have not had a very happy three months. The investment trust index has generally lagged behind the all-share index, although catching up a bit recently. This sent the average discount between a trust's assets and its market valuation soaring to 18%. That is high ground by any of the standards of recent years, and particularly compared with the 5% discount during the short-lived euphoria over investment trusts just after Mr Barber's last budget.

What has gone wrong? The market for investment trusts is suffering from indigestion. Since April an unprecedented diet of 23 new trusts, plus rights issues worth £17m, have been thrust on its plate. The new boys—many of them with jazzy specialisations in Europe, Japan, new issues and the like—have soaked up money that would otherwise have gone into established trusts and lifted their ratings. Institutions, under pressure to give room to the newcomers, may have tossed out some of their old trust holdings. So the market has come down.

This has been hard on the staid and

cautious investors who are an important mainstay of the trust market. They may not have been in a position to subscribe for rights or to get into the adventurous new trusts. They have watched helplessly as the value of their existing holdings has dwindled. Their disappointment is the more acute as they hoped for a boost for their funds from the budget bonus of a cut in the trusts' capital gains tax from 30% to 15%. This moment, when existing holders are feeling so disappointed, may be the right moment for other investors to buy.

There are now some good grounds for optimism. The new tax advantages given to trusts have not yet been fully assimilated by the investing public. While the market has rated investment trusts lower, their actual performance, in terms of underlying assets, has improved. This shows up in our quarterly statistics, compiled by stockbrokers Wood Mackenzie, who measure each trust's performance against an index of British and American equities and fixed-interest securities, weighted in proportion to the average investment trust's participation in these

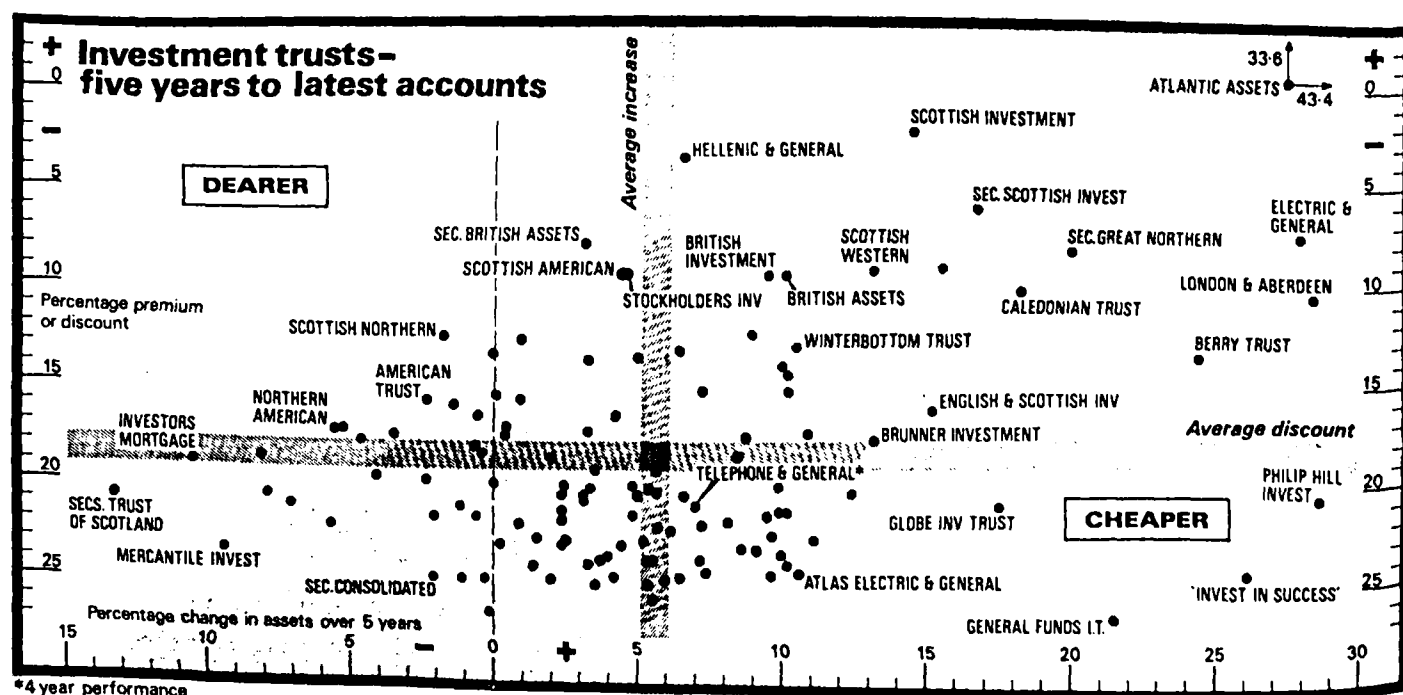
sectors. The long-term (or "five-year") performance figures, on the right-hand side of our table on the opposite page, are shown as a gain or loss on this index.

The short-term figures, on the left-hand side of the table, show the changes in net assets over the year to July 31st. The Wood Mackenzie index has risen 16% over this period, which means that all of the 126 trusts in this survey have beaten this average except for the 10 sad laggards at the bottom of the league.

Managers are perhaps already profiting from the greater flexibility given by the budget: in effect the previous tax on switching between stocks has been cut in half. Some of the ambitious and imaginative ideas of the "new look" investment trusts may be putting pep into the traditional workhorses of the industry.

None of the top trusts in our one-year table is strictly orthodox. The spectacular Flag still flourishes under the unconventional management of Slater Walker. Throgmorton has been skipping along since it pioneered the idea of taking small company holdings from insurance companies in exchange for its own shares. General Funds, Investing in Success and Berry have all distinguished themselves by their big, profitable, but risky, holdings in Japan.

For those who agree that a lot of trusts now look cheap, a pair of especially striking bargains on our scatter graph are the two funds under the banner of City Financial Administra-



tion: Investing in Success and General Funds. Their average appreciation over the past five years has been impressive; but their setback in 1971, when Tokyo turned against them, still seems to be hanging over their ratings. Tiny participation in the United States and some good British growth stocks have helped both these trusts along; but the real bounce comes from the 25% stake in Japan. The investment managers lurking modestly behind the management company front are the old Far East hands, Vickers da Costa: a company which is also enjoying a winning streak in unit trusts and offshore funds.

Another family of funds which falls into the cheaper section of the chart is managed by Fleming and Murray. Only one, Capital and National, has yet made it into the top 20 over five years, but three, London and Holyrood, London and Montrose and United British Securities, are all strong in the one-year table. The last two have still to produce their full 1971-72 results. These might well push them up into the five-year top twenty, which they currently miss by only a small margin. Good results

have been achieved with a generally conventional investment policy, though they have been dabbling in the rocketing Hongkong market. Their problem may be one of marketability; despite the size of the trusts, institutions have got them carefully locked away.

The most notable shift in our tables since they were last published in May is that of Atlantic Assets, which had misleadingly featured at the bottom of the short-term table recently because of the valuation problems of its large unquoted assets, but has soared up on latest published figures. The managers, Ivory and Sime, have upvalued its 26% holding in the unit trust group Save and Prosper from £10 to £20 a share. Still to be added into Atlantic's assets is the real worth of the wholly-owned and energetic merchant bank, Edward Bates, which is still valued at cost. A realistic valuation would add about £9m to Atlantic and boost its growth this year to around 80%. In practice, a revaluation of Edward Bates would make it an impermissibly high proportion of the trust's portfolio, and so the group

intends floating the bank off as a rights issue to Atlantic shareholders.

With a disappointing shift in the opposite direction, the five-year chart topper, London and Aberdeen, is now at the bottom of the one-year table. It has a special problem. With 56% of assets in stablemate trust Stockholders, its performance has been hit by the problems of the investment trust sector. Stockholders' price is unchanged over the year to July 31st, and with a further 4.6% in oil interests which are only valued triennially, all the growth has come from under 40% of the portfolio. In future the managers, John Govett and Co, intend to value the Stockholders component at asset rather than market values.

On this basis London and Aberdeen's growth over the year would be a more respectable 18% but still way below past standards. The whole group has been going through a thin patch with large holdings in America and some troublesome mining investments. So, while the management has a good long-term reputation, London and Aberdeen on current going is less cheap than it looks on the chart.

One-year growth to July 31, 1972

Managers/Chairman	Change in net assets per share %	Discount (- premium) %	North America %	Gearing factor
Top 20				
Flag Investment	Slater Walker Inv	+67.6	19.5	2
Throgmorton Trust	Keyser Ullmann	+53.5	13.3	0
General Funds	City Financial Admin	+45.5	28.5	4
Investing in Success	City Financial Admin	+43.8	24.4	5
Berry Trust	G T Management	+42.4	13.5	28
Electric & General	Henderson Admin	+36.8	7.3	30
City of London	Touche, Remnant	+36.6	22.0	0
Scottish American	Brewery	+35.3	9.4	28
Cardinal Inv Tst	Stewart Fund Mgrs	+35.1	26.4	16
English & Scottish	F & C Mgt	+33.8	16.2	19
Investors	Gartmore Invest	+33.7	15.9	26
Scottish United	McClelland	+33.3	24.7	13
General Investors	F & C Mgt	+33.2	-33.6	41
Atlantic Assets	Ivory & Sime	+33.1	23.0	13
United British	Fleming & Murray	+32.4	24.9	5
Securities	Drayton Corp	+31.2	21.4	22
Premier	Fleming & Murray	+31.1	17.6	18
London & Holyrood	Kleinwort, Benson	+31.0	6.0	25
Brunner Inv Tst	Murray Johnstone	+31.0	22.4	19
Glendevon	Fleming & Murray	+29.8	24.7	4
London & Montrose	Drayton Corp			3
Municipal Trust				

Bottom 10

Lake View Inv Trust	John Govett	+16.0	14.3	28	3
Edinburgh & Dundee	Baillie, Gifford	+15.8	14.0	32	-1
Continental & Industrial	Schroder Wagg	+15.7	13.1	26	14
Scottish Mortgage	Baillie, Gifford	+15.5	15.2	29	-4
Grange Trust	Thomson	+14.9	23.7	17	1
Scottish Eastern	McIntock-Ldn	+14.6	13.6	33	7
Technology Inv Trust	Martin Currie	+14.1	17.9	39	4
US Debenture	Rbt Fleming	+13.9	17.1	29	-3
London Scottish	Garnett-Orme	+13.1	21.0	29	0
American	Garnett-Orme	+11.4	10.4	17	2
London & Aberdeen	John Govett				

Five-year growth to trust's latest year-end

Managers/Chairman	Change in assets %	Discount (- premium) %	North America %	Gearing factor
Top 20				
Atlantic Assets	Ivory & Sime	+43.4	-33.6	41
Philip Hill	Hill Samuel	+28.6	20.6	13
London & Aberdeen	John Govett	+28.4	10.4	17
Electric & General	Henderson Admin	+27.9	7.3	30
Investing in Success	City Financial Admin	+26.1	24.4	5
Berry Trust	G T Management	+24.4	13.5	28
General Funds	City Financial Admin	+21.4	28.5	4
Sec Great Northern	Murray Johnstone	+19.9	8.2	23
Caledonian Trust	Murray Johnstone	+18.2	10.2	23
Globe Inv Trust	Electra House	+17.4	20.9	9
Sec Scottish	Macgregor & Glen	+16.6	6.1	38
Clydesdale Invest	Murray Johnstone	+15.4	9.1	21
English & Scottish	Gartmore Invest	+15.2	16.2	19
Investors	Macgregor & Glen	+14.4	2.3	38
Scottish Inv Tst	Kleinwort, Benson	+13.2	17.6	18
Brunner Inv Tst	Murray Johnstone	+13.1	9.2	22
Scottish Western	Guinness Mahon	+12.4	21.3	34
London Electrical & General	Hambros IMS	+11.1	22.6	18
Hambros Inv Tst	Fleming & Murray	+10.8	17.3	14
Capital & National	Touche, Remnant	+10.6	24.2	11
Atlas Electric & General				6
Bottom 10				
Westpool Inv Tst	Schroder Wagg	-4.7	17.6	27
US Debenture	Garnett-Orme	-5.2	17.1	29
Northern American	Aitkenhead & Merr	-5.5	17.2	31
St Andrew Trust	Mr A. L. McClure	-5.7	22.0	23
London Scottish	Garnett-Orme	-7.1	21.0	29
Aitken Inv Tst	Thomson	-7.9	20.5	11
General Scottish	Robertson & Maxtone	-8.2	18.7	10
Mercantile Inv Tst	Mr G. P. Ladeboer	-9.4	23.4	20
Investors Mortgage	Mr J. Chiana	-10.5	18.9	28
Securities Trust of Scotland	Sir Hugh Rose	-13.3	20.8	11

The five-year performance figures are based on company's declared figures, if available. Net asset values are based on an index representing the average distribution of trusts in the major British, American and fixed-interest markets.

APPOINTMENTS

University of
St. Andrews

Institute of Economic and Social Research
Applications are invited for a LEVERHULME FELLOWSHIP IN ECONOMIC DEVELOPMENT, tenable for four years. Salary scale £1,872-£2,292, with provision for travel: scale at present under review. Applications, with the names of three referees, should be lodged by 31st August, 1972 with the Deputy Secretary of the University, College Gate, St. Andrews, from whom further particulars may be obtained.

Research Assistant

NALGO requires a Research Assistant to work on pay, economic and industrial relations matters. Salary £1,803-£2,100 plus £144 London Weighting. Details and application form from the General Secretary, NALGO House, 8 Harewood Row, London, NW1 6SQ. Closing date 11th September 1972.

CHAIRMAN'S STATEMENT

WHITBREAD

AND COMPANY LIMITED



In his statement for the year ended April 1, 1972, the Chairman, Mr. Alex Bennett, reports:

- * Profits before tax have risen from £16.949 million in the previous year to £20.889 million, an increase of £3.94 million or 23.2%. This improvement has been achieved by a higher turnover in beer and wines and spirits and a most satisfactory increase in retail profits.
- * Wholesale beer prices were held level between the autumn of 1970 and the end of February 1972, so that during the year itself we have absorbed considerable inflationary costs, particularly in wages and salaries.
- * The final dividend recommended is 10½%, making 14½% for the year, as against 12½% last year.
- * We have improved our liquidity position by £5.0 million in the year, in spite of spending over £6 million on the new brewery at Samlesbury and on new production centres for wines and spirits and soft drinks at Hatfield and Beckton.
- * As part of our management reorganisation, an Executive Committee of nine Directors, responsible for the day-to-day running of the Company, came into operation officially in April, 1972. This will make for quicker decisions and communications down the line.
- * Our free trade expanded at a rate which was over two and a half times better than the average for the country. Outstanding were Tankard, Heineken draught lager, Mackeson and Gold Label. Canned beers improved by over 30%. The trend towards draught beers continues, and draught Stella Artois has shown the biggest percentage gain of any lager in the Group.
- * Retail profits in the Group increased by over £1½ million to nearly £6 million. This is the result of skilled investment and management, and covers the whole range of improvements and new ideas from the traditional pub to theme houses, grill rooms, bistros and discotheques, catering for a wide range of customers of different ages and tastes.
- * Probably three-quarters of our licensed houses will always be under tenancy, so that enterprising and successful landlords will remain the backbone of our trade, and we aim to attract the best talent for this exacting way of life.
- * Our wine and spirit company, Stowells of Chelsea, had an excellent year with a very substantial increase in both sales and profits. Our Corrida range of wines continues its steady increase in sales volume, and we are now also very pleased to have taken on the U.K. agency for St. Raphael, the largest selling wine aperitif of France.
- * This year we are aiming for a further satisfactory increase in profits. Provided inflation can be contained, with the attendant difficulties of wage claims and rising costs, I am confident that the Company will continue to forge ahead.

COLIN BUCHANAN AND PARTNERS PPBS AND BUDGETING STUDIES

Colin Buchanan and Partners have a vacancy for an economist (or appropriately qualified person from another relevant discipline such as O.R. or management sciences) for studies of financial planning, programming and budgeting in the public sector. Both theoretical knowledge and substantial practical experience—preferably in a local authority context—are essential; a background in transport economics would be a major advantage. Applications stating qualifications, experience and present salary, should be sent to Mrs. J. Harrison at Colin Buchanan and Partners, 47 Princes Gate, London SW7 2QE.

Lloyds & Bolsa International Bank is becoming increasingly active in the international investment business. As part of our development plan we are seeking high calibre investment specialists for challenging and rewarding opportunities in Investment Management and Research.

Senior Portfolio Managers

Two experienced Managers are required for international equity portfolios.

- A specialist in U.S. securities.
 - A specialist in European and Japanese securities. A knowledge of French and German is highly desirable.
- Candidates currently earning less than £5,000 p.a. are unlikely to have the necessary experience for these appointments.

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We are looking for three experienced Analysts.

- An Analyst with research experience in U.S. shares.
- An Analyst with research experience in European or Japanese shares.
- An Analyst with research experience in fixed interest stocks.

In each case a degree or professional qualification is desirable. Remuneration will be negotiable in the region of £4,000 p.a.

Benefits of working for Lloyds & Bolsa include:

- House purchase scheme.
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- Free lunches.

Written applications in strict confidence to J. G. Green,

LLOYDS & BOLSA
International Bank Limited
40-66 Queen Victoria St., London EC4P 4EL.

Interviews can be arranged outside London if necessary.

APPOINTMENTS

ECONOMIST

for London Electricity

An important vacancy has arisen for an Executive Officer (Economics) in the LEB Commercial Directors' Department in New Broad Street in the City. Applicants should be qualified and experienced Economists. The person appointed will have to grasp quickly and easily the pricing technicalities of marketing electricity. He will be called on for informed comment and advice on the effects of economic policy changes and will be asked to carry out projects, prepare reports and statistics from time to time. Some training and experience in financial and management accounting would be desirable. The position carries a salary within a scale rising to £3528 per annum, plus a superannuation scheme, good sick pay scheme, excellent working conditions, etc.

Please write with full details to the Personnel Director,

LONDON ELECTRICITY BOARD

46 New Broad Street, London, EC2M 1LS.

Quoting ref: PER/V/307.

Young Statistician

New Appointment in
Sales Research

Reckitt & Colman Food Division manufactures and markets such well-known products as Colmans mustards & sauces, Gales Honey, Robinsons Drinks and Baby foods. Success in these highly-competitive, fast-moving markets calls not only for a lively approach to selling but also for a quantitative evaluation of past performance and future potential. The role of the Statistician will be to provide management with the appropriate data and comment.

He will develop the sales forecasting service for both long and short-term business; monitor results of sales promotions and undertake sales force operational research. Ample computer time will be available. These activities will bring him into regular contact with production, sales and marketing staff. The position calls for sound commercial judgment as well as a good background in statistics. Previous experience entailing market analyses and reviewing of trading conditions would be very useful. A man in his 20's, keen on developing his career in this field would find this an ideal opportunity.

Salary will depend on age and experience and there are the usual fringe benefits including contributory pension and bonus scheme. Assistance with removal expenses where appropriate. Please write, quoting reference S.19, and giving full details of your career and experience to date and any other information which may support your application to: Divisional Personnel Director,



Reckitt & Colman
FOOD DIVISION
Carrow Norwich NOR 75A

POST GRADUATE STUDENTSHIP IN SOCIAL SCIENCES

Applications are invited from graduates of British Universities wishing to read for M.Phil./Ph.D. by research in

**ECONOMICS, SOCIOLOGY,
GOVERNMENT,
PUBLIC ADMINISTRATION**

or related fields

Basic grant £650 per annum. Increments for experience. Dependents' allowances.

For further particulars write to:

H. N. Sheldon,
Head of Department of Social Studies,
Paisley College of Technology,
High Street,
Paisley, PA1 2BE.

Closing date 1/9/72.

Transportation Planning

Vacancies exist for suitably qualified staff to assist in the urgent task of interpreting the GLC's broad strategy for transport in London, which is now awaiting Government approval as part of the Greater London Development Plan, and of examining the options for converting the strategy into programmes of action. The work includes appraisals of London Transport's annual and multi-year investment programme, studies of the effects of different fares policies, general public transport planning, and the further development of traffic restraint and highway development policies.

In general the Council is seeking experienced professional people who are qualified in planning, engineering, research, economics or management, preferably in connection with transportation. In particular qualified people with experience in transport economics and in highways and traffic planning are required, to lead teams of officers working in the key areas of bus priority measures, traffic restraint and highways development.

There are also positions at a more junior level for graduates in economics, traffic and transportation engineering.

Starting salaries according to qualifications and experience within the following scales:

- (i) £4,230-£4,878 range (under review)
- (ii) £4,344-£4,647
- (iii) £3,594-£4,164
- (iv) £2,316-£3,429
- (v) £1,598-£2,211

Application forms, returnable by 31 August, obtainable from the Controller of Planning and Transportation (EO/313/D), County Hall, SE1 7PB.

GLC GREATER LONDON COUNCIL
Department of Planning
and Transportation

APPOINTMENTS

University of Durham

The NORTH-EAST AREA STUDY, established with S.S.R.C. support, aims to conduct research into socio-economic conditions in North-East England whilst providing a training for postgraduates in methods of social research, especially in survey research.

Applications are invited from graduates with social science, statistics or other appropriate qualifications for one 2-year post of TRAINEE ASSISTANT (half-time Research Assistant and half-time higher degree student).

Salary £1100 per annum (under review).

The Trainee appointed will be required to join in a study of 'Sense of Place and Local Identity' in the first year and probably in a further project in the second year.

Further particulars and application forms from the Registrar and Secretary, Old Shire Hall, Durham, DH1 3HP, to whom applications should be sent by 4th September, 1972.

Monash University

MELBOURNE, AUSTRALIA

DEPARTMENT OF ECONOMICS

Senior Lecturer in Economic History

Applications are invited for the position of Senior Lecturer in Economic History. Applicants with appropriate qualifications will be considered for a Readership or Associate Professorship.

No particular area of interest is specified for this position, but preference will be given to candidates with proven ability to undertake and supervise research in a field of modern economic history.

Salary: \$49,540-\$111,130 per annum, with superannuation based on an endowment assurance scheme, the employee and employer contributing 5 per cent and 10 per cent respectively.

Benefits: Travelling expenses for appointee and family; removal allowance, repatriation after three years' appointment if desired; temporary housing for an initial period. Study leave entitlement accumulates at the rate of one month's leave for each six months' service up to six years, with provision for financial assistance.

Further general information and details of application procedure are available from the Acting Academic Registrar, Monash University, Wellington Road, Clayton, Victoria 3168, Australia, or the Secretary, General Association of Commonwealth Universities (Appts), 24 Gordon Square, London WC1E 6PP (Tel: 01-387 8372). Enquiries about the Department of Economics to Professor D. Cochrane, Dean, Faculty of Economics and Politics in the University.

Closing date: 2 September 1972.

The University reserves the right to make no appointment or to appoint by invitation.

Queen Mary College UNIVERSITY OF LONDON

Department of Economics

Applications are invited for a Lectureship in Economics tenable from 1 October 1972 or as soon as possible thereafter. Salary scale £1641-£3852 p.a. (under review) plus £162 London allowance.

Application forms obtainable from the Registrar (E 5/8), Queen Mary College, Mile End Road, London, E1 4NS to be returned by 25 August 1972.

International Company

requests

qualified Maintenance Technician for concrete pipe making machines. The chosen man will be trained for about four months in the U.S.A. and then work for two years in Egypt. Contract to begin September 1972. English language and previous technical experience indispensable.

Send handwritten Curriculum Vitae to 'The Economist', Box No 2521. All applications will be kept strictly confidential and will be replied.

A LARGE STATE OWNED ORGANISATION IN TANZANIA DEALING IN FOOD PROCESSING WISHES TO RECRUIT THE FOLLOWING PERSONNEL IN THEIR HEAD OFFICE

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Qualification

The applicants must be fully qualified Chartered or Cost Accountants and must have at least two years' post-qualification experience preferably in industry. Successful candidates will be appointed as Senior Accountants in the Cost and Finance Department of the organisation, and will be responsible to the FINANCE MANAGER.

Salary

Subject to negotiation but in any case not less than Tanzania Shs. 48,000/- per annum + 25% gratuity. Furnished accommodation will be provided against 10% of the salary.

2. NUTRITIONIST

Qualification

Must hold at least a Bachelors Degree in Agriculture or Nutrition Science with at least two years' post-qualification experience, or a diploma in Nutrition Science with three years' post-qualification experience in the field of Animal Nutrition.

Salary

Subject to negotiation but not less than Tanzania Shs. 48,000/- per annum + 25% gratuity. Furnished accommodation will be provided against 10% of the salary.

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Qualification

Must have professional or university degree in engineering, preferably Marine Engineering, with at least two years' experience in the maintenance of boilers and other accessory plants.

Salary

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ALL APPLICATIONS SHOULD BE ADDRESSED TO:
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Previous experience in market research (particularly primary surveys, panels, statistics, etc.) or experience as an Economist in a fast-moving retail environment is essential. Some travel in both U.K. and abroad will be necessary and therefore fluency in at least one European language other than English would be useful.

Please write or telephone for application form to the Personnel Department, Stanhope House, Stanhope Place, London, W.2. Telephone: 01-262 7788.

University College, Galway, Ireland

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Applications are invited for the above post from candidates qualified in any branch of Applied Economics. However, special knowledge of one of the following fields would be an advantage: International Trade; Development Economics; Monetary Economics; Mathe-

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APPOINTMENTS

S

Head Office

Social & Regional Policy Officer

The Department advises on the social and regional implications of BSC rationalisation and development; helps to develop, implement, and monitor policies designed to assist employees involved in such situations; and seeks to promote good relationships between the Corporation and local communities.

The Manager is supported in these tasks by two Officers and junior staff. The officers assist in developing the activities outlined above, but the person appointed to the current vacancy (arising from internal promotion), will take particular interest in the following: (i) assessing the social implications of rationalisation and development schemes; (ii) applying quantitative techniques to these problems; (iii) assisting the Manager to advise the Corporation's senior management on such proposals.

It is essential that the holder of this post has a mature appreciation of the problems of regional development and industrial rationalisation. He should also have the ability to analyse socio-economic data; present complex information in an easily understandable form; and liaise effectively with BSC managers and senior government officials of varying levels and functions, with minimal supervision. Industrial experience and/or higher educational qualifications in an appropriate subject, together with familiarity with statistical techniques, are essential. Additionally, the person appointed may well have prior experience of liaison with government departments and a broad interest in official social and industrial policies.

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Please write giving brief details of your career to date (quoting reference H.O.21) to:-

**Personnel Manager (Head Office),
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Department of Agriculture and Fisheries for Scotland

Assistant Agricultural Economist

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Full details and application forms (to be returned by Wednesday 30 August, 1972), from Scottish Office, Establishment Division, Room 172, St. Andrew's House, Edinburgh, EH1 3BX. Please quote reference PM4/2.72.

Staffordshire County Council

Group Leader

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Reference No. 38 (S.O.1/2-£2565 to £3324 per annum.)

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Applications (no forms) giving details of age, education, qualifications, present and previous appointments, experience, and addresses of two persons to whom reference may be made, should be sent to J. H. Barratt, County Planning and Development Officer, Martin Street, Stafford, by not later than 28th August, 1972.

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University of the West Indies

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New Zealand

Ministry of Transport

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Duties: One position to supervise and develop long term research programme relating to the economics of New Zealand transport. The other position to supervise research in current studies dealing with shipping economics, aviation studies and general transport economics.

Qualifications desired: University degree in economics preferably with some econometrics. Experience in transport economics an advantage.

Economists or Assistant Economists (3) Head Office, Wellington

The positions are in the Ministry's Economic Division.

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Position as at 30th June, 1972			
	Position as at 31st Dec., 1971	Position as at 30th June, 1972	
No of shares outstanding	4,741,578	5,016,429	(4,565,714 at 30th June, 1971)
Net assets (in Frs.m.)	981.93	1,033.42	
Net assets per share (in Frs.m.)	207.08	206.00	(197.32 at 30th June, 1971)
Dividend paid as from 20th March, 1972	net F	13.49	(+ tax credit of Frs.1.22, total Frs. 14.71)
	Total F	219.49	(increase in half year + 5.99%) (Frs. 6.60 at 30th June, 1971)
Income distributable per share, acquired since 1st Jan., 1972	F	6.78	

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[illegible]

The Economist

23-29 September 1972 UK2607/USA-0

Our friend, Amin

See b 8

Money Market Indicators

The ending of Britain's official dock strike on Wednesday strengthened sterling and a sharp drop in the cost of forward cover narrowed arbitrage margins in New York's favour despite further drops in London money market rates.

Bank Rate 6% (from 5%, 21/6/72)		Base Rate 8½%-7%	
Deposit rates		Eurosterling deposits (in Paris)	
7 days' notice:		2 days' notice	
Clearing banks		3 months'	
	5-5½		7½ 8½
Local authorities		New York	
3 months' fixed:		Treasury bills	
Local authorities		3-9%	
Finance houses		Certs. of deposit	
	7½-7½ 7½-7½	4-95	
Interbank rate		Sterling: Spot rate \$2.4543	
7 days'		Forward discount	
	6½	(3 months)	
Treasury bills		1-55 cents	
3 months'		Forward cover (3 months):	
	5-77	Annual int. cost	
Eurodollar deposits		2-53%	
7 days' notice		Investment currency:	
3 months'		Investment \$	
	4½ 5½	27½% prem	
Covered arbitrage margins		In favour of	
(3 months)		Last week %	
Treasury bills		This week %	
		N. York 1½ N. York	
Eurodollar/UK local authority loans		N. York 1½ N. York	
Eurodollar/Eurosterling		1½ London	
Uncovered arbitrage margins (7 days')			
Eurodollar/UK local authority loans		London 3½ London	
Eurodollar/interbank			

Just as a squirrel's storehouse is made necessary by a seasonal cycle, so commercial warehousing used to be no more than a roof over a stockpile necessitated by commercial cycles.

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September 23, 1972



Our friend, Amin

General Amin has probably won his war, and disaster though he is on almost every count—for Uganda, for Africa, for the expelled Asians—he is at least the remaining barrier to tribal anarchy in his own country and a reason for other governments with unwelcome minorities to pause for shame before they expel them, page 13. The arrival of the first refugees, page 26.



A danger

Many people in Britain will agree with how Lord Longford and his friends feel about pornography, but will hesitate to act on the flimsy evidence of social harm that they provide, page 18.

High noon

The world's finance ministers, converging on Washington next week, should at least decide to cut the IMF down to size, page 69.

Beside the seaside

The Liberals begin the conference season at Margate, page 24. Although they hope to win at Rochdale, it's more likely that an ex-Liberal will take Uxbridge, page 25.

It goes on

Consumers' spending alone, though now booming, will not sustain 5 per cent growth for long against the drag of 14 per cent wage inflation: but an autumn budget won't solve the problem either, page 66.



Our bread, your gas

The shape of the coming expansion of American-Russian trade—and the rules that are needed to make it happen, page 17.

Return to sender

Bombs by letter are the latest device that technology has added to the terrorists' armoury. The address on the back can be traced to the heart of the Palestinian organisation, page 15. The Israelis' new hit-and-miss retaliation, page 41. And Mr Wilson's rather odd trip to Tunisia, page 22.



Fighting it out

What the first year's free-for-all has meant to the City, a special survey, after page 56.

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Letters

Wanted: an NECC

SIR—On several occasions in recent years there have been disputes and misunderstandings over the exact details and interpretation of a wage claim and its subsequent settlement. Secondly, the repercussive and longer term effects of price rises and wage increases seem rarely to be considered by those who regulate the former and negotiate the latter. Every pressure group works in isolation from the mainstream of national life, and under the circumstances it is difficult to blame individual groups, the miners or the railwaymen for instance, for striving for all they can get without regard for the consequences elsewhere.

What is needed is, first, for the facts, as they are, to be agreed and seen publicly to be agreed by everyone; and second for every suggested movement of prices and wages to be computed and analysed, and the likely effects to be openly discussed and understood, before any decision is taken.

The method for doing this is not difficult to find. A National Economic Computing Centre should be established, with a directorate and staff wholly independent of the government, of management and of the unions. When an industry wished to put up prices, or a union to make a wage claim, all the available evidence would be given to the NECC where appropriate models would be constructed. All concerned (including representatives of the public interest) would be able to sit down and discuss the different alternatives. Every proposal would be quantified and fed into the computer, and the likely result of each proposal could be forecast and fully discussed. The national repercussions of each price rise and wage claim could thus be witnessed by all—and the economic and social wisdom of each one analysed and recorded.

From some on both sides of industry there will be strong objections to this idea at first. But the introduction of some such system is bound to take place some time during the next decade or two. It should be in the interest of the present Government to take the first steps to set it up.—Yours faithfully, PHILIP NIND
Foundation For Management Education
London, WC2

Ugandan Asians

SIR—Your correspondents force each other into extremes. The language of Mrs Eileen Whale (September 2nd) is so exaggerated and intentionally emotive that she ruins her case. Of course it is easier for those

who do not live with a problem to deny that a problem exists. But I live in Wembley too, and not in a posh area; my next-door-neighbours are Asians; and those that I have met are socially more desirable and (especially the children) a sight cleaner than many of the indigenous population.

Let me reassure you, therefore, that neither is all Wembley as Mrs Whale describes, nor—thankfully—are all who live there like her. I have given my name to the Resettlement Board as a "first-night refuge" for an Asian family, and am looking forward to meeting some more of these pleasant, polite people who have been manipulated so sadly in the international political game.—Yours faithfully, Wembley, Middlesex D. ARTHUR

SIR—Before the people in this country become too sympathetic over the plight of the Asians in Uganda, they should ask themselves why they are being driven out. The answer is that, as a class, they are mostly traders and lived on the labour of the Africans, and General Amin far from being mad, as one national paper dubbed him, is eminently sane and it will not be long before every market square in this country is occupied by them.

It must be remembered that before the African states received their independence these same Asians were anti-British and caused unrest, but we are now told by one paper that they are now more "British than the British"; this of course is rubbish. They have an inborn dislike for the British, which will take generations to eradicate, if ever, and we have sufficient dissidents without importing them.

I have lived among them for many years in India, and liked them there very much, and there they should stay. I could understand their xenophobia, but having got their independence it is strange that, after struggling so long for it, they want to live with us, whom they have so long hated. The magnet is our social services.

It is not a comforting thought that in years to come this fair land of ours may be populated by half castes, and for that reason it is to be hoped the Asians will never integrate, but the names of those responsible for allowing this alien influx should be recorded, so that future generations, who will have to face terrible problems, and probably internecine warfare, will know whom to hold responsible—their names will certainly not be hallowed.—Yours faithfully, Cookham Dean, Berks. A. W. RANDALL

SIR—I don't often read *The Economist* but I did by chance pick up the current issue and was shocked to read your libellous diatribe against Mr Enoch Powell. Mr Powell speaks for Britain on the Ugandan Asians and on many other subjects. In fact he speaks for the British people—and I mean the English, Welsh, Scots and Northern Irish—on these vital

issues that today threaten the very survival of our national independence and national identity—Europe, immigration and the debasement of the currency.

Mr Powell has done immense good in nailing the lies of Her Majesty's ministers over their mythical obligations to receive Ugandan Asians in this country. They have no such obligation. If you don't believe, read the Immigration Acts of 1968 and 1971. India is the country which ought to receive its own and it should be made to receive them. The British Government's obligation is to the British people, whom they promised at the time of the last election that there would be no more large-scale immigration.

We cannot stand much more of Mr Heath's dictatorship, his anti-British policies, his shilly-shallying over Ulster, his mendacity and broken promises and his insolent contempt for public opinion. Mr Dictator Heath must be taught a lesson—the political sovereignty of the people is not to be lightly disregarded. He must be deposed and his place taken by Mr Enoch Powell without more delay.—Yours faithfully, ISLA M. ATHERLEY
Charlbury, Oxford

Vietnam

SIR—I was surprised to read (Letters, September 2nd) that some people still believe that this is a war of liberation fought by the North Vietnamese against the American colonialists to free the people of the south. I thought recent events had finally shown the fallacy of that argument.

In March this year there was an open invasion by regular troops of communist North Vietnam across the demilitarised zone on to the territory of the Republic of Vietnam. If the fashionable assessment of South Vietnamese public opinion is correct, one would have expected a massive popular uprising in support. An uprising of sorts there was; over half a million ordinary people left behind all they possessed to flee from the communist forces. The truth is that the people preferred the security and freedom the government offered, rather than remaining to welcome their so-called "liberators," remembering the atrocities and barbarism that accompanied the communist Tet offensive in 1968.

The Republic of Vietnam is not perhaps a Utopian democracy but to my knowledge the North Vietnamese authorities have not held two presidential and four parliamentary elections since 1967. Neither is the existence of 11 political parties tolerated in North Vietnam; this happened, and is allowed, in South Vietnam.

Since coming to power, the present government has carried out many reforms. The most important of these, the land reform programme, has resulted in nearly a million tenant farmers receiving deeds of land ownership, while positive aid is being given to foster industrial and agricultural production by the development programme. Admittedly at the present

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time President Thieu has greatly increased administrative powers, but then surely one realises that this is usual during times of war. And for the people of South Vietnam this is a war for survival, not an inconsequential military exercise. For this reason alone it is impossible, and verging on the ridiculous, to judge various actions of the government of the Republic of Vietnam by standards relevant only to a country at peace.—Yours faithfully,

VINH NINH

First Secretary,

London, W8 Embassy of Vietnam

Computer trading

SIR—Mr J. D. Hollis (Letters, September 16th) makes the fair point that the three months' "continuation" rule on the Stock Exchange has the effect of giving clients the benefits of the lower rates which apply to large orders. Perhaps I may be allowed to say that it is more than probable that Ariel will also have provisions for continuation; and, given that it is our intention to impose a maximum transaction fee on any bargain, however large, of perhaps £2,000 the competitiveness of the Ariel system should be clear. For example, in the case of the £5m bargain referred to in your article of September 2nd and by Mr Hollis, Ariel's £2,000 fee would represent a cut of over 79 per cent from the newly-reduced Stock Exchange commission of £9,662.50.—Yours faithfully,

J. H. G. LEACH
Managing director,
Ariel

London, EC3

The Munich killings

SIR—I hope you allow me the space in your columns to express my total frustration with the western fuss. You say (September 9th) that "the Munich killings have once again shown the width of the

emotional gap between the west and the Arabs." Why is it that the western press always shows the gap in its moral conscience when reporting the killing of Arabs by Israelis? Over 60 men, women and children were killed by the Israelis following the events in Munich, with hardly a word of protest.

I cannot condone the event in Munich, with its human loss, but I insist that it must be seen in the context of the fate and misery of the Palestinian people. The west, plagued by a bad conscience, always places justice on the side of the Israelis, but conveniently forgets the injustice perpetrated by the Israelis on the Palestinian people. Palestinians are not fighting for eviction of the Israelis from Palestine, but for their own inclusion in a multiracial state, and the Arabs cannot sit back and watch while Israel consolidates its hold on occupied Arab territories with new settlements.—Yours faithfully,

MILAN ABBAD AL RADI

World money

SIR—I am as anxious as Mr Scott Stokes (Letters, September 9th) claims to be to allow individual countries to go their own financial way. But that demands above all a working system—repeat, system—of exchange rate adjustment. It will not be enhanced by a bouillabaisse of reserve assets, even with gold in the centre of the dish.

The resistance to tidying up the world reserve structure is probably now stronger in Washington than anywhere else, because it is there that the existing practices of national bureaucracies would be most affected by the shock of change, and because it is American private banking interests that feel they have the most to lose from a deliberate downgrading of the international use of national currencies.

Private interests, bureaucratic lethargy and intellectual misunderstanding have long been the main blocks to constructive international monetary reform. National interests, in the sense of the interests of all the nationals, have little to do with it.—Yours faithfully,

FRED HIRSCH

Oxford

Dissenting judgments

SIR—The reviewer of "Final Appeal," by Blom-Cooper and Drewry (August 26th), has stated the law inaccurately. Comparing the House of Lords, the subject of the book, with that great Commonwealth appeal tribunal, the Judicial Committee of the Privy Council, he says that only "single judgments" are delivered in the latter. This was indeed so for a very long time for reasons that need not be gone into, but it has been changed by the Judicial Committee (Dissenting Opinions) Order, 1966 (S.I. No. 1100).

Since then dissenting judgments are allowed, and seeing that the judges serv-

ing on both courts are largely the same men an anomaly has been removed. Wherever they sit the law lords can now deliver minority judgments, thus contributing to legal scholarship and doctrine also in the field of Commonwealth law.

The opportunity was seized almost immediately. In the very year in which the order was made Lord Morris of Borth-y-Gest delivered a dissenting judgment in *National & Grindlays Bank v. Vallabhji* [1967] 1 A.C.211, on a point concerning hypothecation as a security for an overdraft in the law of Kenya.

This is not the place to enumerate the Judicial Committee cases where dissenting judgments were delivered; they constitute a comparatively large percentage. I would only say that the 1970 and 1971 reports alone contain six such cases; in one of them two dissenting judgments were actually delivered. The laws concerned were those of Ceylon and New Zealand (revenue law), Malta (compulsory land purchase), Hongkong (conflict of United Kingdom and colonial legislation), and Sierra Leone (nationality).—Yours faithfully,

O. C. GILES

Reading

Economists

SIR—There are, perhaps, two additional reasons why some academic economists "play abstract games of little relevance while others engage in meretricious quantification" (Books, September 2nd).

First, on the supply side, both activities are rendered necessary and useful by the relative failure of both business and governments to provide comprehensive, detailed and up-to-date statistics for all variables that affect and represent economic activities. It is paradoxical that the academic economist, who cannot experiment with people or institutions, is nevertheless accused of being unable to predict the illogical behaviour of groups or the social consequences of legislative or institutional changes that he had no part in formulating.

Secondly, if we accept the hypothesis of self-induced demand, it may be instructive to consider the determinants of research acceptability. Surely, editors and publishers of academic journals and texts are responsible for setting the standards of academic debate on economic issues. They should meticulously ensure that critical comment is encouraged and published. Such comment should not be stultified by disarming prefaces, apologetic conclusions and a reluctance to concede that a previous contribution, in view of a critique or new research, no longer appears to say as much as it had originally purported. It may also be wise for editors to consider deleting the names of authors, and their institutions, from articles submitted for publication, before they send them out for referees' comments.—Yours faithfully,

K. A. TUCKER

Canberra

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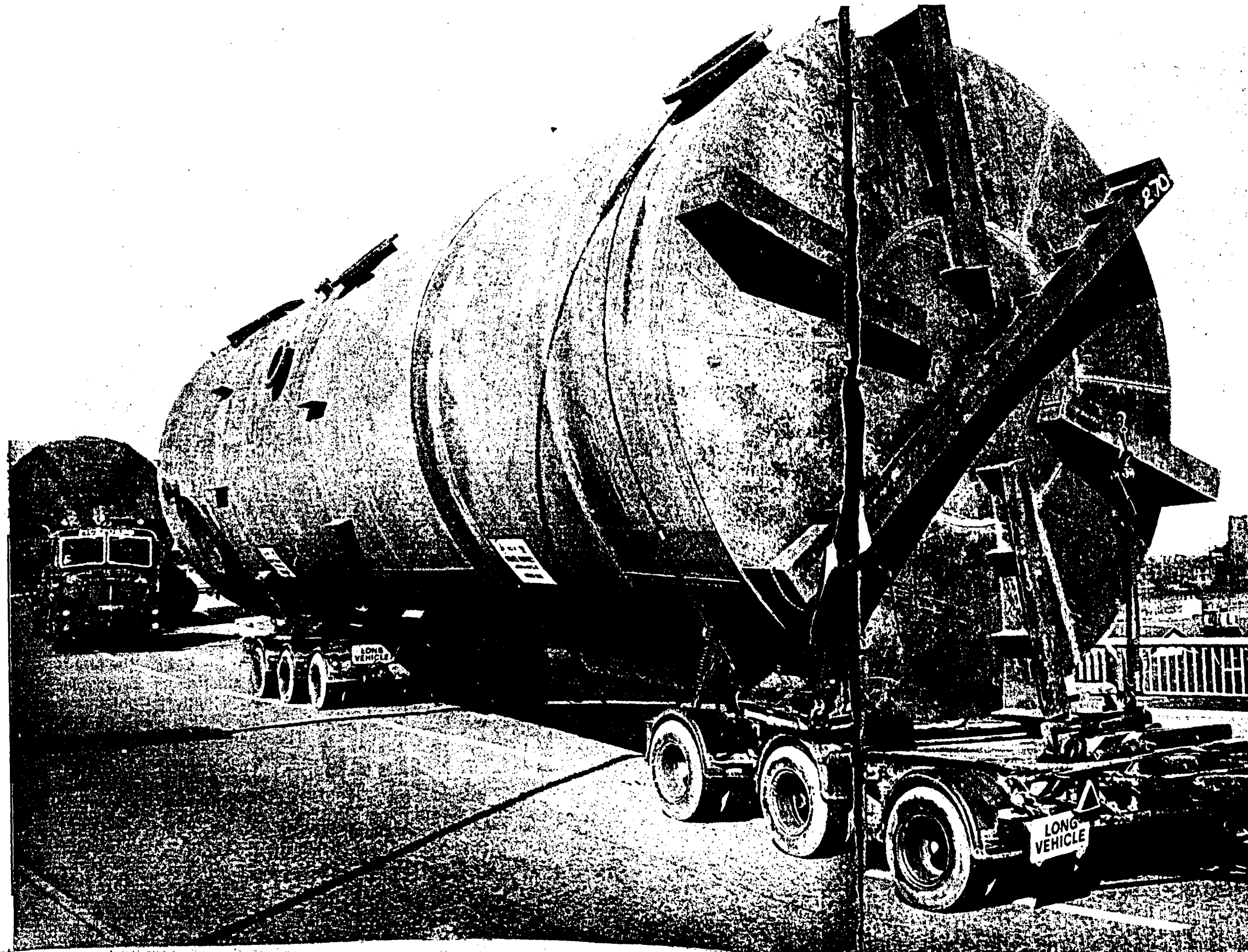
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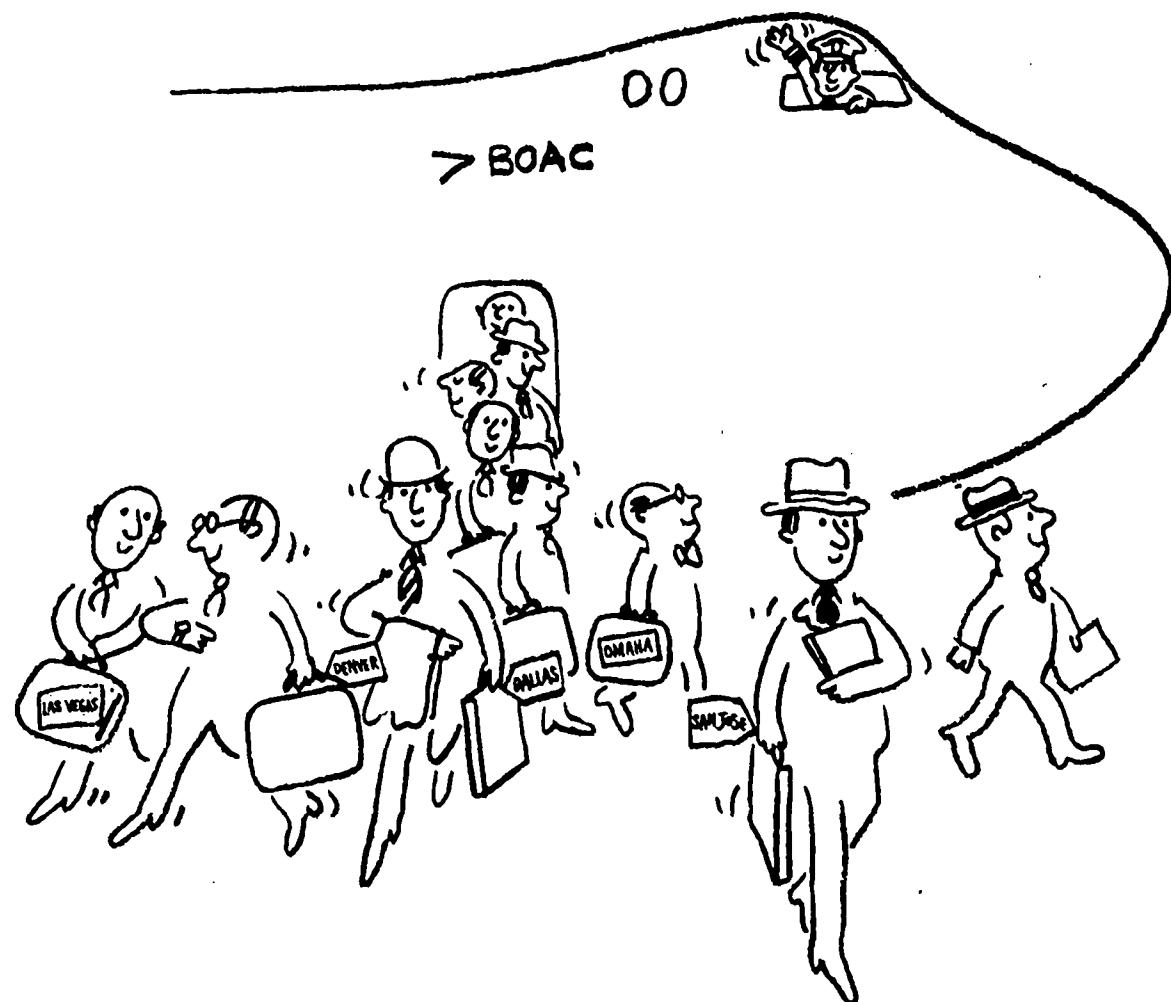
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The
Economist

September 23, 1972



Our friend, Amin

President Amin has had an exciting week; and the excitement may lead him into new excesses. Nasty things are happening in his Uganda. Many people, besides the apparently unsuccessful supporters of the exiled Mr Milton Obote who crossed the frontier from Tanzania, would like to see an end to him. He will probably come to a sticky end sooner rather than later. But the appalling paradox is that, disastrous though General Amin is to Uganda, to the cause of black Africa, to the lives of the Asians he is expelling and to the remaining reputation of Britain as a charitable country, he is probably the best man to have presiding over the mess today. Uganda itself looks increasingly ungovernable: it would probably be reverting to outright tribalism now if it were not for General Amin's armed forces. Since it is doubtful if Mr Obote, after the debacle that has overtaken his cause, can ever expect to be welcomed back to office again, General Amin may be able to avert the worst for his people by retaining his grip on the troops and the consent of the Baganda, however strained that, too, has become lately.

For the British Government General Amin is now, to take the paradox further, a major ally. The more he looks like a black Hitler (and his favourable remarks about the Nazis' treatment of the Jews have been an uncovenanted benefit), the more the British public feels a little sorry for the unwanted Asians who have begun to descend on them (see page 26). It takes a cold heart to avert one's eyes from the plight of other human beings and fellow citizens, white and black, in General Amin's hands; the more Mr Enoch Powell argues the legalities, the more ashamed and sorry British people are going to be about him. In the same way, the more General Amin rants and raves, the more the evidence accumulates of how sick Uganda is, the more other African leaders are going to be ashamed of him, so that any likelihood of their imitating him, in expelling their Asians too, is diminished for the time being. It must always be a temptation for a political leader in a new country to believe that he can

win time by turning popular resentment against an alien minority. It is only because General Amin has done it so crassly that he is likely to give the Heath Government a few more years before any of the other Commonwealth prime ministers with British passport-holders to rob and evict see the chance to get away with it. The last government to want to be rid of General Amin today is the British one.

That this should be so is, of course, a setback to those in Britain itself who like to conjure up the millions of Asians and Chinese whom they foresee arriving on Mr Heath's doorstep. Now that several other countries have agreed to take their share of the Ugandan Asians, so that the number coming to Britain is likely to be less than disruptive, it is to the looming threat of future hordes that the Powellite attack has been switched. There are still a number of countries who affect a high moral and humanitarian tone in their pronouncements about the world who would now be wise to imitate, as modestly as they like, the example of Mr Trudeau. For the moment, however, General Amin seems determined to help his old friends, Mr Heath and Sir Alec, in appealing to what remains of the British conscience. The British public does not exactly suffer sleepless nights at the thought of Uganda and Tanzania quarrelling, but it all helps to show that General Amin is precisely the sort of black man whom Powellites and Smithfield porters, as well as intellectuals and liberals, are naturally leery of. The seeming fiasco of the anti-Amin invasion reinforces this.

Arab oil on African fire

The fiasco is not yet complete. On Wednesday, just as it began to look as though Tanzania and Uganda would stop short of total war and be content with a pitched battle of vituperation, first Libya and then Sudan entered the fray. Libya's Colonel Qaddafi had reportedly promised assistance to General Amin earlier in the week, and on Wednesday night the Sudanese

government said that an airborne force of 400 Libyan troops on their way to Uganda had been ordered to land at Khartoum airport, having entered Sudan's air space without permission; they were refused permission to continue. The troops, it emerged, were the spearhead of a larger force all bound for Uganda. By spiking Libya's guns Sudan's President Numeiry may well have averted, or at least postponed, a planned invasion of Tanzania from Uganda. General Amin gave warning on Wednesday that he would order a pre-emptive strike against rebel bases in Tanzania, and that "we must have no mercy on Tanzania." If this had been put into effect with Libyan aid it would have nullified all Mr Numeiry's attempts to mediate.

The effects, both on black Africa and on the Middle East, will be complicated and profound. General Amin is going to be very angry with Sudan, quite possibly to the detriment of the newly-won peace in southern Sudan. So will Colonel Qaddafi. If it turns out that Colonel Qaddafi acted with the foreknowledge and consent of Egypt's President Sadat the row will spread even wider. It is a tiny shooting war that looks like ending with a big bang of some sort.

They thought he was off balance

The invasion was a small one, and it made a small war. Comprising at most 1,000 men and probably no more than 700 to begin with, it could never have hoped to capture Kampala and take control of the country without assistance from within. Although Tanzania was the springboard from which the operation was launched, and although Tanzania's President Nyerere must have known about and possibly aided the invasion, no Tanzanian troops seem to have been involved and none crossed the border. General Amin has produced no captured Tanzanians. Nor have his charges about Israeli mercenaries been substantiated. These allegations were presumably ritual outbursts against all who have ever fallen foul of him.

But it remains plausible that Mr Obote's followers should have thought this a good moment to catch General Amin off guard, and they may also have calculated that a lot of people would view their operation sympathetically. More important, they probably thought that a part of the Ugandan forces would rally to their cause. The Ugandan army has been torn by strife and bloodshed since General Amin seized power. Many members of the northern Lango and Acholi tribes, who between them accounted for almost half the army, either fled the country at the time of the coup or else were slaughtered for their suspected loyalty to Mr Obote, himself a Lango. The officer corps, in particular, was left with many gaps in it, depletions which were often made good by promotions, some of them from the ranks, of West Nilers with tribal origins similar to General Amin's.

This has fostered neither discipline nor good relations within the army, and the invaders no doubt hoped to exploit the situation. But, although there have been unconfirmed reports of fighting within various Ugandan barracks, the hoped-for defections do not seem to have taken place. The main force of 500 exiles which

succeeded initially in taking the town of Masaka on the road to Kampala seems to have been driven back southwards, and the Ugandans say they have retaken all the other towns that were lost. The casualties are probably proportionate to the fighting. The figures should doubtless be treated with even greater caution than most information coming from Uganda, but it is unlikely that as many as 500 people have lost their lives. The Ugandans implausibly say they have killed 300 invaders at a cost to themselves of only nine soldiers, but that 150 civilians have also died. The Tanzanians say nine people died and 20 were injured in Bukoba, a Tanzanian town bombed on Monday by Ugandan planes.

General Amin now seems to accept that the invaders are mostly Mr Obote's followers, although his abuse is directed at an ever wider range of people. The bombing of Bukoba has led President Nyerere to complain to the Organisation of African Unity and give warnings about the "real and urgent danger" to peace that it constitutes. But so long as there are no further attacks the matter may be allowed to rest, particularly if, as seems possible, the Kenyans are discreetly mediating between the two sides. It is understandable that Mr Nyerere should be concerned at the bombings, but, with a weaker and less well equipped army than Uganda's, and with no air force worth speaking of, he is powerless to retaliate. His position is also compromised by his willingness to let the Ugandan exiles use Tanzanian soil to mount their attack, even if he has denied them arms and men. But probably neither of these is his main concern: ever anxious about the possibility of Portuguese retaliation across his southern border against the guerrillas who use his territory as a base against Mozambique, he keeps most of the Tanzanian army in the southern part of the country. A war with Uganda is about the last thing he wants.

Don't think he isn't popular

So long as that is averted the worst direct consequence of this week's events, as distinct from the new damage done to the OAU, will be felt by the Ugandans themselves. By stimulating his now well-developed paranoia, the fighting will have made General Amin even more unpredictable than before. His statement on Tuesday, linking Ugandan Asians, imperialists, Zionists, British, Tanzanians and Mr Obote in the attack, shows the current pattern of his mind. He seems to have arrested his own chief justice, a member of the Baganda tribe, on Thursday. But General Amin is still in control and still knows what he is doing. The expulsion of the Asians, seen by most of the world as brutal, inhumane and foolish, has enhanced his popularity not just in Uganda but throughout east Africa. If he is now able to present himself as the man who saved Uganda from the invading forces of a hostile world he will no doubt be even more popular with a lot of Africans.

Of course, his popularity is less than complete. The Baganda, the largest tribe in Uganda, have lost much of the enthusiasm they felt for General Amin when he brought home the body of their king for a state funeral in Kampala last year. There are other people in Uganda who can see that the expulsion of the Asians has hurt

the economy, that the civil service is demoralised, that the supply of money coming in aid from abroad is drying up. But General Amin still has the army, and the army has won a war of sorts, and it is on that sort of foundation that the survival of any national unity and any civil peace probably rests in Uganda, and in other African countries in Uganda's condition. For Ugandans, this man

may be the last barrier between a pretence of organised statehood and the chaos of tribal war. For Britain, he has at least deflected for a time the possibility of more expulsions by more countries of more inconveniently competitive people with the wrong colour of skin. There is not much that can be said for General Amin, but there is that much.



Terror through the mails

The bombs posted in Amsterdam leave a trail that stretches back to the core of the Palestinian guerrilla movement

The bomb that on Tuesday ended the life of Mr Ami Shachori, the agricultural counsellor at the Israeli embassy in London, is a model of what technology has done for terrorists. That even one such bomb, innocuously camouflaged as a small envelope, should have slipped through the hands of postal officials in Amsterdam and London and of the embassy's own mail sorters and finally landed on the desk of a senior diplomat shows how vulnerable society is to the new weapons of the men with nothing to lose but other men's lives. Both their callousness and their technical skill have been underrated.

It is easy enough for an experienced man to pack an ounce of plastic explosives and a miniature detonator into an envelope in a way that would baffle any eye but the eye of the X-ray camera (see box); both the GPO and the Israeli security men slipped up by not subjecting Mr Shachori's letter to such a test. More letter-bombs posted by someone in Amsterdam were intercepted by mail sorters or security men in London, Paris, Geneva and Tel Aviv. One of them was addressed to Mr Shimon Peres, the Israeli transport minister and former intelligence chief. There could be others in the post. Maybe some of them are already at the Earls Court sorting station.

It is no longer enough to plead that it is impossible to check every parcel, let alone every letter. Security-minded men in the post offices will now have to regard certain addresses, such as the Israeli embassy, as target areas and to undertake a special screening of all mail going to those addresses. It doesn't take long for a new experiment in terror to become part of the repertoire of many of the world's would-be guerrillas. Remember how the fashion for political kidnappings and skyjackings spread like wildfire once the Palestinian and Brazilian terrorists had blazed the way a couple of years ago. What goes for post offices also applies to airports. Is it still possible to argue that an efficient system of baggage screening by an X-ray device would be too costly, or too time-consuming, for Heathrow?

The world has come a long way since Russian terrorists like the People's Will group in the 1880s set out to murder the tsar and his friends in operations in which they placed their own lives at risk. Some of them were men acutely conscious of the moral dilemmas involved in using violence

for political ends; some even believed that they could not justify assassination unless they sacrificed their own lives in the process of carrying it out. At least the Black September men who killed the Israeli athletes outside Munich took that risk. But an icy young man called Nechayev came along, as remote in his belief in "merciless destruction" and his contempt for calculations of means and ends from the idealists who dreamed of dying for democracy in Russia as are the men who send letter-bombs. Terrorism via the post-box, like putting a bomb in a plane or a baby's carriage in Belfast, is the method of men and women who lack the courage to take on their enemies face to face, or any willingness to make some discrimination between the combatants in their shadowy war and those who are not directly involved. But then one of the features of the international terrorist campaign is that the distinction between soldiers and civilians has fallen by the wayside.

The Arab governments have a job too

Throwing up hands in horror achieves nothing. Last week this paper put forward some suggestions about how western governments should reorganise themselves to deal with terrorism. One issue that has to be looked into further is how to deal with the terrorists' friends. By flying off to Tunisia to talk with President Bourguiba (see page 22) Mr Harold Wilson is no doubt seeking to pull off his own little political coup. But every chance to impress on Arab governments that they too have a responsibility to curb the terrorists is worth trying. Letter-bombs and the killing of athletes have not helped the Palestinians to convince the world of the justice of a cause which calls for the dissolution of Israel. The latest atrocities, and the Israeli reprisals, may even have tempted some people in the Lebanese government to try to break the guerrilla movement in Lebanon as King Hussein broke it in Jordan in 1970.

Palestinian terrorism and Israel's reluctance to withdraw from the land it occupied in 1967 appear to many people as opposite sides of one coin. There will be no durable peace in the Middle East, we are often reminded, until Israel is willing to negotiate away some of what it took in 1967. The trouble is that those Palestinians who want to remove Israel and put a new state in its

place will never be satisfied with the sort of peace settlement almost everybody else would accept. In fact, as Arab governments have shown a willingness to compromise with Israel, the extremist fringe of the commando movement has grown in desperation. It needs to be remembered that the name Black September derives from what the Jordanians, not the Israelis, did to the Palestinians in 1970.

So, whether they like it or not, the Arab states that currently play host to the Palestinian guerrillas will have to accept the need to restrain their guests if they ever propose to achieve a negotiated settlement with Israel. That means they will have to recognise who the terrorists are, and what connections they have with the rest of the Palestinian movement. Black September, most western intelligence chiefs now agree, is a new name for a secret squad of triggermen that the Palestinians have maintained, in one form or another, for some years. It is closely linked with Rasd, the intelligence section of the Palestine Liberation Organisation, which is responsible, among other things, for vetting new recruits to Fatah. It is said that Ali Hassan Salameh, one of the leaders of Rasd, is now in charge of Black September operations. He has been able to move freely around the world in the past under various pseudonyms and is said to have used an Algerian diplomatic passport on several occasions. The mobility of Palestinian extremists in western Europe is partly explained by the ease with which they have been able to acquire genuine passports, including diplomatic ones.

The helpers in Europe

It is very hard to draw any clear-cut dividing line between Black September, Fatah and the PLO. There are deep dissensions within the guerrilla movement, as Yasser Arafat's second-in-command, Khalil Hassan, showed recently when he promised a "settling of accounts" during the Palestinian conference that starts on October 1st. There is a conflict between the marxists and non-marxists, and at another level between old-established leaders such as Mr Arafat, who are attacked for their "moderacy," and an element that believes in terror à l'outrance. Whichever faction a Fatah leader happens to belong to, it is useful to preserve the fiction that Black September is a separate organisation, since that is a way to avoid assuming responsibility for some of its actions.

For west European governments, the question of Black September's relationship with Fatah and Rasd is less decisive than its links with new-left extremists closer to home. The letter-bomb campaign started in Amsterdam may be the work of a Black September cell set up in Holland. It might even be connected with the report that Miss Leila Khaled visited that country just before the Munich killings. The only suggestion that the bombing campaign is the work of Black September is a leaflet signed with the name of that group that was found with an unexploded letter-bomb at the Israeli embassy in London. But the idea that there are now Palestinian terrorist cells dotted across western Europe and in the United States (where there are 12,000 Arab students) no

longer seems far-fetched.

They can count on the active support of the European underground. The explosion at the oil refinery in Trieste, for which Black September claimed responsibility, is in fact now thought to have been the work of home-grown anarchists. The trotskyite Fourth International, with its headquarters in Brussels, is said to have helped with transport and supplies and to have co-ordinated the complex operation that flew Japanese terrorists from the Red Army Fraction around Europe and supplied them with the Czech weapons they used to mow down passengers at Lydda airport in May. This apparent co-operation is going to produce more violence. Early this year it was rumoured that the Black September group was planning one spectacular operation every month this year, including far-fetched schemes like hijacking a supertanker out at sea and sitting on it for weeks if necessary in order to extort a ransom from one of the big oil companies. It could happen. The multinational company, as much as individual governments, is the target for the new breed of terrorists. But then, in a sense, we are all targets. The battle is no longer "over there," whether over there means the Bogside or the Golan Heights. When a foreign embassy is bombed in London, it is the security of people in Britain that is threatened as well as the lives of Israeli diplomats.

How they get it through the post

The letter-bomb that killed Mr Shachori was a more sophisticated device than, say, the parcel bombs planted by the IRA. But anyone used to handling explosives would have no great difficulty in manufacturing it. How do you make a letter-bomb?

(1) To avoid suspicion, it must not be bulky. But since it requires only one or two ounces of explosive to kill a man at a range of two feet, it is possible to pack the explosive and detonator in an ordinary correspondence envelope.

(2) To withstand the normal buffeting received by a letter in transit, both the explosive and the detonator should be stable until the envelope is opened—which may mean packing them between strips of cardboard, as was done with the embassy bombs.

(3) The best materials are either a mouldable plastic explosive which can be rolled flat (obtainable from quarries) or a sheet plastic explosive (more difficult to get) or even compressed gelignite. A normal tube detonator, measuring, say, 1½ in by ½ in, could be used and, with care, could be flattened to reduce its bulk and hide its shape. (Safebreakers have been known to do this with their teeth.)

(4) There is a choice of firing switches. You could use a mechanical device, such as a specially prepared plunger or pull-switch, operating on a firing cap when the envelope is opened; or a friction device operated, like a match, by abrasion; or an electrical device, which requires a small battery and a contact-breaker made of wire.

But a man trained to know what to look for would normally be able to detect such devices by using a simple X-ray apparatus to screen the letters.



Before the trade begins

Yes, the Americans and Russians have a lot to sell each other, but the rules have got to be worked out before they can get very far

Quite soon, possibly before the American election on November 7th, President Nixon will reach a trade agreement with Russia. Then all those who for a year now have been forecasting an imminent \$2 billion trade deal will finally be able to claim that their prophecies came true. Or at least half-true. For the American government will not at any point, either now or next year, be signing a "trade deal." What President Nixon does hope to sign is an overall charter or agreement which, by achieving a number of not very remarkable things, will give the green light to American businessmen to make their own deals with a fair degree of confidence.

This charter has, first, to clear the decks between the two governments. It has to settle the debt which Russia has owed to the United States since common cause was made against Germany and Japan 30 years ago. The Russians consider that the debt they accumulated in the second world war was expunged by the amount of Russian blood lost in that war; so a debt which was numbered in billions of dollars will doubtless be whittled down to repayment by Russia of around \$500m at about 2 per cent interest over a period lasting into early in the next century. With this token in his pocket, Mr Nixon hopes to get Congress to give Russia what most advanced nations already give it—equal tariff treatment against the competing imports of all comers.

Such subjects—the lend-lease debt and most-favoured-nation tariffs—are the politically striking ones. But they are markedly less important than the rest of what the United States wants. American businessmen are at present tumbling over one another to get into Russia, sometimes unwittingly undercutting President Nixon's bargaining position by doing so. The fact is that little they do will be durable if several matters are not sorted out in advance. There needs to be some sort of guarantee of lasting business facilities in Moscow—an apparently insignificant point until one hears of the limitations, when the first flush of enthusiasm has worn off, of working from a Russian hotel, without access to telex, and dependent for introductions on the lady from Intourist. It is with this in mind, and with his usual eye on the main chance, that Mr Hammer of Occidental Petroleum now suggests a western-designed hotel and trade centre in Moscow.

Of more lasting importance, if western businessmen are to enter joint enterprises inside a Soviet Union whose absorption of credit will be limited, and whose political fuse is sure at times to prove short, is that Russia should be brought to accept arbitration procedures outside those offered by Soviet courts. Something also needs to be written down which recognises that Russia does not yet subscribe to any international policing of dumping and market-disruption practices. Who will decide, for instance, whether those fine trucks to be built with American

tools on the Kama river are being sold by Russia at crackpot prices in western markets just in order to earn a little handy foreign exchange?

These are the thickets across any path meant to lead to lasting economic co-operation between a market economy like America's and a place where the only commercial company is the state. Other countries in the west, notably Japan and the west Europeans, have managed it without quite so much fuss. But then Japan and Europe are only second-ranking members of that alliance with which, Mr Brezhnev admits, Russia is still ideologically at war. The United States, by contrast, is its declared leader. Anyway, for all their enterprise, and despite the fact that together they sell nearly 20 times as much to Russia as the Americans do, the trade which Japan and Europe do with Russia is still modest; their exports were under \$2.7 billion last year. Precisely because so much lost ground in Soviet-American trade may now be made up so fast, there is an overriding need for care.

Food in exchange for metals and gas

Some notion of the volume of trade which may now grow up between two such complementary economies as Russia's and America's can be gathered from the scale of just the first of the American grain sales to Russia this year, which is so unexpectedly large that it has disrupted prices in the United States and become an election issue between Mr Nixon and Mr McGovern. It is now a commonplace, even a subject for Art Buchwald to write about, that the world's two great antagonists, the United States and the Soviet Union, find themselves with economies which may increasingly depend on each other. Beyond wheat in a bad harvest year like 1972, Russia will need animal feed-grains for many years yet, come fair weather or foul: an American now eats more than two and a half times as much meat as a Russian. Russia needs technology for its industry, too. But more than that it needs the sheer ability to make things and manage them in long, efficient runs. It is this last need which such projects as the Kama river are about. In the Soviet Union there are four vacuum cleaners and one car for every 100 Russians. In the United States the figures are 29 and 45. Soviet labour productivity is perhaps two-fifths that in America.

And maybe the Americans' dependence on their adversary could one day be as great as Russia's on them. To be prosperous the United States has consumed resources, as its present Secretary of Commerce likes to say, like a drunken sailor. It is increasingly short of metal ores: Russia has them. Russia has natural gas, some of which could come from eastern Siberia to America's west coast by way of Japan, some to the

east coast from western Siberia: the United States, on the other hand, is unpleasantly short of domestic supplies of natural gas. These two projects alone may take \$10 billion of credit just to get them off the ground. How safe will those credits be?

What exercises Mr Nixon's Administration about all this, and exercises it rightly, is that haste may take over from care. There is the unspoken fact that the climate of opinion in America will be more amenable to making concessions over the lend-lease debt, and other things,

if events show that the Russians have helped, or at least not hindered, a satisfactory end of the Vietnam war. And if any agreement is to be signed it must work. If credits are to be given or underwritten by the American government on a scale which has never been attempted before by the Export-Import Bank or any other American government agency then the conditions must be known. For a lot can happen to world politics in the 10 years that it will take to get such schemes out of the harsh Siberian ground and into the air of western trade.



A danger of repression

The report of his private committee's inquiry into pornography shows that Lord Longford is a fine crusader but not such a good investigator

No one asked Lord Longford to set up a committee to investigate pornography. As he says himself in his introduction to his committee's report this week*, he felt that "pornography had increased, was increasing and ought to be diminished" and he "proposed in conjunction with a few friends to set up a committee of investigation." It is fair to acknowledge that he went beyond his friends to find the 50-odd members of the inquiry, but some who might have provided a useful balance declined his invitation and others parted company with him on the way. The result is broadly what one might expect of such an exercise: a report confirming and reinforcing the convictions and prejudices of the author and those of like mind.

There is no doubt of Lord Longford's sincerity when he says he has been leading an inquiry into pornography and not leading a campaign against it. But his report rests heavily upon assertion and is short on evidence. The research by his sub-committees lacks either the method or the depth to commend itself as a serious, independent study. The report of the sub-committee on the effects and control of pornography, chaired by Professor Norman Anderson, has this preliminary paragraph, for instance:

The subcommittee met on a number of occasions. Inevitably, there were comparatively few who could attend regularly, but others came whenever their professional duties permitted. It was manifestly impossible, moreover, for busy men and women themselves to do any original research, so the conclusions reached were necessarily based on written material, interviews and such knowledge or expertise as the members themselves brought to their task.

Mr Frank Gillard, a former director of sound broadcasting for the BBC and a member of the Longford team, publishes a "rejoinder," regretting that the work of the broadcasting sub-committee "has been so very incomplete." He considers that the seven-man panel, headed by Mr Malcolm Muggeridge, could not be called representative, which is a restrained observation. He says of the report presented by Mr Muggeridge:

I think he would agree that the paper he has circulated

is something of a subjective document. It puts forward very forcefully some sincerely-held views which Mr Muggeridge has also expressed elsewhere from time to time, and it presents them with his customary rhetorical distinction. Some of its content arises from subcommittee discussions which took place early in the year at which opinion was not unanimous. The report itself has not been discussed by the subcommittee, although I understand that a majority of members endorsed it.

None of this means that the Longford report, running to some 500 pages, is not worth reading. But its value as an objective inquiry is small and much more evidence would be needed to sustain and justify the sweeping changes in the law and penalties it recommends, which could issue in a new phase of repression.

A nasty business

The Longford committee starts from the assumption that there is cause for concern about pornography—or, more generally, the exploitation of sex—in Britain today. There are many liberals who share that concern up to a point, at least. The libertarian impulse which has swept away old restrictions and taboos has brought excesses. The ending of theatre censorship has freed writers from the ignorant, often ludicrous interference of the Lord Chamberlain but it has also encouraged a licence—such as simulated sexual intercourse on stage—which was never in the minds of such campaigners as Bernard Shaw or Sir Alan Herbert. Young actors and actresses feel themselves obliged to strip on stage to earn a living. Cinemas cater openly for the dirty mackintosh brigade and often, it seems, for nobody else. Sex is presented much more explicitly than before on television and sometimes solely for the sake of sensation. What used to be kept in the backrooms of Soho bookshops is now displayed in the front window. The local newsagent-tobacconist carries his revolving stand of lurid paperbacks and the works of even the most ladylike novelists have to be dressed up—or undressed—to titillate. Those who exploit, in the cinema, on the stage, in strip joints both soft and hard "porn," with "aids" promising enhanced sexual pleasure and equipment for perversion, are making fortunes, and whatever may be said of the appetites or

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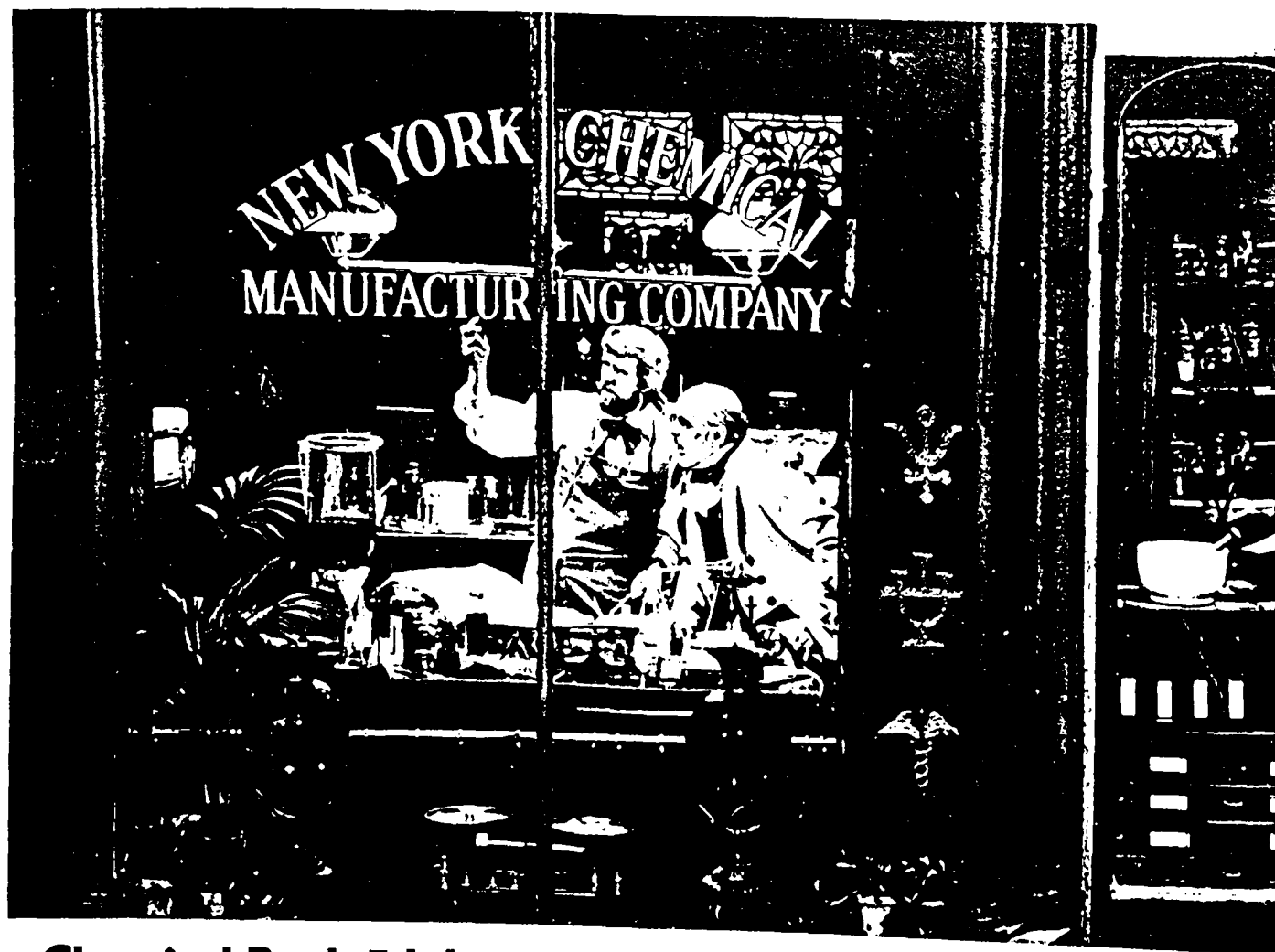
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*Pornography: the Longford report. Coronet Books. 60p.



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inadequacies of their customers, their business is a nasty one.

All that is at once true and at the same time a caricature. The attitude towards sexual love and towards sexual morality has changed and is still changing. A minority seeks total freedom, the abolition of all legal restriction. Many are glad to see society ridding itself of fears, inhibitions, humbug. Others regret what is happening and are afraid it portends a profound moral and spiritual malaise. But the most flagrant excesses are confined to the west end of London and the seedy centres of the biggest cities. The abbreviation of the very word pornography to "porn," to fit the headlines of tabloid newspapers, may have made it part of common conversation, but that does not mean that half the population spends its evenings poring over dirty books.

But does it do harm?

It is this sense of proportion which is missing from the Longford report. It shows itself in the way the report extends beyond what reasonable people think of as pornography—even if they have never seen any—into an indiscriminate censure of things which may or may not be to one's taste but which are hard to consider as pornography: nude pin-ups in newspapers, the exploitation of sexual suggestion for advertising purposes, the telling of blue jokes on radio and television, and of sheer vulgarity. What the Longford report offers is a critique of the moral and spiritual bases of modern society. What it does not do is offer an evidential assessment of whether pornography does harm and, if so, how and to whom. It admits that hardly any systematic research has been done on the subject in Britain, but its own contribution is negligible.

It advances instead the familiar argument that if man can be inspired and uplifted by words and pictures and by example, so, surely, can he be debased by them. It is a persuasive argument, one which appeals to common sense. All men are formed by their experiences, and among those experiences must be counted what they read, what they see, what they hear. It is right to question the cumulative effect of a daily diet of sex divorced from emotion and from personal relationship, just as it is right to question whether the display of violence as a commonplace of life may so numb the senses as to remove the capacity for shock. It is right to be apprehensive about the effect, above all, upon children. It is right to question, but it is the job of a serious inquiry to make some real attempt to provide the evidence with which to answer the questions.

Yet the Longford committee dismisses almost contemptuously what it admits is the most thorough research ever promoted by a government—that of the President's Commission on Obscenity and Pornography in the United States which reported two years ago. A majority of that commission "found no evidence that exposure to erotic materials adversely affects behaviour patterns." In short, it found no causal relationship between pornography and sexual offences. It could neither prove nor disprove such a relationship. President Nixon could exercise his prerogative in rejecting that commission's report. But that is no

excuse for the Longford committee doing so and choosing instead to devote far more space to the views of a dissenting minority on the commission merely because the view of the dissentients was in tune with the preconceptions of the Longford inquiry. Of course it is difficult to devise ways of measuring a person's reactions to pornography and even more so of checking whether it leads on to actions which are socially harmful. But that is what an inquiry which wants its recommendations to be taken seriously must try to do. The way to repudiate the findings of the American commission is to produce superior evidence.

The American commission recommended that adults should be free to make their own choice about pornography for themselves and for their children, while recommending that children should be protected by the law from exposure to pornography. Where there continues to be doubt about the possible harmful effect of pornography but no substantial proof one way or the other, that is a sensible recommendation and it is not, as the Longford report suggests, in contradiction to the commission's main conclusion.

A sweeping change

It is one which would certainly commend itself here. It commends itself much more readily than the Longford recommendation for a sweeping change in the law of obscenity. Under the present law the test of obscenity is that which "tends to deprave or corrupt." That definition, like others before it, has not been entirely satisfactory. It could be said that under it hard-core pornographers have flourished while, occasionally, writers with some genuine artistic intent have suffered. But it is preferable to the new law proposed by the Longford committee which would define as obscene anything which "outraged contemporary standards of decency or humanity which were accepted by the public at large," a definition the committee would apply to the theatre, cinema, radio and television and to sex education in schools as well as to the printed word. Such a law, with such a vague definition of obscenity, would be open to the most erratic interpretations and therefore to judgments which would leave artists, never mind pornographers, in chronic uncertainty. Taken along with the abandonment—also recommended by the committee—of the defence of an obscene publication as being "in the public good," it could lead on to a populist reaction and repression.

Lord Longford quotes D. H. Lawrence's definition of pornography as "doing dirt on sex." His committee offers a definition of it as something which "exploits and dehumanises sex, so that human beings are treated as things and women in particular as sex objects." That is not only an eloquent expression of the committee's own basis for concern but an articulation of the anxieties which beset many others about the quality of much that is now offered as entertainment. So much of the Longford report is an essay in personal taste and conviction. As such it is a valuable stimulus to a debate in which other voices must be heard and more objective investigations undertaken before any attempt is made to frame new or amending legislation.

BRITAIN

The old night news editor is running out of luck

What is Mr Wilson up to? His extraordinary cloak-and-dagger trip to Tunisia on Tuesday has reinforced the growing doubts among many of his senior colleagues not only about his judgment but also about his temperamental stability. Mr Wilson has had a bad time since returning from his holidays in the Scillies. There was the strange silence about the Ugandan Asians—all apparently, because no newspaper bothered to ask him for his views—and there was the even odder business about his statement on General Amin. Was Mr Wilson simply ignorant about the geography of Africa? His views on the need for vigorous naval measures suggested as much. Or was it just a sloppy piece of work by his staff?

And then there was the business of his stern demand for the immediate withdrawal of the British Olympic team from Munich. His colleagues groaned with disbelief. It sounded as though Mr Benn had prematurely taken over the leadership of the Opposition.

Since the last election Mr Wilson has done himself grievous damage by his gyrations over the common market and by his far-from-glittering performances on the Opposition front bench. But there has been a continuing belief among many Labour MPs, not only that he was the best man to hold a seriously-divided party together, but that, as one of the best night news editors in the business, he was supremely fitted to take swift political advantage of political errors by the Government. They have been seriously disappointed. On almost every major tactical decision he has made since June, 1970, Mr Wilson has boomed.

It was different when he was prime minister. Then he was able to divert attention away from tedious domestic

problems by his extraordinarily well-developed sense as a political publicist. There was the Commonwealth prime ministers' peace initiative to Vietnam, and the visit to Indochina of Lord Davies of Leek, then parliamentary secretary to the Ministry of Pensions, one of the more hilarious pieces of nonsense during the Labour government's period of office. There was the saga of the good ship *Torrey Canyon*, and the Winter Emergency Committee. And of course there was the D-Notice affair.

Simply to run through the list sounds like the roll of the battle honours of a famous regiment of the line. But, to be fair, many members of his own party, and certainly many journalists, at the time enjoyed watching the old maestro at work. Yet being prime minister or alternative prime minister requires more qualities than these. It needs more than the tactical cunning of remaining silent when a crucial issue of principle, such as that of the Ugandan Asians, is presented for the judgment of his fellow-countrymen. It needs more than the absurdity of sitting in a Dublin pub with the Provisional IRA, in the apparent belief that this could, in some way, raise him in their estimation.

It would be a waste of time to analyse the range of motives behind Mr Wilson's trip to Tunisia. No doubt, as a decent and kindly man, which he is, Mr Wilson may have hoped to encourage some of the more moderate Arab heads of state to take a tougher line against terrorism; if so, his recent insults directed at the Egyptians and Sir Alec Douglas-Home seem ill-judged. But it has to be said that the central motive for his trip may have little to do with Arab terrorism; it is more likely that it was prompted almost exclusively to his obsessive

desire to steal a quick headline.

There is evidence that Mr Wilson's conduct is doing him some harm with the voters. In a Gallup poll published in Thursday's *Daily Telegraph* the Labour lead increased to 11 per cent, but Mr Wilson's slide in popularity continued.

The case against Mr Wilson is not that he is a wicked man; he is just frivolous. He is no longer spoken of in the higher echelons of his party with anger or even distaste; now there is generally an element of pity. It is his party's misfortune that it is now led by a man who has forfeited the confidence of so many of his senior colleagues.

Ulster

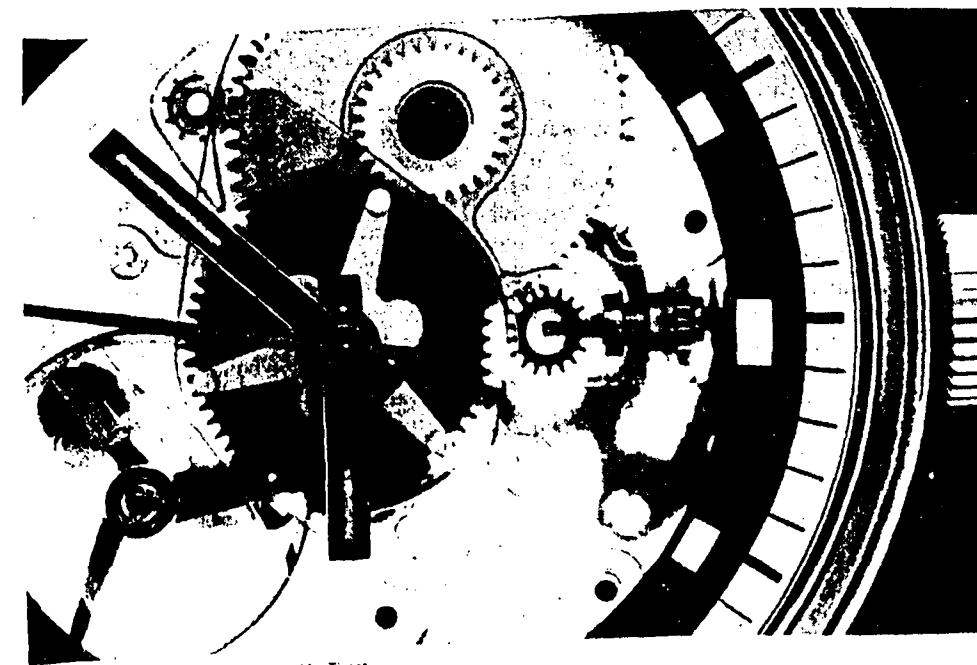
Helpful, actually

The Social Democratic and Labour party did the Secretary of State for Northern Ireland, Mr Willie Whitelaw, the favour of publishing its constitutional plans on Thursday, although it still seems determined not to turn up at his conference in Darlington, County Durham, next week. Mr Whitelaw has two reasons to be relieved: the SDLP has gone far enough towards a condominium, including a veto for the Irish republic in northern affairs, to make whatever Mr Whitelaw himself eventually comes up with more likely to seem tolerable to many Unionists; and the proposals appear sufficiently unworkable for most politicians in Ireland, north and south, to want to forget about them. The SDLP is thinking of machinery, especially a national Irish senate, which would be useful enough if there were a real will for unity among all parties. But without that will the machinery remains as pointless as all such schemes have been since 1921.

The Rev. Ian Paisley, once the darling of Whitehall, reaffirmed on Wednesday that not only would he not be attending in County Durham, he would not even send his proposals. If any Ulster party leader is now in any danger of looking moderate in British

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eyes it is Mr Brian Faulkner; he will naturally be chary of the accolade.

Liberal assembly

No smoke but a little fire

FROM OUR SPECIAL CORRESPONDENT AT MARGATE

The Liberal party's annual assembly opened in Margate on Wednesday with a surprise and a shock. The surprise was the number of delegates who turned up. Inconveniently, there was no count on the opening day (although there were some curious votes) but there were probably some 700 or 800 people in the Winter Gardens; certainly it was a better turnout than for many a year. The shock had come the day before with the discovery that there is a sea-side town in Britain which is actually worse than Blackpool and it is called Margate. Margate is so lacking in anything approaching reasonable living standards that the Liberals were unable even to designate, never mind use, any establishment as a conference headquarters hotel. Mr Jeremy Thorpe's merry quip to his friends in the press was to ask them whether they were staying over as part of their annual holidays. Mr Thorpe, who had retreated to Mr Heath's Broadstairs in search of decent lodgings, is a man who likes to live dangerously.

Whether it was the horrors without or the attractions within, the Liberals almost filled the hall on Wednesday. Mr Thorpe had wisely decided to make the main address to the assembly on the opening day, and only rather nasty people reflected that, as this year's assembly was a week later than usual, he was able to attend both the Barnstaple fair and his party conference. Mr Thorpe knows that his constituency is more important than his party to his survival as a politician. Yet it must also be acknowledged that Mr Thorpe did his big speech rather well.

It went on a bit too long, but he was trying hard to be honest and tell delegates what he would like them to do over the whole range of issues that were coming before them. As these ranged from sewers to nuclear weapons the area was vast. Mr Thorpe touched on most of them, sometimes with a joke, and at other times with real courage. It is always possible to laugh at the Liberals, and this can be done with affection or derision, depending on the point of view. But it was heartening to anyone who is liberal to

hear Mr Thorpe speak so warmly of Britain's obligations to such people as the Ugandan Asians—and to hear his words so warmly applauded. There is no other party conference where the Asian refugees would be welcomed so genuinely.

Mr Thorpe spoke on the same day as the House of Lords gave the third reading to the European Communities Bill—the final parliamentary vote on that issue. He was entitled, if any party leader was, to take pride in that achievement. The Liberals have led the field as Europeans, and Mr Thorpe could deservedly claim some credit for the bill's passage through the Commons. Quite sensibly, he used the occasion to rub home to those middle-aged trendies (why do Liberal members of the Lords insist on wearing sweaters when they sit on the platform while their Commons colleagues are all toggled up in gents' suits?) and young Liberals who think that participation and local action is the real scene, that Parliament is the place that counts. Parliamentary power, he said, is central, and it is that vote the Liberals have to win. Young Mr Peter Hain, sitting with his elders on the platform, was not seen to applaud enthusiastically at that point.

Mr Thorpe had some jokes, too. Of course, they were at the expense of Mr Harold Wilson and Mr Wedgwood Benn, and one becomes very conscious that those two are such easy targets. Is there not a danger that if they are always taken seriously—ie, joked about—they might be elevated to the high status and affection of genuine English eccentrics? Anyway, Mr Wilson first. Mr Thorpe had fun with Mr Wilson's deplorable silence on the Ugandan Asians, as far as it is possible to get many laughs out of such a situation.



Ex-Orpington man: lordly sweater

His joke about Mr Wedgwood Benn leavened a serious section on inflation and industrial relations, during which Mr Thorpe came as near as he dared to promising that the Liberals would support a statutory wages (and prices) policy when Mr Heath introduces it. He called for an end to the "trench warfare" which characterises industrial relations, and he twitted the Labour party in not making up its mind whether it is always on the side of the unions whatever they or their members do. Mr Benn, for example, had said that it would be quite wrong to tell others to break the law, but he had also applauded the dockers who went to jail for flouting what he regarded as an evil law. "Wedgwood is for the rule of law; Benn is for those who break it." Oh dear.

It is always difficult to know just how seriously the Liberals should be taken. Mr Thorpe can claim—and does loudly—that the Liberals were the first party to discuss publicly many of the issues which are now at the forefront of British politics. The list is very considerable: the common market, the problems of the low-paid, devaluation and the floating of the pound, the environment and even the creaming off of inflationary wage awards by fiscal means. That they could do that is very largely because they are a party which does not have to deliver on its promises. But there is another side to that coin. Along with all the sensible things (invariably picked up from other people) that go into the appallingly convoluted resolutions presented at Liberal conferences, there is at least an equal amount of totally absurd nonsense.

The Liberals do not attract really serious politicians. Indeed, those academics and media men who pass through it use it for what it is: a respectable platform for their views rather than a vehicle for action. Yet many Liberal delegates are determined to be oblivious of the effect that their actions and antics will have on the electorate or anyone else, so that in the end even the sympathetic observer must conclude that their pride in their lack of discipline is really a product of shallowness or selfishness.

Two instances on the opening morning give the flavour of that. The poor mayor of Margate, Councillor Harry Anish, had very courteously welcomed the delegates to his town for the first time, and it is obviously not his fault that his town is what it is. But before he could be thanked for coming along

(after all, even an unbusy man can find good reasons for not attending a Liberal conference) a delegate jumped up to move that all smoking should be banned in the hall. That was one individual's discourtesy, but what could not be excused was the prolonged applause he received from the delegates—and from some members of the platform. Mr Stephen Terrell, who proved himself to be very formal in the unenviable position of Liberal party chairman, rightly ignored the demonstration to thank the mayor. But he had to go back to the smoking issue: the motion was carried and no-smoking signs were erected suspiciously quickly. The press, on Mr Emlyn Hooson's suggestion, was exempted from the rule, and the very empty press tables thus became a safe haven for those delegates who wanted to smoke.

The second issue was rather more important. Mr Hooson, again, had moved an emergency resolution condemning assassination, kidnapping and piracy, and urging the Government to get international agreement to deny such terrorists the right to asylum and bring sanctions against countries which give them aid. A perfectly reasonable, civilised and concerned resolution in all the circumstances. Of course, it was opposed by three speakers. What about states and governments that commit violence, said two of them. And would we have denied asylum to anyone who tried to bump off Hitler in 1938, asked a third. Mr Russell Johnston, in as masterly a display of how to control one's temper as will be seen in this conference season, pointed out that the resolution dealt specifically with terrorists who took or jeopardised innocent people's lives in pursuit of their political ends. But it did not satisfy the Young Liberals and their friends, and the chairman had to allow those who were "positively abstaining" to stand up and be looked at, if not exactly counted.

The conference had thinned out a bit by Thursday, but not by very much, for there is nothing Liberals like doing more than acting as fairy godmothers and they always provide themselves with ample opportunity to do just that. To relieve "the burden of late entry into the EEC," for example, they want a statutory minimum earning level of £20 a week for every working adult, pensions related to average national earnings and more equal pay for women. On urban transport they would make the public transport in these areas free. On the other hand, the conference also called on all Liberal

councillors to campaign for their local authorities to provide a positive welcome to the Ugandan Asian refugees. And in Britain in 1972 that takes real political courage.

By-elections

The Sykes show

Miss Manuela Sykes looks like being a lucky lady. After fighting five parliamentary elections as a Liberal she joined the Labour party; and now she is favourite to be the next MP for Uxbridge.

Uxbridge is just the sort of seat in which a government is desperately anxious to avoid a by-election. It has switched its allegiance four times since the war—though it has to be said that its boundaries have been changed—and now with the death of its agreeable Tory MP, Mr Charles Curran, last Saturday the Conservatives seem destined to lose their second parliamentary seat since the last general election. It would take a swing of only 3.8 per cent to send Miss Sykes to Westminster, well under half that achieved by Labour at Macclesfield a year ago, where the Tory scraped home, and just about a third of that at Bromsgrove, which Labour won.

The Tories face a number of problems at Uxbridge. First there is their choice of candidate. Mr Curran has been their man there in every election since 1951; three times he won, three times he lost. Whoever they choose now is likely to forfeit some of Mr Curran's personal vote, and with a majority of only 3,646 they cannot afford to let anyone slip away. Secondly, they face a formidable campaigner in Miss Sykes. Although many Liberals regarded her as a disruptive influence and were happy to see her join Labour, as a performer on the doorsteps and at the factory gates she can be relied upon to give her opponent a hard time.

Thirdly the timing of the by-election is difficult for the Tories. They are unlikely to get a candidate selected until mid-November, so a pre-Christmas by-election is out of the question, even if it were desirable on other grounds, which it isn't. But it is just as difficult to believe that a by-election before mid-February, when the new electoral register comes out, is very likely either. An election on a 17-month-old register would look suspiciously like sharp practice, and it might not even work: the Tories tried it at North Lewisham in 1957 and still lost

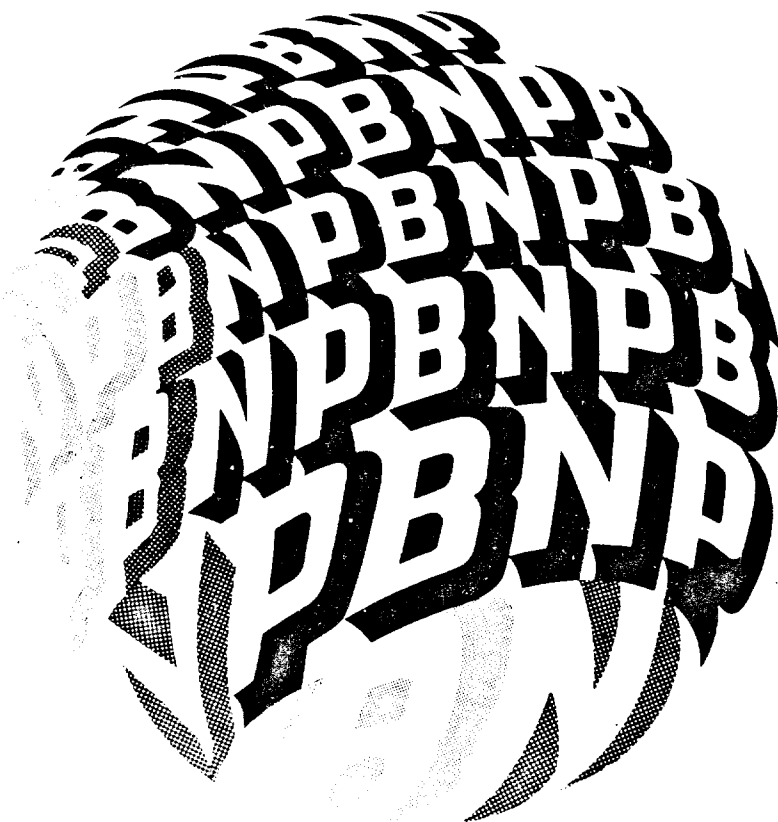


Manuela: a winner at last?

the seat. So it looks like either March or April—either just before or just after the budget and the Greater London Council elections. A Labour victory in the GLC elections would not help in holding Uxbridge; and, whatever may be the merits of Mr Barber's budgets, it is hard to find much evidence of any relationship between tax giveaways and Tory electoral successes. The battalions of Tory councillors who lost their seats in 1971 and 1972 after the two most reflationary budgets since the war know that. So it looks like the second week of March for Uxbridge, before the budget and the GLC elections, but on the new register.

Labour has a rather different timing problem at Rochdale, where a by-election is also due because of the death of another decent MP, Mr Jack McCann. Labour's chief fear, as in 1958 when Mr McCann won his seat from the Tories, is what the Liberals will be up to. In 1958 the Liberal was Mr Ludovic Kennedy; now it is the 23-stone Alderman Cyril Smith, an ex-Labour man who has drifted well to the right of the Liberal party, nearly as far, indeed, as Mr Wallace Lawler in Birmingham. But that will not cause Mr Smith much trouble; after all, Mr Lawler did win the Ladywood by-election in the last Parliament. The Tories, who run third in Rochdale nowadays, have chosen a vigorous, and youthful, local man, and Labour has selected an attractive moderate candidate from nearby Farnworth, Mr Lawrence Cunliffe, a mining engineer and local councillor; so it is possible that Mr Smith, who seems skilled at making enemies in his own party, may not have at all a freewheeling run.

The Labour machine in Rochdale proposes to take no chances. Now that



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THE WORLD

International Report

The last trump of Gabriel

FROM OUR PARIS CORRESPONDENT

Suddenly we have another *affaire* in France, and the noisiest, most rumbustious and most bizarre of all those that have brightened the opposition's days and darkened those of the French government for the past 14 months. But is it a *scandale* and, if so, what? Or, as the opposition now puts it happily, how many?

It all begins with Gabriel Aranda: 34, ex-banker, ex-business journalist, and, most important, ex-member of the private staff, concerned with press relations, of M. Albin Chalandon, the minister, until he was thrown out in the July reshuffle, of housing and public works—a ministry that also covers the money-stuffed field of planning permission. M. Aranda dropped his curious bombshell on September 13th, in, predictably, *Le Canard Enchaîné*. He declared that he and two friends, so far unidentified, if indeed they exist, possessed a mass of documents compromising members of the ruling party. (The *Canard* published two, and M. Aranda threatened that the floodgates would be opened unless the government got back the Mirages it had sold Libya.

For the next three days, while an examining magistrate opened what the French know as a case "against X" for theft of the documents, M. Aranda was busy inching the floodgates apart to various newspapers and the mud began to fly, to, fro and sideways. By Monday, which brought the most sensational revelations, and also M. Aranda's appearance at last before the magistrate, who duly charged him in X's place, the affair had become a major political fight.

M. Aranda has declared that he holds 136 documents, photocopied at the time M. Chalandon quit his ministry, compromising 48 people. He has named M. René Tomasini, publishing

a photostat of a letter in which the former general secretary of the ruling Union des Démocrates pour la République (UDR) had urged that a motorway contract should go to a certain company, and has claimed that the files of the ministry were stuffed with similar letters from the same source. Also named, without supporting evidence, is M. Michel Habib-Deloncle, a deputy general secretary of the party and political director of its paper, *La Nation*. He has replied that as a member of parliament he had naturally done his best for his constituents and would turn the whole of his correspondence with the ministry over to the magistrate.

M. Aranda has accused a little known UDR deputy, M. Gérard Siebeud, of faking a document to make it appear that he had been instrumental in getting planning permission for one of his constituents to build a supermarket. This M. Siebeud totally denied, and still does. But Monday brought sensational support for the charge. Not merely was it true, said the head of the supermarket chain concerned, but a subordinate had given M. Siebeud a "loan" of £2,250 for his intervention. This was repaid only after the supermarketier had taken the whole affair up with government departments. M. Aranda adds the succulent allegation that his minister, M. Chalandon, wanted to take action against the erring deputy, but another minister, M. Jacques Chirac, a protégé of President Pompidou's, had insisted that the affair should be hushed up.

So much for the scandals, although the curious are now waiting with bated breath for further instalments of the famous 136 documents. This Wednesday's *Canard* produced further letters from M. Tomasini, evidence of



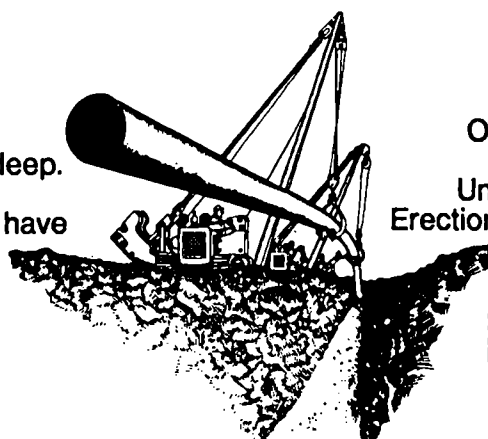
Simple citizen arrives at court

pressure from M. Habib-Deloncle and from M. Chirac, among lesser fry, mostly urging that contracts should go to certain companies, usually without being put out to tender. But the curious may be disappointed. The photostats, or copies of them, are now with the examining magistrate, and M. Aranda gives the impression of trusting the mills of justice to produce the whole truth, which, at best, will mean in their own good time.

But the affair rages on. What lies behind it? The pro-Israeli motive has rapidly been despatched: M. Aranda now maintains that he is essentially a simple citizen sick of political corruption and that the Mirage bit was merely an attempt to kill two birds with one stone. Government supporters, from the prime minister down, have savaged him for betraying the trust given even a temporary civil servant and declare, although no one has yet found a jot of evidence, that the whole thing is a carefully organised plot before next spring's parliamentary election. Somewhere in the middle, M. Chalandon, who appears as the white

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SERVICE RATHER THAN RISK JUSTIFIES COMPANY PROFITS

Barcelona was the site of the General Shareholders' Meeting of Banco Atlántico, coinciding with the 10th Anniversary of service by its new management team.

The trajectory of Catalonia's foremost banking institution was analyzed in the course of the meeting by the President, D. Casimiro Molins, the Vice-president, D. José Ferrer and Board Member, D. Guillermo Bañares.

The adoption of a functional outlook and structure in accordance with modern times has characterized the last ten years' activities, placing the Bank in a magnificent position for the future.

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- Client deposits have increased from 487 million pesetas in 1961 to 21,088 million in 1971.
- During the same period, investment in the private sector has climbed from 250 million to 19,382 million pesetas.
- Capital and reserves have risen from 18.5 million pesetas of capital in 1961 to 1,734 million in 1971.
- The human team has grown from 100 to 1,611 persons.

BANCO ATLANTICO WANTS TO CONTRIBUTE TO SPAIN'S PROGRESS AS ONE OF THE BEST INSTRUMENTS OF THE PRIVATE FINANCIAL SECTOR

- The market share in commercial banking rose from 0.15% to 1.54% (the leading national bank's percentage was 14.46%) and the percentage of investment in the private sector went from 0.10% to 1.73% (the top Spanish bank had 15.74% in 1971).
- Banco Atlántico created Bankuni6n in order to contribute to the country's industrialization. At 31 December 1971 this Bank's contribution to the private sector reached 18,605 million pesetas. Either through it or directly, Banco Atlántico is involved in the foremost Spanish undertakings (Autopistas del Mediterráneo, Refinería de Tarragona, etc.).
- Cooperation agreements have been signed with the Continental Illinois National Bank of Chicago and with the Bayerische Hypotheken-und Wechsel-Bank of Munich.

THE BANK'S RAPID GROWTH IS THE FRUIT OF THE SOLIDARITY AMONG MANAGEMENT, SHAREHOLDERS AND CLIENTS

- Up to 15% of Banco Atlántico's profits are designated to personnel advancement.
- Conscious of the fact that *service rather than risk justifies company profits* and of the private company's position with respect to the community, Banco Atlántico has created the Fundación General Mediterránea to support socially oriented projects.
- Banco Atlántico believes that private enterprise is the protagonist of development and firmly supports it with greater strength in periods of tight credit. Each of the Bank's clients is No. 1 client.

WHATEVER THE BUSINESS OUTLOOK, BANCO ATLANTICO HAS ALWAYS HAD A SATISFACTORY ANSWER FOR ANY SERIOUS FINANCIAL PROPOSAL

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1971 FINANCIAL REPORT

Deposits:	An increase of 29.99% to 21,087.7 million pesetas.
Financing to the private sector:	An increase of 49.86% (19,382 million total).
International business:	Foreign currency deposits: A 79.5% increase; deposits in and from foreign banks: 120.7%; volume of net income from foreign operations: 43%.
Profits:	276 million pesetas (an increase of 29.5%).

BANCO ATLANTICO, A UNIQUE APPROACH

about 30,000 out since December, 1970, but the west German Red Cross claims that 250,000 more would like to emigrate. The Poles have lately been letting fewer and fewer of these ethnic Germans leave. Nor is the general opening up of movement and ideas that Herr Brandt wants with Poland likely to be rapid.

Maybe the Poles are merely following the Russian hint that they ought to hold back in their dealings with Herr Brandt until he has made more concessions to east Germany and Czechoslovakia. But perhaps Mr Gierk and his colleagues do not really want to get all that close to west Germany, except in matters of trade. Willy Brandt must be thinking, with Andrew Marvell's impatient lover wooing his coy mistress, "Had we but world enough, and time. . . ."

East-west

Still tuning up

Mr Kissinger's visit to Moscow has eased, but not ended, the difficulties that surround the related projects of a European security conference and talks about mutual and balanced force reductions (MBFR) by the two alliances in Europe. At his press conference on September 16th, President Nixon's adviser could say only that the Nato allies were considering a new Soviet proposal about the relationship between the two projects. Some Nato officials in Brussels are confidently indicating that a deal is already in the bag and that preliminary talks about a pan-European conference can start in Helsinki on November 22nd (the date proposed by the Finns, with enthusiastic Russian support) on the understanding that the Russians will operate in starting MBFR talks in January. But on September 14th, just after Mr Kissinger's meetings with Mr Brezhnev, Pravda published a characteristically intransigent article by Mr Yuri Zhukov rejecting the idea that the two projects should be linked.

The Finns have built a fine new hall in Helsinki, for orchestral or conference use, in which President Kekkonen hopes soon to be able to set a new concert of Europe in swing with a tap of his baton. But the familiar discords of the past four years linger in many people's ears. The Russians' notion of a security conference still seems to be one in which their grip on eastern Europe will be confirmed while the west Europeans are obliged to accept greater insecurity. The general western

view is that Europe would feel more secure if its peoples were more free to move and make contacts across the east-west divide, and if there were fewer tank divisions clanking around on each side of that divide.

But Mr Brezhnev is not keen on either of these ideas; and the western allies themselves are far from agreed about the approach to MBFR. The chances of something worth while getting under way in November have now been further diminished by the forthcoming west German elections. It has become hard to imagine a fully instructed representative from Bonn appearing in Helsinki only three days after the polling.

Croats

Anything for independence

The Swedish prime minister decided not to have his police shoot it out with the three Croat hijackers of a DC-9 airliner with 89 passengers on board at Malmö last weekend. Whether Mr Olof Palme was right to let the hijackers take off for Spain with £40,000 in cash and six of their comrades, whose release from Swedish prisons they had traded against the release of the hostages, will not be known for sure until General Franco decides what to do about the Swedish request for their extradition.

If the Spanish government either hands the nine back to Sweden, or slaps long prison sentences on them, Mr Palme's gamble will be justified. He presumably reckoned that the DC-9 was too small a plane to fly anywhere outside Europe, and that no country within its flying range would release either the hijackers or the men they freed from prison. And the Spaniards do have reason to be tough. They want to deter Spain's own dissidents, especially the militant

Basque nationalists, from similar acts of terrorism. And they do not want to risk their improving relations with the communist world for the sake of a group of Croats whose desire to break away from Yugoslavia has very little support outside Croatia.

It is unlikely that this will stop the Croats striking again, and next time they will presumably have caught the point and make sure of getting a bigger plane which can fly them to a country they might hope to argue their way out of. But this particular hijacking will have done nothing for their cause if General Franco does what Mr Palme expects of him.

In Yugoslavia itself it will strengthen the hardliners' argument for a really tough policy to keep Yugoslavia both intact and communist. That was what happened after the murder last year of the Yugoslav ambassador in Sweden—four of the six men the hijackers released were in prison in connection with that—and the destruction of a Yugoslav airliner with 27 people on board over Czechoslovakia in January, which the official Czechoslovak report attributes to a bomb in the luggage compartment. Certainly the hijacking will have an adverse effect on the position of the Croat intellectuals and students now on trial in Zagreb.

Who are the Croat extremists? The Yugoslav government says they are members of the extreme right-wing Ustasha (the word just means "rebel") movement. The Ustasha was set up in Croatia in 1929 to fight King Alexander's dictatorship, but ended by setting up a particularly brutal regime of its own during the second world war. In 1945 the bulk of the retreating Ustasha units were captured by the allies and handed over to Tito's men, who shot most of them. The majority of those who managed to escape found their way via Italy and Spain to Latin America, especially Perón's Argentina. After the death in 1959 of Ante Pavelic, Croatia's notorious wartime



The hijackers flew off, but probably to the wrong place

dictator, these old Ustasha groups of ageing men became hopelessly split.

Now the most active extremist groups—in Sweden, west Germany and Australia—consist of younger men in their twenties and thirties who emigrated from Yugoslavia after 1945. Many of them come from areas of Croatia and Bosnia-Herzegovina where Croats and Serbs are mixed together and where there has been considerable tension between them. These younger militants apparently despise the surviving leaders of the old Ustasha movement for their lack of revolutionary zeal, and have set up their own groups such as the Croatian Revolutionary Brotherhood in Australia and west Germany. They are just as nationalist as the original Ustashas, but not as anti-communist; some of their literature says they would be willing to co-operate with the Soviet Union to achieve the aim of an independent Croatia.

Of the 20,000 Croats living in Sweden, only about 100 are estimated to belong to hardcore extremist groups. There may be up to 200 in Australia out of the 150,000 Croats now living there. In all, there are 2m Croats in the west, and the men of violence among them probably total between 2,000 and 3,000. They appear to finance themselves from subscriptions and their own earnings. Unlike the prewar Ustasha movement, which was supported by Hungary and Italy, these new Croat extremists are not supported by any government, or by a worldwide movement.

The Croat ultranationalist movement is unlikely to become a serious international danger unless it is taken up by a major power. The question is whether it has any Russian support. Russia has reputedly been intriguing at a fairly low level with some groups, such as the Croatian National Committee in west Berlin led by the late Branko Jelic, who, before his death in May, was apparently promised independence for Croatia in return for its pro-Soviet neutrality.

The possibility that Russia may indeed be manipulating these extremists seems to worry Yugoslavia's leaders. General Herljevic, the military commander in Bosnia-Herzegovina, said a few days ago that there was a danger of the extreme nationalist and "cominformist" enemies of Yugoslavia joining forces. On Tuesday the Belgrade paper Politika chastised the Soviet news agency Tass for its "neutral" reporting of the hijacking in Sweden. But Russia stays mum.

Croats in Australia

From soccer to bombs

FROM OUR CANBERRA CORRESPONDENT

The bomb explosion at a Yugoslav travel agency in a busy Sydney street on September 16th, and a series of threatening bomb hoaxes since then, are the climax of a long campaign by Croats in Australia against the local representatives of the Yugoslav government. Yugoslavia's consular offices in Sydney and its embassy in Canberra have been the targets for protest meetings and minor riots. Its representatives have maintained that the Ustasha movement is active among Croats in Australia, and claim that the terrorists recently killed in Yugoslavia itself included some trained in Australia.

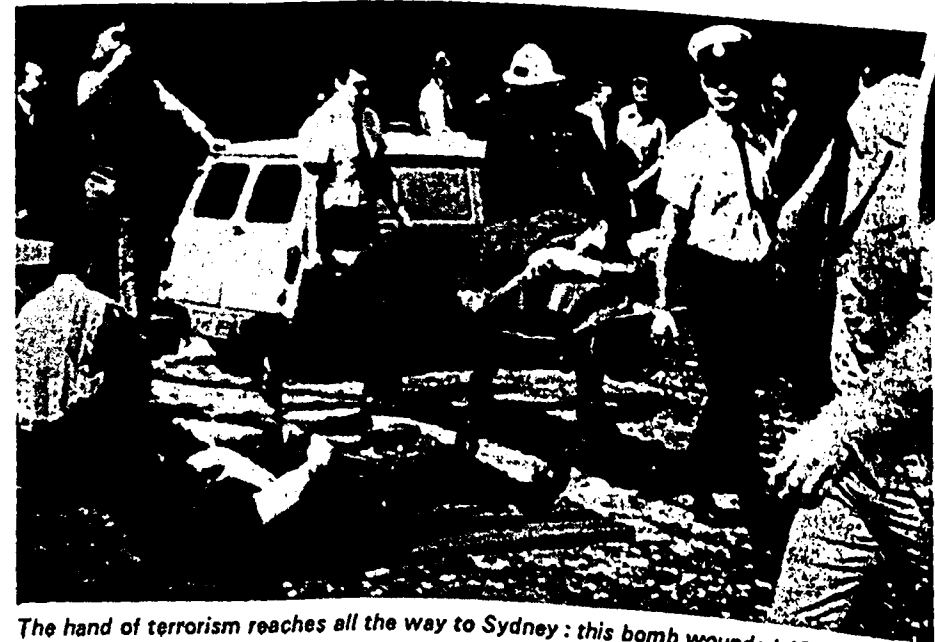
There has been a substantial and increasing migration from Yugoslavia to Australia under a system of assisted passages arranged by the Australian government, the first such scheme negotiated with a communist government. After arriving in Australia the migrants tend to divide into their ethnic groups and the Croats have been especially solid behind their clubs and soccer teams, and with their own priests provided by the Roman Catholic church. There have been frequent clashes between Croats and Serbs.

A number of government members of parliament and influential members of the Democratic Labor party have actively supported the idea of Croatian nationalism because of the Croats' stalwart anti-communism. This has been badly received by the Yugoslav

government, which considers that it encourages Croats to plot against the legal government of their country of origin. It has also had the effect of polarising the issue in terms of Australian politics. The Yugoslav migrants hostile to Croatian nationalism have turned to the Labor party for support and have furnished Labor politicians—especially Dr Jim Cairns of Melbourne—with material suggesting not only that the Ustasha is active in Australia but that it has run training camps for terrorists here.

Dr Cairns has been arguing for years that the government permits Croatian terrorists to use Australia as a base for subversion in Yugoslavia. The government replies that there is no evidence of a Croatian terrorist organisation in Australia, although it admits that individual Yugoslavs may wish to use violence. Some Croats allege that bomb threats and damage are provocations by the Yugoslav government's agents.

The latest events have made Dr Cairns's allegations look more believable than they seemed before, but the government has been reluctant to move. Presumably it feared that the Labor party would use the occasion for political purposes; nor can it be absolutely sure that if the whole situation were searchingly investigated some of its own associates might not be implicated. But on Tuesday Yugoslavia threatened to break off diplomatic relations, and Mr McMahon, the prime minister, is now proposing a commission on the subject of violence. Perhaps this will do something to meet the charge that the government is tougher on extremists of the left than those of the right.



The hand of terrorism reaches all the way to Sydney: this bomb wounded 15 people



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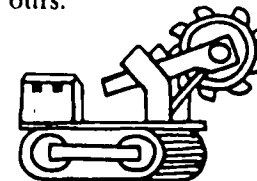
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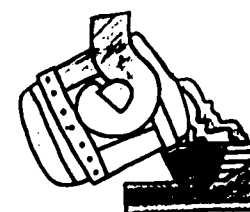
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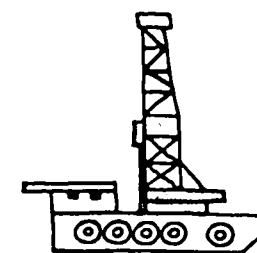
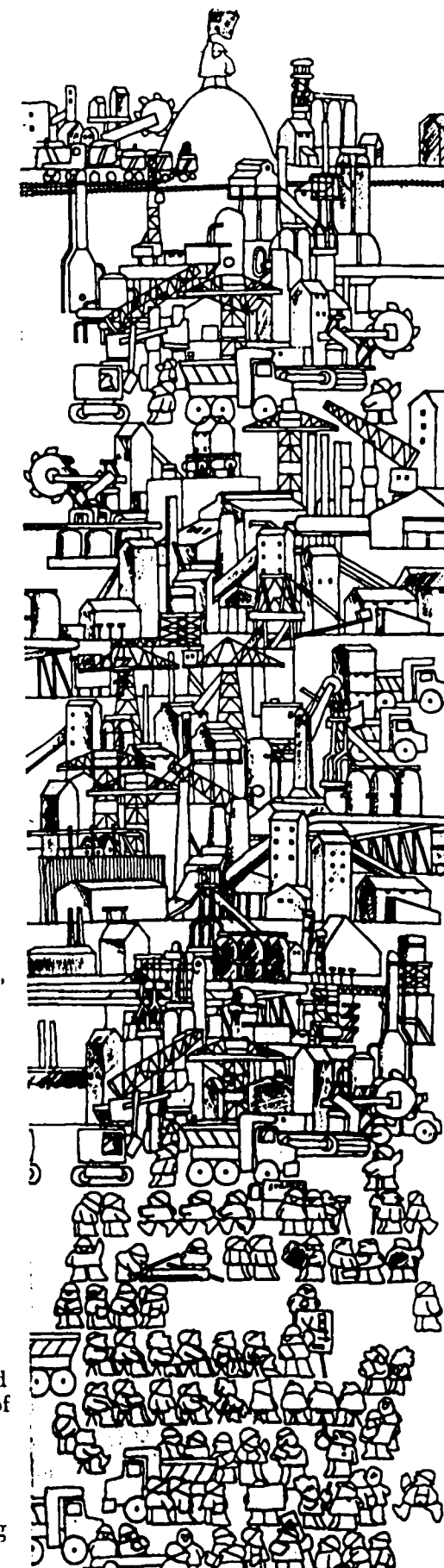
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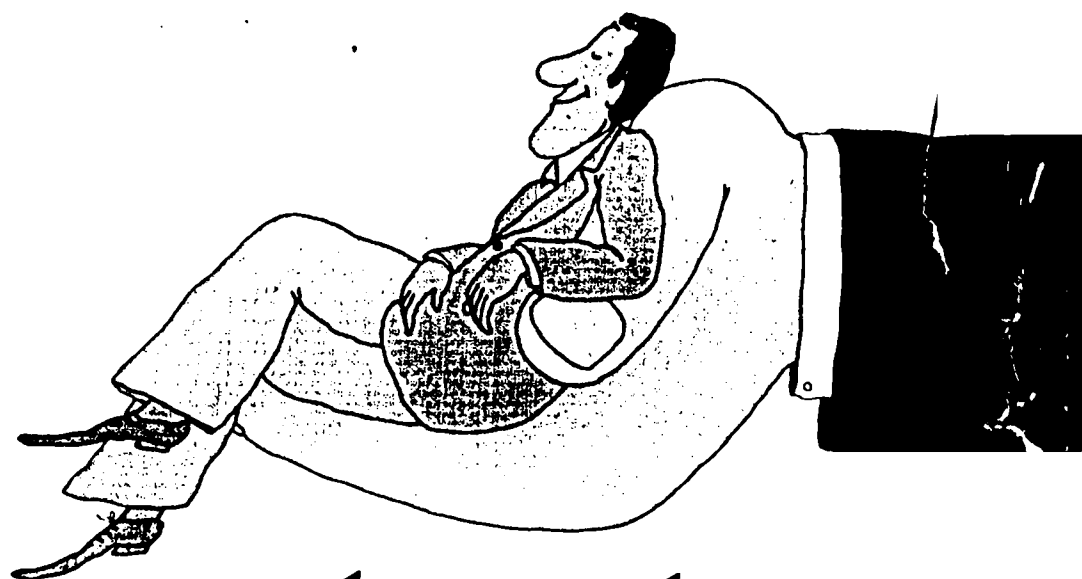
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Lebanon

The south pays

FROM OUR LEVANT CORRESPONDENT

Among the many gruesome photographs of the Israeli incursion into southern Lebanon last weekend, two have drawn special attention. The first is of a large metal pancake about 18 inches high which is what was left of a taxi and its seven occupants after it was flattened by an Israeli Centurion tank. The second is of a baby in hospital with extensive burns.

These pictures suggest to the Lebanese that although the given reason for Israel's attack was the killing near the frontier of three Israeli soldiers by Palestinian guerrillas, the target was less guerrilla bases than Lebanon's "disinherited south," as it is often called. The Israelis hit at powerhouses and a new water filtering plant serving 70 villages and are claimed to have hit a hospital and two schools with bombs; 23 civilians were killed and 36 are in hospital with burns.

The Israelis launched a force of more than 5,000 men and 200 armoured vehicles, and claim to have dynamited 160 houses used by guerrillas. The guerrillas melted away but the Lebanese army stood and fought well in the heaviest engagement it has ever had with the Israelis. It had been expected that the Israeli attack would be a precisely calculated dosage of destruction, large enough to drive a wedge between the Lebanese and the Palestinian guerrillas, who had brought on the attack, but not so large as to arouse Lebanese wrath directly against Israel. In the event the Israeli army may have succeeded in creating new enmity against it in Lebanon.

Lebanon's biggest battle to date, in which the army fought creditably, has

produced a new sense of national pride. With some exaggeration it is being called "Lebanon's war." A former president, Mr Camille Chamoun, summed it up: "Since 1948 we have been in a state of truce with Israel. Today we are in a state of war."

That is the emotional aspect. However, according to the 1969 Cairo agreement between the Lebanese and the guerrillas, the latter were not even supposed to be in the area attacked. So now new instructions have been issued for the strict enforcement of the agreement, which will confine the guerrillas to the hills and refugee camps and will exclude them from all Lebanese villages near the frontier. The guerrillas at first expressed great alarm but a *modus vivendi* has been worked out and accepted. The guerrillas are going to have to pay a fairly heavy price for their indiscipline if they are to maintain any sort of armed presence.

The guerrillas in southern Lebanon do not seriously threaten Israel. But any Israeli action that further reduces their importance will bring nearer the removal of the present incompetent Palestinian leadership. It may also have the effect of encouraging frustrated guerrillas to become terrorists of the Black September sort. Israel's new enemy, the urban guerrillas, may now be partly responsible for the beginning of the end of the old commandos.

Zayyat in London

Noises off

Violence dominated the very brief visit to London on Monday and Tuesday of Egypt's very new foreign minister, Mr Mohammed Hassan Zayyat. In his set speech on Monday, Mr Zayyat joined Sir Alec Douglas-

Home in condemning terrorism wherever it might break out. But with the reverberations from Israel's latest retaliatory raid on Lebanon last weekend ringing loud, Mr Zayyat then went on to speak of "terrorism by states" and quoted Sir Winston Churchill's dictum, made in the context of pre-Israel Zionist terrorism, that a whole community should not be punished for the acts of a small minority. On Tuesday Mr Zayyat responded to the murder that morning of Israel's agricultural counsellor in London by deploring briefly and simply both forms of terrorism; he sympathised, he said, with the sorrow of the murdered man's family as he did with the sorrow of the families of Israel's victims in Lebanon.

Mr Zayyat was appointed foreign minister only days before he set off for Rome, London and Brussels on his way to the United Nations. He brought bronchitis with him to London but neither a shopping list for arms (which is not his job) nor any precise idea about what he hoped to accomplish. Certainly the talks with him, friendly as they were, showed that Egypt knows as little as Britain does about what can possibly be meant by the talk of "a European initiative" in solving the Arab-Israeli conflict.

In his speech on Monday Sir Alec Douglas-Home said that recent events should bring home to everyone that the present situation in the Middle East should not be allowed to remain as it is. He suggested that one way of starting to change it would be a declaration from Israel stating that, given adequate security arrangements in Sinai, it had no desire to annex Egyptian territory. It is certainly an idea, although not a new one. But there is no reason to suppose that it meets Israel's definition of a safe border.

Canada and Uganda

How wide a welcome?

The British Government has gone to more than 50 other governments for help in coping with the expulsion of the Ugandan Asians. It is understood that there have been some positive responses that are not being publicly announced; several governments are willing enough to admit small numbers of the refugees, but wish to avoid the domestic frictions that a formal announcement might set off. This probably applies to some of the Latin

American countries that have been approached through the Intergovernmental Committee for European Migration. West Germany has offered to admit 1,000, Sweden 300, New Zealand 200. Malawi has sent 500 application forms to Uganda; Australia is sending officials there to process applications. Other known offers have come from Austria, Fiji, Iran and Mauritius, and Norway has indicated that it will soon make one.

But the major responses have been those of India and Canada. On Monday it was announced that India will admit refugees who hold British passports, on the understanding that they will retain their ultimate right to go to Britain; in practice, this may provide some 15,000 of them with a permanent refuge in India. Canadian immigration officials arrived in Uganda on September 4th and at once met an eager response among the Asians.

Our Canada correspondent writes: With a federal election due on October 30th and unemployment still at about 6 per cent, Mr Trudeau has shown courage in opening Canada's doors to the Ugandan Asians. Before he made the offer only some 3,000 of them had said they hoped to come to Canada, but within a week of a Canadian immigration team's arrival in Uganda more than 20,000 had picked up application forms and 6,000 had actually applied. The first are expected in Montreal this weekend. An immigration department spokesman said last week that Canada would not impose any sort of quota. But on Tuesday the external affairs minister, Mr Sharp, said that the number coming to Canada would not be unlimited.

There is an existing provision that restricts the flow of immigrants from all sources into Canada. Applicants who have no close relative already here to sponsor them have to score at least half marks in a test of qualifications which is weighted in favour of people with good schooling and skills. This system, introduced in 1967, lacks the racial features of earlier Canadian immigration policies. Nearly a third of last year's 129,000 immigrants came from developing countries, including 5,700 from India. Indeed, some Caribbean leaders have begun to complain that Canada is creaming off the top layer of professional people who might otherwise be serving the West Indies.

From Ottawa's point of view, the present system provides Canada with a kind of technical assistance programme that any developing country would envy and also minimises racial

friction. Immigrants from India have won respect for their competence. Last year a third of the Indians joining the work force were classified as professionals, which was about the same ratio as among immigrants from Britain and the United States. Last year India also provided Canada with 494 farm workers, but when it comes to general labourers the large numbers are drawn from Italy and Greece.

Immigration officials in Ottawa have said that they will need all the help they can get in finding jobs and accommodation for Uganda's Asians. Several municipalities have announced the numbers they think they can absorb without aggravating unemployment. No doubt the 70,000 Canadians of Indian origin will organise a welcome in many cities, but it will be a test of non-racialism among other Canadians, who willingly enough accepted the arrival of 37,000 Hungarians in 1956 and 11,000 Czechs and Slovaks in 1968.

Cambodia

Fighting for rice

FROM OUR INDOCHINA CORRESPONDENT

When there are rice riots in Cambodia, something really has to be wrong. Either there has been a bad harvest, or war in the countryside has cut off supplies, or the rice has been sold illegally by corrupt officials, or people have no money to buy it with. When all four things occur at the same time, Cambodia is in sorry shape indeed—not to mention that the government is broke, the cabinet is falling apart and the army is being thrashed on the battlefield.

Two and a half years after Prince Sihanouk was ousted as dictator, the hapless Cambodians have little to

cheer about. They do not share President Lon Nol's obsession with elections and referendums, which have preoccupied the government and the army for the past several months to the exclusion of practically all else. In last Sunday's election for 24 seats in the new senate, the voters stayed away in droves, although the official polling figures do not admit it. So did the opposition political parties, including some of Lon Nol's former close supporters, who declared the whole exercise a gerrymandered farce and refused to field candidates for the two houses of parliament.

What made the rice-looting in Phnom Penh's central market a fortnight ago particularly alarming was that the rioters were soldiers. This was not just another case of armed piracy by men in uniform, but an act of desperation by Lon Nol's own soldiers, underfed, underpaid and expected to fight for an administration in which they are losing confidence. A bad harvest last season and a worse one to come because of drought, combined with communist attacks on the road from the ricefields of Battambang, have sent prices soaring. Emergency supplies have been airlifted from Saigon by the Americans and more shipments are on the way, but it remains to be seen whether any will get through the official distribution system to the public.

Morale in the refugee-packed capital declines further with each successive report of defeat on the battlefield. President Lon Nol's insistence on reopening the road to Saigon, which cuts through a communist sanctuary area, has led to the loss of some of his best units. There is still no sign of a pacification plan to consolidate control over areas still run by the government, which include most of the



Lon Nol's underfed soldiers help themselves

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During the second half of '71 and the first half of '72 Volvo has invested 635 million Swedish kronor to ensure a

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- A new truck frame factory in Sweden.
- A new truck factory in Australia.

Volvo Group sales

The Volvo Group manufactures cars, trucks, buses, agricultural machinery, construction machinery, loaders, marine and industrial engines, aircraft engines, etc.

During the first half of 1972, the Volvo Group sales increased by 17 %

compared with the same period last year. Today it is estimated that the total turnover for 1972 will be about 7,000 million Swedish kronor.

Approximately 75 % of the car production and 80 % of the truck and bus production is sold outside Sweden.

Results

The profit (before allocations and taxes) for the first half of 1972 was 344 million Swedish kronor - an increase of 40 % in comparison with the first half of 1971.

The Volvo Experimental Safety Car is fitted with air bags or automatic passive safety belts, with "diving" engine, safety steering wheel, anti-lock brakes, telescopic shock-absorbing bumpers etc.

THE VOLVO GROUP

Financial Highlights (Millions of Swedish kronor unless otherwise stated)

JANUARY-JUNE	1972	1971	1970
Sales	3,339	2,848	2,494
Profit before allocations and taxes	344	246	269
in % of sales	10.3	8.6	10.8
12-MONTH FIGURES	July 1971- June 1972	Jan.-Dec. 1971	July 1970- June 1971
Sales	6,595	6,104	5,678
Profit before allocations and taxes	562	464	436
in % of sales	8.5	7.6	7.7
Capital expenditure	635	612	532
Number of employees on last day of period	42,700	41,155	40,500
Group sales by product lines:			
Passenger cars	3,922	3,640	3,357
Commercial vehicles	1,292	1,188	1,121
Marine and industrial engines	295	256	223
Industrial, forestry and agricultural machinery (BM)	769	745	688
Aircraft engines, etc. (VFM)	213	189	150
Other products (development projects, tools, etc.)	104	86	139
Total	6,595	6,104	5,678
Swedish market sales	2,058	1,923	1,840
Export market sales	4,537	4,181	3,838
Export sales from Sweden	3,311	3,058	2,878

major populated regions and about 60 per cent of the people, but are being continually eroded. The communists could easily take Phnom Penh itself, with North Vietnamese help, if they wanted to.

The Cambodian pot will go on stewing for quite a while longer, it seems, at least until there is some change in Vietnam. One aim of Cambodia's first minister, Mr Son Ngoc Thanh, on his recent visit to Saigon, was to make sure Cambodia is not forgotten in any peace settlement. According to President Thieu no such deal is in the air. The communists are simply indulging in trickery to exploit the American election campaign, he told reporters after visiting troops in the city of Quang Tri, recaptured from the North Vietnamese last weekend. Mr Thieu announced new plans to push the communists "back up into the mountains," and discounted any major attack on Saigon. The recapture of Quang Tri, after four months in North Vietnamese hands, is a major success for the south. But increased communist activity elsewhere in the northern region, and in the Mekong delta, is a cause for continuing worry in Saigon.

South Africa

Mulder's the man

FROM OUR SOUTH AFRICA CORRESPONDENT

Almost unnoticed, South Africa's ruling Nationalist party has selected Mr John Vorster's probable successor as prime minister. He is the minister of the interior and information, Mr Connie Mulder, a hefty, energetic former schoolteacher, aged 47. Despite his right-wing record, he could conceivably be the man to turn South Africa on to a more pragmatic political course.

As rumours have persisted that Mr Vorster's health was poor (he suffers from low blood pressure), a bitter fight over the succession was expected. With the number two position—chairmanship of the party in the Transvaal—held by the ageing minister of transport, Mr Ben Schoeman, the situation seemed wide open. There were thought to be at least five main contenders: the minister of defence, Mr P. W. Botha, the minister of Bantu administration and the party's chief ideologist, Mr M. C. Botha, the minister of labour, Mr Marais Viljoen, Mr Mulder, and Mr Andries Treurnicht, a rising star on the far right of the party who



South Africa's next prime minister?

recently captured the chairmanship of the powerful Broederbond, the secret society that is believed to wield vast influence behind the scenes over all aspects of Afrikaner nationalism.

But the scrap did not materialise. Mr Schoeman, with the connivance of the prime minister, avoided it by announcing unexpectedly at last week's congress of the Transvaal branch of the party that he intended to retire soon and was therefore relinquishing the chairmanship. With no time for lobbying, the choice of a new provincial chairman was put to the vote and Mr Mulder won overwhelmingly against Mr M. C. Botha and Mr Viljoen. Mr Treurnicht was not even nominated; the whole thing had clearly been a manoeuvre to catch him off balance and settle the leadership issue before he became too powerful.

There have been signs, before and since the congress, that many rank-and-file Nationalists are resentful of the power wielded by Mr Treurnicht and his elitist fraternity. The scale of Mr Mulder's victory, together with the fact that the Nationalist party is dominated by its Transvaal branch, means that there can be little doubt he will be the next prime minister.

His record places him on the right wing of the party. When a group of diehards under Mr Albert Hertzog split from the party three years ago, Mr Mulder showed some signs of sympathy for them. Yet his success last week was welcomed by most of South Africa's opposition newspapers who, having had long contact with him as minister of information, believe that he is in fact a more flexible man than Mr Vorster or any previous Nationalist prime minister. They have speculated that he could be the man to allow the economic forces at work in South Africa to break down the rigid racial barriers of apartheid.

Korea

Come and see us

FROM A CORRESPONDENT IN SEOUL

Now that North and South Korea have each put on a public relations show for the other, they are ready to get down to business. In Seoul last week, during the second round of the Red Cross talks between the two Koreas aimed at locating and possibly reuniting some 100 members of divided families, the two sides agreed to meet again in Pyongyang in October in an attempt to find a way of tracing the missing people.

The real achievement of the first two sessions, declared Mr Lee Hu Rak, who in May was the first South Korean official to visit the north, is that they took place at all. Until last year, the Korean peninsula stood out as a frozen model of the cold war. Now the Koreans have agreed to coexist.

By showing each other their respective splendours, each side clearly hopes to undermine the morale of the other. The North Koreans seem less interested in impressing the far-off United Nations with their peaceful intentions—and thus perhaps winning support for ending the UN presence in the south—than in gaining access to South Korean society through the nationally televised conferences and later, presumably, through sports events and cultural exchanges. But South Koreans have an eye on the UN too; they are delighted that the General Assembly's steering committee recommended on Wednesday, over Russian and Chinese objections, that Korea be left off this year's agenda.

The South Koreans, for their part, believe in the superiority of liberal democracy, even if they are only beginners at it. This has led a number of them into the romantic view that South Korea's system can win, and already is winning, converts up north. Some South Koreans, including members of the Red Cross delegation, are horrified at the lengths to which the government went to please its North Korean visitors. In one speech Mr Lee put the whole responsibility for the Korean war of 1950-53 on the shoulders of "foreign forces" whose troops partitioned the country in 1945. This is a new line for South Korea, which has always blamed the northern regime for starting the war. It is just this kind of nationalist reinterpretation of history—the "us against them" approach—that could begin to help the two Koreas to live together.

VOLVO

Bangladesh

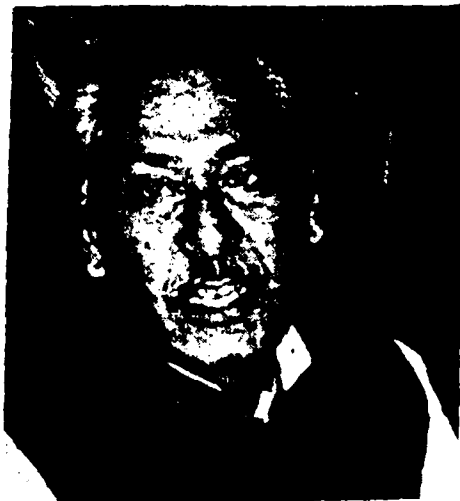
Students with guns

An announcement that Bangladesh was to hold its first general election had been expected; the surprise is that it is going to hold it so soon. The statement on Sunday said that a new constitution should be ready by October and new electoral rolls by January, making an election possible early in the new year.

Sheikh Mujibur Rahman was quick to set the machinery in motion after his return from a prolonged convalescence in Britain and Switzerland. But the discontent during his absence has grown with his return. At a rally in Dacca on Sunday a student leader, Mr Abdur Rab, accused Sheikh Mujib of failing to keep his pre-independence pledge that no one would starve in Bangladesh and then went on to threaten him: "You have used in your speeches the metaphor of weapons. But have you ever used a weapon? We know how to use real weapons."

Hostile students are a danger to Mujib; it was students who provided the backbone of the 1971 resistance against Pakistan. Mr Rab's words voice the contempt that those who wielded a gun last year feel towards those who did not, or, like Sheikh Mujib who was in a Pakistani jail, could not. The guerrillas were supposed to have handed in all their arms months ago. But there are still enough arms hidden around the country to back up the threat.

Mr Rab leads a growing number of students who advocate "scientific socialism." At the end of May the Awami League student organisation



Mujib comes home to trouble

split into "Mujibists" and "scientific socialists" because the would-be marxists wanted Sheikh Mujib to dissolve the national assembly and rule by decree—which he refused to do. Support for Mr Rab's movement has been increased by economic troubles and by reports of official corruption. The "scientific socialists" are also thought to have several prominent, but secret, sympathisers within Sheikh Mujib's cabinet, including the ministers for finance, industry and foreign affairs.

Norway

Yes or Norse?

For the second time in a period of only nine months, Europe is being kept guessing by one of its least volatile communities, the Norwegians. In January it was touch and go up to the last moment whether the government in Oslo would join the three other applicants for common market membership in signing the treaty of accession. Now, with the referendum campaign in Norway in its last hectic stage (an opinion poll published on Wednesday indicated a shift towards a yes vote), there is no telling how the voting on September 24th and 25th will go. And the electorate's decision may well settle the question of EEC membership for Denmark as well as for Norway.

The west German chancellor, Herr Brandt, addressed a pro-market meeting in Oslo on September 14th. The French Socialist leader, M. Mitterrand, had spent the three previous days in Denmark. And on Tuesday the European commission itself was drawn into the Scandinavian controversy: it formally denied allegations made by anti-marketeers in Norway that its member responsible for regional policy, M. Borschette, was working out a plan for the limiting of pay increases throughout the community.

Strangest of all the external factors, however, was the announcement that Mr Heath had accepted an invitation to visit Norway in November from its Social Democratic prime minister, Mr Bratteli, who had earlier given warning that he would resign if the anti-marketeers won the day in the imminent referendum. If they do win, it seems unlikely that Norway will have any government in November able to welcome visiting statesmen, for the anti-marketeers hold only about 40 of the Storting's 150 seats and there can be no general election until September, 1973.

Chile

The wrong ladies

President Allende of Chile has followed an ancient example: when your government is in trouble, find a scapegoat. A week ago, on the basis of information courteously supplied by the extremist Movement of the Revolutionary Left (Mir), Sr Allende announced the details of a "September plot" to overthrow the government: right-wing extremists were supposedly planning a transport stoppage, street demonstrations and a military uprising on national independence day, September 19th.

In fact, over the past few months most of the incitement to violence has come from the other side—from the Mir and from similar men among Sr Allende's own Socialists. Members of Sr Carlos Altamirano's wing of the Socialist party were implicated in several plots in July and August, including a plan to attack the president's private residence. When the police entered the "Lo Hermida" encampment last month to track down some of the ringleaders of the National Liberation Army, which was behind that conspiracy, they were fired on and a gunbattle began in which one man was killed and 11 wounded.

Then, at the end of August, several thousand building workers were paraded through the streets of the affluent Barrio Alto to prove the assertion of the Socialist prefect of Santiago that "40,000 proletarians" were ready to defend the government in the event of civil war. They made their point by smashing the windscreen of a car that contained two ladies whom one of the labourers described as "looking like real old reactionaries." They turned out to be the wife of a leader of the Independent Action party, one of the groups within the ruling coalition, and the cousin of Sr Allende's new minister of mines.

That may lead the president to ask himself whether he has, like the sorcerer's apprentice, unleashed a force beyond his control. The violence engendered by the conflict between farmers and left-wing extremists in the south of Chile has now spread to the capital, where ordinary householders have organised themselves in vigilante groups such as Protoco—which sends out patrol cars at night—to resist the incursions of the Mir. Violence and the food shortages will be two of the main issues in the congressional elections next March.

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Points from Mr. K. P. Legg's 1971 statement to shareholders.

● Results

Group profits have shown a significant increase; the profit after tax was £515,379 compared to £310,091—the highest profit earned in the company's history. The Dividend is increased from 15% to 18% and not less than 20% has been forecast for the current year. A one for one sub-division followed by a 1 for 2 scrip issue is proposed. The growth came partly from the group's original companies and partly from acquisitions made during the year.

● Acquisitions

The British New Guinea Development Co. Ltd. was acquired on 1st April, 1971 and has contributed significantly, both in profit and cash terms. Cholo Holdings became a subsidiary on 29th October, 1971 and our trading activities have been extended by the purchase of Sandbach Export Ltd. Since the year end Robert Hudson Limited has been acquired.

● Tea Production

The group has increased its holdings in certain associated companies, particularly in Malawi where profits have shown satisfactory increases. This has counteracted the rather disappointing results from Kenya where the crop was seriously hit by drought conditions. A full recovery is anticipated in 1972.

● Investment Activity

E. P. Fund Managers Ltd. which manages the E. P. Growth Fund had a successful year. The Fund showed capital appreciation of 56.1%. Property development and investment dealing show a substantial improvement over 1970 and investment revenue and income from associated companies shows a healthy increase.

● Future

With the addition of Robert Hudson, the group now has a wide spread of activities in both the United Kingdom and overseas. The opportunities for expansion both at home and overseas have rarely been better and I look forward to reporting a further set of record figures in a year's time. Copies of the Annual Report and Accounts are available from the Company Secretary.



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THE WORLD

American Survey

Blocking the bus

Washington, DC

Not by chance, the privilege of deciding whether Congress should try to reverse the trend of judicial decisions against racial segregation in the schools has landed in the lap of the Senate. The autumn reopening of the schools has not brought the big flare-up of resistance to school busing (a shorthand for schemes to correct racial imbalance by moving school children from one district to another) that many, including some of President Nixon's advisers, had expected. Las Vegas, Nevada, where the local administration kept the schools closed rather than obey a court order to integrate them racially, was an exception.

That busing for reasons of racial equality is widely unpopular is not, however, in doubt. Its opponents, led by President Nixon on the one hand and for a time by Governor George Wallace on the other, have been doing their best to secure whatever advantage busing can give them in the elections, while the liberals, those who face re-election at least, can do little more than dodge the issue. Since the entire House of Representatives does face re-election, the liberals in the House have lain low and let the matter go to the Senate, hoping for resistance there, since only a third of the senatorial terms expire in any one election year. On one point a solid majority is to be found in either chamber since in both the majority is Democratic: whatever is done, President Nixon must not get the credit for it. So the Republican Administration's own bills, sent to Congress with some fanfare in the spring, remain comfortably tucked away in the appropriate committees.

One measure to restrict school busing was passed by both chambers and is now law. This was the Broomfield amendment to the Higher Education Act, passed by the House of

Representatives last year and accepted by the Senate in the spring. (Congressman Broomfield is a Republican from Michigan, a northern state where feeling about school busing has been running particularly high and the electoral contests are keen.) The Broomfield amendment has not had any striking effect. It sought to delay the enforcement of court orders requiring busing "designed to achieve racial balance" until the appeals process had been exhausted. But the judges do not believe that they have been ordering racial balance at all; they believe that they have been merely demolishing established systems of unlawful discrimination, which is not (or sometimes is not) the same thing.

On that ground a liberal Justice of the Supreme Court, like Mr William Douglas, and a conservative Justice, like Mr Powell or Mr Rehnquist, have been able to agree. Justice Douglas refused to stay the court order in Las Vegas. Justice Powell and Justice Rehnquist, both appointed by President Nixon, similarly refused to stay the orders of lower federal courts that schools should be desegregated in Augusta, Georgia, Nashville, Tennessee, and Oklahoma City. Mr Powell found that the Augusta plan was intended to put an end to unlawful segregation, not to "achieve racial balance." Thus the constitutional question which lurks in all this agitation about the schools, whether Congress and the President are within their rights in seeking to tie the hands of the courts at all, has been neatly avoided so far. The Broomfield amendment has had the effect of delaying an unpopular school busing scheme in Detroit (Michigan again), where a ruling by the United States Circuit Court of Appeals is expected early in November, but that is about the extent



of its impact.

Nothing has happened yet to suggest that President Nixon's declared policy of appointing more conservative Justices is going to make the Supreme Court tear down the whole legal fabric of equal treatment of the races and classes built up over 20 years and more. Since the judges believe that they are interpreting the Constitution, the idea of amending the Constitution naturally flourishes at a time when social habits and the law are in conflict. Between 40 and 50 such amendments have been proposed to the present Congress.

The Senate has a number of these filed away in the office of a subcommittee of the Judiciary Committee (itself somewhat reactionary) and unexpectedly vigorous action will be needed to bring any of them to the light of day. The Rules Committee of the House of Representatives did take such vigorous action last month, removing from the competence of the House Judiciary Committee a proposal for a constitutional amendment which would state that "no public school student shall, because of his race, creed, or colour, be assigned to or required to attend a particular school." While this amendment does not

mention the lowly bus, it is obviously the bus that is being got at. However, a constitutional amendment requires an affirmative vote of two-thirds of each chamber and thereafter the concurrence of three-quarters of the states within (in this case) a period of seven years. President Nixon was manifestly right in rejecting this course as being likely to take too long.

The serious weapon is a bill passed by the House of Representatives last month with the pious title Equal Educational Opportunities Act of 1972 but colloquially known, even by its proponents, as "the antibusing bill." The proponents fought a sharp, successful action to get this bill on the Senate calendar and thus prevent any procedural effort to lose it in committee. The liberal Democratic Senators and the moderate Republicans would gladly have allowed it to be lost but they failed.

The idea of restricting the use of busing for the sake of racial equality and calling the restriction "equal educational opportunity" came from President Nixon and even his proposed bill ran the risk of provoking a constitutional clash between Congress and the courts. A bipartisan majority in the House of Representatives went further than he did and produced something that is constitutionally even more questionable. The House bill does its best to establish the neighbourhood school as a compulsory universal principle and to prevent local school authorities, the federal government or courts of law making children travel any avoidable distance to school with only narrow exceptions. A good many existing desegregation plans would have to be unravelled if the bill were established as law.

The Senate liberals, led in this instance by Senators Hart, Javits and Mondale, will do their best to stop it. In the past they have usually been able to muster a small but sufficient majority on this kind of question, but this time they evidently feel doubtful of their strength; they are trying to avoid a vote, while the anti-busing Senators seek to force one. As this Congress draws to its end and the pressure mounts on the Senate to dispose of the mass of unfinished business, it looks like being, for once, the supporters of equal civil rights who resort to delay and even to filibuster while the segregationists press for cloture and decision.

When the State of North Carolina passed a similar law the Supreme Court declared the state law to be unconstitutional and therefore invalid.

Whether the Court would do the same to a federal law is a matter of speculation. The judges, and the politicians when their electoral situation permits them to be sensible, habitually do their best to avoid such a head-on clash between theoretically equal and independent branches of the government.

When a deadlock threatens, the social theorists are encouraged to come to the rescue with pleas for a new look at the underlying realities. Thus a normally liberal educationist, Mr Christopher Jencks, is, with a Harvard colleague, about to bring out a book ("Inequality: a Reassessment of the Effect of Family and Schooling in America") questioning the whole attempt which flourished in the 1960s to use the schools as an instrument for levelling up the races and classes. A society which cannot make its adults live in racially mixed neighbourhoods,

argue the authors, will not achieve social equality by forcing its children into mixed schools.

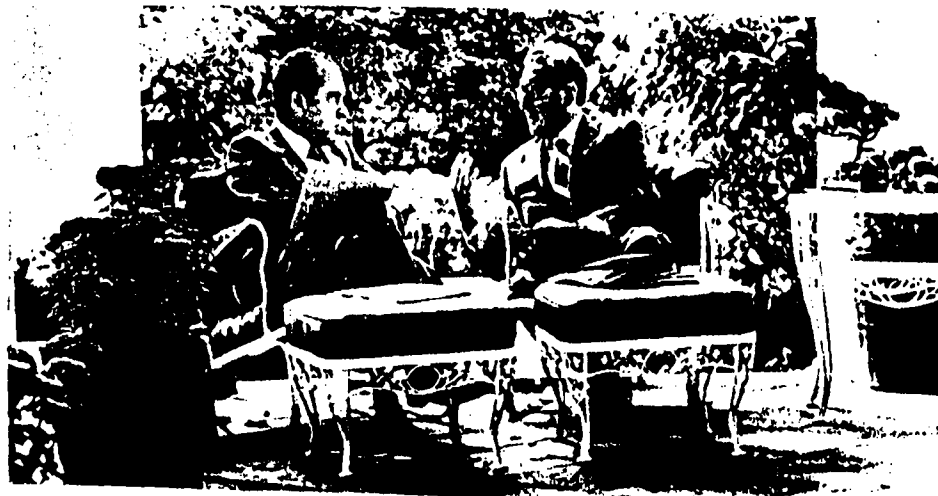
The propositions under question are that the education of black children can be improved by putting them in school with white children and that the black community can be rescued from poverty by giving its children better schooling. A Yale lawyer who is also a relative liberal, Professor Alexander Bickel, maintains in two articles in the New Republic that school busing cannot do what is expected of it, if only because the urban concentration of the black population—a third of the whole lives in 15 cities—has gone too far already. Mr Bickel's solution is for Congress and the White House to take their eyes off the legal conflicts and address themselves to the reform of primary and secondary education.

Moscow on the ballot

Mr Henry Kissinger's latest trip to Moscow served a useful political purpose in itself, reminding American voters once again of President Nixon's success in building up harmonious relations with the Soviet Union. But the trip also promises to pay several nicely timed political bonuses even closer to election day on November 7th. True, the visit does not seem to have brought any nearer the peace in Vietnam which would assure Mr Nixon's re-election beyond any doubt. It had been suggested that Russia was to be rewarded for putting pressure on Hanoi to reach a settlement by commercial concessions from the United States. But in fact Russia is now getting these without fulfilling its side of the bargain (if there was one)—publicly, at least.

Three Soviet negotiating teams were

arriving in Washington this week to complete a general agreement which was so far advanced when Mr Kissinger left Moscow that there is now hope of signing it before November 7th. The first team has to arrange for American vessels to carry what the American maritime trade unions consider a fair share of the cargoes being sent to Russia—mostly wheat, at present—as trade builds up between the two countries. The second team is to organise that build-up; credits will be essential for the Russians and in return the Americans will want some assurance that the Soviet state trading corporations will not dump their products in the United States. Both the shipping and the trade arrangements will mean more jobs for American workers and more profits for American businessmen



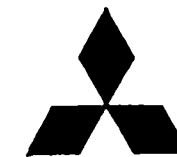
Kissinger reports progress to the White House

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—and more thanks for President Nixon.

But first of all must come a settlement of the Russian lend-lease debt to the United States; this legacy of the second world war is put at \$11 billion but Mr Kissinger is reported to be ready to accept \$500m. The third team has to decide the terms on which this will be paid. Then the way will be open for Congress to be asked to allow Russian goods to come into the United States on most-favoured-nation terms. But Congress will probably demand its own quid pro quo for this: abolition of the exit fees which the Soviet Union is imposing on Jewish emigrants. This could mean a bitter argument but it will not come until after the election; the trade agreement is not likely to be debated in Congress until next year.

Mr Kissinger also expects that the second round of the talks on the limitation of strategic arms (Salt) will begin before the end of the year—another election plus for Mr Nixon with peace lovers. These talks will undoubtedly be complex, tough and prolonged and they may be affected—although no one is sure quite how—by Senator Jackson's amendment which was attached last week by the Senate to its approval of the interim agreement which is to apply while the second round of talks goes on. The approval had been delayed for weeks by argument over this amendment which says that any future treaty on offensive nuclear weapons should not limit America's intercontinental strategic forces to any level inferior to that of the Soviet Union; in Mr Jackson's view the interim agreement does just that.

Senator Fulbright, who led the opposition, maintains that the amendment casts doubt on the sincerity of the United States when negotiating. The White House, which approved the Jackson amendment, is said to feel that its hand will be strengthened by it in the coming negotiations—and certainly in the coming elections, since some of Mr Nixon's right-wing supporters feel that he has given too much to the Russians. Mr Jackson's instruction is not legally binding on the President and in any case it may not appear in the final resolution which still has to be reconciled with the version passed by the House of Representatives. That, says Senator Jackson, would not matter since his amendment stands as a warning that any future Salt treaty will be in trouble with the Senate if the demand for equality with Russia is ignored.

Do-nothing Congress?

FROM A CORRESPONDENT IN WASHINGTON, DC

In 1948, the Democratic President Truman made political capital out of the "do-nothing" 80th Congress (a Republican one). In 1972, the Republican President Nixon, never a man to ignore a valuable political lesson, is doing the same thing with the "spend-thrift" 92nd Congress. What is more, up until recently, the Democrats who control that Congress did not seem to know what to do about this.

This year the President has been using a number of methods to attack Congress and none has he used to such effect as his veto messages—the statement which accompanies the formal disapproval of legislation, usually because it is too costly, and returns it to Congress. Apart from a few pro-forma statements in self-defence, the Democrats seemed to be taking this lying down. Not so, however, Senator Mansfield, the usually quiet leader of the Senate's Democratic majority. For the first time, Mr Mansfield has used some strong language of his own in a major Senate speech, taking sharp issue with the President and accusing him and "various bureaucrats" of having

pointed the finger at Congress for the Administration's own failings, for its own commissions of misfeasance and nonfeasance in the area of the economy, the environment, social needs, health and welfare and all the rest of the many critical neglects this nation still continues to suffer.

One problem which Democrats in Congress face is that they know as well as Mr Nixon that there is in the United States an open revolt against paying more taxes, against increased spending by the federal government.

Also a President, by his office, commands the attention of the public and the 535 members of the Senate and the House of Representatives can match that attention only with great difficulty.

Between now and the middle of October, when Congress adjourns until after election day in November, there will be a few opportunities to rebut Mr Nixon's charge and turn St George into the dragon. On military appropriations, for example, the cost of the air war in Vietnam will be revealed and the Democrats can make considerable noise about it. Measures to reform the ponderous American tax structure can also provide a chance to embarrass

the White House and, perhaps, to smoke out Mr Nixon's future tax plans, which may or may not include the value-added tax. The battle has been joined and for the final two weeks of this session of Congress, the Senate and House will be major arenas of the 1972 political campaign.

Sharing at last

Last week this Congress, which according to Mr Nixon has done little or nothing, gave the President an historic piece of legislation, the revenue-sharing bill which he has been calling for since 1970. The federal revenues to be shared out will total \$30 billion over five years, going one-third to the states and two-thirds to cities and other local governments. In a departure from precedent which pained conservatives, these sums will not be subject to annual appropriation by Congress; the voters in each jurisdiction are being relied on to see that the money is not misspent. Best of all this largesse will start flowing next month, before the election. Most states and big cities will receive amounts equal to about 5 per cent of their budgets; this may look small but it may make the vital difference between raising local taxes and leaving them as they are. Although the federal budget is in heavy deficit, attempts to raise federal taxes to pay for revenue-sharing were flicked aside.

Quite different formulae for distributing the money emerged from the Senate (which favoured the smaller, rural states but within states did well by the urban regions) and the House of Representatives, whose recipe leaned toward the big urban states. But the conferees of the two houses found no difficulty in solving this problem: states will just be allowed to take 90.4



Senators share the bill: Bennett, Long

per cent of the amount that they would get under the formula which suits them best. Inside the states, relative poverty and tax effort are taken into account so that a Watts, for example, will do better than a rich suburb like Beverly Hills. The sovereign states may spend their money as they like but lesser governments have been given a list of permissible objects of expenditure: public transport, public safety and protection of the environment (including sewage and waste disposal). This was at the insistence of Mr Wilbur Mills, the powerful chairman of the House Ways and Means Committee.

Mr Mills, the key congressional figure, was determined early in 1971 to kill the whole idea of revenue-sharing but he was converted, partly by his own political ambitions, partly by a coalition of governors, mayors, county heads and public employees who banded together to impress the magnitude of their needs on Congress. They are so pleased with the results of their efforts that they are planning to keep their coalition alive in case next year Congress tries to take away with its left hand what it has given with its right. Something like that is happening with the present bill; it contains an annual ceiling of \$2.5 billion on the amount which states can claim under what has been an open-ended scheme to provide \$3 in federal aid for every \$1 they spend on certain social services.

Because of this New York State expects to lose \$400m, compared with the \$591m it will receive this year in new shared revenues. But most state and city officials knew that this ever-running tap was too good to last. Even if the states and cities are not as well off as they had hoped to be, it is a great thing for them to have established a claim to some share of the revenues produced by the federal tax system, which is more flexible and more productive than their own.

UN's check

The United Nations, whose General Assembly opened its 27th annual session in New York on Tuesday, is well aware that its stock in the United States, once its strongest supporter, is at a low ebb. Virtually bankrupt though the UN is, the least of the problems with its host is the announced intention of the United States to seek to cut its contribution to the UN's regular budget, beginning in January, 1974. This is the earliest date when the cut can take effect, given that the Commit-



Bush: let's be realists

tee on Contributions does not meet until the spring. At present the United States, assessed on its ability to pay, meets 31.5 per cent of the UN's regular budget but this is hard to defend now that it is only one of 132 member countries.

The intention is to reduce the American share to 25 per cent. Without waiting for the UN to act, Congress has already voted to cut America's contribution to this level. The Senate tactfully put the effective date at December 31, 1973, but Mr John Rooney's Appropriations Committee persuaded the House of Representatives to flout treaty obligations by making the reduction apply at once and to all the UN's affiliated agencies; these account for the bulk of American contributions to UN activities. Presumably the Senate, backed by the Administration, will prevail when an agreed version of the bills is worked out.

The idea that there should be a closer relationship between America's financial support and the voting power and influence which it wields in the United Nations is widespread in the United States. And American influence today has been diluted severely by the admission of so many small, frequently hostile states. Mr Rooney is not the only American still smarting over the expulsion of Nationalist China at the time of the admission of Peking. The fact that the United States was compelled to use its veto in the Security Council, for only the second time, to block a resolution in effect condemning Israel but ignoring the terrorist attacks by Arabs on the Israeli athletes, is another sign of America's waning influence. Even Cuba has been able to tweak a feather out of the eagle's tail:

last month the Colonialism Committee, by a vote of 12 to 0 (with 10 abstentions) recognised the "inalienable right of the people of Puerto Rico to self-determination and independence." In fact, not more than 10 per cent of the people of Puerto Rico are expected to vote to break their profitable tie with the United States when the issue is put to them in November. The United States has rubbed home the lesson by appointing a Puerto Rican woman to its delegation to this year's United Nations Assembly.

Senator George McGovern, in his campaign, has criticised President Nixon for turning his back on the United Nations. But the Senator is out of step with public opinion; a poll last year showed that only 35 per cent of Americans thought that the UN was doing a good job. From the President down, the Administration is now openly critical of it: Mr George Bush, the ambassador to the UN, spoke recently of its "limited" potentialities while Mr Samuel DePalma, who deals with international organisations at the State Department, said frankly that America's present concern is to adjust and improve relationships among the big centres of power—and that this seemed impossible to achieve in the Security Council.

ELECTION '72

Brooklyn: no change

New York

The forces of reform in New York City's warring Democratic party suffered fresh blows this week when Representative William Ryan of Manhattan died and Mr Allard Lowenstein lost a special nominating (primary) election to Representative John Rooney in Brooklyn. Mr Lowenstein, 43 years old, had lost his Long Island constituency in the redistribution of seats and had claimed fraud in the regular June primary election in Brooklyn which was won narrowly by Congressman Rooney, aged 69. New York's highest law court ordered a new election and Mr Lowenstein had great hopes of emerging victorious on his second try. But in a classic confrontation between the old and new politics, the regular Democratic machine in Brooklyn, with some assistance from the Nixon Administration, managed to increase Mr

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Rooney's margin even though the total poll was somewhat lower than it had been in June.

Mr Lowenstein, a hero of reformers ever since he had spearheaded the movement to oust President Johnson in 1968, claimed that fraud was more widespread this week than it had been last time, but it is clear that he was up against powerful ethnic opposition resentful of past, and perhaps future, change. The contested district, heavily Democratic, is a polyglot community that includes blacks, Puerto Ricans, rigidly orthodox Jews, Irish and Italian Roman Catholics and an enclave of middle- and upper-income residents in fashionable Brooklyn Heights, which is just across the river from Wall Street. Mr Lowenstein had strong support from educated and liberal voters but, despite an expensive and active campaign, he did not get the turnout that he had expected in black and Spanish-speaking neighbourhoods. The white "ethnics," who associated Mr Lowenstein with Mayor Lindsay and with Senator McGovern, and consequently with softness on the Vietnam war, wavering on Israel,

favouritism toward blacks and laxity on moral issues such as abortion, voted to send Mr Rooney back to Washington for a 15th term.

Congressman Rooney has not had a distinguished record in the House of Representatives and, in contrast to Mr Lowenstein, did little in the way of street campaigning. But he has been a strong backer of American shipping which gained him financial help from maritime interests and endorsements from labour organisations, while his support for Israel won over Jewish groups. The Brooklyn regulars, who are hostile to Mayor Lindsay and lukewarm towards Senator McGovern, demonstrated that they still have the strength to overcome the sizeable corps of volunteers that Mr Lowenstein deployed in the district. Since many of the volunteers were new to Brooklyn, resentment against outsiders may have played a part in his defeat.

The result shows that the running conflict between reform and regular Democrats in the city will improve President Nixon's chances of carrying New York State in November. Traditionally, the city's Democrats provide

enough of a majority to offset Republican strength in the suburbs and in the rest of the state, but white ethnic voters appear increasingly opposed to reformers. There is a strong likelihood that those who consider themselves regular Democrats will give their backing to local candidates while withholding support from Mr McGovern. The campaign for President Nixon in New York City is concentrating its efforts on weaning away the white ethnics (the Administration provided a last minute subsidy for Mr Rooney's district).

The reformers are even split among themselves. Congressman Ryan won a notable primary victory over Mrs Bella Abzug, the vociferous champion of women's rights who, like Mr Lowenstein, was the victim of gerrymandering. Now that this safe seat is vacant, Mrs Abzug might be considered the logical choice for it. But she is bitterly opposed by former supporters of Mr Ryan who feel that she should never have pitted her brand of reform against his. This divisiveness in the ranks of reformers can only benefit their Democratic and Republican opposition.

San Francisco builds a pyramid

FROM A CORRESPONDENT IN CALIFORNIA

The shape is the most astonishing thing about the Transamerica Pyramid. Although the building will not be occupied until October its aesthetic contribution to the San Francisco skyline has been hotly debated for some time. But its remarkable form is not the only innovation in the city's newest office building which, at 853 feet, is the tallest in western America. This towering structure is also, it is claimed, one of the safest.

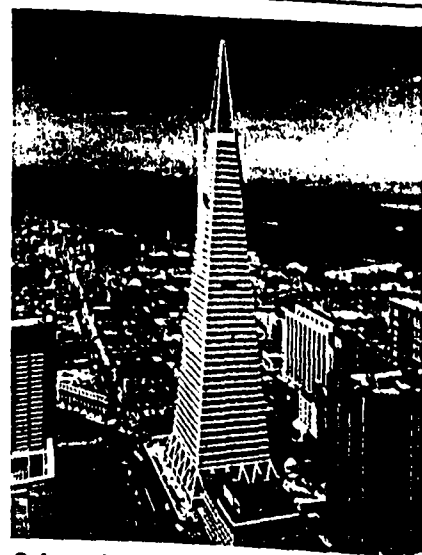
This boast stems in part from its shape. It is argued that the lowered centre of gravity which the pyramidal structure allows and the exterior bracing of the lower floors make the building particularly earthquake-proof, a highly desirable quality in a city which stands near a major fault. But, in addition, the structure contains elaborate new safety precautions, particularly against fire, which are attracting the attention of builders around the world.

Fire used to be considered a trifling problem for modern skyscrapers. Steel and concrete were so protective in themselves that old-fashioned precautions like sprinkler systems were discarded long ago. But recently tragic fires in modern buildings have given rise to anxiety. New hazards arose in skyscrapers, says the fire chief of San Francisco, when construction

actually done on the site was replaced by a method of building under which components are assembled on the site and then hung together. Exterior walls are attached like a skin and interior walls planned for mobility, not permanence. As a result openings are left through which flames, heat and smoke can seep.

A fire three years ago in San Francisco's gigantic 52-storey Bank of America focused the attention of the city's safety engineers and the planners of the Transamerica building on new types of protection for buildings which cannot easily be escaped from if fire breaks out. The pyramid is the first modern office block to be totally covered with sprinklers. In addition three major features were developed. One is a ventilation scheme using the air-conditioning system. It is flexible enough to suck smoke out of a floor and vent it immediately outside and to direct fresh air to one floor or one section of a floor to combat fire and smoke. Another feature is manual lift controls to override the automatic system when this breaks down. The third innovation is a fire-proof telephonic network connecting with a communication centre below ground level which will be manned around the clock.

This is the heart of the safety system.

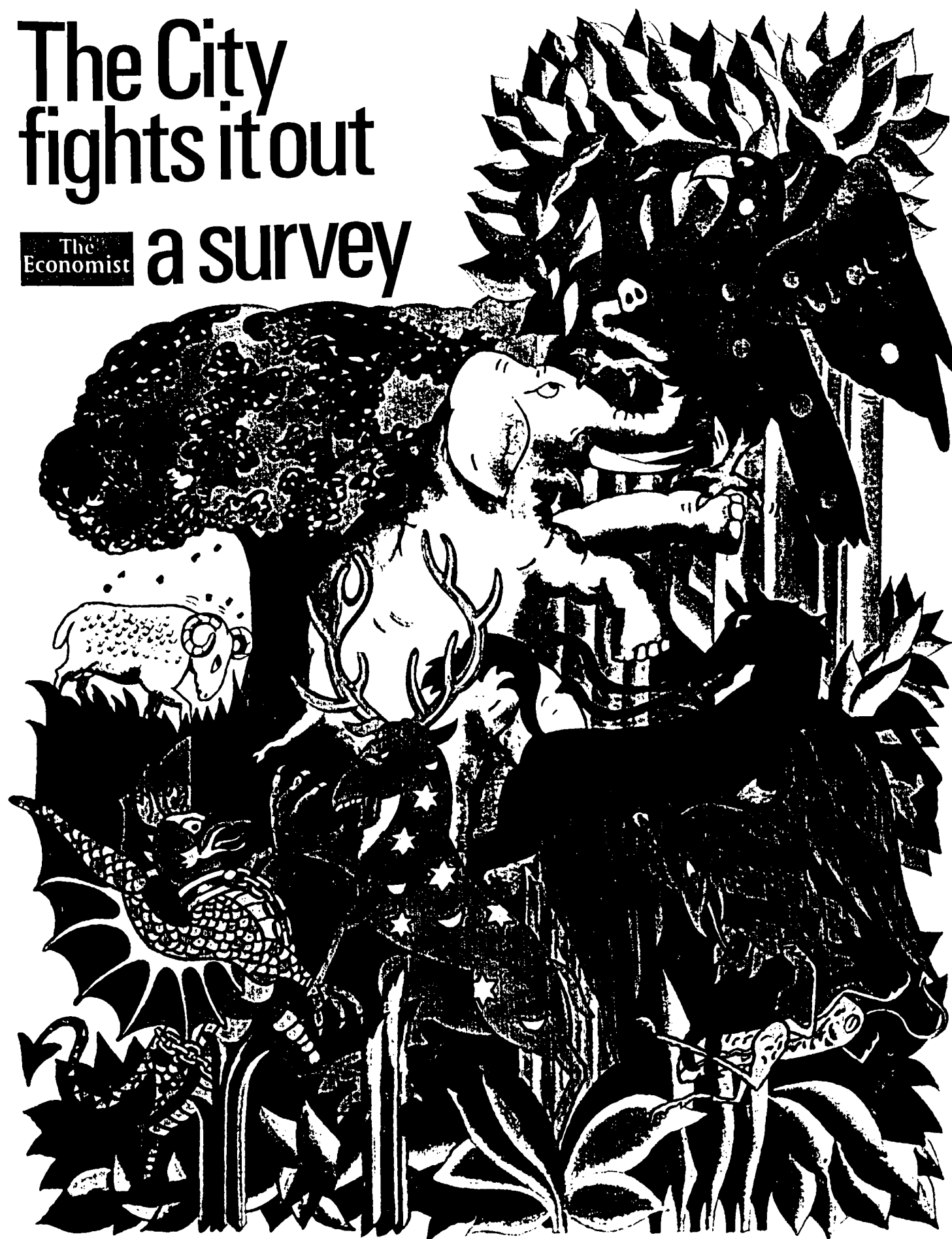


Safe as houses?

It will make possible two-way communication between those inside and those outside the building and will ensure that firemen can maintain contact in an emergency. Any rise in temperature or excessive smoke will signal the command post to summon firemen at the same time as it sets off sprinklers. In addition the command post will have automatic controls which monitor all the stairways. The ability to question who is using stairways or to lock doors from the control panel is expected to reduce the thefts which plague many buildings today.

The City fights it out

The Economist a survey





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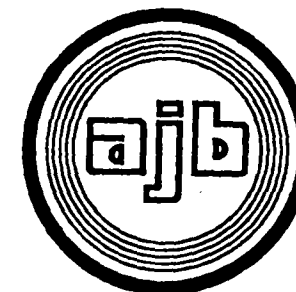
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The half-successful revolution

There were two objects in the British banking revolution that was fathered by the Bank of England a year ago. One object was to introduce new competitive life into British banking. The clearing banks were told that they should no longer ration their lending according to gentlemanly priorities suggested to them by the Bank of England, but by commercial criteria. They were to end their cartel agreements, and fight for business within a new framework whereby the only real Bank of England control was a requirement that banks should maintain 12½ per cent of their broadly defined sterling resources in liquid reserve assets. It is a pity that in August the Bank of England half-rattled on its own new rules, when the governor asked the banks not to lend so heavily to property companies and for financial (as distinct from industrial) transactions. This heavy lending was a sign that the inflation foolishly permitted by the authorities had made property speculation over-attractive, and it was almost an advantage of the new competitive system that it rubbed the authorities' noses so pointedly in their own mistakes.

Most of this survey is devoted to discussing how far this part of the reform—the dash for more competition—has worked. It is a dash that has been at least a qualified success. Competition in the City may not be quite as red in either tooth or claw as some customers and most economists would like. There is not always a sulphurous atmosphere of devil-take-the-hindmost, because the devil is not a City sort of chap. But the dignified dash of the past year has nearly all been in the right direction. The large clearing banks have advanced further to cash in on their great economic advantage (which is that they can get £15 billion of deposits so cheaply) and their possibly smaller economic advantage (that the economies of large scale in some sorts of banking are increasing). They have tried competitively to offer the new sorts of sound lending that the changing market seems to be showing it wants, instead of only the sorts that were recommended in the banking textbooks of yesteryear. After so many years when it was assiduously explained to ignorant financial journalists that the great banks would be irretrievably ruined if their cartel

was ever to be ended, the movements of their share prices in the first year of free competition to mid-September are worth recounting: National Westminster shares are up about 42 per cent, Lloyds 18 per cent, Barclays 49 per cent and Midland 27 per cent.

The reform has also benefited the smaller pioneers of new financial services and new financial media. This is important, because the elbow room for this pioneering has been the City of London's great and slightly unexpected glory in the postwar era. The City has allowed in newcomers with new ideas much more readily than either other British professions (like architecture, law and medicine) or most other international financial centres.

Four stages of monetary failure

The second point of the reform initiated in mid-September of 1971 was supposed to be better control of the economy through an intelligent and more flexible monetary policy. This is where the sad part of this past year's story begins. While the drive for more competition in the private enterprise banking system has been a qualified success, the drive for greater efficiency in the operation of public monetary policy has been an unqualified failure—of the peculiar sort that has become all too familiar under the present British Government.

Critics can justly say that the cause of the failure has been the same as that in the Heath Government's industrial relations policy, its lame duck policy and some other things; and yet it is often difficult to get those in the midst of the action or inaction to recognise the four distinct stages in the now familiar disease.

In the first stage, the authorities say very toughly that they are going to do the right thing. In the second stage, they softly do precisely the opposite, thus naturally creating a mess. In the third stage, the realisation that the soft policy has created a mess makes the authorities less willing actually to soften policy any further, and they may even try to stick by a few of their former toughly expressed rules, even although the intervening softness has by now made the problems they have to handle almost overwhelming. Then, in the fourth stage, everybody quite wrongly says that the whole trouble has been created by the Government

The first full year of the credit revolution has been one in which the banks, finance houses and other City institutions have all bounded over old demarcation lines and taboos to grab for new business. Above all it has been a time for borrowing. But success at the competitive grass roots has not been matched at the monetary policy level. It is not simply that, twice, the Bank of England has bent its new rules. The real failure has been its non-control over the money supply

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being so inflexible and doctrinaire. It is frequently said in the City today that the authorities have been too tough in withdrawing the services of the government broker and about not letting him incontinently increase the money supply: just as it is sometimes mythically said that the Government has been too tough about confronting the trade unions in nationalised industries and about killing off lame ducks. And nobody looks at the actual record, and laughs and cries and laughs. The history of the past year's crisis in monetary policy and in the gilt-edged market has passed through all these four familiar stages.

Not supposed to lean

It will be best to begin by understanding the two rather separate reasons why the authorities in 1971 withdrew the old system of keeping the government broker in place to buy, with money newly created by the Bank of England, any gilt-edged offered to him on a particular day (and also to sell any gilt-edged demanded from him). The economists' objection to the old system was that "it caused the central bank to lean against the natural market movement of interest rates." Although the government broker moved his prices with the market, a rush of sales to him at a time of inflation made the Bank of England feel that gilt-edged prices were being driven to a disruptively low level; so it kept up the broker's selling price most unprofitably for a while, and slowed a rise in interest rates which would have had some therapeutic anti-inflationary effect. Similarly, at times of disinflationary pressure, the Bank sometimes thought that there was a tendency in the market to make money irresponsibly cheap; and its leaning against a proper downward trend of interest rates may sometimes have intensified the stop phase of the stop-go cycle.

The Friedmanite school of economists has long blamed almost all macro-economic troubles all over the world on this tendency of so many central banks to "lean against" the natural market trend of interest rates. Dr Friedman preaches that central banks should concentrate solely on raising money supply annually by some fixed amount appropriate to the underlying rise in productivity—say, something between 4 and 6 per cent—and otherwise have no policy of intervention in government bond markets at all. Most economists have partly come round towards Dr Friedman's



Government broker: stay out

views in at least this limited sense: almost all studies of what has happened to major industrial economies since the war suggest that the traditional "leaning against" interest rates by central banks has almost always had perverse results, so that the case for getting the government broker out of his previous posture of automatic daily purchaser or seller was very strong indeed.

The Bank of England had a second reason. It realised that the pre-1971 situation allowed discount houses and others to make large short-term profits at the Bank's expense. Whenever it was obvious that gilt-edged prices were about to fall, everybody could hasten to unload gilts on the government broker; and he stood there, "maintaining an orderly market," buying gilts at something like a temporarily fixed price. This was very similar to the one-way option that international speculators so profitably exercise against central banks when countries try to stick by unmaintainable fixed exchange rates.

In the days when the Bank of England regarded its defence of orderliness in the exchange markets as a gallant and patriotic duty, it tended to regard defence of orderliness in the gilt-edged market in some of the same reflected light. It then swung over rather sharply towards recognising that the bearing of both sorts of loss could be the action of a sucker. This feeling was bound to bruise somebody when next the market began to fall, but it did not hurt anybody in the first period of the government broker's withdrawal from the market. For the truth is that the authorities

started on their announced strategy of not "leaning against" the natural trend of interest rates by leaning against them more heavily than in any period of postwar history.

Sitting on interest rates

The reason is that in 1971 the Government was quite naturally running scared of the level of unemployment and of underproduction in the economy. The course was therefore set in Mr Barber's budgets for demand reflation, at a time when the surrender to the workers in electricity supply and in some other totally uncommercial nationalised industries meant that cost inflation was also proceeding at an unprecedented pace. The instructions given to the Bank of England were that it should allow money supply to expand sufficiently so as not to get in the way of the policy of restimulating employment. In practice, the Bank of England interpreted this as meaning that it should pump out enough money to keep interest rates down at the sort of rate that did not seem unreasonable at a time when the internal economic objective was to restimulate activity, and when the balance of payments was in surplus. But there had never previously been a time when the internal objective was to restimulate activity, but cost inflation was also proceeding at 1971's rate. At the turn of the year the rate of interest on long-term gilts was around 8 per cent, but the rate of price inflation was around 10 per cent, so that there was actually a slight negative interest rate in real terms; and this had been achieved by the Bank of England inflating money supply at an annual rate of over 20 per cent.

There were three reasons why interest rates seemed bound to rise after that. First, a negative real interest rate at a time of such inflation is economically absurd. Secondly, the Bank of England seemed likely to feel too guilty to expand money supply at any much faster rate still. Thirdly, sterling had been fixed at an overvalued exchange rate in the Smithsonian agreement in December, and some of us suspected that the Bank of England would foolishly try to protect sterling at \$2.60 by putting up Bank rate.

In the event, the third of the above expectations proved mostly unjustified: the authorities, very sensibly, resorted to a floating exchange rate for sterling more quickly than we had expected, although they mysteriously and perversely raised Bank rate a few

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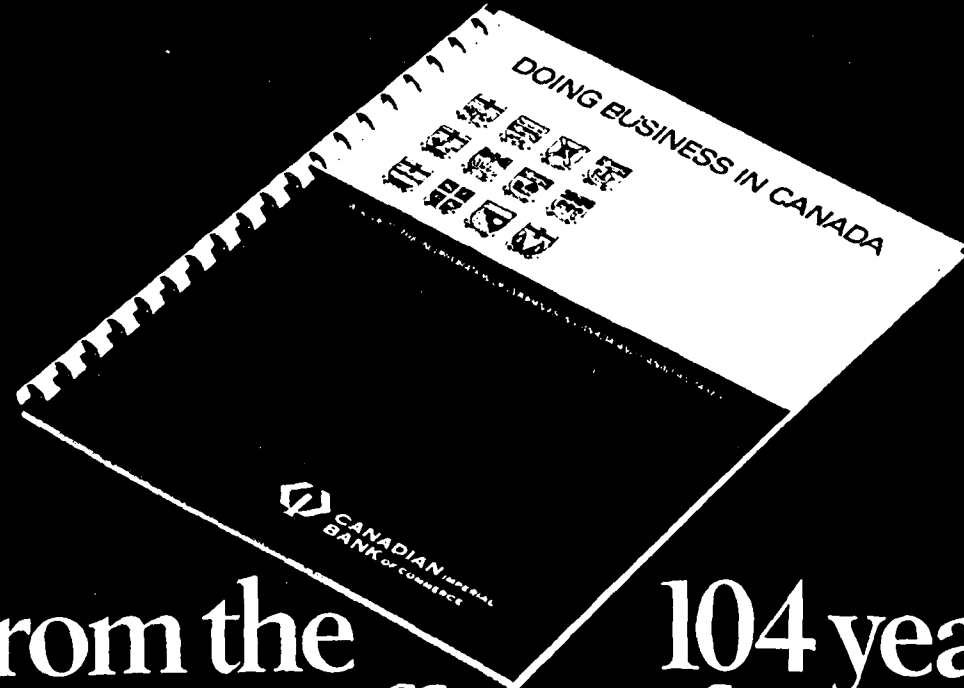
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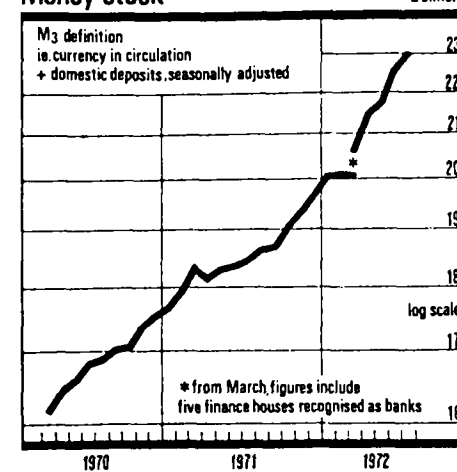
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hours before doing so, presumably as part of a previous strategic plan which had precisely the opposite objective in view. The second of the above expectations proved too kindly to the authorities. They went on expanding money supply at an even faster rate in the first half of 1972, especially after the surrender to the miners' strike had given a new twist to cost inflation. But the first, and economically-logical (because market-oriented), expectation conquered all. When the surrender to the miners' strike made it clear that cost inflation would continue, interest rates began to rise. Between the beginning of January and the beginning of September, the Financial Times index of government securities fell by 11 per cent.

During all previous recent periods of falls in gilt-edged prices, the City had been used to unloading gilts on to the government broker as the all-purpose mug. Since one of the Bank of England's main reasons for embracing the new reforms had been its desire not to be such a mug in future, it was very willing to implement the rules to the extent of not keeping the government broker at his loss-making role of daily longstop. The result is that large losses have fallen on those who were used to him being there. Three jobbing firms in gilt-edged have ceased dealing in them; the discount market has made some very large losses; and the commercial banks have had their bonanza year spoiled by having to sell a lot of gilts at well below original cost.

What could make it work?

This experience has given rise to two criticisms: (1) Some people say that 1971-72 has shown that the Friedmanite policy of trying to aim for a fixed increase in money supply can-

not be operated in Britain. (2) Many people say that the institutions of the City of London cannot all survive a system where the government broker keeps outside the gilt-edged market, except for being willing to buy gilts with less than one year to go to maturity.

The argument that Friedmanite policies are impossible springs largely from that continuing assumed obligation for the government broker to buy stocks with less than one year of life. It is said that this is the cheapest way of ensuring that the Government can fund its debt. There happen in 1971-72 to have been a lot of maturities, and the reflationary budget policy has meant that the Government has also relapsed into a large borrowing requirement. The Bank of England blames the growth in money supply, at an annual rate frequently above 20 per cent, quite largely on this need to ensure that money was available to meet these requirements for maturities and new government borrowing "at a reasonable rate" and "while market conditions were difficult."

Two separate points are intertwined here. First, the idea that new government borrowing and refunding must be kept at the cheapest possible rate is another way of saying that the authorities were leaning like mad against a logical rise in interest rates. The supreme objective of the authorities in the money market should be to keep money supply from rising at more than an equilibrium rate; the supreme objective should not be to act as bargain hunter for the Government. Secondly, however, so long as it is assumed that government securities can only be of the fixed-interest type, it will admittedly be especially difficult at times of great inflationary pressure for the Government to sell enough of these securities to keep down the rise in money supply; yet it is precisely at such times of great inflationary pressure that it is most vital that money supply should be controlled. The conclusion is obvious that the Government should be able to sell some other securities than fixed-interest bonds.

The alternative borrowing instrument that *The Economist* has long argued that the authorities should also have at their disposal is what we have called a "national income equity." Today a new issue of £500m of orthodox long-term fixed-interest gilts would probably require a coupon rate of around 10 per cent, and thus an annual interest fund of around £50m. But if the authorities were to float a

"national income equity," for which the annual dividend fund was declared as one per mille of national income, the initial dividend fund would be £50m a year when gross national product was £50 billion a year, but it would rise above £50m in later years as money national income grew because of both inflation and real economic growth. At present the authorities would almost certainly be able to raise much more than £500m on a national income equity that carried a dividend fund of one per mille of gnp. Such a stock should be especially popular with pension funds. For some reason, this is still considered a new-fangled and unorthodox idea: like, until just over a year ago, the idea that abandonment of the clearing banks' cartel really would not send clearing banks bust. But the criticism that an idea is "new-fangled" does some day have to cede to the fact that it is also surely really rather obvious.

Institutional issues

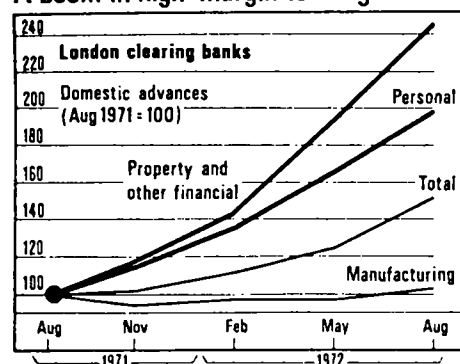
This also has relevance to the fear that some existing institutions in the City will find their task to be impossible unless the government broker comes back to the role of active longstop in the market. There are, admittedly, two conditions in which it is terribly unprofitable for gilt-edged jobbers or some other unfortunates to have to try to hold adequate supplies of gilt-edged stock.

One is if gilt-edged prices seem bound to fall, because they have been held artificially high by an excessive creation of money supply which had just that purpose in view; the gilt-edged jobbers wounded this year were hit not so much by last year's decision to withdraw the government broker from the market as by last year's excess bidding up by the Government of its own securities.

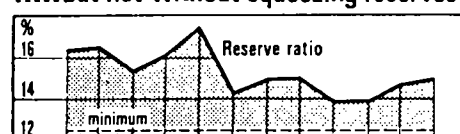
Secondly, however, the job of holding fixed-interest government securities will also generally be unprofitable if the Government is continually producing a greater supply of them than the market really wants; and the Government will be doing this so long as custom requires it always to borrow on fixed-interest terms and never on national income equities.

If the Heath Government were to abjure these mistakes and archaic customs, the business of jobbing in government stocks should soon become economic and profitable again. Admittedly, it needs to be a more capitalised business than before. While the government broker stood in the

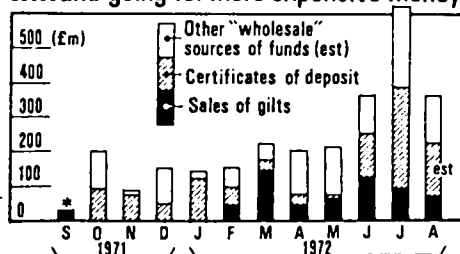
A boom in high-margin lending



.....but not without squeezing reserves



.....and going for more expensive money



*Following repayment of special deposits on Sept 15th, the clearing banks agreed to subscribe for some £750m of three new government stocks. This has been excluded from our Sept figure.

market, the jobbing function could be fulfilled by firms with a very limited capital base. Now that he is no longer there, the limits set by their capital base restricts the size of the lines in which they are prepared to deal. This is why price movements in gilt-edged during the course of daily trading periods this year have been so sharp. The best way to bring more capital into the jobbing function in government stock is probably through the creation of consortia. But few people or institutions will want to join such consortia until the Government puts its ideas about the marketing of government stock into order. Few people would want to take up the trade of inventory-holders of, and dealers in, widgets if the monopoly producer of widgets followed a marketing policy of (a) always supplying what it had previously always supplied, because the idea of bringing in a new line which the customers would buy more readily was regarded as new-fangled; and (b) inflating the initial supply price of

widgets above what the market would conceivably later pay for them, on the grounds that this is the most economic way of keeping down the servicing cost of the widget monopoly's debt.

However, it would also not be sound economics to say that the best way of making this absurd marketing system viable again would be to return to the old method of having a representative of the widget monopoly standing around each day, ready to buy back all widgets at a large loss to himself; in compensation for having sold them at too high a price originally and in quantities that he (not the market) overestimated, and in order to be able to go on selling them only in a deliberately old-fashioned form and packaging that does not conform to the pattern of customers' modern requirements anyway. It really would not be sensible to return even from the unsuccessful half of the past year's banking reform to the indefensible *status quo ante*.

It comes slowly to the clearers

The most exciting prospect for the banks—that they might come to play so large a part in the British capital market that we would move gradually towards a system of largely bank-controlled industry—is still very much in the future. Until British industry increases its demand for finance quite substantially above present levels, the biggest challenge to the banks remains untested. Even so, it is disappointing that they have not been girding up their loins. With the striking exception of the British Petroleum loan, there has been no evidence that they have gone nearly so far as they should in exploring new techniques of lending to industry, such as term lending.

Of course, these have been salad days. With money as easy as it has been, the dash for borrowers has been for those who were neglected in the bad old days of restraints and who could now be attracted in out of the cold with little effort. The increased share of lending going to newly-favoured borrowers has been quite dramatic. In the late 1960s and into early 1971, the share of the clearers' total advances going to personal borrowers was only just over 14 per cent and that going to financial borrowers, including property companies, 7 or 8 per cent. By August of this year, the proportions had risen to some 21 per cent and to 12½ per cent respectively.

Hand in hand with this growth has been a proliferation of services provided by the clearing banks, especially to personal borrowers. The tendency has been for all of them to do everything, rather than to specialise. This could, in the end, prove a mistake on their part. Indeed, it can be expected that after this first rush they will try to strike more individual notes. At least one of the smaller clearers, Williams & Glyn's, has already struck out with some individual package deals. And at least one of the big clearers organised an opinion poll with a view to improving its image.

Finding the men

However, no opinion poll was needed to tell the banks that staff recruitment is critical to them. Personnel is what the City lives on. Indeed, it is particularly here that the most competitive spirit has emerged among the clearers in the past year. As their services become more sophisticated, they are having to rethink their whole recruitment policy. The strains on top management are obviously increasing and from the middle upwards to the top of the hierarchy the clearers are in direct competition with the merchant banks. There was a time when they would not have had much chance against them, but they seem pretty pleased with the results of their own

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Bankers



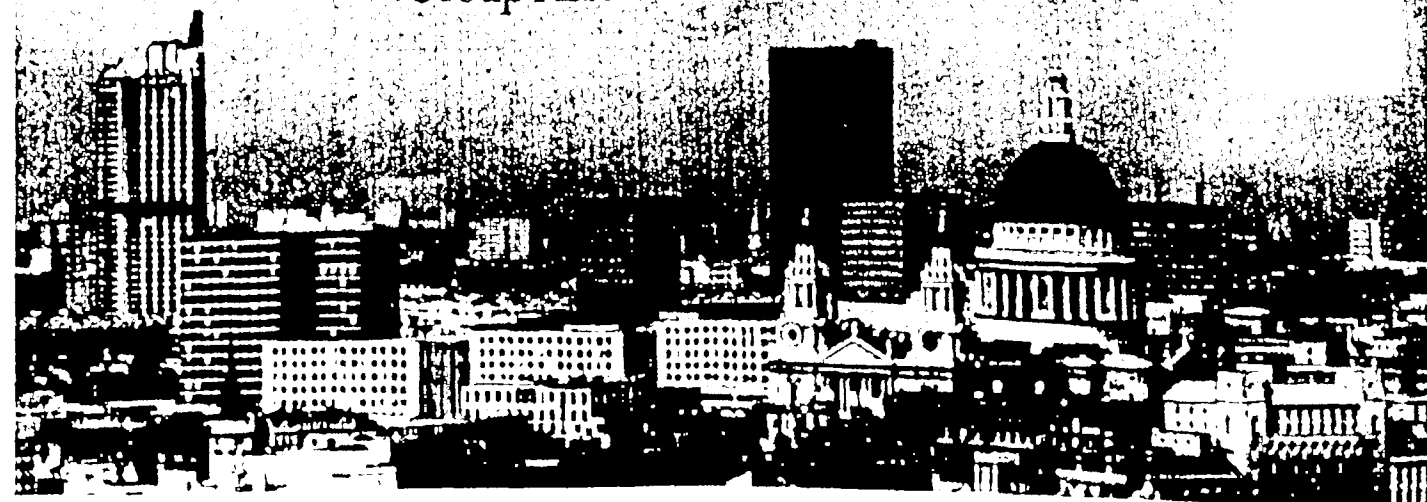
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raid on outsiders—merchant bankers, insurance men, computer personnel, and so on. Now they should be thinking about regularly training up their own specialists and managers.

If the importance of personnel management needs any emphasis, it is provided by the fact that the pay bill of the London clearing banks last year for some 200,000 staff was not far short of £300m, between two-thirds and three-quarters of their total costs. Having done something to restructure top management and specialist needs, the big question now is how staffing should be organised at the branch level. Between them, the six London clearing banks hold properties valued in the latest balance sheets at nearly £600m and the premises of any of the big four would place them in the top flight of property companies. The

branch offices are now the selling points for a very wide range of services, some of which are profitable (and some that are not). But the dramatic rise in site and rental values has raised the threshold of branch profitability; moreover, centralised computer accounting has reduced the need for office space. So a full range of services in each branch is no longer necessary. The whole branch structure needs hard thinking. Another consequence widely anticipated of the new system of credit control has been a broader range of interest rates. Even base rates are no longer all the same all the time, although there are obvious limits to how much the clearers, especially the big ones, can be out of step. Further, the new operative flexibility in the spread of margins over base rates reflects a more sophisticated attitude to acceptable

risks. Whereas "most" customers paid just 1 per cent over Bank rate in 1959, according to the Radcliffe report, now most of the overdraft lending by the big four to industrial and commercial borrowers is probably done at rates 2 per cent over base rate, but quite a number of industrial customers pay 3 per cent over the odds, and some property companies and personal borrowers considerably more.

Testing time

The tougher test will be the real fight for deposits. This is now beginning. The very success of the dash for new lending followed by, in June, the pre-float run out of the pound whittled much of the fat from the clearing banks' reserve ratios. These have since been beefed up again, but only by recourse to increasingly expensive money—got through dumping gilts on to a weak market, bidding for large "wholesale" deposit accounts and, most strikingly, by issues of certificates of deposit (which have risen over tenfold since October, 1971). Indeed, at one stage, the clearers even found themselves forced to borrow, again expensively, from the merchant banks and others on the interbank market.

Moreover, the hotting pace has percolated back into the banks' bidding for retail sources of funds as well. As early as February Williams & Glyn's, reading the handwriting on the wall, introduced an insurance-based savings plan in direct competition with the schemes of the building societies. Then, in July, when base rates were last increased, the banks mostly raised their ordinary seven-day deposit rates by even more. By last week Williams & Glyn's came up with a new deposit scheme offering as much as 8½ per cent. for money placed at fixed periods of two to five years.

All this has made the Bank of England now wish that it had never abandoned its old reliance on the crude M1 measure of the money stock (which includes only cash in circulation and current accounts) in favour of the more sophisticated measure of M3 (which includes deposit accounts as well). The new competition from the banks for deposit accounts has accounted for not a little of the faster growth of M3, particularly since May. Indeed, as the Bank of England rather wistfully pointed out in its September bulletin, if the old M1 measure were taken the money supply would be seen to have increased by just 14 per cent in the year to June, not over 20 per cent. But either way: by too much.

What all of them do

Personal loans; negotiable certificates of deposit; medium-term export finance; payroll service; estate duty, income tax and investment advice; Eurodollar business; portfolio management; new issue business; "on-line" interbranch communication and special services for computerised customers.

What some of them do

	Barclays	National Westminster	Midland	Lloyds	Williams and Glyn's
Credit cards	Barclaycard	—	Access—	end-October	—
Cheque cards	no	yes	yes	yes	yes
Unit trusts	9 (Unicorn) +11 offshore funds	4	trustees only	3	2 (Tyndall National and Commercial)
Special saving schemes	Barclaysave pay plan	—	—	—	Nest Egg
Budget accounts	Not as such	yes	yes	yes	yes
Gift cheques	no	no	yes	no	no
HP finance	18%-owned associate	yes	yes	43%-owned associate	yes
Industrial leasing	yes	yes	yes	43%-owned associate	yes
Factoring	yes	yes	yes	a stake	33%-owned associate
Insurance broking and advice	yes	yes	33%-owned associate	yes	yes

How big they are

Number of branches	3,141	3,400+	2,650	2,380	319
Cash dispensers (approximate no.)	250	300	270	Starting in December	—
Foreign network	yes	some	correspondents	yes	correspondents

How much interest they give

Savings accounts					
First £250	4½%	5%	5%	5%	5%
Over £250	5½%	5½%	5½%	5½%	5½%
Deposit accounts					
Seven-days' notice	5½%	5½%	5½%	5½%	5½%
Over £10,000	—	—	open to negotiation	—	—

Do you question their charges?

Freedom has so far induced the clearing banks to broaden their lending services over a wider price range and to start offering more realistic rates for deposit and savings funds. By rights it should also have got them to tidy up their idiosyncratic approach towards charges on their bread-and-butter current accounts. But not a bit of it. Or at least not yet, although competition from upstart newcomers—the Americans and the finance-houses-turned-banks—may yet succeed where public jibes, Mr Aubrey Jones, and the sheer logic of the increasing use of computers failed.

For the banks the system of charging should perform two functions. First, it should favour those customers who regularly keep comfortable credit balances. After all, the whole point of the (expensive) business of maintaining wide-flung branch networks and labour-intensive cash dispensing services is to tap relatively cheap retail funds to lend onwards at a good turn. Second, the charges should cover the real costs of handling the accounts. If they are pitched artificially low, then current account customers must, in effect, be subsidised by borrowers, by holders of deposit accounts or by shareholders. If they are pitched too high, then it is the current account holders who are subsidising the others.

But from the customer's point of view, there is a third criterion as well. The rules of the game should be spelled out so that he can make a rational choice between the banks themselves or between the banks and the rivals like the post office giro. But it requires time, if not cheek, to get some banks to come clean. *The Economist* asked

for help from the head offices of all the major clearing banks and of a sample of other banks. That help was invaluable, although some of the banks were more reluctant than others to give what might be (wrongly) interpreted as precise rules. But more of that later. The results, as we understood them, are summarised in the accompanying table and chart; and we have based our judgments below on them.

Where credit's due

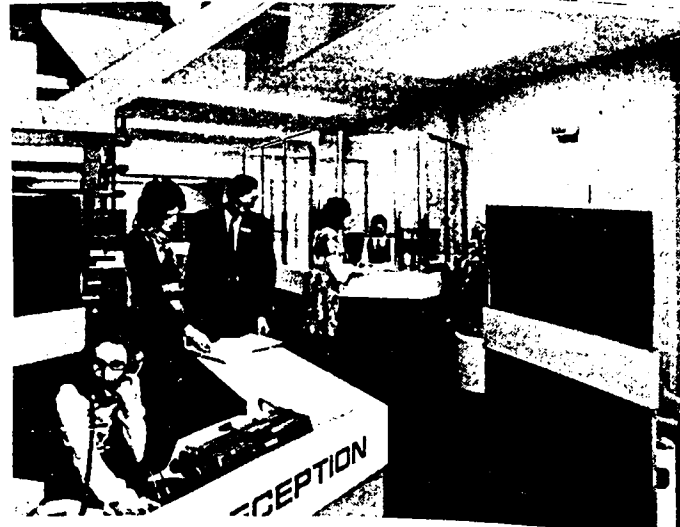
On the first test the banks come out reasonably well. They are probably right in thinking that the real bait to current account customers is the package of services to which an account is a key. Certainly American research suggests that the additional inducement of a straight interest rate return on current accounts has not justified the cost. But the banks do offer a baby carrot to persuade their clients to keep a juicy balance—an interest rate offset which ranges from 2 per cent a year (1 per cent a half-year) at Midland and NatWest to as much as 4 per cent a year at United Dominions Trust (UDT). So if you keep enough in the bank you can end up paying no bank charges at all. This holds for over 40 per cent of current account customers of Barclays and of over half of those of Coutts, to take two examples.

The clearers' bank charges come out much less well in the second test, that of reflecting costs. It is not surprising that they are all higher than those of, say, giro or the American banks or other newcomers to retail banking, like UDT. Barclays and NatWest maintain more than 3,000 branches: too many perhaps, but very convenient. UDT, on

The new rarefied atmosphere has not made banks any less secretive about their charges. But their hands may—and should be—forced



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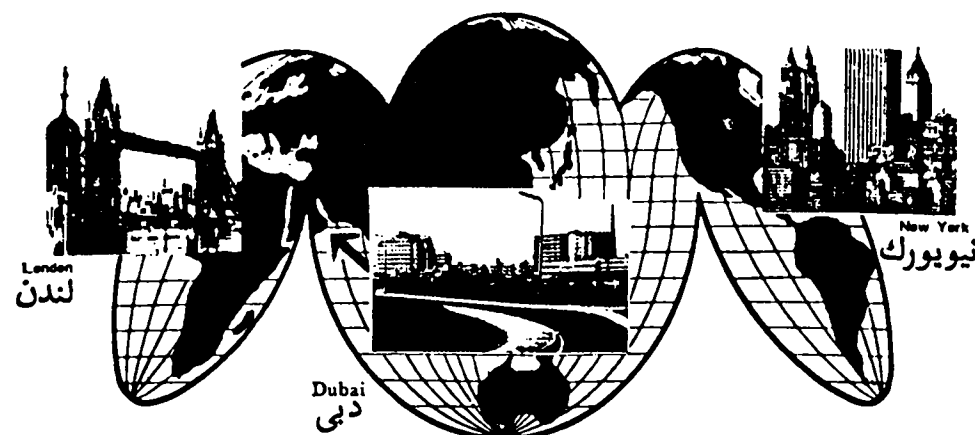
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تلفزيون

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the other extreme, has only eight "money centres" offering current account services (its regular branches handle only commercial, not personal, business); and none outside provincial cities.

Nor do most of their rivals come near to the clearers' range of services: overdrafts, tailored-to-fit loan schemes,

foreign exchange and safe deposit facilities, free cheque and credit cards (as well as cheque books and statements), wide-ranging financial advisory services, insurance, and so on. UDT money centres offer much more limited borrowing facilities (personal loans, revolving credits and secured second mortgage loans), all of which carry

an interest charge of 18 per cent or more a year; the cheaper overdraft facility is not available. All the same, the money centres hit back with their Saturday opening.

It is true that the major American banks come closer in services to the London clearing banks. Moreover, so far, it has been astonishingly cheap

What they say the ground rules are

How your charges are calculated every six months . . .	. . . if you stay in credit (employee of large company that pays directly into account)	(other "ordinary" account holders)	. . . if you overdraw
National Westminster	"ICI group terms" (see below) on first 30 withdrawals; additional withdrawals charged at 7½p each; payments into account free.	10p per transaction (credit or debit), plus an extra 2½p per standing order; total offset by 1% of average credit balance.	Up to 12p per transaction plus an extra 2½p per standing order plus any interest charge on the overdraft itself.
Barclays	"ICI group terms" for first 30 withdrawals; charge per additional withdrawal negotiable (but normally probably 7p-8p); payments into account free at branch manager's discretion.	Normally 7p-8p per transaction (except salary payments into account might be free of charge); total offset by 1½% of average credit balance.	Normally 7p-8p per transaction (though could be higher); plus any interest charge on the overdraft itself.
Midland	Variant of "ICI group terms" on first 30 withdrawals; additional withdrawals charged at 8½p each; total offset by 1% of average credit balance in excess of £100 (eg. 1% on £50 if average credit balance of £150). Payments into account free.	8½p per transaction; total offset by 1% of average credit balance.	8½p per transaction (plus any interest charge on the overdraft itself). If the overdraft is persistent, unauthorised and troublesome an extra surcharge of, say, £1-£2 may be added to the total charges.
Lloyds	"ICI group terms" for first 30 withdrawals; additional withdrawals charged at 7½p each; payments into account free.	A flat £1.50 for first 30 withdrawals for each account-holder; additional withdrawals charged at 7½p for cheques or cash, at 12½p for standing orders; total offset by 1½% of average credit balance. Payments into account free.	7½p per transaction, except standing orders which are charged at 12½p each (plus any interest charge on the overdraft itself).
Williams & Glyn's	New group terms coming into effect on March 1, 1973. Details not yet available (but see chart).	Charging structure for ordinary accounts also being rationalised. Details not available (but see chart).	
Coutts	Group terms on first 30 withdrawals (but, in view of forthcoming review of the old interbank pact on ICI terms, details not given). Then 15p per transaction offset by 1.66% of average credit balance.	15p per transaction, offset by 1.66% of average credit balance (ie, one free transaction per £9 of average credit balance).	15p per transaction (plus any interest charge on the overdraft itself).
United Dominions Trust (UDT): money centres only	4p per transaction, offset by a nominal interest allowance on average credit balance pegged at 2% per annum below Bank rate (eg, the offset would now be running at 2% per half year).		No overdrafts allowed.
PO Giro	6p per cheque. Standing orders, transfer payments and payments into account free. Service charge of £1 paid half-yearly by account holder or employer.	8p per cash withdrawal; 6p per cheque; plus stationery charge (10p for 20 cheques or 20 transfer slips or 25 Giro envelopes). Standing orders and payments into account free. From October 1st, 5p surcharge on transactions if balance is under £30.	No overdrafts allowed.

The old standard ICI group terms specify that the first 30 withdrawals from an account in any half year period are free if the minimum credit balance never falls below £100; are charged at a flat 75p if the minimum balance does not fall below £50; and at £1.50 if the minimum balance falls below £50 (but is still positive). The Midland Bank uses the same scale of charges but applies it to the average (rather than the minimum) credit balance.

to have a current account with one of these banks—so cheap, indeed, that none of them with whom *The Economist* spoke was willing to have its charges committed to print. But before anyone dashes off to switch his custom, a word of warning. Accounts at American bank branches have, so far, been extended mainly as a courtesy service to employees of the banks' large corporate customers. Those banks which are now thinking of building up retail business for its own sake are also getting down to the hardnosed business of properly costing accounts. That must almost certainly mean higher charges.

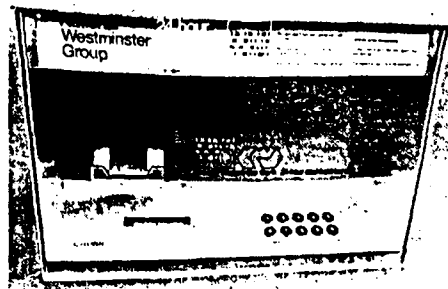
What is curious is not that the charges of the clearing banks as a group should be high, but that they should vary so much, even taking into account that their cost structures are not identical. (And Coutts, of course, aims at a very special coterie and offers a highly personalised service and such extras as a full narrative statement). It is hard to believe that the striking difference in charges between, for example, Lloyds and NatWest reflects true differences in their relative cost

efficiency and package of services offered.

Failure to disclose

But the most serious failure of the banks is their continued clamminess over charges. Five years ago Mr Aubrey Jones's Prices and Incomes Board called on them to publish tariffs (and for that matter to give customers a full accounting of their particular charges). But the bankers demurred. One of their objections is that disclosure would eventually mean only one standard schedule. But until one is convinced that the present range is rational that risk looks worth taking. The bankers, more basic argument is that no two accounts are alike and that each branch manager should have full discretion to vary charges. In short, that rules are made to be broken, or at least interpreted.

Of course, discretion has its points. It would be silly to penalise a debit customer, by withdrawing his group terms privileges or by otherwise charging him at penalty rates, if the overdraft has been properly negotiated and the extension of the lending facil-



The only cash on a Sunday

ities promises to bring other lucrative business in its train. It would be equally silly to penalise a customer who chalks up an overdraft for a day or two simply because an expected credit item is late arriving. On the other hand, it makes good sense to penalise the customer who persistently overdraws, without warning, and who causes considerable extra work and expense (in phone calls, letters, returned cheques) in the process. A single automatic rule would not do. Nevertheless this sort of distinction could be made clear in a published tariff of "normal" charges. Certainly at least one major clearing bank (significantly, perhaps, also one with particularly systematic internal costing) manages to write into its computer programme an overdraft "allowance" factor to cover the occasional unintended overdraft; the computer is told, in effect, to ignore it in computing charges.

This is the crux. Rules that can and must be spelled out to a computer surely can also be spelled out to customers. If nothing else, the present refusal of the banks to publish tariffs of charges smacks of bad public relations. There is really no other service industry that gets away with murder as the banks do. Fortunately, their competitors are sniffing out this weakness, which may force the issue. UDT has leapt into the banking game with a published tariff—and some of the American banks are expected soon to follow suit.

It is true that any bank customer with the time and disposition can pop into his local branch manager (and to all his rival managers up and down the High Street) and ask for a full explanation of his charges. The banks say they welcome this, but they also shelter behind the fact that their average customer is rather daunted by such a prospect and does not "pop" into the banking parlour. It is the ordinary man who loses out against the more powerful and sophisticated customer.

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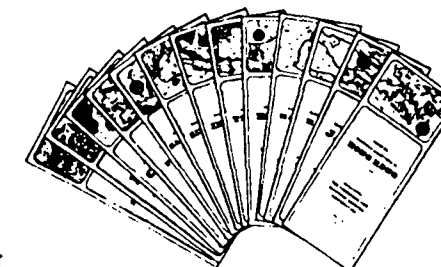
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How the ground rules apply in three cases

Account details			
	Mr Affluent	Mr and Mrs Newlywed (joint account)	
Average credit balance	£250	£100	over-
Minimum credit balance	£150	£20	drawn
No. of transactions	72	98	98
of which: standing orders	(22)	(30)	(30)
other withdrawals	(30)	(50)	(50)
salary credits	(6)	(2 x 6)	(2 x 6)
other in-payments	(14)	(6)	(6)
Ordinary account			
Banks in bold type did their own calculations: <i>"The Economist"</i> did the rest			half year charge
	Coutts	Coutts	
	NatWest	NatWest	£10
	Williams & Glyn's	Lloyds	
	Midland	Williams & Glyn's	
	Barclays	Midland*	£5
	Lloyds	Barclays	
	UDT	UDT	0
"Group terms" account			
Lloyds, NatWest and Barclays are calculated on standard "ICI" terms* for the first 30 withdrawals			£10
	Williams & Glyn's†	Williams & Glyn's†	
	(NatWest, Barclays & Lloyds)	NatWest, Barclays & Lloyds	£5
	Midland	Midland	
		Privileges may be lost	0

* This calculation assumes that only the interest abatement is lost; but an additional surcharge of £1-£2 could be added at the management's discretion.

† On new terms effective March 1, 1973

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Activities and results in 1971

At the annual general meeting of shareholders of the National Bank of Greece held on 25th May 1972, the Governor, Mr. Christos Achis, was able to underline some of the Bank's major achievements in the past year. The progress made by the Institution, said the Governor, was in line with the great strides forward by Greek economy as a whole.

Increased volume of business

The expansion in National Bank business last year is indeed reflected in the Bank's Balance Sheet for 31st December, 1971. All items on the assets side were substantially higher at the end of 1971 than at the end of 1970. Total assets, not including contra accounts, rose by 27.9% as compared with the previous year. It is noteworthy that this increase was 2.5 times as high as the percentage rise in the national income at current prices. The continuous and rapid growth in the activity of the National Bank further consolidates its leading position in the bank system and economic life of Greece. Furthermore, the Bank is now one of the big international banks ranking amongst the 100 largest financing institutions outside the USA.

Particular attention should be drawn to the fact that deposits of all types with the National Bank rose last year by 16,200 million drachmae, or 32.8%. The increase represents more than half the value of total deposits channelled into all commercial banks. The rise in deposit accounts was higher, namely 53.7%, whilst savings and current accounts rose by 28% and 20.2% respectively.

Availabilities, on the other hand, increased by 35%, thus ensuring a high rate of liquidity.

The great increase in deposits accounted for the fact that the Bank was able adequately to finance the economy. Advances at the end of 1971 were 8,037 million drachmae, or 20.7%, higher than at the end of 1970. Three-quarters of the advances went to industry and workshops and the balance to trade.

Furthermore a considerable proportion of State investment is financed by the National Bank through the purchase of State bonds and interest-bearing bills. In 1971 the Bank took up 1,638 million drachmae-worth of interest-bearing bills and 590 million drachmae-worth of bonds of economic development loans.

The Bank also increased its investment by purchasing bonds issued by legal persons and shares of various companies. Investment last year increased by a total of 1,985 million drachmae.

Results of the year

The expansion in business was accompanied by a substantial rise in receipts. Total gross profits amounted to 2,619 million drachmae which was an increase of 393.9 million drachmae, or 17.7% over 1970.

Out of total gross receipts 503.6 million drachmae was allocated to contingencies of all kinds and 62.2 million drachmae to depreciation. After the deduction from the gross profits of 1,079.8 million drachmae for expenditure on personnel and 305.8 million drachmae for general expenses and taxes the enterprise showed a net profit of 667.3 million drachmae. Out of this sum a larger amount is being allocated

this year to the reserve (180 million drachmae, as compared with 105 million last year) whilst 90 million drachmae instead of 50 million is being set aside for income tax. Over half the net profits are being distributed in dividends to shareholders. Total distributed profits amount to 379.6 million drachmae, as compared with 303.7 million in 1970. This year the dividend per share (on 1,518,300 shares) is 250 drachmae, as compared with 200 drachmae last year.

Expansion of foreign network

During the year under review there was also an expansion of National Bank Business activity abroad. New branches were opened in Bayswater, London, and in Rotterdam, whilst the Hellenic Canadian Trust, an organisation affiliated to the Bank, was set up in Montreal, Canada. The extension of the Bank's international network was continued early this year with the establishment of an office in Chicago. In South Africa it was also intended to open a new branch at Pretoria which will bring the number of branches of the Bank's local affiliate, the South African Bank of Athens, up to five. The Governor moreover announced the Bank's decision to participate in the capital of the French Monod-La Henin Bank—a member of the Banque de Suez group. The Bank is now represented in eight countries abroad by a total of 26 branches and offices owned either by itself or by subsidiary banks.

The Bank's foreign operations, as a whole, were expected to further increase in 1972, the Governor said. The trend of business during the early part of this year was already considered very satisfactory.

Modernising and administrative and operating methods

The great increase and wide range of the Bank's activities at home and abroad have made it necessary to overhaul and modernise its organisation and methods of operation. A major effort is under way to this end, the main object of which is to simplify business procedure in order to speed up transactions and improve the efficiency of the Bank's services to its clients. A further target is to render as wide a variety of services to as large a public as possible. Amongst the most important services now provided by the Bank are consumer credit, payment of pensions by cheque, and the collection of accounts of public utility organisations. Plans for the modernisation of Bank premises are also in full swing.

Decentralisation, a major factor of progress

A further important feature of reorganisation is decentralisation. This takes the form of the delegation of powers and responsibilities by the central management to executives at intermediate levels between itself and the Bank's branches. This will entail the grouping of branches, mainly by geographical region.

Decentralisation will be beneficial in many ways. It will give scope for the application of new methods of management at all levels throughout the Bank's whole network and ensure greater flexibility of the machinery of decision-making and action. It will also reduce the burden of work on the central services, facilitate the speedier introduction of new business procedures throughout the Bank's network, ensure rational employment of the abilities of staff, and improve the Bank's services to its clients.

CONDENSED BALANCE SHEET as at 31st December 1971 (converted into Sterling)

ASSETS	1971	1970	LIABILITIES	1971	1970
Availabilities in Greece & abroad	220,499,170	163,166,924	Share Capital and Reserves	29,264,442	23,574,602
Loans and advances	597,508,782	495,161,969	Provision for depreciation of Assets	33,878,894	29,799,400
Investments	78,012,200	52,729,796	Deposits	836,519,105	629,850,323
Other accounts	60,548,698	40,532,824	Other accounts	56,906,409	68,367,188
Guarantors & other contra accounts	310,579,585	278,081,824	Guarantees etc.	310,579,585	278,081,824
	<u>1,267,148,435</u>	<u>1,029,673,337</u>		<u>1,267,148,435</u>	<u>1,029,673,337</u>
	Profit and Loss account				
	1971	1970			
General expenses and taxes	17,644,268	15,893,415			
Provisions for contingencies	7,204,287	6,522,988			
Distribution of profits:					
Dividend*	4,833,503	3,866,802			
Reserves and other provisions	3,664,426	2,047,340			
	<u>33,346,484</u>	<u>28,330,545</u>			

*1971 : £3.18 1970 : £2.55

Buying insurance from the banks

It has long been apparent that the clearing banks enjoyed an immense advantage in their possession of 12,000 High Street money shops. Their logical move was to find ways of exploiting these assets more effectively, by finding other quasi-financial business to put through them. Four years ago our summer banking survey suggested that they should make a real push to retail insurance business through these outlets. That is exactly what they are now doing, and on a scale that few foresaw then.

In the intervening time, the clearers have taken over the insurance agencies that their branch managers had traditionally run as a sort of freelance operation on the side, with the commission being pocketed by the manager and seen as a traditional perk of the job. For giving up these agencies the managers have, of course, been compensated by special salary increases. Some of them continued to grumble for some time afterwards, especially those in medium-sized provincial towns who had made quite a good thing out of their insurance agency work. The present position is that the commissions all go to the bank, though 50 per cent, or sometimes 100 per cent, of the commissions are now credited to the manager's branch profit and loss account so that they enter into the assessment of the performance of his branch.

At the same time each bank has set up an insurance unit at the centre to give the branch managers (1) regular briefings on insurance developments, drawing their attention to the different types and new forms of insurance they ought to be trying to sell, and (2) somewhere they can turn for expert insurance advice to meet particular customer requirements. Many branch managers as a result have got very interested in insurance and the scope

for selling it that they realise they now possess. Some others, however, are bored by the whole business; when they have time to spare, they prefer to go out and play golf or lunch some accountants in the hope of drumming up more lending business.

At the centre the pattern varies. Barclays' activities have been most conspicuous. It has set up a separate insurance broking subsidiary, Barclays Insurance Services Company (Bisco), which has run an extensive advertising campaign directed at customers. Its effective head is an ex-senior manager of the Northern and Employers group, which was taken over by the Commercial Union in June, 1968. It has over a hundred staff, largely ex-insurance people, many of them recruited from the Northern and Employers and other insurance companies that have merged recently; of these staff over 30 are in Barclays regional head offices (so-called) and it is to these offices that the branch managers will turn for advice first of all.

The emerging pattern

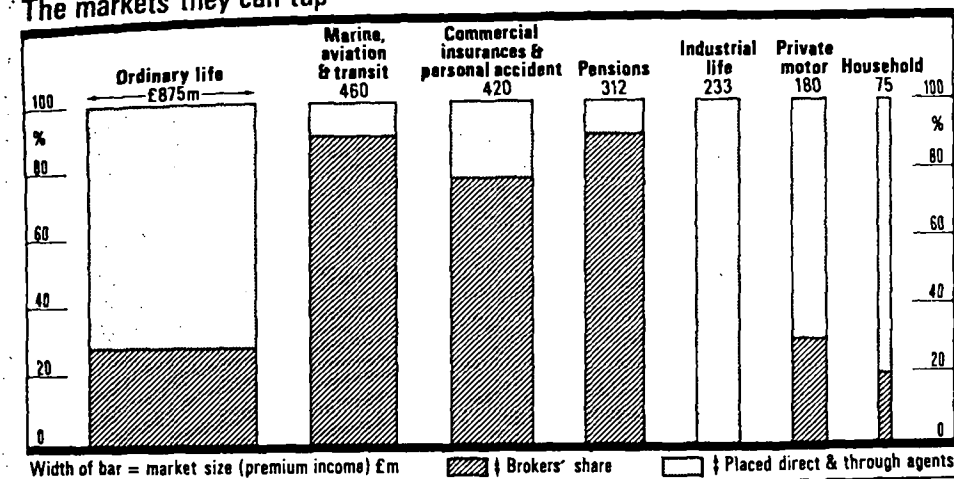
The Midland's operation is run by a former director of a Lloyd's broking firm, styled "insurance adviser," but whose job seems to have developed into rather more than that. At any rate Midland is now on the brink of setting up its own insurance broking subsidiary too. Williams and Glyn's, which is much smaller than its competitors but often rather quicker on the draw as a result, has also had a full-scale insurance subsidiary for over a year, run by an ex-Lloyd's broking executive, staffed entirely by insurance people. The banks differ in how far they have put their insurance experts out into regional head offices: Barclays has gone furthest while some others have tried to concentrate their experts at the centre. They also differ

If the clearing banks move more heavily into the insurance broking business, as they probably will, do they face the threat of takeover bids from insurance companies?



Insurance men turned bankers: Beacroft (Barclays), Manwaring (Midland), Slatery (Williams & Glyn's). Bankers turned insurance men: Kerr (Lloyds), Crittenden (NatWest).

The markets they can tap



Source: The Economist Intelligence Unit report. Figures are for 1968, but this was a special survey and no further figures are available. "Broker" excludes the bankers.

in their willingness to hire top insurance men from outside, put them in charge, let them hire their own insurance staff and run the thing themselves. But the broad pattern is becoming clear. Those that have shrunk from taking the plunge so far may have to take it later.

The effect of this conscious effort to boost the banks' insurance broking business has been dramatic. The Midland reckons that its insurance commission earnings were 60 per cent up in 1971, 40 per cent up in 1972 (so far) and expects to see 30 to 40 per cent a year for the next few years. Thus bank managers have obviously not lost their incentive to sell insurance now that they no longer pocket the commissions. Even more important, the banks can now claim to be offering a far better service to customers than in the old days when the typical manager might have been an agent for two or three companies, put business with whichever of their representatives he liked best or had played golf with last, and himself knew nothing about insurance, though pretended he did.

The range of choice

Nowadays, therefore, the private customer can go to his branch manager and reasonably expect him to know (or quickly find out) which life office is best for conventional with-profits life policies, which are the good equity-linked policies and property bonds, what is a sensible way to invest his £5,000 lump sum pension, how he might use life assurance to avoid estate duty, or whether he can get his motor insurance more cheaply and whether it is worth switching if the cheap company is likely to be tougher

on claims. And so on. One bank reckons its commission breakdown is now something like this:

Income bonds, growth bonds etc	30%
Life policies	25%
Annuities	25%
Pensions	10%
Fire and accident	10%

In other words, 90 per cent of the business is savings business, or life assurance in the broadest sense. This is not surprising. Commissions are most generous on this sort of business (because the premiums involved are big). And it is the type of business that customers are least likely to be putting through a proper insurance broker already. The banks are not particularly keen to go after motor insurance because it causes endless bother even when there are no claims. But they would like to get their hands on more of their customers' ordinary personal insurances (if only because life and savings type business is then more likely to follow). Williams and Glyn's now offers its own insurance package, the Masterguard, insured with four big offices and intended to combine the best features of the personal insurance packages offered by these companies. Claims settlement will be quick and local—by the local branches of the Royal Insurance (one of the four participants), through the local branches of Williams and Glyn's. The Midland is trying a slightly different tack, and is setting up a personal insurance package scheme insured with Lloyd's underwriters, but with the branch managers having limited powers

to issue policies on the spot in all except problem cases (which might include those living in SW1, SW3, NW8 and other noted burglary areas).

There is good reason to forecast, therefore, that the bank branches might rapidly come to displace the part-time insurance agent, except possibly for motor insurance. For most of the other part-time insurance agents—the accountants, solicitors and so forth—will be unable to bring to bear the knowhow and back-up service that bank managers are now able to deploy. The result will be a huge improvement in the standard of selling and service at this level. People will get much better insurance advice, skilled help with their claims, and will probably be encouraged to buy extra insurance, which most of them still need. The High Street brokers, unqualified and usually only partially skilled, will probably remain, to cater for the two-thirds of the population that have no bank account. As now they will continue to make a feature of motor insurance. Some of the sleeper specialist life assurance brokers may feel the draught. The more alert of them will continue to thrive by being quick to dream up new life assurance devices and gimmicks.

The bigger insurance broking companies will not be sorry to see their personal insurance business ebb away. With its small commissions and expensive administrative handling costs, the business is ludicrously uneconomic for the big broking firms, geared up as they are to handle the bigger risks. One of them, Staplegreen, is reputed in the insurance market to have worked out that it was using 1,000 staff to handle personal insurances a few years ago, out of which it made a net profit of £1,000 a year. The banks will also play a useful part in selling pension schemes to smaller employers, especially in the next two years as the new Tory state pension scheme—with its direct encouragement to occupational pension schemes—grinds into action. But what will be interesting in the medium term is what happens when the banks have pushed into the personal insurance field as far as they can. With the expertise they will then have built up, their next logical step would be to push into medium-sized commercial and industrial insurance.

Here their position is potentially strong. If a bank lends money to a firm, it not only needs to look over the firm's financial position, it ought also to run over the hazards the firm is exposed to, and advise or insist



Neil Little: "When times are tough, Midland Bank bend over backwards to help."

Neil Little is the go-ahead Managing Director who is making Vono Ltd. into the pacemakers in furniture design. His latest success—a "coals to Newcastle" deal with Dux Nobel, a leading Swedish company, to market Vono furniture in design-conscious Sweden.

Vono's link with Midland Bank goes back to 1896, when Ernest Vaughan founded The Vono Company—to cast bedstead brackets. Since then the company has grown into the multi-industry Duport Group, of which Vono Ltd. is a member. And the Midland has been with them all the way.

As Neil Little says: "In easy times, any bank will fall over itself to help. It's when cash is tight that we know where our friends are—at the Midland."

"Ours is a flow dependent industry... and when the

money sticks in the other fellow's hands the Midland are always ready with theirs".

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that adequate insurance cover be taken, if only to protect its own investment. Of course, this is just what the big brokers already do with their clients, who tend to be the larger firms; it is also what insurance managers do in those large firms that have them. But there is a widespread suspicion that things stop there, and that there is a large mass of medium-sized firms that do not get properly looked over by an insurance expert to see what insurances they need and do not get expert advice about where to get it, or how to claim. This is the gap that ought to be filled—and is occupied to a small degree—by medium-sized broking firms in the provincial cities. But it is the gap into which the banks will probably move heavily once their insurance departments have had a few years to play themselves in and their managers get used to being all-purpose financial retailers instead of just bankers. But when this happens the banks will be in the insurance broking business up to their necks—as is already happening in Holland. They will then be in direct competition with the big broking firms, and ought to belong to things like the Corporation of Insurance Brokers. The logical step after that would be to buy their way into Lloyd's to get direct access to Lloyd's underwriters.

Who takes over whom?

Bank-insurance links are not new. The merchant banks have long owned insurance broking firms (handling industrial risks). One broking firm, C. T. Bowring, recently bought a merchant bank (Singer and Friedlander) and already owns a hire purchase company (Bowmaker). The Midland not only has its own insurance broking operation now but owns a 35 per cent stake in Montagu Trust and hence in its insurance broking subsidiaries,

Bland Welch and Bland Payne.

How much further will these links go? A merchant bank might find it useful to build up its insurance underwriting: Hill Samuel, for instance, has a life insurance subsidiary and one for general insurance. But there is no obvious reason why a clearing bank should want to move into insurance underwriting, by taking over an insurance company big or small. The logical line of advance is further into broking.

The interesting question, though, is how the insurance companies see it. The Commercial Union has already taken a stake in hire purchase (Mercantile Credit). And, significantly, now that Barclays has decided to sell its holding in United Dominions Trust, the buyers are the Eagle Star and the Prudential. The takeover of a clearing bank would permit a huge rationalisation of outlets; many of its local insurance branches could be closed and the work put through nearby bank branches instead. As an additional advantage, it would shut out its competitor insurance companies from selling their policies through those bank branches.

If any insurance company should get ideas along these lines, it would be interesting to know what the Bank of England would say. In South Africa, the Franzsen Committee into the monetary and fiscal system recently had quite a lot to say about the objections to clearing banks and insurance companies owning each other. Officially there is no policy in Britain because no such case has ever arisen. All the same there is a widespread belief that the Royal (based in Liverpool) did take discreet soundings about what would happen if it bid for Martins Bank (also based in Liverpool) when the bank was up for grabs. It did not bid.

Let speculation thrive

The gilt-edged market has had a startling year. January saw the top of an 18-month bull market, prolonged long after the know-alls had expected the turn. Then the bear, when it came, was large and grisly. The market fell more sharply than at any time since the war. The Financial Times 20-year government stock index fell from its January high of 91 to below 75 in June. A subsequent attempt at a rally fizzled out. So the long-term bear may still be at large.

Whether or not this is so, it is clear that, as *The Economist*, among others, suggested last year, one consequence of the government broker no longer supporting the market is more rapid and more violent movements in the price of gilts.

So much so, in fact, that three jobbers have retired from the market in the past few months, leaving only six. And of the six only two, Wedd Durlacher and Ackroyd and Smithers, are

Continued on page 36

Some jobbers in the gilt-edged market have already fallen out of bed. What is needed is both a reinforced jobbing system and a more speculative market

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Capital	Rials	500,000,000	(50% paid up)
Reserves	Rials	74,790,000	
Deposits	Rials	17,468,733,026	
Profit and Loss	Rials	36,250,000	
Total Resources	Rials	17,829,773,026	

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Ins and outs of money flows

Just in time for the first anniversary of the credit revolution, the Bank of England has produced an impressive study of the flow of funds in Britain*. This is a relatively new tool of analysis in this country, a post-Radcliffe innovation. The data, which is taken back to 1952, throws some light on how shifts in fiscal and monetary policy work their way through private financial channels. But, needless to say, not everything can be quantified.

One point to emerge is the extent to which the impact of the unprecedented swing into surplus of the government's finances in the post-devaluation squeeze of 1968-70 was diluted, first by the authorities' support of the gilt-edged market and then by massive inflows of funds from abroad. Another point, not unrelated, is the disproportionate, and finally unworkable, burden placed on the commercial banking sector in the bad old days of credit directives and the interest rate cartel.

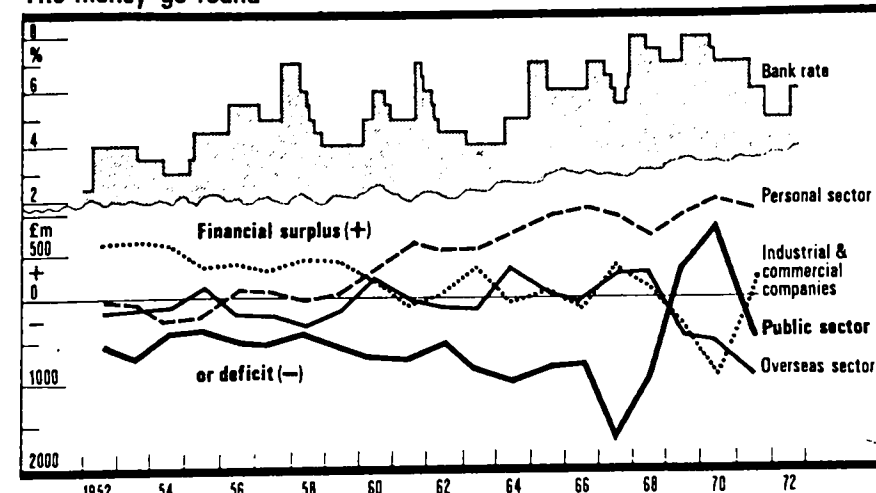
How the accounts work

The more familiar national income accounts focus on real activities rather than financial activities. They express economic flows starting from the fact that output both generates income and is used to meet the demand generated by various forms of expenditure. The links between national income accounting and financial transactions arise from the fact that those who receive income are not necessarily those who spend, since spending can come out of saving or borrowing; and those who save are by no means necessarily those who invest in physical assets like buildings and machinery.

The common point of departure

*An introduction to flow of funds accounting: 1952-70. Bank of England. 50p.

The money go-round



between the national income accounts and the flow of funds accounts is the financial surplus or deficit of each of the four main sectors of the economy, public, personal, company and overseas. In national income terms this measures the gap between (1) a sector's direct income (in wages, salaries, profits or rent) adjusted to reflect its net transfers with other sectors (in taxes, grants and interest and dividend payments), and (2) its outlays on current consumption and capital investment. For the overseas sector the financial surplus (or deficit) would mirror Britain's deficit (or surplus) on the current account of its balance of payments: when a country manages to buy abroad more than it sells, it is in effect buying on tick, swapping financial assets for real goods and services. For the economy as a whole, the surpluses and deficits of the individual sectors balance each other out. If the government moves into financial surplus as a result of a restrictive fiscal policy, it puts an equal and opposite pressure on the financial balance of the other sectors of the economy.

A financial surplus also measures the amount a sector has available either to add to its financial assets, say through purchases of gilt-edged, or to reduce its financial liabilities, say through repaying bank loans. The new accounts detail these transactions, tracing the transactions of banks and other financial institutions, as well as those of the public, company, personal and overseas sectors. What is intriguing about these data is that they show just how important the financial intermediaries are in channelling funds between the other sectors.

The point of the sharp swing in government finances following the November, 1967, devaluation of the



Dollars flow in

pound was, of course, precisely to put pressure on domestic demand in order to free productive resources for exports and import-saving. By all conventional yardsticks the squeeze was massive. As the chart shows, the swing in the public sector's financial position from deficit into surplus between 1967 and 1970 was of the order of £2½ billion—or 7 per cent of gross domestic expenditure at the time. Moreover, the fiscal squeeze was backed by the then usual package of monetary restraints, above all tough credit directives and (until 1970) by the requirement that importers place deposits with the government against purchases of goods from abroad. The combination did eventually bite. But the impact on the domestic financial markets and, more especially, on company liquidity was both slower to come and less severe than might reasonably have been expected. Why?

The borrowing requirement

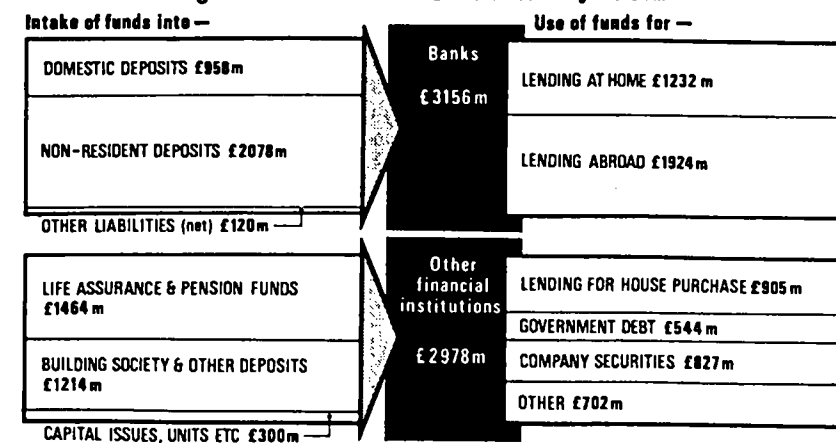
One technical point has to be made before answering the question. The usual measure of the impact of government financing on the domestic money and capital markets is the government's borrowing requirement. This can differ from its financial deficit (derived from the national income accounts) to the extent that the authorities engage in certain other transactions (such as the refinancing of export credits or the acceptance, or repayment, of import deposits), that must equally be financed.

The table detailing the swing in the public sector's finances shows both measures. And it is this table that tells the basic story: how in 1968 the authorities simply botched their opportunities, by giving the government broker instructions that effectively undid much of the work of basic budgetary policy, and how in 1969 and 1970 the domestic squeeze was swamped by the very success of the earlier decision to devalue the pound.

Gilts and currencies

It is true that in 1968 the financial balances of both the central government and the public sector were still in deficit. But so, too, was the balance of payments. So the authorities were taking in sterling (against net sales of

The flow through the intermediaries 1967-71 average £6134 m



foreign exchange made by the Exchange Equalisation Account) to finance the shortfall in overseas earnings. Indeed, this intake was more than sufficient to cover the central government's own borrowing requirement (if not that of the public sector as a whole). The margin might have been used to reduce Whitehall's indebtedness to the banking system, reinforcing the squeeze on the financial markets.

But that opportunity was missed. Instead, in pursuit of their bad old policy of bucking any sharp falls in gilt-edged prices, the authorities wound up underwriting a massive rundown of government stock by the non-bank private sector. The OECD later estimated that this fiasco accounted for roughly half of the above-target growth in the money supply in Britain in 1968.

Over the next two years what mattered most was the swing into surplus of Britain's balance of payments. The authorities misjudged this. That was not too surprising: even the outturn of the current account of the balance of payments is notoriously hard to predict. And, in the event, the inflow of foreign exchange on the capital accounts was also rapidly building up.

There are two points to be made here. First, any net inflow of foreign exchange must be financed by sterling counterpart funds and if the amount of sterling needed on this account cannot be met from a surplus on the government's own financial accounts, then it must be borrowed in the domestic markets. Second, in both 1969 and 1970 the inflow of foreign exchange was not simply a passive reflection of trade flows and the decisions of foreign investors. British companies deliberately, and successfully, solicited funds from abroad to ease the squeeze on their liquidity at home. Some firms with overseas affiliates transferred funds over intra-

company accounts. Others used the leeway provided by the return of confidence in sterling to swing the balance of trade credits (or leads and lags) in their favour.

Pressure on the banks

Companies also turned to the banks. This was the time when British firms first turned heavily to borrowing in foreign currencies to finance their domestic operations. It was also the period in which the Bank of England's overworked credit directives on sterling lending broke under the strain—not least because the artificial pegging of clearing banks' lending rates to Bank

rate made bank loans so temptingly cheap to cost-conscious company treasurers (especially after Bank rate was reduced in March, 1969). By the summer of 1969 the London clearing banks were £220m overlent. Even so, in 1969, exceptionally, companies actually ran down their bank deposits.

Nor was this all to frustrate the bankers. The 1969-70 squeeze had also helped to build up the inter-company lending market, as firms desperate for funds were prepared to by-pass the banks.

The brakes come off

Until 1971, also, that is until the credit revolution, the banks' share of the personal borrowing business was dimly small. Even in the "good" years their share was not much over 10 per cent. The hire purchase firms did not do much better. The running was left almost entirely to the unregulated (and tax-favoured) building societies, although insurance companies also had a corner of the massive market for house-purchase lending.

Then, in 1971, bank lending (other than home loans) to the personal sector shot up to £585m, or 23 per cent of total borrowing, the bulk of the gain coming, not surprisingly, in the second half of the year. A further £1,085m was extended in the first half of 1972 alone. Home loans, too, were up. The revolution was on.

That swing in government financing

£m	1968	1969	1970	1971
Public sectors:				
Financial deficit (-)/surplus (+)	1,048	— 365	— 862	427
adjusted for import deposits, etc	268	— 111	850	945
equals borrowing requirement	1,316	— 478	— 2	1,372
of which: central government	759	— 1,112	— 678	568
local authorities and public corporations	557	636	676	804
less external financing (payments deficit -/surplus +)	— 1,111	595	1,350	2,677
equals net domestic borrowing requirement	205	119	1,348	4,049
Financed by:				
Banking sector:	178	— 346	878	1,685
Indebtedness to Bank of England	128	— 128	276	— 471
National debt (increased bank holdings +)	— 268	— 527	29	1,337
(of which: gilts)	(— 283)	(— 341)	(— 410)	(1,378)
Other public debt	318	309	573	819
(of which: local authority)	(317)	(312)	(483)	(772)
Notes and coin with the public	52	146	230	227
Other domestic borrowing:	— 27	313	222	2,139
(of which: non-bank holdings of gilts)	(— 208)	(361)	(93)	(1,848)

Figures for financing may not add up to the total domestic borrowing requirement because of minor intra-sector debt transfers (included in the borrowing requirement of the local authorities and public corporations above).

sizeable operators. Since the jobbers make the market, by quoting bid and offer prices and dealing, the actual existence of the market is in question; and few would maintain that it is entirely satisfactory.

The three jobbers who left the market were a mixed bunch. The largest, and the first to leave, was Smith Brothers. It has traditionally been a jobber in industrial and mining stocks, and entered the gilt market only 14 weeks before it decided to bow out. Its entry was a serious attempt to widen the base of the market, since it is comparable in size to Wedd and Ackroyd. But it lost money fast. The main problem was the sheer speed of the drop: it had expected maximum daily movements of a point in the prices of long-dated stocks and $\frac{1}{4}$ of a point in shorts. In the event, even shorts sometimes dropped by 2 points a day. And four out of its eight directors had to be diverted to gilts, instead of the one it had intended, so that plenty of profitable opportunities for dealing in equities were being lost.

Next to go was Pyke and Bryant, a small, specialist jobber with 12 years in the market. Then Francis and Praed stopped too. Francis used to be the largest gilt-edged jobber, before Wedd and Ackroyd came into the market, and the only sizeable jobber in gilts apart from them and Smiths. So their retirement meant the removal of two of the big four within a month.

The cause of these upheavals was removal of the government broker's automatic support from the market as part of the new deal for competition in the City. It was a long overdue and clearly desirable switch in official priorities. The new policy is to have uniform treatment of various types of financial institutions and to run monetary policy through open market operations and reserve ratios (with occasional help from special deposits), leaving prices to ration credit. But market forces can only work properly in a market, and the excellence of the gilt market has been built up over the years through which it has been automatically supported. The question is whether its foundations are strong enough to survive in the new, unsheltered conditions, and what improvements can be made.

Reinforcing the jobbers

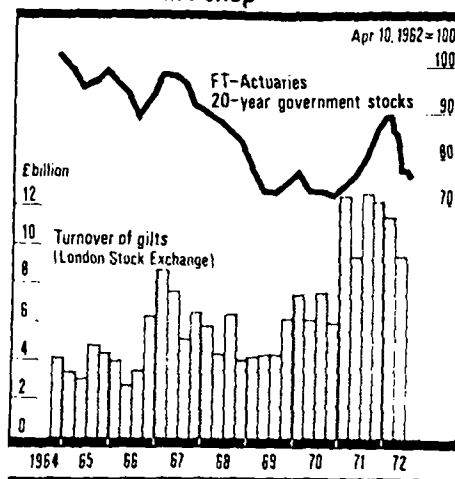
The first need is to strengthen the jobbers. *The Economist* has already suggested (July 15th) a possible blueprint for a backing system for jobbers akin to the syndicates of Lloyd's

underwriters. The idea is that industrial and commercial companies, and perhaps individuals, would back the jobbers and enable them to do the big deals that are necessary. The jobbers would act as agents for these syndicates. Concentrated participation by financial institutions would have to be avoided, because of possible conflicts of interest: a bank wanting to put through a large sale should not be connected with a jobber who might be about to take on the stock. (In America, where the jobbing in Treasury bonds is done by 20 large banks and brokers, a bank's investment side is restricted from deals with its dealing department in many situations).

The alternative to some reinforcement of the jobbing system is that large and medium gilt deals will come to be made outside the market, as often happens in equities where the markets are small. This would be unsatisfactory, however, because the price of stocks would be set by the smallest deals, although there would be feedback from outside deals. Also, one of the main needs of a good market—information—would be reduced sharply. It would be curious to have the large and medium deals cut off from the biggest deals of all—the issue of new stock through the taps.

Apart from strengthening the jobbers so that they can steady the market, conditions could be improved by strengthening the speculative element in the market. That may seem curious, but bear speculation can steady the market because a bear is a much quicker buyer after a drop than a new buyer. The bear has a profit to defend and will move fast to secure it. He may well be happy to buy on the way down if he is showing a reasonable profit. But the new buyer will

Bears in a china shop



want to be more sure of an upturn before buying: indeed, there must be an upturn for him to want to buy, whereas for the bear there need not be. A good illustration is provided by the market's knowledge in the first half of this year that there would be large forced sales of gilts by the clearing banks. There was no limit to the size of the drop that this could cause. But had there been bears, they would have sold as soon as the situation became clear (or before) and would have been ready to receive the clearers' stock when it came. The drop would have been more orderly, and some of the jobbing casualties might have been avoided.

One encouragement to the bears would be for the Bank to introduce a register of them. At present gilt-edged operations have to be settled with the actual transfers as soon as possible, instead of there being an account, as with equities. And nobody is allowed to go short of stock. So a bear must either have a large body of stock at his disposal or be able to borrow it. Even if he has a body of stock he wants to sell, it may well be in a different part of his organisation. Either way, selling becomes a cumbersome and time-consuming operation. And the essence of speculation is speed. A registered bear, as in America, would be able to go short without further ado. His sale would effectively be covered by stock from the Bank, until he covered with a purchase.

"Z" accounts or "re-pos"

Another encouragement to the speculators would be if the Bank were to allow "Z" accounts to a far wider range of gilt market operators than the discount houses and the few brokers who have them at present. "Z" accounts with the Bank enable the holders to sell a stock after holding it only a day. Other operators cannot sell until they can deliver the stock. But when they buy, it can take a week to get the deed and another for the certificate, after which a sale can occur. Those with large blocks of stock can use old purchases from their block and replace them with the newly bought stock, but this is cumbersome and slow. It also discriminates between operators arbitrarily. If a wider group of operators were in a position to sell soon after buying, they would be keener to buy and would require a smaller profit for doing so. This would make recoveries in the market come sooner.

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exchange bills (or other liquid assets) for gilts for a specified time and with specified repurchase prices. They would differ from the old automatic support in being at the Bank's convenience. But much more important is that they would enable the Bank to signal to the market. The prices at which it does "re-pos" would show its view about interest rates, enabling it to steady the market. Re-pos are the practice in America and enable the Fed to signal. The Bank's vast involvement in the market through its £2½ billion-£3 billion borrowing requirement in 1972-73 makes its view about the course of interest rates necessary to fund this, and to achieve its monetary objectives, of prime importance; and, if known, a stabilising factor. The obvious danger would be the temptation to use "re-pos" to buck market trends in the name of stabilisation.

It is tempting to believe that reform is no longer an urgent issue now that the storm has been weathered. Certainly the elephantine behaviour of the clearing banks, who found themselves over-committed by clients' lending ceilings that had been enthusiastically increased last year, is unlikely to be repeated. They got very short of cash, with interbank rates going up to 9 per cent

at one stage: some nimble operators were making a turn by using their bank advances to lend back at a profit, sometimes even through the same branch. The resulting forced sales of gilts hit the market just as it was on the way down. Presumably the clearers will become more adept as they get used to the new competitive credit environment.

But there are plenty of good reasons for expecting a further fall in gilt prices. Restraint of monetary expansion has not been attempted yet. There is the £2½ billion-£3 billion deficit to be managed, and autumn is the worst season. The Government could only sell £1.8 billion of gilts to the non-bank private sector in 1971, the best year ever for gilts, and this year there will be competition for the funds from the private sector. The inflationary outlook has got worse, and if there is a prices and incomes policy that looks like working, the market's joy would be restrained by the almost certain prospect of tighter monetary policy. American interest rates, which are a strong influence, will probably go up further after the presidential election. So the autumn could see another sharp fall. It would be nice if the market were ready for it.

Are wits enough?

The merchant banks are wondering which way to go next. During the 1950s and 1960s the more dynamic ones grew by extending the range of their services from pure banking, and export financing through acceptance credits, to corporate finance and investment management—and from there to an ever-broadening battery of related financial activities like leasing, insurance and running unit and investment trusts. The more far-sighted seized the opportunity of the growth in the Euro-dollar market to boost their balance sheet totals. The attribute that gave the merchant banks a special place in the City's—and their own—esteem was their mental flexibility and agility. They may not sit on very large deposits (the clearing banks have four times as much as the members of the Accepting Houses Committee), and they may not—as on the continent of Europe—own powerful segments of industry; but they pride themselves on the ability to do a deal, arrange a financing, bring out a new issue, manage a merger, and generally minister to the more specialised needs of their clients better than any other class of competitor.

But challengers are looming up on several sides. Since the Government's new competition and credit philosophy was introduced at a time of monetary ease, with the money supply growing at a record rate, those banks that were previously subject to quantitative restrictions have been able to go out and market their loans. This in turn has made it worth while to become more active in the search for deposits. New banks have emerged. In the case of some, like Wintrust and Corinthian, the ratio of shareholder funds to deposits has to be high. But as reputation grows, then so do the deposits. The Burston Group, which, in one form or another, has been going for 17 years, has a much more extended ratio. Now that quantitative restrictions have gone, it is up to the persuasiveness of the banker to attract business and up to his skills to make profits.

Dividing lines have become progressively harder to draw. There used to be the clearers and the rest. And the rest were divided into those banks that had made it into the merchant bankers club, the Accepting Houses Committee, and those that were on the fringe.

Merchant banks are meant to live on their wits. But they are going to need brawn as well as brain



In from the fringe: British Bank of Commerce's Stone, Keyser Ullmann's Stoutzker, London and County's Caplan and Triumph's Whyte

But in the frenzy of the bull market and the property boom, property companies have started up their own banking operations: there is one at Star (Great Britain) and another at Bovis, the builders. Finance companies now offer some banking facilities and advisory services. Clearing banks now own merchant banks: the National and Commercial has Williams and Glyn's; National and Grindlays has bought out the minority holding in Wm Brandt's Sons; National Westminster started its own, County Bank, and Midland owns a third of Samuel Montagu's parent, the Montagu Trust.

The threat posed by the clearing banks is perhaps the most serious. They are muscling in on the strength of their deposits. The writing on the wall was, perhaps, the £360m raised to finance the development of British Petroleum's North Sea discoveries. A great part of the British contribution was provided by the clearing banks. In the bad old days of rigid cartelisation, such a commitment to medium-term financing, and in a highly complex and relatively risky form, would have been impossible. British Petroleum's merchant banks would have had to rack their brains to think up rights issues, debenture issues, consortia lendings, Euro-dollar borrowings and the whole gamut of clever and ingenious things merchant banks are paid to think up. But BP's merchant bank, Lazard Brothers, was one of a troika of managers which included Morgan Guaranty Trust of New York, and BP's clearing bank, National Westminster. Now that Nat-West has got a notion of how the thing works, it can go along to an oil company and offer to arrange another consortium deal—and to take 10 per cent of the amount to be subscribed (perhaps to Shell, whose own bankers, Lloyds, were hostile to the BP scheme, though they are likely to be dragged, however reluctantly, into a similar package for Shell). Merchant banks cannot write that kind of business—and so will not get it. The difficulty that the clearing

banks still suffer from is that of attracting merchant bankers to work in the bureaucratic behemoths—and at salaries which do not upset the mainstream mandarin clearers. The simplest way out is to have a tame merchant bank which is wholly owned but autonomous, but somehow, the tame ones have not yet sparkled.

Then there are also the new (for Britain) banques d'affaires, of which the most famous and successful is the organisation created by Mr Jim Slater: Slater, Walker Securities. In the short period of its existence, Slater, Walker's capital resources have far outstripped those of even the biggest merchant banks, Hambros and Hill Samuel. The alternatives are: to beat him, to join him, to play a different game, or to try and have it all ways.

There is a real choice that merchant banks have to make. Either they, or their satellites, decide to become aggressive buyers and sellers of companies, which means getting deeply involved with their banking and banking services clients—or they can maintain the lawyer-like detachment of the professional, and take their profit from the interest rate differential, from fees, and from diversifications in the financial field. Hill Samuel, for example, makes about two-thirds of its profits out of banking (of which straight banking provides about 60 per cent and fees the rest) and the other third from shipping and insurance. It still has to get a larger capital base to expand all its activities, and has, in common with several others, used the Eurobond market for fairly substantial borrowings. The bank feels that to become a stockmarket-orientated bank, of the Slater, Walker mould, would drive clients away. The attitude is understandable; there is a real fear in industry that merchant banks are simply talent scouts for the takeover merchants.

There is another way out, and that is to try to have one's cake and eat it. This difficult operation is being done

with delicacy by N. M. Rothschild and Sons. On the one hand there is the bank. And on the other there is the Rothschild Investment Trust, which goes after special situations in the stock market and makes some pretty aggressive bids. The name of Rothschild is kept firmly in the financial news, and the equity stake in the trust owned by the bank provides a faster rate of capital growth than any of the traditional activities.

The need for capital

Even to stay in relatively straight banking, resources have to be increased. Mergers would seem, on historical evidence, one way of bringing this about. In fact, the number of bank mergers—outside those hundreds that led to the formation of the clearing banks—has been fairly small since the war. The largest series, of which the architect was Mr (now Sir) Kenneth Keith, culminated in the formation of Hill Samuel in 1965; this followed the merger of Philip Hill and Higginson in 1951 and the incorporation of Erlangers in 1959. But Sir Kenneth clearly reckons that those kind of mergers are not what is needed any more—all they bring are more deposits, a little more capital, and a very great many directors. In retrospect, the logic of the merger that he tried to bring off with the Metropolitan Estate and Property Corporation has many more supporters now than it had then. Not only were the terms opposed, but there was a great amount of moral opposition. One of the most influential moralists was the Prudential Assurance company. Two years later, it appears as fairly godmother to the takeover of the Central and District property company by Keyser Ullmann. Things change fast in the City.

The most spectacular merger is the one proposed between that property-laden bank and one of the whizzers of the fringe banks, Dalton Barton. The combined bank will have lendings of

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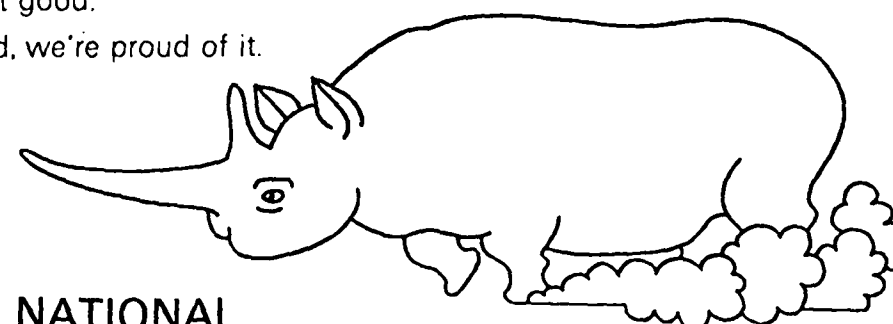
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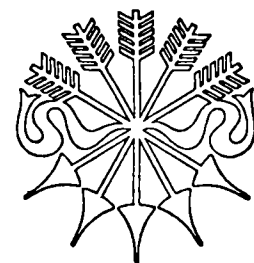
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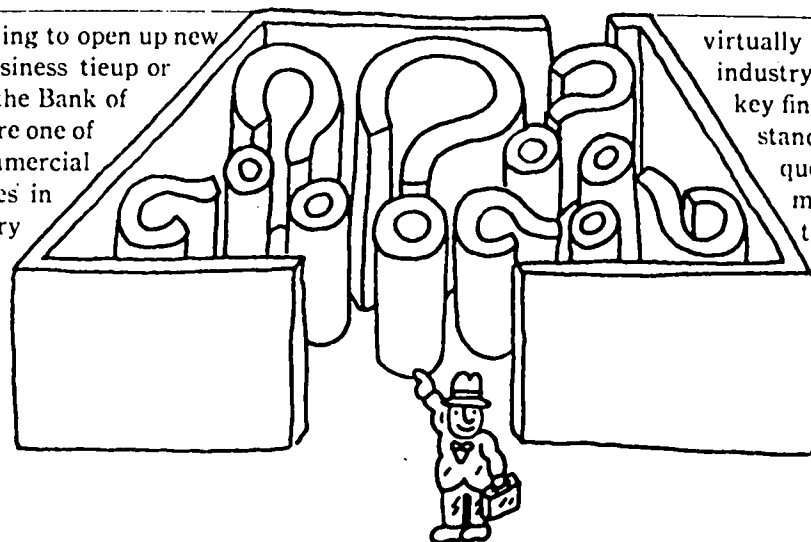


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A fistful of banks

Parent company	Balance sheet date	Market capitalisation £m	Capital employed £m	Deposits £m
Arbuthnot Latham*	31. 3.72	11.5	4.5	50.8
Baring Bros*	31.12.71	—	9.7	99.3
British Bank of Commerce	31. 3.72	25.6	7.2	22.0
Brown Shipley*	31. 3.72	15.4	6.2	75.9
Burston Group	31.10.71	16.3	3.0	63.2
Cedar Holdings	30. 6.71	19.6	5.9	4.8
Charterhouse Group*	30. 9.71	55.0	30.4	40.5
Corinthian Holdings	31.12.71	9.3	1.0	1.4
Dalton, Barton	31.12.71	45.4	5.0	66.1
Drayton Corporation	31.12.71	—	4.0	21.4
First National Finance Corp.	31.12.71	151.2	22.8	107.2
Robert Fraser	31. 3.72	—	5.5	29.6
A. Gibbs*	30. 6.71	10.6	2.7	66.7
Guinness Mahon*	12. 4.72	16.2	7.2	76.6
Hambros*	31. 3.72	75.2	45.2	727.8
Hill Samuel*	31. 3.72	84.1	27.9	508.2
Leopold Joseph	31. 3.72	6.0	3.2	43.9
Keyser Ullmann	31. 3.71	90.2	4.3	50.5
Kleinwort, Benson*	31.12.71	87.5	36.7	389.7
Lazard Brothers*	31.12.71	—	20.8	220.7
London & County Sec.	31. 3.71	29.6	2.9	1.3
Mercury Securities*	31. 3.72	86.8	22.8	166.6
Minster Assets	31.12.71	31.2	14.5	4.5
Montagu Trust*	31. 3.72	116.8	23.3	346.6
Morgan Grenfell*	31.12.71	—	9.4	182.2
Rea Bros*	31.12.71	9.9	2.4	45.3
N.-M. Rothschild & Sons*	31. 3.72	—	10.0	220.0
Schroders*	31.12.71	64.7	21.1	415.8
Slater, Walker Securities	31.12.71	1,415.5	72.7	124.7
Triumph Investment Trust	31. 3.72	67.1	12.0	58.1
Wintrust	31. 3.72	13.0	2.3	23.3

*bank is member of Accepting Houses Committee.

around £110m, and net assets of around £100m. In a few big jumps, Keyser Ullmann/Dalton Barton will have joined the very big league. It is interesting to note that neither bank is a member of the Accepting Houses Committee. As the table indicates, membership of that body does not demonstrate either size, or safety (as judged by the capital deposit ratio) or anything much that anyone should take any notice of any longer. What it does denote is members of the banking establishment. It is about time that it got together with the Issuing Houses Association and formed a new associa-

tion that would lay down the ground rules for banking in the new conditions of flexibility. The speed of Dalton Barton's growth has left many critics in its wake, and the merger of this fringe bank with another merchant bank not in the club, has also produced its detractors, who doubt whether a construction of this size, built with such suddenness, can be solid. No doubt the same was said when some of today's stalwarts were in the process of setting out on the path to ultra-respectability. The next year is going to be a particularly interesting one to watch developments in the non-clearing banks.

The foreign legion

One fall-out from the ending of ceiling controls is the direct and accelerating competition British banks now face from foreign banks in their corporate business. But it would be misleading to suggest that foreign banks have only just become important in British domestic banking. Far from it.

Only those foreign banks which set up in London in the later 1960s suffered positive discrimination during the era of ceiling controls, being given derisory limits for their sterling lending. Others, which had been here for a long time—and many can date

their operations back 40 years or more—had already built up substantial sterling business before the ceilings came in. They suffered no more than the smaller British banks.

And, despite the ceilings, the impact of the foreign banks on the British banking scene has never been greater. New financial techniques like factoring, leasing, certificates of deposit and credit cards have all come from the other side of the Atlantic; and many were actually introduced here by the American banks themselves. More than that, some would

Overbanked though Britain is, foreign banks in London think they can get the business of the larger internationally-minded British firms. Why? Their answer is simple: aggressive marketing and a wider range of more sophisticated services

even say that the newly competitive philosophy behind all the developments in British banking in the past few years, not excluding last year's credit revolution itself, can be attributed to the influence of foreign banks. It should not be forgotten that Citibank first introduced to London the notion of a base rate, and that was back in 1969.

Who matters most

But now the sterling market has been opened up to foreign banks which have arrived in London only in the past few years. At the same time, many long-standing foreign banks, particularly American banks, are now putting the full force of their superior marketing into building up their business in Britain. So far the main impact of the new credit control system has been felt in the volume of foreign banks' business (see table). Their sterling advances to residents in Britain have risen by 87 per cent since September, 1971, when the ratio of foreign bank lending to London clearing bank lending was roughly 1:8. Although the clearers themselves have increased their own lending by over 50 per cent since then, the ratio is now 1:7. Foreign banks' sterling lending to non-banks is roughly double that of the accepting houses.

There are now well over 230

foreign banks represented in London in one way or another. But then only a small number are significantly involved in sterling business. Exactly who does what in the sterling market—and how much of it—is a closely guarded secret: foreign bank branches here do not have to publish individual statistics of any kind. However, it is probably fair to say that only the leading American banks and the odd Canadian, Australian or European bank (Bank of Nova Scotia has branches in Glasgow, Edinburgh, Belfast and Slough as well as London) are of any importance. It seems to be mainly the newer American arrivals and the Eurocurrency consortium banks which are trying to start up from scratch. In addition, some European banks are building up their contacts with British companies with an eye on Britain's entry to the EEC. Crédit Lyonnais, for example, has just opened a Glasgow branch.

Other banks are, of course, involved in a small way. So far this year, for example, three Bangladesh banks have announced London operations—mainly to channel funds from British residents back home. Similarly, there are two Irish banks with six London branches between them: their purpose is mainly to serve the Irish community here.

Citibank, which reckons to be in the

same league as the big merchant banks, is certainly the largest. It is involved in two separate areas of business: consumer finance and corporate business. On the retail side it has taken over the seventeenth largest of the finance houses, Campbell Discount, and merged this with its own small consumer finance company, National City Trust. It pioneered the "money shop" idea, and now has 28 of these, with a target of 50 for the end of 1974. The distinctive aim of the money shop is to destroy the anonymity of the finance house in the mind of the consumer by getting him to borrow direct rather than through a retailer.

It should be emphasised, however, that Citibank, in company with other foreign banks, has no intention of becoming involved heavily in what it sees as the expensive business of gathering retail deposits. Although it does offer savings accounts through its money shops, it has, to date, avoided advertising them. Nor have the American banks advertised their minor cheque account facilities, offered as a convenience to employees of their large corporate customers.

What they go for

Apart from such excursions, the foreign banks are aiming only at the wholesale market. It is probably fair to say that until 1960 the vast majority of foreign banks' corporate business related to their country of origin. Thus a Canadian bank would finance a British company's trade with Canada or arrange working capital for the British subsidiary of a Canadian company. American banks in particular built up their British business on the back of American companies' subsidiaries here. Now foreign banks can also claim substantial corporate business which is not home-based. Their main targets for the future are the medium-sized and large British firms, particularly those with international requirements: this makes business not only for the British branch but also for the wide overseas networks which American banks in particular have been building up so assiduously over the past decade.

The most important side of foreign banks' sterling business is still the provision of loans either for working capital or for investment. American banks have led the way in promoting term loans to replace the overdraft. The interest rate either moves with base rate or is revised at fixed intervals of between three months and a

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The foreigners' sterling business

£m				
Loans to non-bank UK residents*	American banks	Foreign banks and affiliates	Other overseas banks	Total
Sept 15, 1971	427	145	39	611
Dec 8, 1971	533	197	59	789
March 15, 1972	593	209	65	867
June 21, 1972	725	230	100	1,055
July 19, 1972	784	231	129	1,144
% increase Sept 1971-July 1972	+83.6	+59.3	+230.8	+87.2
Balances with other UK banks				
Sept 15, 1971	282	102	46	430
Dec 8, 1971	278	157	36	471
March 15, 1972	314	179	60	553
June 21, 1972	408	195	59	662
July 19, 1972	457	189	70	716
Deposits: from UK banks				
Sept 15, 1971	310	162	54	526
Dec 8, 1971	289	182	68	539
March 15, 1972	368	193	79	640
June 21, 1972	472	211	129	812
July 19, 1972	662	269	188	1,119
from other UK residents				
Sept 15, 1971	317	108	31	456
Dec 8, 1971	367	117	35	519
March 15, 1972	379	142	38	559
June 21, 1972	434	167	44	645
July 19, 1972	485	176	52	713

*Excluding local authorities and money at call and short notice



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year according to interbank rate (a technique borrowed from the medium-term Eurocurrency market).

However, the foreign banks are also trying to sell a broad range of corporate banking services. This is particularly true of some American banks with merchant banking subsidiaries. Bankers Trust International, the foremost of these in sterling business, has just become the first foreign bank to manage a sterling new issue. This was for G. M. Firth (Metals), in which, in true merchant banking tradition, it had previously built up a stake.

It pays to fight

Ask a foreign bank why it can expect to make headway in overbanked Britain and the first answer will almost certainly be "marketing." As one American banker bluntly put it: "Greater aggression is probably our biggest advantage." A list of foreign banks' other selling points might include: speed in taking decisions; better international branch networks than British banks (smaller in numbers but more select in location); and the width and sophistication of their corporate services. Few British banks can boast an international cash management service, for example.

A glance at how Citibank is organised in Britain gives some idea of the kind of competition which British

banks can now expect to face from an increasing number of foreign banks. Citibank has a separate department in London for British corporate business. This is divided five ways on an industry basis (an idea later taken up, incidentally, by head office in New York). These industry divisions are petroleum/chemicals, transportation (covering shipping and airlines but not car manufacturers), consumer products (pharmaceuticals, food, entertainment, etc), engineering (which ranges from cars through electronics, mining and metallurgy) and City activities such as insurance (Citibank are bankers to Lloyds' American Trust Fund).

Altogether Citibank has some 50 "account managers" whose sole job is to identify likely companies all round the country and sell them the bank's services. Provincial companies whose experience of banks has in the past been limited to the clearing banks' local branch managers are hardly in a position to resist.

One final point: for all the foreign banks' enthusiasm to compete with the British banks for comparable business, this is still a very minor part of their activities here. To judge from the figures of advances, indigenous British business accounts for well under 10 per cent of the foreign banks' reason for being in London. But there are new pressures to build this up.

Buddy, can you spare a Eurodime?

It is probably too crude to say that the rush of American banks into London a few years back represented no more than a stampede into the lucrative and explosively growing Euromarkets, but the prospect of extensive and fast growing Euro business promised newcomers that branches set up for other reasons (including prestige) might pay at least part of their way. Now even that modest target has become more elusive. Since the heydays of 1968-69, the growth of the Eurocurrency markets as a whole has slowed down; the proportion of dollars in those markets has diminished; the share of the business done by London has become smaller; and, to cap it all, the proportion of that London business done by the colony of American banks in the City may have contracted.

This harsher climate has already induced American bankers to adopt the British habit of wringing their hands

and declaring that matters have never been blacker and that the outlook is gloomier still. Many have a good deal to complain of in a centre where most have never done very much domestic business, where rents are among the highest in the world, and where the costs of recruiting the specialised staff on which the Bank of England insists have been bid sky-high. While the Eurocurrency market was growing hand-over-fist it was easy enough to rake in the profits there and to ignore the disadvantages of a London location on other counts. But the recent slowdown, in a market so geared to rapid expansion, has brought out the competitive claws. Intense competition has narrowed the spread for bank lending to good names, and the need to keep business going (and the search for more lucrative lending spreads) has channelled more lending to borrowers in Africa, Asia, the Middle East, as well as to an increasing number of second



Crédit Lyonnais; over the border

For those American banks in London in a position to exploit them, the new opportunities of the credit revolution may have come just in time. The salad days of their Eurodollar business could be over

Which currencies matter (percentages of total)

	\$	DM	Sw.fr.	£ and others
1967	80	8	4	8
1968	80	10	5	5
1969	82	10	5	3
1970	77	13	7	3
1971	71	16	8	5

Which centres matter (percentage shares of total Euromarket business)

	1967	1968	1969	1970	1971
London	43	45	49	45	43
Zurich	14	15	12	15	13
Milan	12	12	11	12	13
Paris	12	12	12	11	12
Others*	19	16	16	17	20

*Brussels, Amsterdam, Frankfurt and Stockholm.

and third-class names in Europe.

Partly as a result, the flood of American banks into London has slowed down to a trickle, and the Bank of England has probably been sensible to decide that it will not permit any more whose parent banks cannot show assets of at least \$1 billion. No fewer than 16 of the 34 American banks now in the City came with a concerted rush in 1968 and 1969. Since then, only three more have arrived. Indeed, the most notable American newcomer this year has been not another bank at all, but a watchdog from the United States Comptroller of the Currency who arrived at the end of August with a brief to exercise permanent supervision over the American banks here (complementing the controls exercised under British law by the Bank of England).

Not just temporary

If this pinch on their Eurodollar prospects were thought to be merely an abnormal aberration, the bankers would not be so bothered. The trouble is that all the evidence suggests that it was the rapid growth of 1968-69 that was the aberration and the cooling pace since that represents the more "normal" pattern. The Euromarkets received a very special boost in 1968 and 1969 from President Johnson's restrictions on overseas direct investment and bank lending. As a result of the investment curbs American companies were forced from New York to the Eurodollar market to finance expansion abroad, while the restrictions on overseas lending by American parent banks shifted more of this business to their offices abroad. At the same time, the American credit squeeze, which began in late 1968, gave the Eurodollar market a further boost, while regulation Q, in preventing American banks from securing all the funds they needed at home, turned

them into heavy borrowers from their London and other overseas branches.

The tables show just how much of a boom these factors produced in the world's Euromarkets, and more especially for London and the American banks here. In the two years to the end of 1969, the Euromarkets more than doubled in size (with dollar liabilities accounting for more than 80 per cent of the total); London's share of the total business rose to just under 50 per cent, and the American banks got almost two-thirds of that.

Since then, the initial impetus to the markets' growth given by President Johnson's restrictions has worn off. Indeed, the outlook is that these restrictions will be gradually dismantled by President Nixon once the dollar begins to recover strength and some progress is made on negotiating a reformed world payments system—both of which could happen around late next year or early 1974. Nor is that all. The special contribution made to the Euromarkets by America's regulation Q has been absent since June of 1970, when this restriction was abruptly removed to give American banks in the United States the added liquidity it was thought they would need to absorb the shock of the Penn Central collapse. The response was shattering: the head offices of American banks promptly ran down their (relatively expensive) liabilities to overseas offices from a peak of \$15 billion in November, 1969, to almost nothing.

Small wonder, then, that in the past two years the expansion of the Euromarkets has been far less rapid, although still appreciable. Yet even this slower rate of growth has owed much to special factors, that are again diminishing. The differences between the business cycles in America and Europe created an exceptional amount of in-

terest arbitrage between national money markets and the Euromarkets in 1970 and 1971. In addition, a large part of the impetus behind the expansion that took place in these years was created indirectly by America's massive basic payments deficit, which not only fuelled world liquidity, but also led to controls on capital inflows on the part of surplus countries—a partial closure of domestic markets which forced the placement of funds on the Euromarkets instead. At the same time, the uncertainty created for exchange rates by the weakening of the dollar made Eurolending attractive in currencies expected to appreciate and borrowing attractive in those expected to depreciate, while interest rates rose sufficiently to provide borrowers in the first case and fell sufficiently to produce lenders in the second.

Many of these special factors have already lost some force. They could lose more still if, as seems just possible, the outlook for exchange rate stability improves further. The markets have already steadied since sterling came off its peg. A gradual recovery of the dollar and any reform of the world payments system would obviously contribute even more to stability. Moreover, the economies of nearly all the large industrial countries are now gradually moving into step in an almost universal expansion of output and trade, so that interest differentials should become less marked.

Creamed by the few

To be sure, the proportion of London's Eurobusiness done by American banks in the City has probably not contracted as much in reality as the Bank of England's figures would suggest, if only because some of this business is now done by the new medium-term Eurobanks in which American banks

That decline in the growth of the Euromarkets

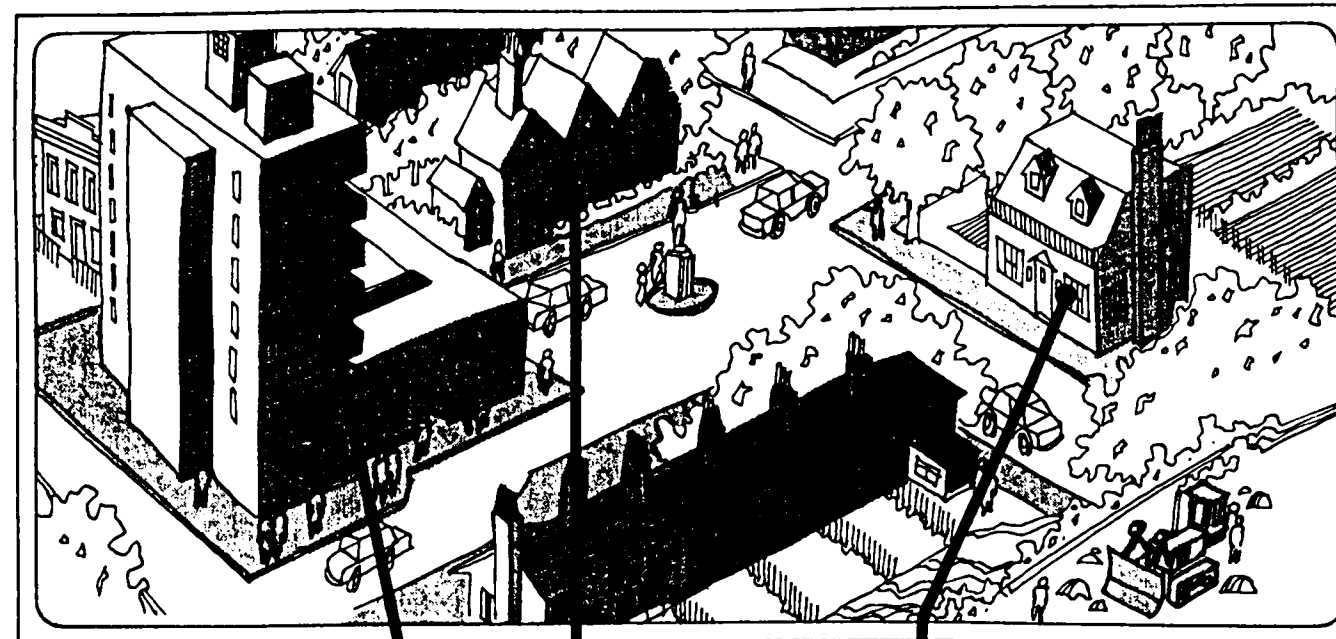
end-year	Total for all centres \$ billion	% change	London \$ billion	American banks in London \$ billion	% share of total
1967	24.2	+22	10.5	5.5	23
1968	38.0	+57	17.1	9.9	26
1969	58.2	+53	28.8	17.7	30
1970	78.3	+34	35.3	18.9	24
1971	100.4	+28	43.6	22.2	22

Data are for banks' gross foreign currency claims on nonresidents. The Bank for International Settlements put the gross size of the Euromarkets at \$100.4 billion at the end of 1971: the net size of the market, after allowing for double counting, was estimated at \$71 billion, and the dollar component at \$57 billion.

Who dominates the London market (percentage shares †)

	1969	1968	1969	1970	1971	1972*
American banks	56	60	64	67	52	48
British overseas banks	14	13	12	15	16	16
European and other foreign banks	17	14	11	13	16	19
Clearing banks and others	13	13	13	15	16	17

*April figures for 1972; others, end-year †Bank of England classifications



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The UK agent of an overseas car manufacturer has been entrusted with the job of buying a range of British machine tools for a car assembly line. The financing of the whole deal has been speeded up and simplified with the help of International Finance and Services Ltd, export finance house in the UDT Group. The overseas buyer is given credit for all purchases from the various machine tool suppliers under a single financial agreement. In turn, the suppliers' part in the deal is concluded with a cash payment in London.



Local schoolmaster has just completed an extension to his house. It was paid for by a UDT Key Loan, making it unnecessary for him to cash in his savings.

A property development company wishing to construct an office and shopping complex requires a bridging loan to cover the period of the development. Old Broad Street Securities Ltd, the merchant banking arm of UDT, has provided the major part of the finance. Being acknowledged specialists in this field, they are able to tailor the arrangements to the specific requirements of the company.



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HELLENIC INDUSTRIAL DEVELOPMENT BANK ETBA

Actively participating in the National Government's effort for the development of the Greek economy, the Hellenic Industrial Development Bank (E.T.B.A.) has intensified its activities, in order to offer a substantial contribution to the country's economic revival.

To this end, E.T.B.A. sought to establish co-operation with world-known financial institutions and major foreign banking establishments. E.T.B.A.'s new orientations calling for its dynamic presence both in Greece and abroad has made it necessary to reorganize the Bank's offices in New York and Cologne and to establish representatives in Paris, Milan and Tokyo. Thus, 1972 has found E.T.B.A. at the decisive stage of materializing its investment programs which were studied and elaborated last year; the Bank's reorganization and interconnection with foreign Banks being the basic conditions under which key industrial investments projects may be carried out.

The Bank's efforts to expand its loan financing activities were speeded up during the past year. Thus, total loan approvals during that year increased by 17% and loan granting by 11.5%, compared to those of 1970. The expansion of the Bank's loan financing activity reflects the growing interest of private enterprise in new investments within the framework of the country's economic development.

The basic principles governing the Bank's activities in the Industrial Sector may be outlined as follows:

- Utilization of domestic raw materials.
- Preferential support to export-orientated industrial enterprises or units whose products are likely to replace imported goods.
- Support to provincial industrial enterprises.

In view of the foregoing targets, total loans approved to industry last year amounted to about 1,475 million drs. Moreover, on the approval of the appropriate currency authorities, the Bank extends medium-term loans to shoe manufacturers for working capital requirements.

The recently recorded sharp rise in the flow of tourists in Greece calls for substantial increase in hotel facilities. To help meet this requirement E.T.B.A. has approved loans to tourism, which last year amounted to about 716 million drs. Out of this amount, 79% went to tourist facilities in the provinces.

As a sector of decisive importance to the economy, Merchant Shipping has been the object of particular care on the part of E.T.B.A. Last year, loans approved to shipping amounted to about 1,701 million drs. and

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contributed not only to the expansion and renewal of the merchant fleet but also to the development of the shipbuilding industry in this country. In 1971, loan approvals to shipping increased by 28.4%.

Total loans approved by E.T.B.A. last year amounted to about 3,970 million drs. In 1972, the total figure of loans to be approved in industry, tourism and shipping is expected to reach an even higher amount.

In addition to loan financing, the Bank makes equity investments, holding majority or minority interests, in various companies. By such equity participations, the Bank helps these companies to replenish their resources in capital and promote themselves into viable productive units. Thus, the Bank, far from competing with or superseding private enterprise, becomes its valuable supporter.

The Bank's ultimate goal is to transfer its shares to private investors, so as to release its funds for activity in other developmental sectors.

In addition to its activities in the financing, equity investment and promotion sectors, the Bank has assumed responsibilities for the realization of major infrastructure projects financed under the Public Investment Programme.

- These are:
- Development of industrial areas in Thessaloniki, Volos, Patras, Kavala, Heraklion and Chania (Crete).
 - Establishment of sea water desalination plants on certain islands and in other areas where there is shortage of fresh water.
 - Systematic exploration of the country's mineral resources.

Thus, E.T.B.A., moved by the principles of supporting and encouraging private initiative, of continuous and constructive participation in domestic and foreign business activities and of preferential aid to pioneer ventures, has offered substantial contribution to the long term financing of Greek Economy, and to the economic policy of the National Government.

have an important share but which are listed by the Bank of England among European and other foreign banks in London. It may be that, taking this business into account, the share of London's Euro-lending done by American banks has not declined at all.

But the business remains as concentrated as it ever was. Three years ago the American Fed's Mr Andrew Brimmer estimated that 95 per cent of the Eurobusiness done by American banks in London was done by 14 banks. A contemporary estimate by a well-placed source suggests that two-thirds

of the business is now done by only 10 banks: the Chase, Citibank, Bank of America, Manufacturers Hanover, Morgan, Chemical, the First National of Chicago, Bankers Trust, Irving Trust, and Continental Illinois. These are mostly the long-established banks here (the Chase came as early as 1872), and it leaves a pretty thin spread for the other 24, especially as most of these newcomers are not well equipped to take advantage of the new freedom to go for sterling lending. These smaller fry will need all their American ingenuity.

Nobody's hurting the building societies

When the Bank of England gave the banks freedom to compete for personal savings, it made a proviso that if the pressure of competition got too much for the building societies, some limits might have to be imposed on the terms offered for banks' savings deposits. But no such mollicoddling has yet been necessary; nor does it seem at all probable in the near future.

For the best part of the past year, the building societies have enjoyed a rip-roaring boom. In the first six months of 1972 alone, their total assets increased at an annual rate of 17 per cent, and lending was up by 44 per cent on a year earlier—although, because of the astronomic rise in house prices, the number of loans made was up only 14 per cent. This orgy of lending was made possible by an unprecedented inflow of funds, in flight from lower interest rates elsewhere, and from a dull stock market. The net increase in building society saving in the first half was no less than £1,154m, 36 per cent up on a year earlier.

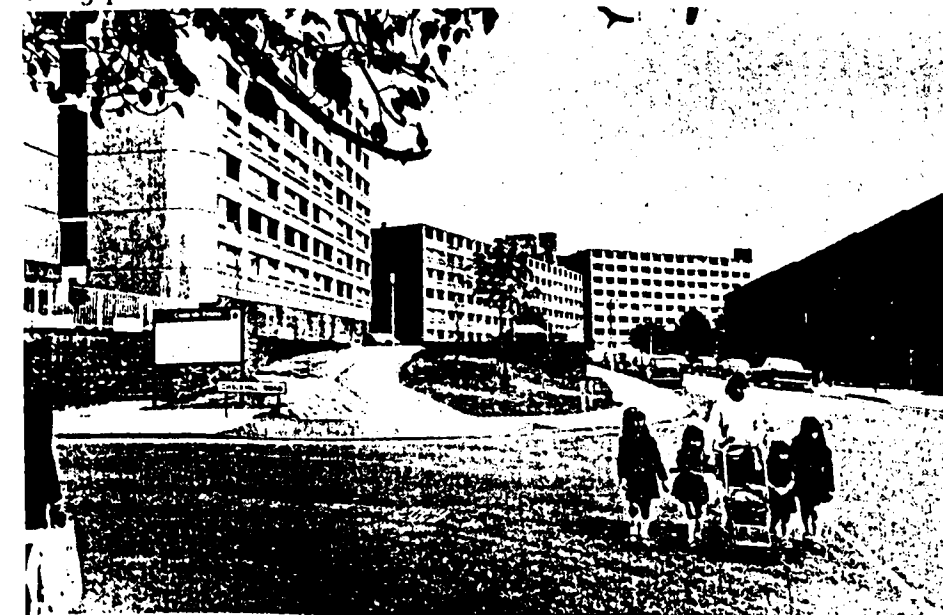
And yet the banks had not been idly standing by. Just how much more they are lending to outsiders for home-buying is difficult to say because the figures are lumped together with home loans for their own staff. But the significant rise in this category this year must mean that the banks are much more willing to look at house finance for ordinary customers.

But not in the same way as the building societies, whose traditional role is to borrow short (with investors' funds repayable pretty well on demand) and lend long: their standard mortgage runs for 20, sometimes even 25 or 30, years (although, because of people moving, the actual life of the

average mortgage is only 8 or 9 years). To commit themselves that far into the future does not appeal to most banks. Although there have been one or two isolated reports of 20-year bank loans for house purchase recently, 5-10 years is much more usual. Individual banks differ in their approach; Barclays has recently introduced a formal scheme for 10-year loans for house buying and major improvements. National Westminster is also prepared to lend for up to 10 years. Some of the other banks are happier with a five-year commitment.

What it costs

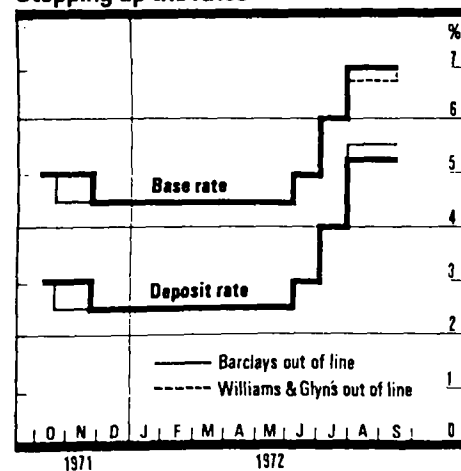
The price of a bank home loan can vary widely, depending on the bank and on what security is offered. If the loan is secured by the property, or some other asset, the cost can be from 2 to 5 per cent over base rate. If the



We'll help them buy their own

Banks are trying to get more of the home loan business. But somewhat faint-heartedly

Stepping up the rates



property is already mortgaged, the bank may be less happy to accept it as security and could charge towards the upper end of the scale. The most expensive way to borrow is to get a personal loan at a flat rate of interest which can work out at a true rate of 15 per cent a year or more.

A different market

Costs apart, banks essentially cater for a different market from the building societies. Not usually for them the young family man who hopes to own his suburban three-bedroom semi in 25 years time; but they will help someone who wants credit to buy a house now until he gets a lump sum on retirement in a few years' time, or someone who wants to buy a short lease, which the building societies would not look at. The banks' total share in the house finance market is probably no more than 5 per cent, even now; but, because of their flexibility, they are playing quite a useful role in greasing the wheels. And although they do not seem to be planning for all-out expansion in this field, the banks can be expected to increase this part of their business at least for the rest of this year. There is one possible snag: the recent letter from the Bank of England directing the clearers to cut back on loans for property companies. The banks have up to now assumed that this directive applies only to speculative property development, on which they had started cutting back several months ago in any case; but they are just a bit worried that the first letter might be followed by another one, perhaps in the autumn, telling them to clamp down on private borrowers too. Indeed, the banks are already less prepared to consider lending to personal borrowers buying a second property to rent out.

All this leaves the building societies very much with the lion's share of the housing finance market, one probably

not far off 90 per cent, allowing for mortgage lending by local authorities and insurance companies as well as the banks. And it is a share that is still rising. The Building Societies Association expects their share in the financing of new houses (which at present make up around a quarter of new mortgages, and will account for more in the near future as the present larger crop of new houses comes on to the market) to rise to 86 per cent next year, against 85 per cent this year and only 76 per cent as recently as 1970. With older houses, the societies' share is larger still.

The problem for the building societies is to attract sufficient funds to keep this expansion going. Investors are now more alert to interest rates, and the improving returns elsewhere have nearly halved the building societies' net monthly inflow since the beginning of this year. Despite their natural conservatism—and after having put the evil day off for a month, presumably under Government pressure—the building societies in early September therefore decided to raise their mortgage rates, having lowered them as recently as last November. The new rate, 8½ per cent, is back to the post-war high, and provoked the usual outcry.

But the building societies really had little choice. They not only had to keep up with other rates in the market, but on this occasion also had to make an allowance for the change in personal tax rates on unearned incomes next April, from 38.75 per cent to 30 per cent. This will have the effect of cutting the investor's gross interest on building society shares to the tune of about 3 per cent, and would have been enough in itself to force the building societies to raise their rates. The alternative—to fall back on the old standby of mortgage rationing—would be politically even less acceptable.

Overseas is over the Channel

The days are long gone since the ambition of a rising young man was to join a branch of a British bank in Pretoria or Calcutta rather than the coterie of clerks and decorative notables in a London office. The geographical focus of the British overseas banks has been shifting and with it the mix of business. Some of the changes have been forced on these banks, and accepted with reluctance, by the political vagaries of the third

world. But by far the most significant have been deliberate acts of policy. Certainly this is true of the latest and most fundamental—though oddly unremarked—shift in the British overseas banks' priorities: the decision to become truly international banks and to move, on the eve of Britain joining the common market, into Europe.

The most talked-about development has been the emergence of the British overseas banks as a force in the new

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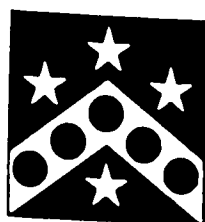
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The giants among the British overseas banks (1971 figures)

	Total assets (£m)	Rank in the world's top 300	Number of full branches
Barclays Bank International	2,888	49	1,584
Standard and Chartered Group	2,513	59	1,397
Hongkong and Shanghai Banking Corporation	1,818	79	230
Australia and New Zealand Banking Group	1,768	84	1,500
Lloyds and Bolsa International	1,559	91	182
National and Grindlays	906	136	112

international money markets—indeed, even now, they are probably second only to the American banks in the London Eurocurrency markets. Between 1963 (when the Bank of England's detailed statistics began) and 1971, the foreign currency business of the British overseas and Commonwealth banks shot up very dramatically. The one major bank which gives a geographical breakdown, National and Grindlays, derived more than 57 per cent of its group profits in 1967-71 (and over half of its worldwide deposits) from its London operations. And even before the mergers and reorganisations of the past few years, the London operations of the banks that are now grouped into Barclays International, the Standard and Chartered Group, and Lloyds and Bolsa International were almost certainly at least as important in their results. The exceptions to the rule, not surprisingly, would be the Hongkong and Shanghai Banking Corporation and the Australia and New Zealand Banking Group.

To some extent, this growing weight of London simply reflects the fact that much of the bread-and-butter business of international banking today need

no longer be parcelled out among several geographical centres—at least not so long as countries eschew running backwards into capital controls. But this does not mean that the vast overseas branch networks built up over the years by the British overseas banks have now become little more than expensive embarrassments. Far from it.

There has been some pruning, particularly in some of the more politically volatile areas of the developing world. Moreover, some banks have deliberately transferred some of their traditional retail banking activities to locally owned, or at least locally controlled companies. But in other fields there has been expansion. Above all, there has been a shift in accent increasingly towards activities more normally associated with merchant banks in this country.

It was Bolsa and National Grindlays, two of the banks most exposed to political uncertainties, that led the pack into the Eurodollar market. (It has been groups like the Australia and New Zealand that have felt able to stick more to settled patterns of business.) In one sense, these shifts represented a return to first origins. Long before the British overseas banks branched inland to become dominant domestic retail bankers (and in some cases virtually also the central bankers) of the emerging empire, they were specialists in foreign exchange transactions and the financing of foreign trade. Indeed, in their early days they were called not overseas but foreign exchange banks.

Into Europe

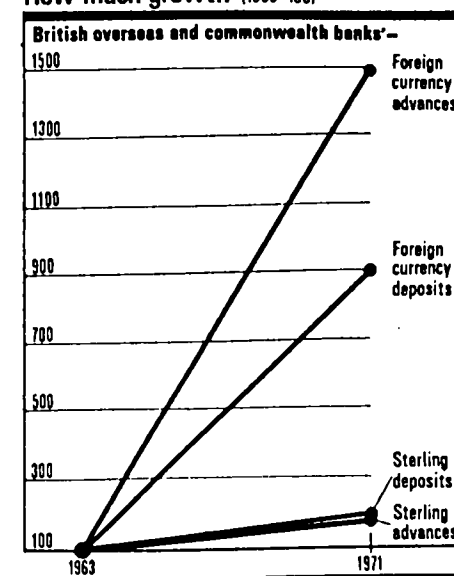
But the positive break with legacies of the past is the banks' new focus on the rich Japan-Europe-America axis of the developed world, especially on the continent. The decision to go truly international and to tap these new pastures is the latest chapter in the story of the British overseas banks, one that began only at the very end of the 1960s. And it is this decision that has been the thrust behind the recent mergers and reorganisations that have

so fundamentally reshaped these banks.

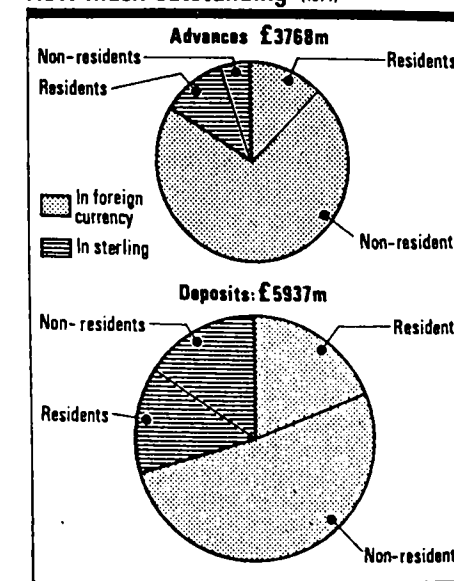
There have been two prongs to the attack. First, there has been the move into the United States, in some cases by the outright acquisition of American banks, in other cases by the forging of links with American partners—Bolsa with Mellon, the Standard with Chase Manhattan, National and Grindlays with First National City. Second, there have been the links and rationalisations that produced Barclays International (wedding the traditional overseas outlets of Barclays DCO with the broader international stake in the developed world of Barclays proper) and Lloyds and Bolsa International. National and Grindlays got into Europe as early as 1969 through its acquisition of the European branches of the Ottoman Bank. (There was perhaps a conscious element of double insurance in this decision not to count only on the bank's link with Lloyds—a realisation that Lloyds may eventually plump to maintain only its Bolsa partnership.) The other major merger was the coming together of the Standard and Chartered. Here, too, a major target is the common market.

How successful the plunge will be is a story still to be written. Most of the new groups combine specialised foreign exchange expertise and an established presence in the developing countries (which are now likely to come into closer partnership with an enlarged common market), with experience in Europe itself. That is a powerful combination. Admittedly, the Standard and Chartered may find the going tougher. But the overseas bankers have gambled before. They are willing to gamble to win again.

How much growth (1963=100)



How much outstanding (1971)



Learning to live on credit

The consumer in search of a loan has never had it so good. Restrictions to bridle his spending have been abolished, the Chancellor has been heaping favours on him, and the financial institutions are queueing up to cater for his every need. The reaction, naturally, has been that money has been channelled into the kinds of spending formerly held back by controls. Between September last year, when the Bank of England announced its new deal on competition and credit control, and this July, buying in durable goods shops (discounting price rises) rose by well over 12 per cent, twice as sharply as it did in the rest of retailing. What is more, money owed to retailers and to hire purchase companies (which includes the financing of car purchases) shot up a full 22 per cent.

The first pointer to a change in climate was the publication in March last year of the long-awaited report of the Crowther commission on consumer credit. It recommended, very broadly, that all loan transactions should be put on the same footing, to be governed by a new Lending and Security Act; and that consumers should be protected by a Consumer Sale and Loan Act which would, among other things, make it mandatory to state the true rate of interest being paid. Of more immediate relevance, the commission wanted to see all "terms controls" (government regulation of the size of deposits and of repayment periods) abolished for good. At the time, this seemed little more than a pious hope. But come July, last year, after consumers had proved so resistant to his blandishments, Mr Barber did drop the controls—which affected not only the hire purchase companies, but also the banks which had previously been forced to abide by the same rules on their lending on items such as motor cars.

Lifting of the restrictions unleashed the predicted run on durables. But it also set the scene for greater changes to come. A certain amount of competition had already crept into the consumer credit business. While finance houses had not altogether abandoned deposits and shortish repayment periods on hire purchase deals, there was now room for more variation; some of the smaller companies, particularly, felt able to offer more attractive terms.

There was also some reappraisal of the finance houses' traditional way of

doing business mainly through their links with retailers. Their personal lending—which was not subject to terms control—had already greatly expanded during the period of government restrictions. Some of them have now taken this development further, into more flexible personal lending arrangements, and into opening up "money shop" type high street premises for direct dealings with the public. The pioneer in this field was a subsidiary of the American First National City Bank, National City Credit. Several others have now followed suit, among them the largest finance house, United Dominions Trust, which has already set up a string of eight "moneycentres" up and down the country in provincial centres, and plans to open several more before the year is out.

The idea is to attract people who already have a bank account but may resent their bank manager's stern paternalism, as well as that "unbanked" half of the population which finds an ordinary bank too intimidating. According to some bosses of finance houses, direct lending is going to be the most promising field, in line with the Crowther prediction that "connected loans" will gradually be replaced by direct loans. Others insist that there will always be a niche for their companies' traditional hire purchase business. But all agree that the clearing banks have been snapping at their heels pretty hard, which is one reason why most of the majors have sought, and been granted, banking status, in the hope that they may be able to lay their hands on slightly cheaper funds that way.

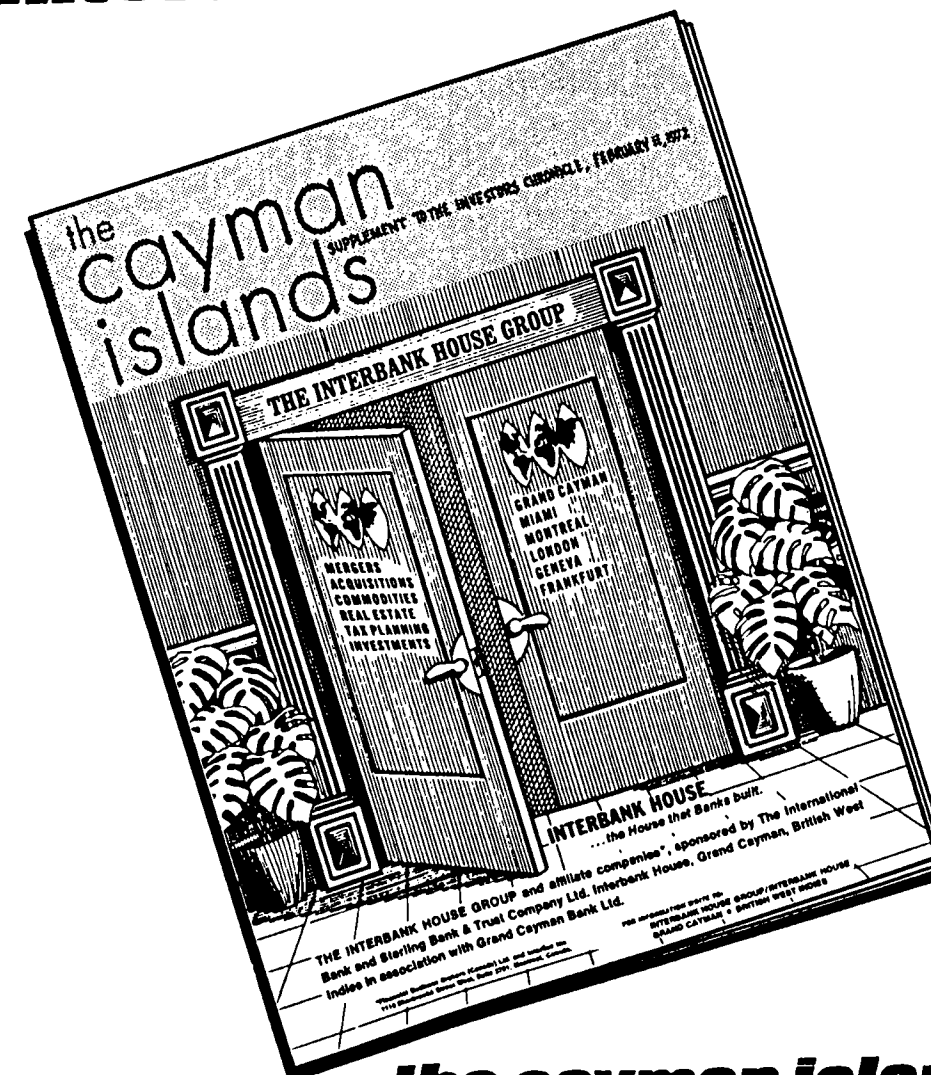
The banks join in

The banks have been going all out for the consumer market. And very successful they have been. In the year to this August, their loans for house purchase went up by more than half, and other advances to private borrowers by a staggering 118 per cent. Nor does this mean just the same old overdraft more liberally applied. The banks, rather cannily, now tend to offer would-be borrowers personal loans (even Lloyds, which used not to favour these, now has them), to be repaid at a regular monthly rate at attractive-sounding flat rates of interest—which, once converted into true annual rates, turn out to be rather

Continued on page 60

The credit game is not yet a national sport in Britain. But it promises to become one. Unfortunately the Crowther proposals for reforming the legal tangles have got bogged down

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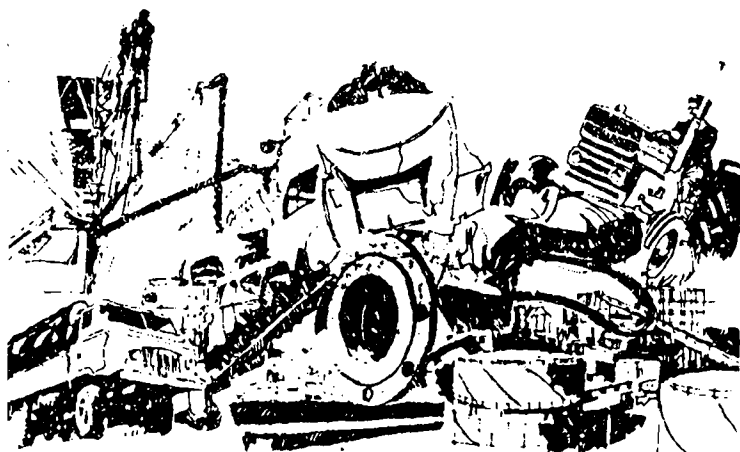
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Confounding the prophets, the cashless society is still a thing of the future. But the big clearing banks are now working more seriously on the demise of hard cash. If they have their way, credit cards will eventually take over for all but the smallest transactions.

For a start, at the end of next month the number of credit card holders in Britain (now about 2m) will more than double overnight, with the launch of Access—the new credit card operation jointly run by National Westminster, Midland, Lloyds, and the most recent recruit to the scheme, Williams and Glyn's. For the first time since Barclaycard was started up during the 1966 credit squeeze there will be serious competition in Britain's general credit card market.

There is, of course, a stack of credit cards already, starting from American Express and Diners Club (in which, incidentally both Lloyds and National Westminster have interests) down to more limited operations such as Hertz, Avis, Blue Star or even such as Harrods's own card. But even the largest of the specialist operations—Diners Club and American Express—probably have a membership of not much above 100,000 each in this country. By contrast, there are about 2m holders of the Barclaycard. Access has already lined up more than 3m, and hopes to have as many as 5m within a year of launch—a lot more than the present combined issue of all cards.

Onto the bandwagon

Access is coming in somewhat late in the day. When Barclays first struck out, the other clearing banks opted for the cheque guarantee card instead of a competitive venture. They thought the British public would make more use of personal cheques if this was made easy enough, but was not ready for a radically new departure in the shape of general credit cards. In fact, Barclays did have to spend a lot of time and money enticing the British into the credit habit. But after a number of years in the red, the service is now beginning to be profitable.

No doubt it was the prospect of a not-too-distant profit that induced the other clearers to follow suit. But when the Joint Credit Card Company (the operating company for Access) was set up in April last year, there was, in the words of its chief executive, Mr Hugh Cameron, little more to it than "three big banks and a computer expressing confidence." Now, with over 60,000 retailers (roughly half the eventual goal) already signed up for the

service, the prospects are looking a lot more solid. Almost certainly, Barclaycard's pioneering work has made the task for Access easier. But there is still no telling how long it will take to break into profitability after the huge start-up costs.

Access has cast its net much wider than Barclaycard, but has been pretty careful about selecting its potential customers, working through local bank managers who vet customers' accounts and send a letter of invitation to the good risks. Fraudulent use of credit cards and bad debts have not so far been a major problem in Britain: although Barclaycard handed out its cards fairly indiscriminately when it first started, its losses on fraud and defaulting are probably no more than half of 1 per cent. But in the United States, where credit cards have been going for much longer and ownership is much more widespread, fraud losses run at about 2 per cent of turnover. Criminals in Britain too might become more active in this field as the use of credit cards spreads.

Buying on tick

If customers all settle their accounts promptly, there is little gravy for the card operators. Profitability is dependent on customers making use of the extended credit facilities offered. Barclaycard holders get their cards free and have between one and two months to pay for a transaction. After that, interest, at 1½ per cent a month, is charged on the sum outstanding. Access is likely to offer similar terms—although it remains to be seen what effect competition will have on the rivals' terms. And how canny will the British get? Some American credit card companies have come badly unstuck by counting on fat interest rates and then finding their customers much less tardy than expected. The American Diners Club has lost £27m over the past two years. And even the BankAmericard group—which with Master Charge leads the American credit card business—admits that fewer than half of the banks issuing their cards run the system at a profit.

Part of the card operators' expenses will, of course, be met by contributions from retailers. In Britain, this charge now varies between 1½ and 5 per cent of the turnover generated by the cards. To a small trader, the expense may be worth while because he will probably be able to cut down on his bookkeeping, and there will be less free financing of customers' debts. There is also the hope that



Take your choice

extra turnover generated by the card will more than make up for the discount—but this becomes increasingly less cogent as more retailers join the scheme. Particularly for the larger stores, accepting credit cards is more a matter of not wanting to turn away business—though possibly people do spend more freely if they do not have to pay on the nail.

A growth market

As larger numbers of people latch on to the banking habit, the market for credit cards will surely expand. They are, after all, a great convenience. How far customers will use the system for extended credit, however, is another question: it is almost as pricey as hire purchase and more expensive than a bank overdraft or even a personal loan.

If the card operators want maximum spread they should hurry into Europe. Barclaycard is already recognised in Spain, Portugal and Greece. Access has long-term plans for Europe (and card-holders using Thos. Cook can safari now and pay later). There are exchange rate problems to be sorted out—particularly when the pound is floating—and security obviously becomes trickier. But Eurocheques—which allow customers to draw money on a British cheque while travelling in Europe, against presentation of a plastic identification card at a European bank—are already spreading. Barclaycard and Access should not be far behind.

expensive (usually around 15 per cent a year). But they are still cheaper than ordinary hire purchase terms for cars (usually upwards of 20 per cent). Even a few trustee savings banks (in Glasgow, Paisley, Perth and Kirkcaldy) have got into the market, without waiting on official blessing, by joining hands with the Bank of Scotland to extend loans of up to £1,000 over three years at 7½ per cent flat.

Retailers themselves are also getting increasingly active in the credit field. The Co-op, for instance, now offers a shoppers' loan plan (at 9½ per cent flat), and Woolworth has recently

ventured into giving credit to support its new policy of trading-up. Yet the finance houses are keeping their cool. The reckoning is that the whole consumer credit cake will expand so much that there will be plenty for everybody. Consumer credit in Britain as yet accounts for only 9 per cent of total consumers' expenditure, well below the level in many other countries.

Whatever happened to the Crowther proposals for reforming the legal tangle surrounding the field? In June, the Earl of Limerick said in a debate on consumer credit in the House of Lords that a considerable amount of work

had been done on this. The Minister for Trade, Mr Michael Noble, gave a similarly encouraging answer to a question in the Commons. But, eighteen months after publication of the report, indications from the Department of Trade and Industry are still that there can be no certainty that legislation will be introduced next session. And even then there is a good chance that it may only deal with the consumer sale and loan side, leaving out the more basic reform of lending and security practice. The legal mills not only grind slowly, they may not even grind all that fine.

Climbing the rungs

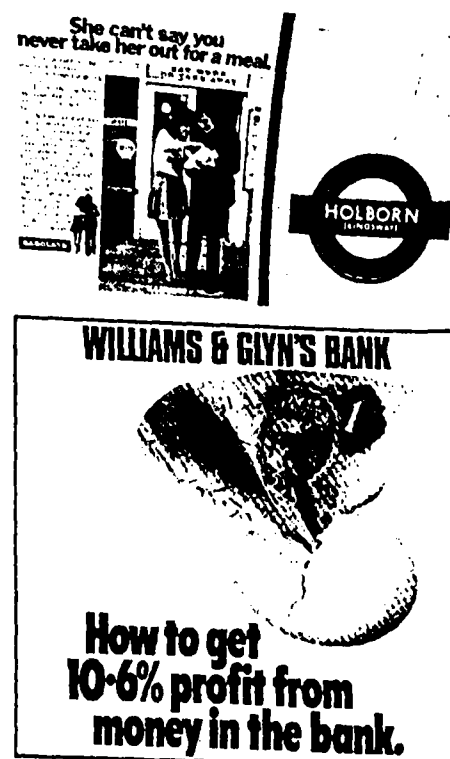
All the big four among the London clearing banks rank among the top 25 giants of the international banking league, although only Barclays and the fast-expanding NatWest are comfortably ensconced among the top 10. Lloyds and Midland are well down. The trick is to climb the next rungs, past some formidable rivals bent on the same game. And one of the newer prongs of the attack is the greater attention of the clearers to their image. In some fields, especially in pushing their bank bulletins, the British still have a lot to learn. But their poster image is brightening.



Where British banks stand in the league

	Assets		Deposits	
	1971 \$ billion	% increase since 1968	1971 \$ billion	% increase since 1968
1 Bank of America	33.41	38.3	29.07	35.2
2 First National City	28.74	46.5	24.26	45.8
3 Chase Manhattan	23.95	23.6	20.37	21.9
4 Barclays	18.66	29.4	16.28	27.1
5 Dai-ichi Kangyo	17.52	62.2	13.50	84.9
6 National Westminster	16.95	61.1	15.47	65.8
7 Banque Nationale de Paris	15.49	77.4	13.43	136.9
8 Deutsche	15.22	145.9	10.80	88.8
9 Banca Nazionale del Lavoro	14.74	62.3	13.05	69.7
10 Manufacturers Hanover	13.84	30.9	12.21	32.7
11 Crédit Lyonnais	13.76	87.5	11.97	124.6
12 Morgan Guaranty	13.27	26.7	10.67	29.9
13 Western Bancorporation	13.14	35.6	11.01	32.3
14 Westdeutsche Landesbank Girozentrale	12.80	78.8	10.41	223.3
15 Fuji	12.77	54.0	10.07	74.2
16 Dresdner	12.68	140.6	9.21	90.3
17 Chemical New York	12.45	37.1	10.53	37.8
18 Royal Bank of Canada	12.39	58.6	11.69	64.9
19 Sumitomo	12.35	53.8	9.94	78.5
20 Mitsubishi	12.18	52.2	9.60	76.5
21 Sanwa	11.61	47.9	9.03	67.5
22 Lloyds	11.45	65.0	10.47	73.3
23 Midland	11.39	41.3	10.37	43.0
24 Société Générale	11.09	68.0	8.89	44.8
25 Canadian Imperial Bank of Commerce	11.00	35.8	10.38	39.7

Source: *The Banker*, June, 1972.



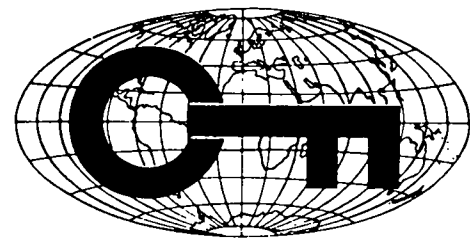
Castles on the Rhine—Japanese brush painting



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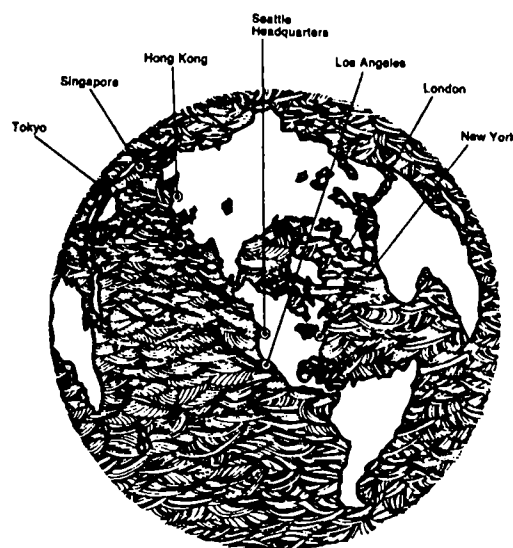
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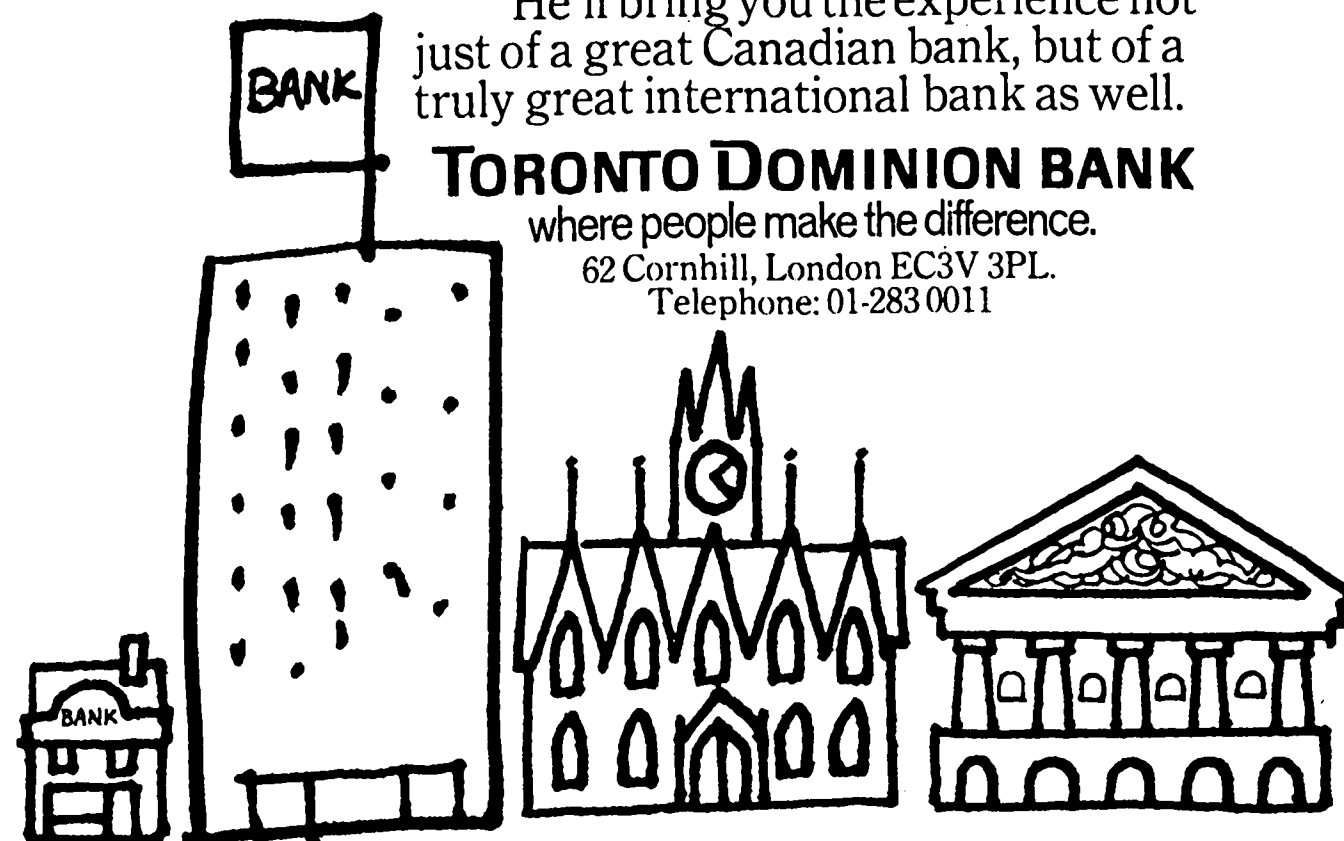
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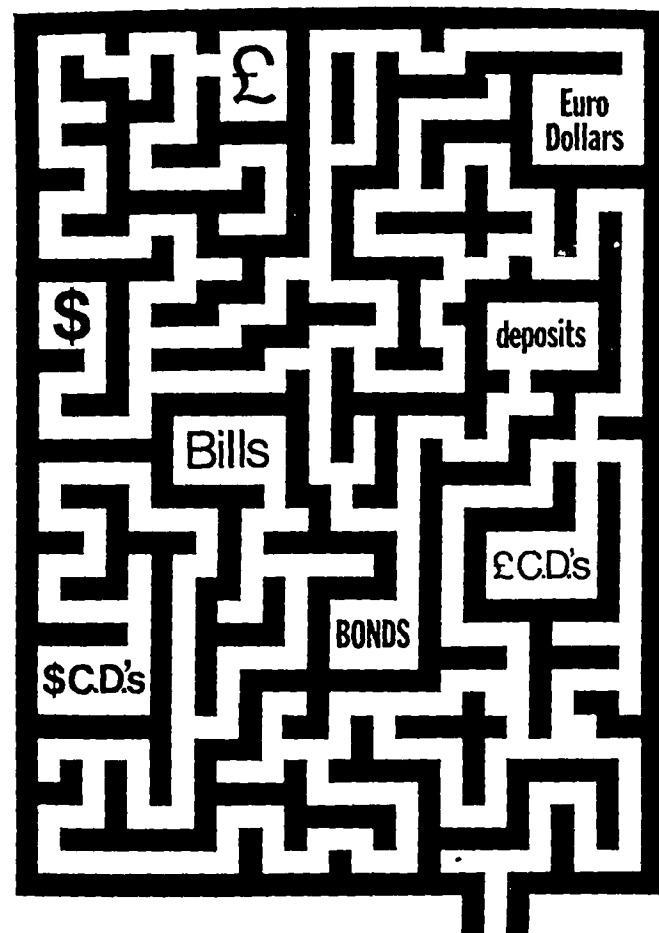
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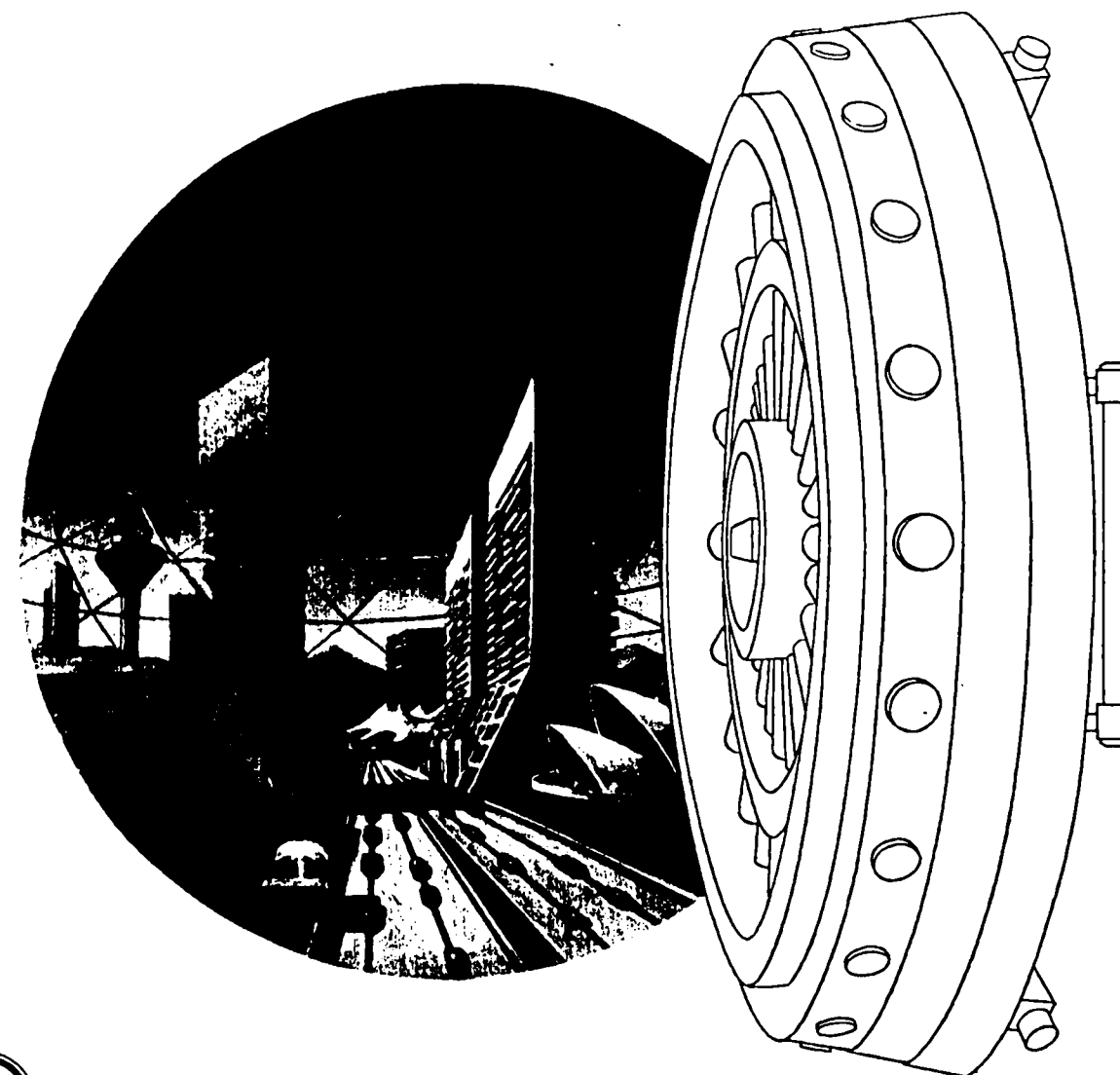
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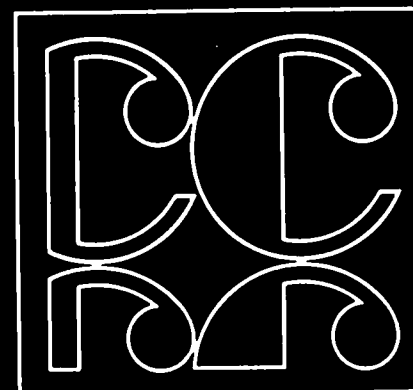
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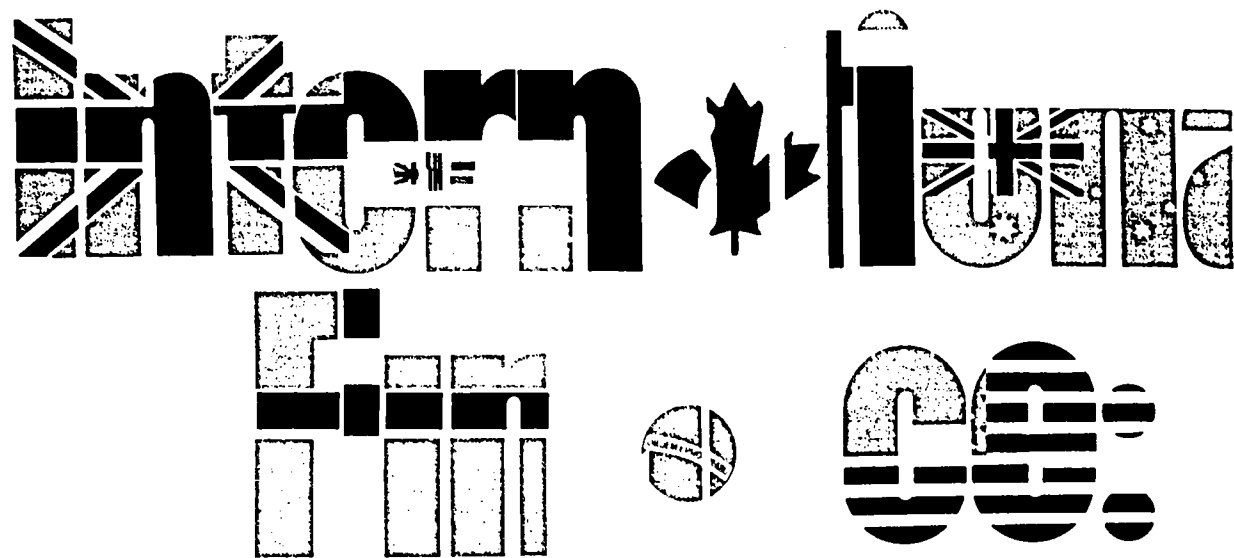
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Books

"I am sorry for Russia"

AUGUST, 1914

By Alexander Solzhenitsyn.
Bodley Head. 645 pages. £3.

On August 14, 1914, Emperor Nicholas II informed his foreign minister that he had ordered the commander-in-chief of Russia's troops, the Grand Duke Nikolai Nikolaevich, to open up the road to Berlin as quickly as possible and at all costs. Some 11 days after the first Russian units entered East Prussia, the army was completely destroyed at Tannenberg by a German force it far outnumbered, a defeat compounded of monumental Russian blunders and sweetened for the Germans by a deep folk-memory of a Prussian humiliation on the same spot half a millennium before.

This great battle, only the first of a series of national humiliations and disasters for tsarist Russia, is the backdrop for Mr Alexander Solzhenitsyn's utterly successful blend of history and fiction, completed last year and published then in Russian—but only in the west. Backdrop is perhaps the wrong word: for fiction takes second place to historical narrative. It is impossible to test the strength of the threads of plot and characterisation. Perhaps it will become easier to do so as Solzhenitsyn works his way along the sequence of novels he is reputed to be engaged on: a project on which he apparently plans to spend 20 years and whose theme is nothing less than the state of Russia.

There are important fictional sequences, of which the most intriguing is naturally the visit by Isaakii Lazhenitsyn (a semi-anagrammatic disguise for Solzhenitsyn's father, who died in the first world war) to Tolstoy, since Solzhenitsyn is confessedly much influenced by "the father of us all." But one must set against this the careful construction of accurate history: Solzhenitsyn has clearly read and digested all the literature on the battle that he could lay his hands on in Russia, and the brilliant chapter on the artillery bombardment displays professional knowledge and experience. (In the second world war Solzhenitsyn was an artillery officer and served in

East Prussia.) Not that his account is drained of blood and personality: the idiocy of the high command and the heroism of the Russian soldiery as witnessed by a fictional character, Colonel Vorotyntsev, whose movements link events at the front and in the rear, provide them in abundance. The two senior Russian commanders, Samsonov and Rennenkampf, were not on speaking terms with each other. But when the Russians did manage to communicate with each other, they did not do so in code—which Russian telegraphists had apparently not been able to master. On his arrival as chief of the German staff in east Prussia, General Ludendorff was handed an intercepted message giving the complete dispositions of the Russian army. And Solzhenitsyn follows the ill-prepared, confused Russian troops into alien territory, through the terrible ordeal of sudden bombardment to the ignominy of encirclement: the Germans took 92,000 of them prisoner.

None of this, one might suppose, took him off marxist tramlines. But it is in fact easy to see why this book has not been published in the Soviet Union. Solzhenitsyn, despite obvious deep and passionate patriotism, is a shining example of objectivity. He gives as much recognition to the brilliance of the German commanders as to the individual heroism of the Russians. This fairness spills over into little things: he



Solzhenitsyn: atypical patriot

records, for example, the impression made on the Russian soldiers by the tidy German villages with their neat, well-built, two-storey brick houses, concreted well-heads, stone piggeries and electric lighting. By the same token, the courage of officers is recorded along with the heroism of the peasants. And Solzhenitsyn's characters are not silent. Some talk of God and pray. General Samsonov who—although only partly to blame—took full responsibility for the defeat upon himself, and killed himself alone in the forest, pauses before he pulls the trigger: as a deeply religious man, he prays for forgiveness, because he knows that he is committing the sin of suicide. Another character, an engineer, Obodovsky, argues that there is "neither capitalist nor socialist production, but only one which creates national wealth." The view of history this book expresses runs completely counter to the official marxist view that the revolution was the culmination of a long and inevitable historical process.

It could not be construed as anti-Soviet, nor, even, anti-Russian. Solzhenitsyn's love for his country is deep and sincere. But it could be called un-Soviet in its utter disregard for the official version of life and history, its passionate search for the truth and, indeed, in its pity for Russia. This book's leitmotif is the sentence: "I am sorry for Russia." These, in the eyes of his critics and detractors in Russia, are sins. They are, of course, Solzhenitsyn's greatest strengths as a writer.

Attempt and failure

KING GEORGE III

By John Brooke.

Constable. 430 pages. £3.95.

The appearance of the second biography of George III within four months, the first being by Mr Stanley Ayling, is for the authors an unfortunate coincidence, especially as such a biography has been needed for over 40 years to fill out and supplement the view of George III's character and intentions which was pioneered by the late Sir Lewis Namier. Both works succeed in doing this, but Mr Brooke's is the better and more authoritative of the two, based on his long association with Namier and careful search of the royal archives at Windsor. In fact, Mr Brooke's work is likely to remain the standard work on the subject for a long time.

Essentially the new biography is a defence of George III against the school of "Whig" interpretation, dominant from the early nineteenth

until the early twentieth century, which regarded the king as both bad and mad. The sensitive and sympathetic character interpretation given by Mr Brooke will ensure that few who read the book will be left with the impression that George was a tyrant, that he wished to overthrow the constitution by force or corruption, or that he was insane in the generally accepted sense. George's eager and well-intentioned plans in youth for the reformation of politics, his callow but understandable acceptance of the political ideas and personal ambitions of his trusted tutor Lord Bute, and his gradual and painful emancipation from the same in the years after his accession to the throne are carefully portrayed. The king's family life and interests are described in fuller and more accurate detail than has previously been available. Of backstairs political intrigues, personal relationships and the whole intricate web of eighteenth-century "interest" and patronage Mr Brooke is a master; at one point he calls for the pen of a Trollope or a Disraeli to describe the scene, but indeed he himself is capable of all their literary insight with the addition of careful scholarship and command of historical data.

Although Mr Brooke has "tried to



George III: overworked monarch

write a biography of King George and not a history of his reign," political history inevitably plays a leading part in the work, and it is in the matter of interpretation of this subject that not all scholars will agree with the author. It is an unfortunate fact that the "Namierite revolution" which has succeeded in giving justice to George III did so at the expense of denying it to his political opponents. Mr Brooke's treatment is not free from this tendency, as may be seen by his references to the leading element of the opposition, the Rockingham Whig party. To ascribe the appointment as First Lord of the Treasury in 1765 of their leader, the Marquess of Rockingham, to his being a racing friend of the Duke of Cumberland is amusing but little else. That there was "no disagreement in principle" among politicians over imperial policy cannot be accepted even as early as the mid-1760s, when Rockingham and Chatham were formulating their views on the American problem. And to claim that the sweeping nature of the Whigs' constitutional demands in forming their ministry in 1783 was due to Fox's hatred of George III is to misunderstand their entire party philosophy; Portland, who actually presented the demands, and the rest of the party, were entirely at one with Fox. The Namierites' feud with the Whigs seems likely to go on as long as did the Whig historians' feud with George III.

Much of the later part of the book is devoted to the problem of the king's supposed madness. There is little to suggest that his affliction, whatever it was, ever occurred before 1788 (although one would like to know why Queen Charlotte thought it necessary at this time to confide to the younger

Dr Willis that the king "25 years ago from a blister on his back, got out of bed in the night, and lay upon the floor and rolled about like a Madman" —Mr Brooke misses this, and it could be the origin of the story of the early onset of George's malady in 1765). The researches of Drs Macalpine and Hunter have pretty firmly established that the origin of the trouble was a physical rather than a mental condition—the Willis diary in the British Museum confirms this impression—and their view holds good, as Mr Brooke points out, even if their tentative diagnosis of porphyria is not the correct one. George III was, by his own choice, an overworked monarch. If any general conclusion is to be drawn from his reign, it is that a long lifetime of attempting a personal oversight of the nation's government is too much for the physical strength of one man. Mr Brooke's book helps us to understand George's attempt and his failure.

Hollowness and emptiness

COLERIDGE: THE DAMAGED ARCHANGEL

By Norman Fruman.
Allen and Unwin. 628 pages. £5.50.

It was Charles Lamb, who had known Coleridge since their shared school-days at Christ's Hospital, who in a letter to Wordsworth in 1816 described him as "an Archangel a little damaged." By that time Coleridge, his constitution seriously undermined by his addiction to opium, had long been the despair of his friends. The Wordsworths and his brother-in-law Southey had written him off as wholly untrustworthy, and have been blamed for doing so by partisans of Coleridge. Of course he sorely needed and depended on their love, and it is never pleasant to see moral rectitude lined up against irresponsibility. But Dorothy Wordsworth was not in the least a self-righteous person, and it was she who wrote to Catherine Clarkson: "His whole time and thoughts (except when he is reading, and he reads a great deal) are employed in deceiving himself and seeking to deceive others. . . . This habit pervades all his words and actions, and you feel perpetually the hollowness and emptiness. Burn this letter, I entreat you. I am loath to say it, but it is the truth."

This passage might have served as a text for Mr Fruman's entire discourse. He has written a long and carefully argued account of the literary activi-

ties of Coleridge, which shows how empty are many of his pretensions to originality. His propensity to plagiarise has of course been noted by many scholars, but they usually stretch a point in his favour. Weak he may have been, but surely basically good and phenomenally gifted.

Mr Fruman believes that Coleridge's surreptitious use of other men's work and his constant defensiveness stem from a deep psychic rift. His unhappy childhood and boyhood left him with an insatiable craving for love and praise, and he bent his mind, with its extraordinary powers of assimilation, to creating for himself a reputation not only as a polymath but as a thinker of exceptional originality. Mr Fruman exposes the falsity of Coleridge's claims on both counts. How far STC's deceptions were calculated and how far compulsive it is indeed hard to decide. The psychological evidence from the notebooks reveals an anguished, guilt-ridden, haunted man: protesting his guilelessness, but driven at times to the verge of madness by conflicting drives, imperfectly understood or unacknowledged.

This book is constructed on a sound strategic principle. We are invited to examine the accumulated evidence of Coleridge's plagiarisms and prevarications, and only when the case against him has been established do we move to the *annus mirabilis*, when his association with William and Dorothy Wordsworth stimulated him to an outburst of marvellous poetry. Why the period of blossoming was so brief, why the finest poems are so enigmatic, are questions examined in the light of Coleridge's recorded dreams and private jottings. We put down the massive study with a feeling of intense sympathy for a man whose great intellec-



Coleridge: damaged archangel?

tual powers were so often perverted by his appalling emotional insecurity.

Mr Fruman's book is bound to stir up plenty of controversy, for it discredits the claim of devout Coleridgeans that he was one of the seminal thinkers of European Romanticism. It much diminishes his stature as a critic. But it is far from being a work of destruction, and will not break the spell that Coleridge the man and poet exercises over twentieth-century readers.

A nation of resisters

IF BRITAIN HAD FALLEN

By Norman Longmate.
BBC/Hutchinson. 276 pages. £2.50.

Mr Longmate (in parallel rather than in concert with BBC television) has tried to reconstruct, not invent, what could have happened 32 years ago. With characteristic thoroughness he has put together the evidence of German intentions and the accounts of German occupation elsewhere, especially in the Channel Islands. Where the book is thin, it is because the evidence is thin. Hitler never really expected to have to conquer Britain; he expected Britain to give in and co-operate. The British victory in the Battle of Britain was no doubt decisive. But, equally, the German plans to invade and occupy this country, which are the pediment of Mr Longmate's conscientious reconstruction, were as indecisive, and even jejune, as they could be.

Opponents of British entry into the EEC are always listing crucial differences between Britain and the rest of Europe. But the one distinctive difference between us and all the others is that we have not been invaded and occupied except back in history. And we tend to be both cocky and unsympathetic about this. We won the Battle of Britain—or, rather, a few pilots died. We stood firm in the blitz—with no alternative, of course. We were therefore, by contrast with the rest, a nation of resisters. There is enough in "If Britain Had Fallen" to show how largely accidental the different experience was.

Mr Longmate, sticking to his factual formula, refuses to spice his book with personal speculation on the likely kind and extent of collaboration or resistance the Germans would have encountered here. He concludes, after talking to Sir Oswald Mosley, that he would have been a patriot in his fashion rather than a Quisling if the Germans had come. He does refer to the silly

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little stereotyped lists the Germans had of foes and friends in our midst, but he rather suggests that, when the dust settled, the ratio between resisters, collaborators and the resigned majority might have been much the same as elsewhere. He succumbs to stereotypes himself now and then, as in his opinion that Geoffrey Dawson's Times could have become a Nazi sheet with little change, which is a woeful misunderstanding. And almost the only break in the deliberate impersonality of his scenario is the Flemingish character of the cruel SS Colonel Professor Dr Franz Six, short, bald, with protruding ears, who was to lead the security police in Britain.

Fat in the fire

GOERING: AIR LEADER

By Asher Lee.

Duckworth. 256 pages. £2.95.

AIR POWER: A CONCISE HISTORY

By Robin Higham.

Macdonald. 282 pages. £5.25.

When Hermann Goering, two hours before the time of his execution in 1946, gulped down that fatal phial of cyanide, he not only cheated the hangman and exploded the sham of the



Goering: ample Nazi

Nuremberg trials, he also laid up against his own name a huge fund of fury and abuse. Mr Asher Lee draws heavily from this fund. Goering was physically brave, yes, but that seems about all that can be said for him. He lost the air war in Europe, Mr Lee asserts, "before it had begun," he was crassly ignorant of the RAF's strength, he failed to build up the Luftwaffe, he knew nothing of the technical side of aviation, he was unversed in air strategy, he was bad-tempered, conceited, hasty, he lacked policy, was unwilling to listen or to read at length, was self-indulgent and, of course, gross. Boosted by drugs, he was often overconfident. He is even denied credit for the tactically-important Crete operations in 1941 when 500 Junkers transport aircraft were committed.

This rehearsal of Goering's faults becomes monotonous. And, in spite of Mr Lee's skill in sorting and presenting the facts, it also becomes unconvincing. In the 1914-18 war Goering proved himself to be a brave and skilful pilot and a good leader of the Richthofen formations. He was a competent commercial pilot for Danish and then Swedish airlines. After they had met in Munich in 1922 he gave Hitler loyalty and good service. His collaboration with Walter Dornberger, head of Peenemünde, and with Ernst Heinkel, the jet aircraft pioneer, was, on the whole, fruitful. In spite of the pressures from all sides he was never—and Heinkel confirms this in his memoirs—anti-Jew. He pioneered the employment of airborne troops and he established the first air-sea rescue service.

But he liked pictures, clothes, jewels, wine, music and hunting. He flaunted opossum coats, silver spurs and immense, platinum-set, ruby rings and his person was lavishly perfumed. One could hardly assemble a catalogue of qualities more likely to drive allied ascetics into hysterical detestation.

From Mr Lee, with his high reputation for detailed studies of the compositions and strengths of foreign air forces, a cool, objective assessment of Goering as air leader might have been expected. But here his book disappoints. Although it is better documented than most, it is mainly a diatribe directed against the fat man who committed the crime of not being funny.

Goering receives a few fleeting references in Mr Robin Higham's book: his view that the German air force suffered (in both major wars) more from supply difficulties and dwindling reserves than anything else, including Goering's diabolism or incompetence, seems realistic. Mr Higham concentrates mainly on summarising some of the main aerial warfare campaigns and on discussing the operational doctrines and strategical inferences that may be drawn from them. He devotes 25 pages to a rather frustrating "bibliographical essay" giving a few words each to a large number of books of varying relevance to his subject, their authors ranging from Machiavelli to Lyndon Johnson.

Bridge double

FROM SADOWA TO SARAJEVO

By F. R. Bridge.

Routledge and Kegan Paul. 496 pages. £6.

GREAT BRITAIN AND AUSTRIA-HUNGARY, 1906-14

By F. R. Bridge.

Weidenfeld and Nicolson. 332 pages. £5.50.

No, there is not a misprint in the heading. Two books on the same subject quite often, by a curious freak of authorship, appear at once. On September 7th, by a still more curious freak of publishing, two books by the same man appeared from different houses simultaneously. Both are works of exhaustive historical scholarship. Both deal—from different aspects, though with some overlapping—with the Austro-Hungarian empire in its approach to the catastrophe of the great war of 1914, in which it foundered. "From Sadowa to Sarajevo," a study of the foreign policy of the empire from 1866 to the outbreak of the war, is the third book

to appear in Professor C. J. Lowe's series on "Foreign Policies of the Great Powers." "Great Britain and Austria-Hungary" is an LSE research monograph. The author taught at LSE for eight years, before his recent move to Leeds; the monograph is based on his London PhD thesis, prepared under C. H. D. Howard at King's.

Both books show a real historian's ability to weld together the content of other peoples' work with his own discoveries in the archives. He cites secondary sources in Swedish and Russian as well as French, German and Italian. The sources for most of his original quotations are to be found in London or Vienna; he has also made effective use of the Cartwright papers at Delapré Abbey. His longer book includes 60 pages of illuminating documents, many of them unpublished; and excellent portraits of Franz Joseph and seven of his ministers. The shorter has all the dryness of a souped-up thesis—over a fifth of it consists of footnotes, and the "unjustified" text is uneasy on the eye. But it contains new light on Aehrenthal, drawn from his papers, which professional historians need to think over; and has a good deal of wider interest in it as well.

For these two books, whether read together or separately, enhance our understanding of the world we live in through their account of a world that (though recent) is now stone dead. Readers over 60 have co-existed with the prewar Habsburg monarchy of which the "subjects were spending more than three times as much money on beer, wine and tobacco than on the entire armed forces." In it, Germans, Magyars, and Poles maintained an uneasy authority over a dozen other races they thought inferior: "if nationality ever replaced dynasticism as the principle on which the state was based, the Habsburg monarchy would cease to exist"—as indeed it did in 1918.

Inside non-story

THE NATIONAL BOARD FOR PRICES AND INCOMES

By Joan Mitchell.

Secker and Warburg. 306 pages. £4.75.

Although she was a member of it, Dr Mitchell gives away few secrets in her account of the prices and incomes board. In fact both her introductory account of the prices and incomes policy and her survey of the problems tackled by the board and what it said about them could have been written by an outsider. But she has summarised

the relevant material very competently and, since this includes 170 reports, her summation of the board's doings in one book is worth having for the record.

One chapter, on the board's methods of work, is useful. She rightly stresses its initiative in investigation and the informality of its proceedings. Otherwise, the only novelty in the book is promised by the title of the last chapter: "Success or Failure?" Unfortunately, Dr Mitchell is no better able to answer this question than anyone else has been. She ignores the attempt to answer it by Messrs Lipsey and Parkinson and quotes an even cruder econometric estimate made by the board itself. This appeared to show (as she says) that the policy slowed down wage inflation. But it also appeared to show that the policy speeded up price inflation, and this she fails to mention. Otherwise, her conclusions are both sage and innocuous. Looking back at the development of the policy she reflects that it did not so much fail but was never really tried, and that it was the policy rather than the board that lost public esteem.

Short list

The Crimean War by Philip Warner (Arthur Barker, £3.25). Too many books have been written about the Crimean War. Many of them are indifferent reshapes of Kinglake's unfinished history. So it is difficult to see what audience yet another account of this campaign of ineptitude is supposed to command. But this book by Mr Philip Warner, a senior lecturer at Sandhurst, has two merits. First, it sets the blunders in a sober, rational perspective. Second, it makes great use of contemporary diaries, letters and so on, Russian as well as British. As many have not previously been published they add pepper to an old dish.

A Call to Arms by Edmund Ions (David and Charles, £3.25). The latest, and one of the most perceptive, if *The Economist* may say that about a member of its staff, of the revisionist school of books about the army and soldiers. War is terrible (Korea, for Mr Ions), but a whole man can survive it. Armies, and the men who make them up, are the blunt instruments of complex purposes, but they possess qualities that seem the more noteworthy the rarer and more unfashionable they temporarily are. This book is a desirable counterbalance to current received ideas about military life.

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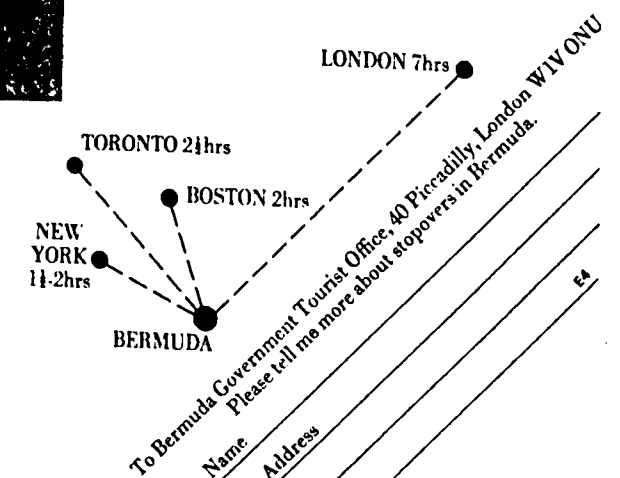
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Business Brief

Do we need an autumn budget?

The economic statistics published this week more or less complete the post-holiday crop of indicators and make it possible to review where the economy stands now and where it could be going. Although total unemployment fell between August and September, the more meaningful guide to the underlying trend, the seasonally-adjusted change in the numbers of wholly unemployed, increased by 5,000. This, the third successive monthly increase, supports the view that the March peak was something of an aberration caused by the miners' strike.

This renewed rise in unemployment was accompanied by plain evidence that wages were on the rampage again. The basic wage rate index rose by nearly 3½% in August, bringing the increase on a year earlier up to 14%. The latest earnings figures, while they do not yet show so rapid an increase, relate, however, to July. One favourable development, the slowdown in the growth of bank advances, deposits and the money supply in the month to mid-August, unfortunately reflects the unwinding of special factors related to the run on sterling earlier in the summer. It does not, therefore, establish that the runaway growth in the money supply has been arrested.

Further back in the past, the national income and expenditure figures for the second quarter, published this week, contained no surprises. They confirmed the revival of consumer expenditure and the continued depressed levels of both investment and stockbuilding. They were, of course, significantly affected by the recovery from the industrial dislocation of the first quarter during the miners' strike. But the recovery was not nearly rapid enough to bring the economy back to the level anticipated by the Chancellor at the time of the budget. Compared with the first half of 1971 the economy grew by less than 2%, against the anticipated 4% increase. The main culprit was stockbuilding; instead of rising by £90m as forecast, stocks were reduced in the first half of the year by over £200m. Consumer spending, on the other hand, rose by nearly 6% compared with an expected 5½%.

The question posed by these figures is whether the economy has now been firmly placed on a 5% per annum growth path, as the Chancellor intended; or whether, because of inflation, the present boom will once again prove short lived and collapse into higher unemployment? Do we need an autumn budget or will this year be an exception? The evidence is

mixed, for while it is clear that the recovery has already begun, there is little to show that it has the momentum to carry it far beyond the end of this year. There may be substance in predictions that a continuation of the present rate of inflation could mean up to 1½m out of work this winter. It would, of course, be helpful if the Government published the official forecasts as they are revised during the year, instead of only at the time of the budget. But, as Mr Patrick Jenkin's clash with the Select Committee on Expenditure shows, the Government even resists publication of the innocuous medium-term projections. None the less, the best way to assess the situation is within the framework of conventional forecasting.

This distinction, while by no means as clear-cut as this suggests, is of considerable importance. Broadly speaking, it is the exogenous elements in demand which determine whether the economy can be moved on to a higher growth path. Consumer-led growth is something of a long-term impossibility. In the short term the Government can, by tax cuts, boost consumers' spending and so achieve faster growth for a time. But it does so by increasing the proportion of total incomes which finds its way into people's pockets as real disposable income.

Two kinds of demand

Forecasts for the domestic economy are normally constructed by examining in turn the various components which make up total demand for the gross national product. A distinction is conventionally made between the "exogenous" elements in demand and the "endogenous" elements. The exogenous elements in demand are those determined by events outside the domestic economy, outside the time covered by the forecast, or by political decisions. They include exports, which are more strongly influenced by world demand and by past changes in relative prices than by current changes in competitiveness; investment, which is influenced by past movements in output and profits; and public expenditure. The endogenous elements are largely determined within the system during the time period

of the forecasts and include imports, which are a function of demand and of stockbuilding, and, most important, consumers' expenditure which, tax changes apart, is a function of income.

This distinction, while by no means as clear-cut as this suggests, is of considerable importance. Broadly speaking, it is the exogenous elements in demand which determine whether the economy can be moved on to a higher growth path. Consumer-led growth is something of a long-term impossibility. In the short term the Government can, by tax cuts, boost consumers' spending and so achieve faster growth for a time. But it does so by increasing the proportion of total incomes which finds its way into people's pockets as real disposable income.

The effects of this are once-for-all. When consumers' spending has adjusted to its new higher level with respect to incomes, the growth in consumption slows down once more to rise in line with income. But consumption, on its own, can never keep incomes rising because consumers' expenditure only accounts for about 60% of total demand. In order to keep income rising rapidly the other, exogenous, elements in demand have to take off.

Conditions for lift-off

It is easy to see why the problem of forecasting at the present time is so difficult. There is the evidence that consumers' expenditure, as a result of the last budget, is now booming. Moreover this is already being reflected in the level of activity as a whole. But there is no sign as yet that this recovery in consumption is being matched

by an acceleration in the main exogenous elements in demand.

Recent trade figures may be difficult to interpret but they are not as meaningless as the Department of Trade and Industry suggests. Even allowing for the dock strike, the August visible deficit of £193m looks bad. Taking the longer perspective, there are two opposing forces affecting British exports. Over recent years there has been a substantial loss of price competitiveness, not withstanding exchange rate changes. On the other hand, the prospects for world demand are now much more favourable. We may gain a smaller share of world trade but at least it is likely to be of a faster growing total. But this can only help our exports for a limited time. Unless the exchange rate is to sink rapidly, an eventuality which European entry in principle rules out, the momentum of export growth cannot be maintained in the face of our present inflation.

Public expenditure presents a similar picture. The fast growth in the current year results from an acceleration of spending programmes. On present policies it will be followed by a slowdown next year. Our hopes must therefore rest on the development of an investment boom. While there are no signs as yet that this has begun, in the past the Government's success in boosting consumer spending and hence activity generally could have confidently been expected to herald such a boom. This is why some people are already wondering whether the Government has already overdone its reflation and will have to reverse engines in the next two years.

Impact of inflation

Unfortunately it is manifestly apparent that the economy no longer operates in the same way as it did a few years ago. Inflation can and does throw an enormous spanner into the works. This is most apparent in the breakdown of the link between the level of unemployment and the rate of increase of wages. As the chart opposite shows, it is no longer true that the higher the level of unemployment the slower the growth in wage rates. In today's conditions it is fairer to say that the faster wage rates increase the higher unemployment will be.

The emergence of wage inflation unrelated to the pressure of demand contributes to the second breakdown in the system. When wage inflation coincided with periods of high demand pressure, cost increases could readily be passed on into prices. But in conditions of depressed demand, the ability of a company to pass on wage cost increases is determined by its competitive position. Unless the exchange rate falls as fast as home costs rise, which itself would have inflationary repercussions, industries competing in export markets or with importers in the home market must find ways of absorbing wage cost increases. This is also true in conditions of keen competition in the domestic market or where a large part of a firm's work is to fixed-price contracts.

Wage cost inflation thus directly adds to pressure on profits, which all too often are already dangerously low. Most firms have little alternative but to seek ways of absorbing such pressures in higher productivity. This leads to the phenomenon of labour shake-out. Instead of prices rising so fast in relation to wage costs, productivity rises, employment falls and unemployment rises.

This process is reinforced by fiscal drag. The faster the rate of inflation, the greater the proportion of income taken up in taxation. Thus higher incomes generated in the production process produce a lower proportionate feedback on to expenditure. In this process the public sector gains extra revenue basically at the expense of company sector profits.

Evidence of this process is seen in the breakdown in the link between output and unemployment. The labour shakeout, which results from pressure on profits, by raising productivity reduces the amount of employment generated by a given level of output. Normally, through the cycle, production and productivity march hand in hand. But, as the chart on this page shows, recent years have seen a remarkable rise in productivity at a time when output growth has been sluggish.

Last year's large rise in unemployment can be explained in this way, although the situation was exacerbated by a worldwide slump in demand. Moreover, the rise in unemployment which then occurred was a

significant factor in reducing the growth of earnings, thereby depressing the growth of demand below what had been expected. Far from the 1970-71 tax cuts setting the economy on a new growth path, they were barely sufficient to maintain the forward momentum of the economy against the drag imposed by wage-price inflation. As a result more powerful stimulants were needed this year.

But if the stimulants are now more powerful so too are the forces of inflation. It is clearly apparent, from the latest wage and price statistics, from the recent spate of wage claims, from the building workers' settlement and from the price increases in the pipeline, that wage-price inflation is going up again very much faster than even the National Institute's gloomy forecasts supposed. In this event, one can write off all hope of export-led growth. On the contrary, imports are likely to prove a much more powerful factor restraining home output. Nor is investment likely to recover as profits come under increased strain. The best hope, and that a faint one, is that public expenditure will grow faster than at present expected.

There seems little likelihood that the exogenous elements in demand, so essential for sustained and rapid growth, will show anything like enough buoyancy to keep the boom going. The inflationary forces holding the economy back are still too powerful to be overcome, except very briefly, by what has already been done in the way of tax cuts and expenditure increases. One must regretfully conclude that the dangers of unemployment rising to even higher levels next

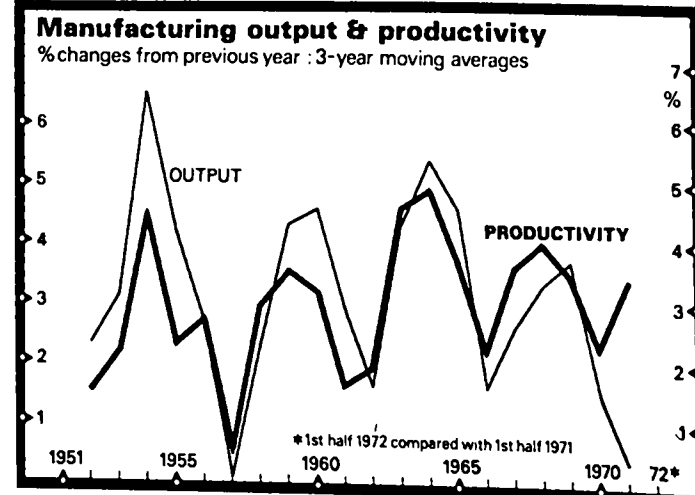
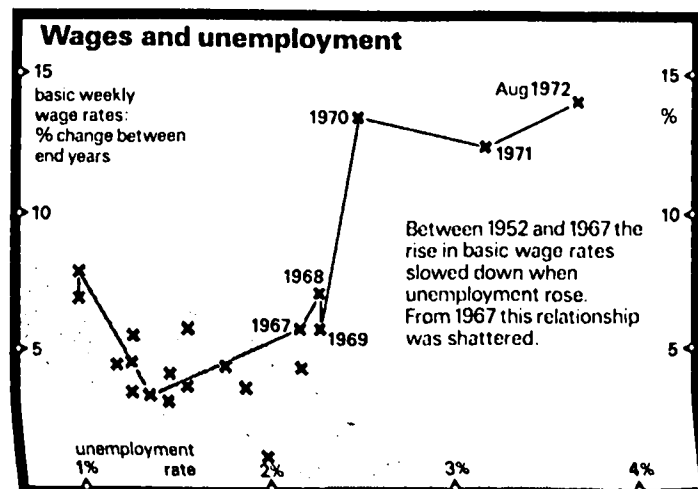
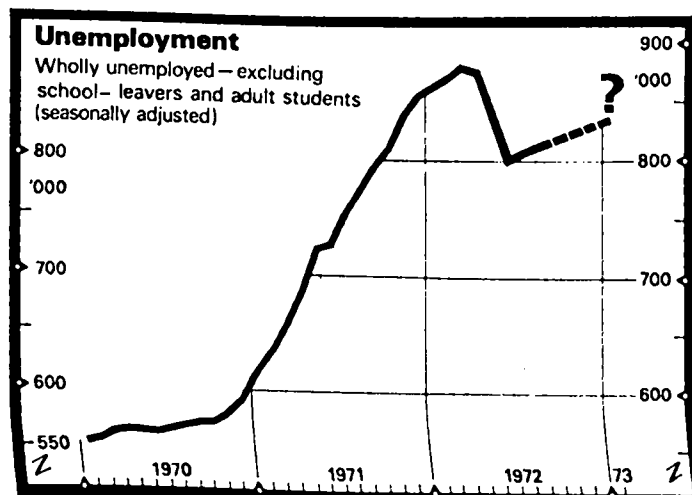
year are very real indeed. One does not need to be a politician to see that we can't go on as we are.

An autumn budget?

The first thing which should be apparent is what cannot be done. The Government cannot simply administer another dose of tax cuts or restraint on nationalised industry prices in an autumn budget to keep the consumer pot a-boiling. There are serious repercussions in store even now from what has already been done in the past two years. Such action, in the absence of restraint over wage-price inflation merely buys a short-term breathing space from rising unemployment at the expense of increasing the money supply and destroying the Government's ability to control the nationalised industries. It leaves in its wake a legacy of mounting inflation.

This is not to say this policy would not have worked if applied sufficiently vigorously and in good time. Indeed it might even have worked had the Government not made such a mess over its handling of the miners' dispute. But in today's conditions it is as futile as sprinting after a bus which has already gone.

The only way to bring the economy back under control and so secure both faster growth and a tolerable level of unemployment is by bringing pressure directly to bear upon wages. Sooner or later, and probably sooner, the Government will have to grasp this particular nettle. Indeed the most cheerful thing about bad trade figures and rising unemployment is that they must bring this day nearer.





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BUSINESS

The road to Washington

Nothing like a new world monetary system has begun to be born. It is now essential for America to give a lead, but hopes are not high that it will do so at next week's meeting of finance ministers

As likely as not, next week's meeting of the governors of the International Monetary Fund will be no more than a game of bluff, with everybody trying to outwit everybody else in making nothing sound like something. But there is always room for surprise. The two dark horses this year are Germany's Herr Helmut Schmidt and America's Mr George Shultz. Both are newcomers in governments that face elections in a matter of weeks.

Last Monday the Bundesbank threatened to impose new curbs on capital inflows, after disclosing that Germany's money supply has been growing in British style at an annual rate of 27 per cent. This is not something its economics minister can brush aside: he will have some sharp things to say next week about the world's problem of inflation. But the principal role in the meeting is reserved for the American Secretary of the Treasury if he chooses to take it.

The Nixon Administration knows that the shove towards a new world monetary system must come from America, but seems undecided about the value of giving a lead. This is partly for the very good reason that it has not agreed a plan in detail, but it is also influenced by the uneasy realisation that the tolerance of the rest of the world for American superiority went for ever in the early days of the former Secretary from Texas, Mr John Connally. "We don't want any plan to have made in America branded all over it," is how one Washington official put it.

But there is pressure from Congress, and from many American bankers too, which may bring some response from Mr Shultz. It is to be hoped that it does. The discussion so far since the Smithsonian currency agreement has added up to nothing. The Americans have got the broad priorities right, even if they then twist them for purely selfish reasons. They recognise that the vital problem is that of evolving a better adjustment process when a country's exchange rate has become unrealistic, or, rather, before it has become patently and visibly so. Beside this the minor problems of defining the numeraire of the system, dispersing the overhang of dollars, using special drawing rights (SDRs) as the unit of settlement, and even the role of gold (which the French, in private, are now prepared to see diminished) are strictly subsidiary.

Unfortunately, once the Americans start to ride this

particular and admirable hobby-horse of improving the adjustment process, they dig in their spurs in a very individual way. They really want to keep the world on a dollar standard; and they want automatic unilateral flexibility in exchange rates which would force surplus countries to appreciate their rates against the dollar. Naturally other countries are not prepared to accept such a simple, lopsided solution. They want a mechanism which will provide a symmetrical adjustment for both devaluations and upvaluations; they also want a return to full convertibility of the dollar.

The other divide, and an even greater one, between America and its negotiating partners is that America wants an exchange rate which will allow it a sizeable surplus on ordinary trade, in order to accommodate its traditional outflow of capital; whereas the Bretton Woods convention and the wisdom of John Maynard Keynes, which was much concerned with the burden-sharing between deficit and surplus countries, was focused implicitly on balancing current accounts. The underdeveloped countries come into this part of the discussion: they do not want America to stop pumping out aid, but encourage those who say that adjustment should be achieved partly on capital account by tougher American restrictions on direct investment in developed countries.

In their anxiety that open disagreements should not be openly arrived at, many of the finance ministers may mutter to each other next week that there is no urgency about reforming the world's money system. It has become almost an act of faith to uphold the Smithsonian currency realignment, excusing sterling's departure from it as some sort of prank. It seems forgotten that, at the time, the agreement left no country completely satisfied, while the proliferation of exchange controls that followed so quickly showed proof, if proof were needed, of its shakiness. So long as governments want independent national monetary policies, they cannot create a world of both fixed exchange rates and free capital movements: one of these three parameters has to give way, as the common market countries are in the process of learning painfully with their "snake in the tunnel."

Supporters of the Smithsonian agreement also should not forget that one currency, the Japanese yen, has been banging its head against the ceiling almost continuously

and that although the British Government acted, by any previous standards, like a flash to allow sterling to float in June, nevertheless one-third of Britain's official reserves were lost in the preceding hectic scramble out of sterling. Even the present calm in the exchanges looks suspicious: why has the dollar strengthened against almost every major currency except the pound sterling? Interest rates are certainly in Britain's favour, but the gloomy fears about wage inflation and a heavy slide in London share prices might have been expected to drag the rate down. But the central banks have been messing about in the exchanges like nobody's business (even their own). It is considered to be better for mutual relations to defer any crisis until next week's meeting has come and gone.

It will be a pity if the intervention is too "dirty," as the Germans would say, and if the pound is not allowed to find its right level. The most encouraging thing about this meeting of the International Monetary Fund is that it will be the third out of the past four to take place when at least one major world currency has been floating (the D-mark in 1969, the whole pack in 1971, and this time the pound). Although the world is not yet ready to accept multi-floating as a permanent feature, it has seen the sense in letting a transition from one exchange rate to another be effected through a float. It is also encouraging that exchange dealers are not clamouring to refix the pound; most are even saying that in today's changeable conditions it would be premature to do so for some time.

The most ardent supporters of fixed exchange rates are those with blatantly undervalued ones, especially Japan. Capital and import liberalisation may be accelerated in Japan; but a revaluation or a float is still out of the question politically, unless the Japanese government can show that outside events forced its hand.

What "outside events" would be accepted? At times governments might find it politically convenient to be able to tell their business community that their hands

had been forced on a currency change, but they can hardly be expected to admit that it has been a mere civil servant who has waved the stick. The bitterness with which the Nixon Administration has come to view the IMF's Mr Pierre-Paul Schweitzer, about which we wrote last week, has since leapt dramatically into the headlines. The French leaked that the Americans will blackball Mr Schweitzer's reappointment next August. Although this is an embarrassment for the meeting, and the corridors will buzz with tips about his successor—our Newmarket correspondent tells us that the favourite, Holland's Dr Jelle Zijlstra, does not care for the running—this should not obscure that the vital issue is not who should head the IMF, but what sort of an organisation should run the reformed monetary system, if ever it is reformed. During the past decade the financial institutions, like the IMF or the Bank for International Settlements, have followed events; they have been wise only after them. The inevitable move to more flexible exchange rates was foreseen by most economists, but by few international civil servants.

The new Group of Twenty, which will be comprised of deputies of the finance ministers and central bankers, may well be the best (ie, least rigid) sort of body to direct and police the flexible part of the new system. This would still leave to the IMF its role of running the world's banking system. One decision that has to be taken at next week's meeting is the size of the second allocation of SDRs, due on January 1st. Many of those who worked hardest for their launch now only want a token distribution, because the world's reserves are awash with dollars. But the developing countries, highly suspicious of these new assets at first, are pressing for more. The management of world liquidity, and the injection of more of it into the developing countries, is a task at which the IMF ought to be good, and which it should make its priority. The organisation of different countries' specific exchange rates is a task for which it is totally unsuited.

Germany has a California

Europe's economic centre of gravity has been quietly shifting south and it need not necessarily stop at Germany's border

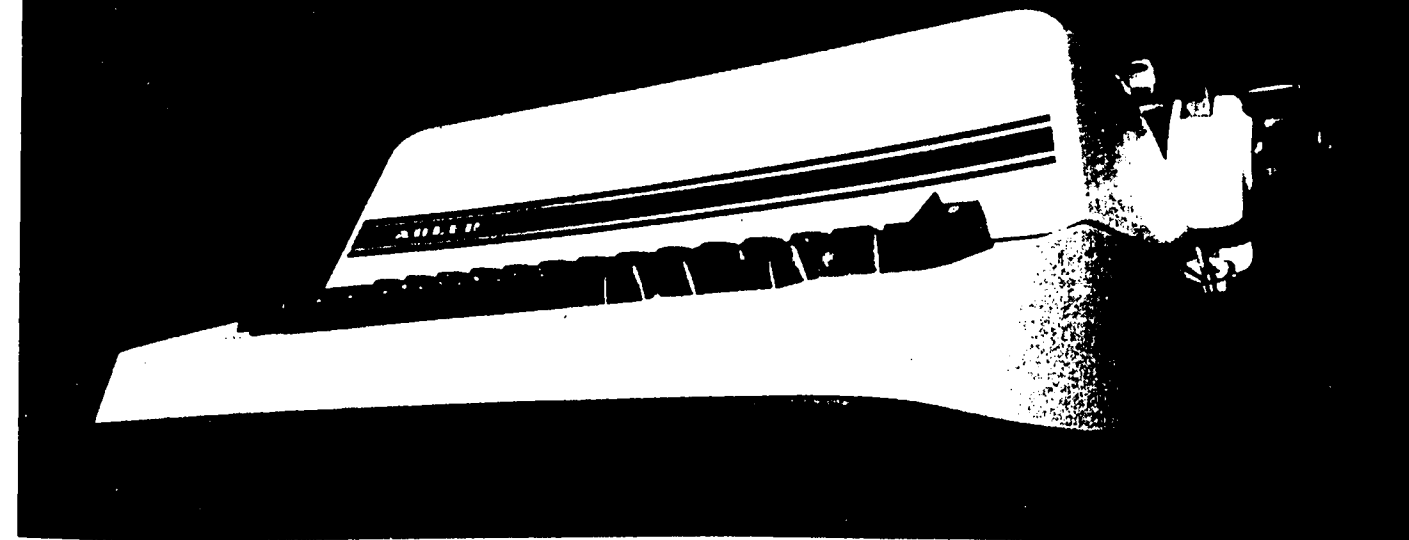
The streets of Stuttgart will be festooned next week with Union Jacks, the shops full of British goods and the rest of the panoply of a British shopping week much in evidence. The British trade drive in south Germany will then move into gear with exhibitions and seminars to a culmination in a jolly shopping week in Munich after the Oktoberfest. All this is part of the long overdue process of educating the British businessman out of his habit of identifying Germany with the Ruhr (for industry), Hamburg (for ships) and Frankfurt (for banks), leaving Munich as a sort of beer cellar at the bottom.

The growth region of Germany is now in the two southern länder of Bavaria and Baden-Württemberg. For the British exporter this region is largely unknown. Britain accounts for a pitiful 4 per cent of all Germany's imports, but for an even feeble 2.5 per cent of Bavaria's.

Britain's sales in Baden-Württemberg are up to the average British performance in Germany as a whole; but this country's 4 per cent is a sad contrast to America's 9 per cent and France's 14 per cent.

Bavaria was mainly farming country 20 years ago and such industry as had recovered from the war—textiles, porcelain, glass and motors—had been stunted by the iron curtain, which chopped off raw materials like china clay for porcelain making and energy for industry generally—and also part of its market. But now little more than one-tenth of the labour force is on the land. The gross domestic product per head is within 6 per cent of the west German average, compared with 25 per cent below it in 1950. Prognos, the Swiss research institute, forecasts that by 1985 Bavaria will have completed its transition from being Germany's weakest state economically, to

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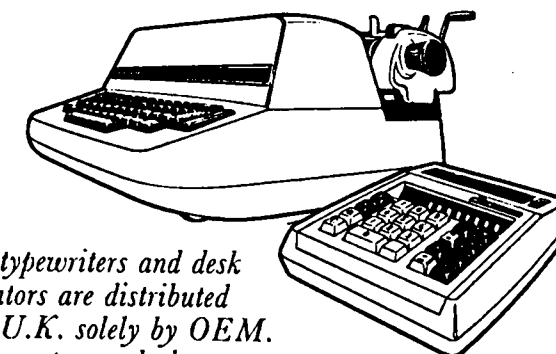
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Bavaria began its take-off with the inestimable asset of almost no old industry to hamper growth, and above all no coal mines. It enjoyed Bonn's subsidies for border areas. Then, for the first time, the southern Germans got their hands on cheap sources of power. These were three oil pipelines from Genoa, Trieste and France, all leading to the new refinery centre of Ingolstadt, midway between the four key cities of Munich, Nuremberg, Regensburg and Augsburg, at the very time when cheap oil was knocking the bottom out of the economics of the coal industry of north Germany. Now a new pipe has almost been completed from the north-west German gas fields.

Bavaria also started talks with the Russians, which were later completed in Bonn and produced the deal for the Russian gas pipe which is due to open in October next year. This summer the quantities of gas on order from Russia went up again, so that Russia will eventually be providing up to one-fifth of Bavaria's energy, and there are some rumblings about the political risks involved in such dependence. But there is no doubt about the commercial advantages: the deals have eliminated the handicap of high-cost energy under which south Germany has always laboured. And Bavaria has spawned a petrochemical industry in the shape of Hoescht's £17m complex now under construction.

Bavaria has cashed in heavily on Germany's postwar investment growth. It now boasts a powerful electrical engineering industry, claims to have 75 per cent of the country's electronics capacity, and has developed considerable strength in engineering, process control, instrumentation and optical equipment. Most important, it has cornered the lion's share of Germany's science-based industry. Siemens has centralised its research in Bavaria (as well as its buying). The German aero-space industry, which means largely Messerschmitt-Bölkow-Blohm, is in Munich. Germany's first nuclear research centre and first atomic power station were built in Bavaria, too.

Along with Hamburg, Bavaria stands to become an important beneficiary from the Ostpolitik. It is bounded by more than half of Germany's eastern frontier. Bavarian firms had a flood of inquiries from Czechoslovakia for

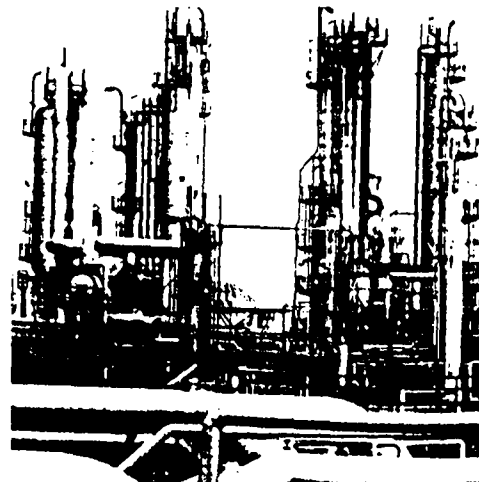
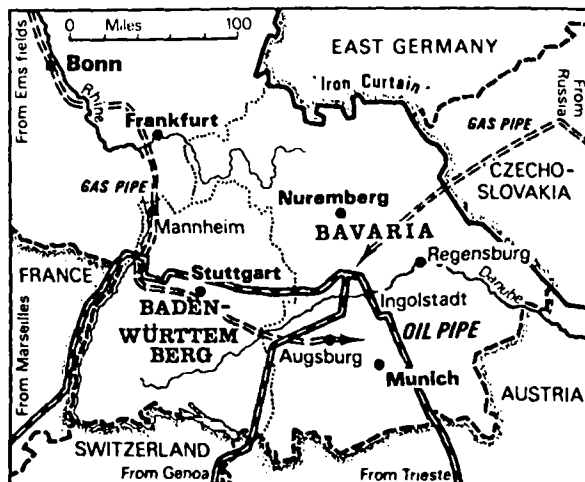
joint ventures and industrial co-operation during the brief Dubcek period and now, under Mr Husak, the Czechs are again making discreet inquiries along the same lines.

Can the boom last? Bavaria has problems. One is Munich itself: it suffers all the stresses of rapid urban growth, from acute housing shortages to inadequate public transport, spiced with bad traffic jams. The imminent setting-up of Europe's central patents office, with its thousands of hangers-on, will do nothing to help. One of Bavaria's secret advantages has been a pool of relatively cheap labour to draw on as men came off the land, but the rundown of farming cannot go on for ever. Many of the men ostensibly coming off the land now are continuing as part-time farmers, working in with other smallholders. So Bavaria has had to turn increasingly to immigrant workers; the immigrants are now 3.4 per cent of the labour force, not far short of the German average. Baden-Württemberg actually has twice the national average of immigrants, a sign that it is not only probably the most prosperous region of Germany, but the one with the most acute labour shortage. It is potentially the most attractive region for British exporters, with a sprawling concentration of light industry stretching for miles outside Stuttgart, which not only feeds components to Daimler-Benz and Porsche, but also produces 90 per cent of Germany's watches and jewellery, 50 per cent of its office equipment, and much of its chemicals, textile machinery, precision tools and optical goods. The parallels with Switzerland are close.

Is Bavaria the place for British and other foreign companies looking for a European base? The best time for investing there may be past. Bavaria's wages will soon be no longer low by German standards. The place to watch instead could be Austria; tariffs between Austria and the common market will, for all practical purposes, vanish in the next five years. In many ways Austria now is what Bavaria was 10 years ago: mountainous, predominantly rural, with a pool of cheap labour, but suddenly starting to enjoy cheap energy and improved road connections with the rest of Europe (although Austrian roads could do with a bit more improving). The shift of Europe's economic centre of gravity that has brought prosperity to Bavaria need not stop at the German frontier.



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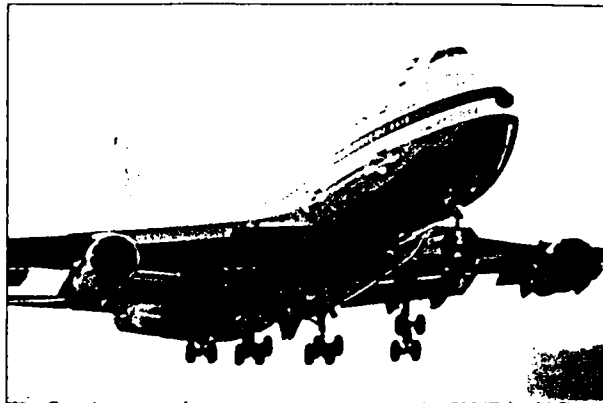
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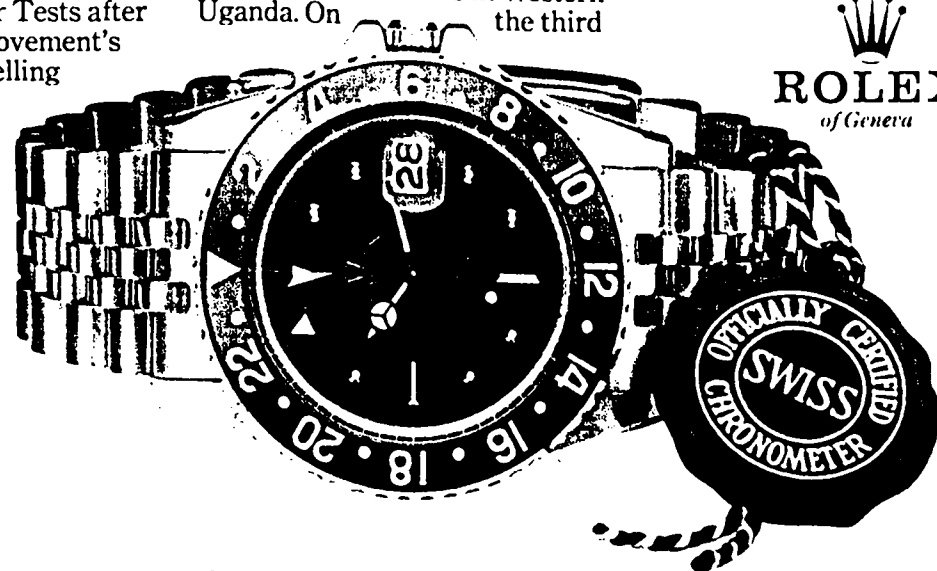
"The stream was almost freezing having come from a glacier a mile higher up, nevertheless next morning the porters were in the stream and after half an hour found the watch caught by its strap in the fast-flowing water and still working... The watch has continued to keep perfect time ever since, without even a cleaning."

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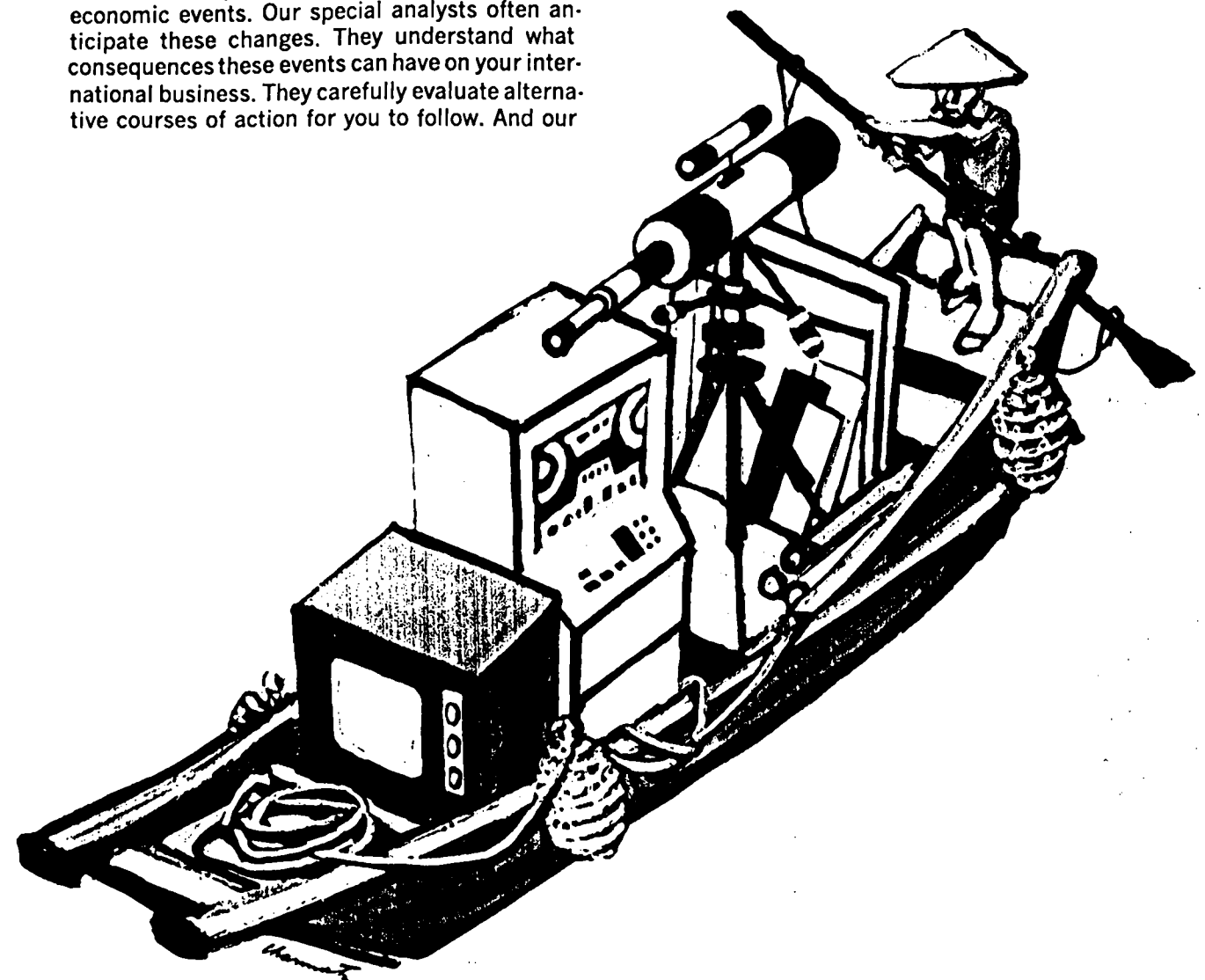
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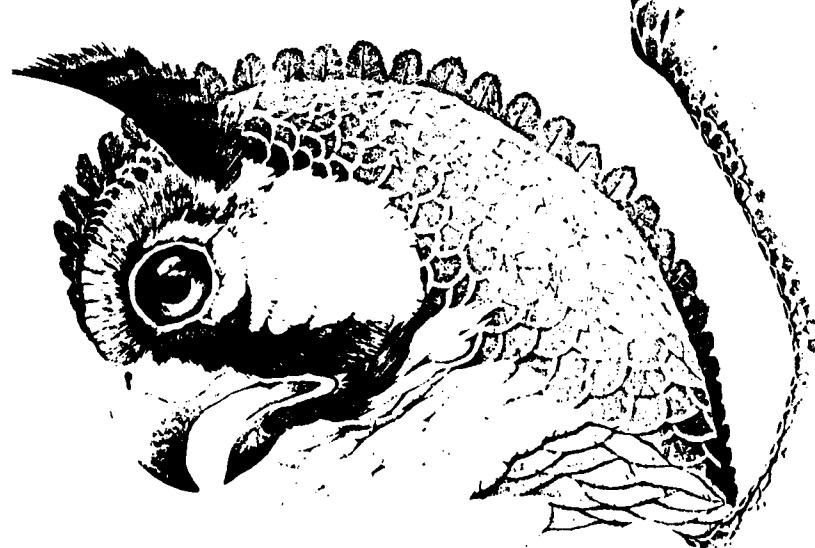
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We've got the ads ready

Brussels

With the European Communities Bill now through both Houses of Parliament, Brussels is geared up to start recruiting the necessary quota of British staff for the new European commission which takes office next January. First advertisements calling for applications will appear in the national press as soon as the royal assent has been given. For junior and medium grades the idea is to build up lists of suitable candidates, leaving the new commission to make the final choice. The more senior director-general and director appointments will be negotiated by the two new British commissioners; members of the commission traditionally exercise a watching brief for their own nationals.

London, however, is taking its time. Neither the royal assent nor the names of the two British commissioners will be forthcoming until Parliament reassembles next month. This will delay the whole process by a month or more, and may provoke the Brussels headquarters quite a bit. The assumption there is still that Sir Christopher Soames and Mr George Thomson will be Britain's two men at the Berlaymont. M. François-Xavier Ortoli, the former French minister and technocrat,

is still favourite for the next president of the commission.

A brief storm blew up last week over the rate at which British civil servants are to be recruited. The commission had said it would not create new jobs for the newcomers unless these were justified by increasing work. Room would be made for the British quota of officials and those from the other new member countries by sacking up to 300 of the present staff, but the departure would be sweetened by generous handshakes. The budgetary committee of the council has, however, jibbed at the number of new posts that the commission has now decided that it wants, not to cope with the extra work involved in enlarging the community but because the commission is assuming that plans to expand its control over the monetary, industrial and regional policies of the Ten are likely to be approved at the summit meeting in Paris next month. The Dutch and the French treasury experts now suspect that many of these new jobs are being created with the sole intention of minimising the numbers that will have to be sacked. They have unhelpfully suggested that the intake of British civil servants should be limited to 9 per cent in the first year, only building up to the full quota of 18 per cent over three years. This was turned down flat by the British and by the commission, which realises that its political credibility in London depends on building up the British contingent as quickly as possible. Unfortunately, there is a nagging doubt whether enough highly qualified and reasonably multilingual civil servants and others from Britain, and the other new member-countries, will be found to be willing to go to Brussels.

The commission has already started recruiting translators without waiting for British membership. Professional translators with the necessary academic qualifications and a knowledge of two EEC languages are scarce, and the commission finds itself competing both with industry and with the United Nations which pay higher rates. The present team of English translators is too small to cope with the extra work that will be caused by the British request for all official legal texts to be published in English from October 1st; ie, from the end of next week. In practice this will probably be stretched to mid-October, by which time it will be clear whether Danish and Norwegian will have to be introduced as well, with the additional translation problems that these would cause. To make matters worse, the commission is digging in its heels and refusing to pay the market price for translators.

One new job the commission is clearly not going to take on is to run a prices policy, with a prices commission in Brussels to probe price rises. This is what the European Confederation of Free Trade Unions urged in a memorandum this week. M. Borschette, the commissioner for competition policy, was quick to deny that the commission would ever do any such thing, which would certainly run heavily against the grain of the philosophy of the Rome treaty. The rest of the ECFTU's memo was idealistic supranationalist stuff; more power for the commission and parliament and so forth. This contrasts sharply with the current mood of British trade unions,



Soames, Thomson, Ortoli: waiting in the wings

who are due to join the ECFTU next year (unless they choose to boycott it in a wild moment). What the ECFTU will have to say after that will be interesting to see.

Commonwealth talks

31 characters in search of a role

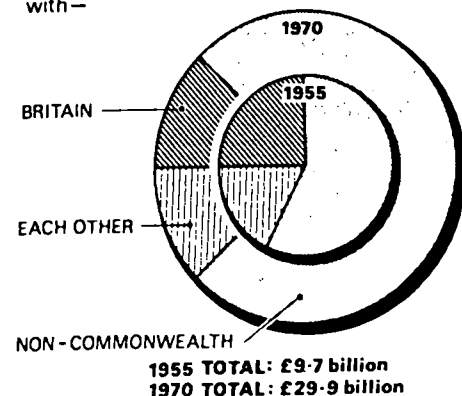
It was apparent this time, at the meeting of the Commonwealth finance ministers which started on Thursday, that the Commonwealth club retains history, personal ties and a certain nostalgia in common—but increasingly little hard economic cement.

Indeed, the two topics on which there could be more substantive talks are, strictly speaking, not Commonwealth matters at all, but loose ends of the crumbling sterling area. The London gathering gave the more disgruntled members of both (overlapping) clubs an opportunity to let off steam about Britain's abrupt writing-off of sterling area exchange control privileges in June. More positively, it was hoped to make some progress on tidying up the Basle network of sterling reserve guarantees, which end next September.

From a British point of view the Basle agreements have proved almost too successful. The guarantees not only put a stop to the pre-1968 rundown of the official sterling balances of the overseas sterling countries; they helped massively to reverse it. Between the end of 1968 and June of this year the sterling reserve assets of club members jumped by more than three-quarters to £2.9 billion. This growth has not only increased Britain's potential bill if there is any devaluation of the pound below \$2.38 (as 90 per cent of these official assets are covered by the guarantees); it has also raised French eyebrows.

But the trade goes elsewhere

Trade of overseas Commonwealth countries* with—



* excluding S Africa & Rhodesia



Well, here's to a drop in your exports, old man

Britain would like to see the basic guarantees extended to 1975, but applied only to fixed amounts of sterling in countries' official reserves. Any further increases would then be at the risk of the central banks concerned. There are also more immediate technical problems to be solved now that the pound is afloat. What happens if sterling dips below \$2.38 for, say, a week and then bounces back above the guarantee point?

Heath in Japan

Fair to whom?

Tokyo

Junkets apart, Mr Heath's visit to Japan has been concerned with showing the flag, expressing a mild enthusiasm for the drawing together of Japan and China (which the Foreign Secretary is going to visit shortly) and once again reading the riot act to the Japanese about exporting too much too cheaply. On the last point, as Tokyo expected, Mr Heath seemed to be acting as a spokesman for Europe. He seems to have got little change yet.

Mr Tanaka and others assured him that their surging exports will be adequately contained by cartel arrangements like the one for ballbearings fixed up last week, under which Japanese manufacturers agreed to enforce a 15 per cent cut in ball-bearing exports to Britain this year, with room for a 10 per cent increase next year. The industry went to some lengths to pretend that it reached this decision spontaneously, and had done no deal with the British. However, the Japanese Fair Trade Commission, which is now being cast as the real

obstacle to export restraints of this kind, has not been fooled any more than anybody else.

It is now about to quiz the Ministry of International Trade and Industry to see if there was in fact any deal with the British—as it, and everybody else, suspects there was. It might then brand the whole thing as a cartel. It is denying suggestions in the Japanese press that it had been persuaded to turn a blind eye and huffily insisting that it will not be guided by mere "political considerations" in doing its job. It is also going to look into the export restraints to be applied from October to black and white television sets and tape recorders destined for eight European countries, including Britain but excluding Germany; it means to discover if here, too, there was any secret agreement with the Europeans.

This burst of energy within the FTC in Tokyo is something both the Japanese and European governments could do without. Other Japanese industries that are expecting to come under fire from Europe for their exporting zeal

The Smithsonian pound

		Sept. 20
Sterling fell to	USA	106½
\$2.4430 early this	Germany	107½
week but showed	France	109
some recovery	Italy	106½
later.	Belgium	108½
	Holland	107
	Denmark	107½
	Switzerland	108
	Sweden	108½
	Japan	109

Table shows the cost, in Britain, of goods which could have been bought from other countries for £100 at Smithsonian central rates. The method was explained on page 90 of The Economist for July 1st.



TUBE INVESTMENTS LIMITED

Interim Statement

Results and Dividend

The Directors of Tube Investments Limited considered the results of the Group for the six months ended 30th June 1972 which showed profits for the period after taxation attributable to Tube Investments Limited amounting to £3,945,000 (11.1p per £1 Ordinary Stock). The Directors decided to declare an Interim Dividend on the Ordinary Stock for the year ending 31st December 1972 of 9p, less income tax, per £1 Ordinary Stock. Last year the Interim Dividend was paid on 29th October. This year, on account of the change in the system of United Kingdom company taxation, it has been decided, in order to minimise the company's liability to taxation in the transitional years, that payment of the Interim Dividend should be deferred until 3rd January 1973. Dividend warrants will be posted on 2nd January 1973 to members on the registers on 6th December 1972.

Consolidated Profit and Loss Account Summary

	Six months to 30th June 1972 £000	Six months to 30th June 1971 £000
External Sales	194,152	179,474
Trading Profit of the Group	16,346	16,883
Profit before Taxation	8,149	10,669
Taxation	3,774	4,629
Profit after tax attributable to Tube Investments Ltd.	3,945	5,177

Comment and Prospects

The Chairman's Statement for 1971, written when the miners' strike and resulting power cuts had already caused considerable disruption, indicated that the results for the first half of the current year were likely to be poor. Although it is not possible to measure accurately all the costs associated with this disruption it is estimated that the loss of profit to the Group was in excess of £1 million. This included heavy costs resulting from partial shutdown of the Invergordon smelter and loss of sales and profits in parts of the Group that were too heavily loaded to recoup with higher output after the disruption.

Buoyant consumer demand enabled the Cycle and Domestic Appliance Divisions to earn good profits. Other Divisions dependent in varying degrees on investment demand were less fortunate. Sales values in the Steel Tube, Engineering and Machine Tool Divisions were all below the 1971 levels, representing even greater sales volume reductions; in these circumstances it was impossible to avoid some further reduction of employment in these areas. Engineering Division was particularly severely affected at Geo W King in the heavy capital equipment sector. In the Aluminium Division production continued well below capacity.

There are now growing indications of a recovery in general investment demand although the prospect remains poor for some particular sectors, and here appropriate management action is being taken. If these developments continue satisfactorily it is expected that the results for the full year will be comparable with those for last year.



£180,000,000 and \$468,000,000

The British Petroleum Company Limited

production payment financing for the
development of the Forties Field

**Lazard Brothers & Co.,
Limited**

**Morgan Guaranty Trust Company
of New York**

**National Westminster Bank
Limited**

Algemene Bank Nederland N.V.	Allied Bank International	Arbuthnot Latham & Co. Limited
Australia and New Zealand Banking Group Limited	Bank of America N.T. & S.A.	Bank of Montreal
Bank of New South Wales	The Bank of Nova Scotia	Bank of Scotland Finance Company Limited
The Bank of Tokyo, Limited	Banque Belge Limited	Barclays Bank International Limited
Baring Brothers & Co., Limited	Wm. Brandt's Sons & Co. Limited	British and French Bank Limited
The British Bank of the Middle East		Burston & Texas Commerce Bank Limited
Canadian Imperial Bank of Commerce	The Chase Manhattan Bank, N.A.	Chemical Bank
Clydesdale Bank Limited	Continental Illinois National Bank and Trust Company of Chicago	
Crédit Lyonnais	The First National Bank of Chicago	First National Bank in Dallas
		First National City Bank
The First Pennsylvania Banking and Trust Company	Franklin National Bank	Antony Gibbs & Sons, Ltd.
Guinness Mahon & Co. Limited	Hill Samuel & Co. Limited	The Hongkong and Shanghai Banking Corporation
Italian International Bank Limited	Japan International Bank Limited	Kleinwort, Benson Limited
LB/Amex Limited	Lloyds & Bolsa International Bank Limited	London Multinational Bank Limited
Manufacturers Hanover Trust Company		Marine Midland Bank—New York
Mellon National Bank and Trust Company	Samuel Montagu & Co. Limited	Morgan Grenfell & Co. Limited
Morgan Guaranty Trust Company of New York	National Bank of Detroit	National and Grindlays Bank Limited
National Westminster Bank Limited	Nordic Bank Limited	Orion Banking Group
Republic National Bank of Dallas	N. M. Rothschild & Sons Limited	Rothschild Intercontinental Bank Limited
The Royal Bank of Canada	The Royal Bank of Scotland Limited	Scandinavian Bank Limited
J. Henry Schroder Wagg & Co. Limited	Security Pacific National Bank	Singer & Friedlander Limited
Standard and Chartered Banking Group Limited	The Toronto-Dominion Bank	United California Bank
United International Bank Limited	S. G. Warburg & Co. Limited	Western American Bank (Europe) Limited
Westminster Foreign Bank Limited		Williams & Glyn's Bank Limited

This announcement appears as a matter of record only.

are eagerly sheltering behind the FTC, and positively applauding its efforts. If there are any lingering doubts about the deliberate diversion of Japanese exports away from America and towards Europe, the August export figures ought to dispel them for good. Total Japanese exports are up 17.7 per cent that month; those to America by 3.3 per cent; those to Europe by 71.8 per cent and those to Britain by 150 per cent.

Oil Progress?

Sheikh Ahmed Zaki Yamani, the negotiator for the oil-producing countries, says agreement has nearly been reached with the international oil companies on participation (ie, 51 per cent ownership by Arabs), which he claims is the only workable alternative to the outright nationalisation demanded by the more militant Middle East nations. The oil companies are more guarded in their comments on the progress of the talks, which this week shifted from Beirut to London.

Sheikh Yamani claims agreement has been reached on how to dispose of the oil that will go to the local national companies, once they assume their 20 per cent stake in local operations. Wearing his other hat, as Saudi Arabian oil minister, he claims this was the most sensitive issue, but his opposite numbers in the oil companies say there are still outstanding differences between the two sides and that without agreement on all major issues agreement on any one of them counts for little.

What all this probably means is that Sheikh Yamani already has most of what he wants but that the oil companies do not. Having given ground on compensation, disposal of the oil and perhaps on other points, the oil company negotiators feel compelled to seek iron-clad assurances that any deal they sign will be binding. More particularly, the oil company negotiators would like a firm agreement on the rate at which the countries would progress from 20 per cent participation to 51 per cent, the stated goal of the Organisation for Petroleum Exporting Countries.

If they cannot arrive at such a firm agreement, the negotiators may feel afraid to show their faces in their own boardrooms. However, Sheikh Yamani may have difficulty persuading his principals to tie themselves down on this point. Just the same, the oil companies can perhaps take solace from a

speech Sheikh Yamani gave to a London oil conference on Tuesday. In it, he said that he recognises the importance of maintaining the confidence of western investors in the oil companies. Without this confidence, the flow of western capital and technological knowhow to the Middle East oil-producing countries will dry up and "the many huge and undiscovered reserves" still remaining there will go unexplored.

Caravelle Finis

Can it really be true that after 20 years in production the French have sold only 280 Caravelle airliners and will break up the production line when the last of them is delivered? It is an aircraft that was a technical and commercial revolution in its day: technical because it was the first in the world to have its engines mounted in the tail, and commercial because it was the first short-range jet airliner; the only other jets were all for the long, North Atlantic ranges. From the day that the first prototype was ordered in 1953 it never (well, hardly ever) put a foot wrong and ought to have swept the world's markets. Yet the French only slowly mastered the technique of winning the big airlines' confidence, and by the time they had the Caravelle was beginning to show its age.

It was, inevitably, hurt by the Comet disasters of 1954, because there was a good deal of Comet technology in the Caravelle, including the entire nose section which was manufactured in Britain. The aftermath of inquiries into why the two Comets disintegrated from metal fatigue meant that some modifications had to be built into the Caravelle, although it was never as vulnerable to fatigue as the Comet. So, although the prototype flew in 1955, the aircraft did not go into service until 1959, and by then the big American jets were already on the Atlantic

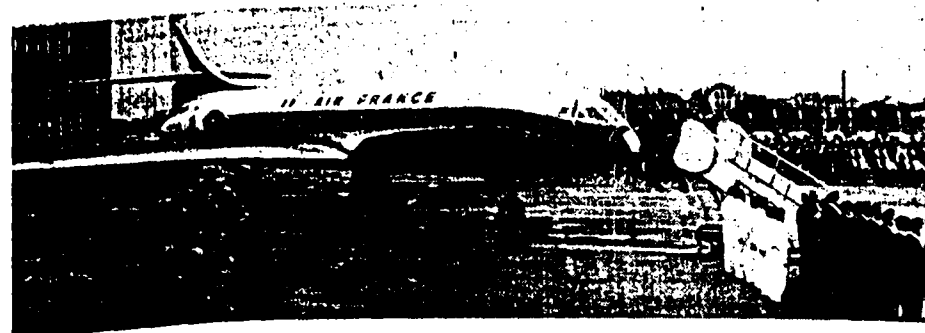
and Europe's technical lead was lost. The Caravelle was copied in a whole series of tail-engined aircraft, American, British and Russian among them, and many of these ran into technical troubles that the sturdy and relatively slow Caravelle had managed to avoid. But the Caravelle still did not sell.

There was a time when it looked poised to break into the American market after a deal with the Douglas company which left Douglas responsible for American sales of Caravelles. With Douglas behind them, the French then sold 20 to the biggest airline in the west, United Air Lines, and where United leads the rest usually follow. Only this time they did not, and after two years Douglas lost interest and pulled out in 1962. Its own DC 9 was on the drawing board by the next year, using technology 10 years in advance of the Caravelle's, and more than 700 DC-9s have been sold. Although the French managed to stretch the Caravelle a bit from its original 80 passengers to a squeezed 109, they could not give it a 1960s' look without totally redesigning the wing. Various designs were tossed about, including a supersonic Caravelle that eventually turned into the Concorde, but none of them held out sufficient improvement to justify the cost. The remarkable thing is that, in spite of these handicaps, the Caravelle has gone on selling in small numbers up to the present day. It is an object lesson in how the French threw away a golden opportunity by incompetent marketing.

World Bank

No thanks to America

It is a landmark for the World Bank that its new lending and investment in developing countries topped \$3 billion in the year to June 30th. Each year the group—which includes the soft-loan



Remember that day in 1959?

agency, the International Development Association, and the commercial-nosed International Finance Corporation—increases its operations. Unlike the IMF it has no problems about leadership. Mr Robert McNamara is safely in the saddle for a second five-year term from next spring. He can now expect to beat the target he set when he arrived at the bank, which was that its development financing in the period 1969-73 would be double the £5.8 billion in the previous five years.

The big problem—indeed, the disgrace—has been the failure of the United States to make its contribution to the IDA replenishment, intended to run for three years from July 1, 1971. That the flow of credit to the poorest countries was again increased in the past year was because of special action by 15 countries, including Britain, in making advance contributions. An overloaded legislative programme in Congress is the nominal excuse for the delay, although there were signs of some action this week.

Mr McNamara's annual report naturally beats the drum to proclaim the urgency. Debt service payments from the developing countries increased in 1970 by 18 per cent, almost twice the average rate of recent years. It is argued that "the world's burden of poverty is increasing rather than declining." Mr McNamara has tried to reverse this trend by broadening assistance into fields such as urbanisation, population planning and education, as a new book* from the bank describes. The bank is to strengthen its policy-making management at regional level. But an outsider must regret that the two institutions of Bretton Woods, the World Bank and the International Monetary Fund, do not work together in the developing world as closely as they should. Most of the blame for this rests on the IMF.

*World Bank Operations: Johns Hopkins University Press. £5.65 hardback, £2.25 paperback.

Key indicators: world commodity prices

Gold jitters

In two days of panic selling the free market price of gold dropped \$5.75 an ounce to \$61.25 before pushing back to \$65. These gyrations, more typical of the riskier crop commodities, sent gold shares reeling in London despite news of much better profits from the mines. The gold price is unlikely to hold its present level if South Africa begins offloading all its output.

	Index 1963=100		Percentage change on	
	Sept 13	Sept 20	one month	one year
All items	139.9	141.3*	+ 2.9	+23.2
Food	158.4	160.4*	+ 4.6	+28.9
Fibres	110.0	110.1*	+ 1.1	+29.8
Metals	188.1	184.8	+ 0.5	+ 4.5
Misc	120.7	120.9*	+ 0.2	+22.1

*provisional

Chile's copper

It's ours, really

New York

The worst was confirmed for the hapless Anaconda company on Tuesday. All the compensation it is going to get for the nationalisation of its copper mines in Chile is a mere \$12m from the American government's Overseas Private Investment Corporation, which insures American companies against this sort of risk. Anaconda has been claiming \$154m for three mines. Opic is denying liability for two of them and offering the \$12m for the third, the Exotica mine. The Chilean government has already said that it is ready to pay compensation for Exotica, but not for the other two; it argues that Anaconda actually owes Chile a net \$78m of excess profits earned from them.

Anaconda's pitch may have been queered by the uncompromising attitude adopted by the other company, Kennecott, whose mines were nationalised at the same time. It is generally believed that Kennecott recognised at least 10 years ago that its El Teniente mine, the largest underground copper mine in the world, would be nationalised sooner or later and diversified accordingly. In the early 1960s, Chile provided a quarter of Kennecott's profits. By the time both companies were expropriated, this was down to 11 per cent, against Anaconda's 75 per cent. Kennecott has now announced belligerently that it is giving up any further attempt to get compensation from the Allende government, but will do instead what the oil companies do: take action against anyone buying copper from ex-Kennecott mines on the ground that the copper is Kennecott property. This threat, which is aimed mainly at European buyers, is not likely to put them off; but the attitude may annoy Kennecott's own customers. It also makes it even more difficult for the

American Administration and Chile to reach an agreement over the rescheduling of Chile's debts, along the lines suggested by the Paris Club meetings last spring. Britain and Chile struck their own deal this week. Other European companies have already done so, but the United States can hardly settle while the wrangle over compensation drags on.

Anaconda's next step could be to take its dispute with Opic to arbitration. If the decision did go Anaconda's way, that would be no comfort to Kennecott. Opic does not have the funds to meet the claims of both companies in full. The Export-Import bank is already claiming the lion's share of a debt repayment that Kennecott did squeeze out of Senor Allende. Washington is putting pressure on Kennecott from the other direction. It wants to make it sell Peabody Coal, the giant company that represented one of Kennecott's most important forms of diversification out of copper. It is a hard life when everyone shuts the doors.

Spain and Russia

We hate you but...

Barcelona

The Spanish-Russian trade treaty signed last weekend puts their trade on an official footing for the first time since the Spanish civil war. This rapprochement has not been upset by a new wave of strikes in Spain, despite perennial Spanish suspicions that international communist influence must underlie Spain's labour troubles. For over 30 years trade has been confined to barter deals through other countries. Now a wide range of goods is to be exchanged and there will be trade representatives in Moscow and Madrid. Spain has a persistent deficit on what trade there is, and this factor—plus growing uneasiness in a Madrid about being shut out of the enlarged EEC—prompted the Spanish government to look for other outlets for its manufactured goods.

There remain questions like that of the Spanish gold reserves, sent from the Bank of Spain to Russia in the civil war for safe keeping. The Franco regime has repeatedly called for their return. Russia still maintains that the full value of this gold, and more, is due to it for supplies sent to the pre-Franco republican government. This issue, and continued Russian support for the exiled Spanish communist party, still arouse high passions.



Triumph Investment Trust Limited

Eighth successive year of growth Confident of further progress

Extracts from the 1972 Statement of Mr. G. T. Whyte, Executive Chairman.

For the eighth year in succession profits and earnings per share have shown a substantial improvement. The net profit before tax has risen to a record £4,427,000 against £3,374,000 for the previous year. Earnings per share increased by 28% from 11.21p to 14.38p.

A 1 for 1 capitalisation issue is proposed together with the conversion of the 'A' shares, which have carried 20 votes each, into ordinary shares on the basis of parity. The total dividend for the year is 33% compared with 27.5% last year. As a result of the capitalisation issue the dividend forecast of 40% in respect of the current

year made at the time of the rights issue will now be equivalent to a rate of 20%.

It has long been intended that merchant banking should be the central theme of Triumph's development. Now that after many years of solid progress a large and enduring impetus has been given to the growth of the Bank, I feel that the ultimate shape of the Group is beginning to emerge. I am confident that from the position now reached, including the new opportunities opening up in our banking operations and on the Continent, the upward course of earnings per share can be maintained.

EIGHT YEAR RECORD

Profits before taxation, earnings and gross dividend per Ordinary share of the Company since 1965.

Year Ended 31st March	Profits before Taxation £	Earnings p	Gross Dividend p
1965	49,000	0.58	0.47
1966	168,000	1.39	0.94
1967	221,000	1.82	0.94
1968	344,000	2.58	1.67
1969	1,296,000	5.63	1.73
1970	2,154,000	7.98	5.42
1971	3,374,000	11.21	6.88
1972	4,427,000	14.38	8.25

(Figures adjusted for capitalisation issues and changes in the basis of taxation.)

Copies of the Report and Accounts are available from
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The complete merchant bank



BUSINESS

Britain

You can't keep a good shopkeeper down

The huge changes taking place in British retailing and distribution as resale price maintenance went out and supermarkets came in has not killed off the small, privately-owned shop in the way everyone had expected. The corner grocers and sweetshops have been disappearing at an alarming rate, pushed out by the supermarkets and self-service stores, but, surprisingly, they have been replaced by the equally small antique dealer, do-it-yourself merchant, television renter, and a whole host of shops selling semi-luxury goods like glassware and sports gear. In part this reflects the changing pattern of personal spending as living standards rise and shoppers begin to look for something more than basic consumer goods, and want a bit more fun. It explains why the number of hairdressers' shops went up by 15 per cent in five years, as backroom barbers blossomed into hair stylists with their own plate glass front.

This comes out in the initial analysis of the 1971 Census of Distribution for Britain, published by the

Department of Trade and Industry this week. It shows that about 24,000 shops closed for good in the previous five years. This was the period in which the ending of resale price maintenance should have taken a terrible toll of the country's corner shops. There was the added burden of selective employment tax, which did not affect the man-and-wife business, but hit the small man who had one or two assistants. The proportion of total trade done by the little man has not ceased to fall. But, numerically, he has shown a remarkable power of survival. In the five years to 1966, when the ending of rpm was barely beginning to bite, 38,000 retail outlets disappeared. In the decade of the 1960s the number of shops fell from 542,301 to 480,573.

True, both the grocers and the tobacconists, confectioners and newsagents have suffered most of all. Both categories lost 26 per cent of their numbers in the 10-year period (from 146,777 to 107,963 and from 70,108 to 52,105 respectively) against an overall decrease of just over 11 per cent.

Other food retailers have gone down 18 per cent (from 114,655 to 94,041).

On the whole, however, the small men have shown spirit. They have tenaciously fought parking restrictions on the arterial roads, on which they grew up in the 1920s and 1930s, which were intended to whisk the motorist through to the big store competition in redeveloped city centres. They have preserved their independence, yet banded together under symbols like Mace, VG and Spar-Vivo to buy at better wholesale prices, and they have been helped by the introduction of cash-and-carry warehouses. Unfortunately, those who tried slavishly to preserve the "service" that the supermarkets replaced with piped music are the ones that have largely disappeared. Many who continued providing credit went under.

On the tobacco side—bolstered in the main by the healthy margins on sweets and with a surprising diversification into things like budget-price records and tights—shopkeepers have not been wiped out overnight as was feared when rpm ended. With discount for bulk purchases from cigarette makers, which can make a difference of 60p per 1,000 when buying, say, 250,000 at a time, the supermarkets should have taken over. But smokers are not only creatures of habit, they are extremely casual purchasers



The supermarkets hit



the corner sweetshops.



but antique dealers proliferated



—and so did hairdressers

who will not cross the road to save 2p.

These shops must come under further pressure as more of the hypermarket projects get planning permission. With parking for 960 cars, 55,000 square feet of floor space and 25,000 different products selling for 6-8 per cent less than at nearby shops, the one that opened at Caerphilly, Wales, this month was forced to advertise on television to keep customers away in peak hours. The Department of the Environment has asked local councils to inform it of applications for shops of more than 50,000 square feet. The strong retail lobbies throughout the country are bound to oppose giant shops, backed no doubt by some councils who do not want to lose out to out-of-town rates. But as one hypermarket appears so will more, and the 1976 census will no doubt show another big fall among Britain's shopkeepers.

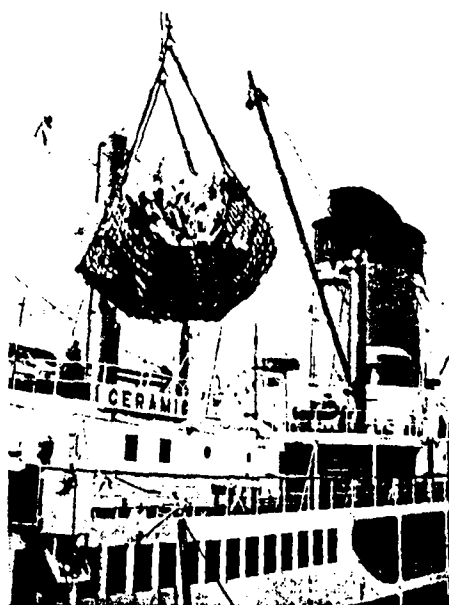
The growth in the multifarious band of traders catering for the more specialised buyer, with a bit more in his pocket, is particularly interesting. It is now the thing for the private investor to go into something like fancy goods, pet shops, garden centres, and antiques. Antiques, on a very rough estimate, has leapt from 2,000 shops to 7,000 in 10 years, with dealers opening up in villages throughout the country.

But the figures do not tell the full story. One success draws several imitators and, as with launderettes and boutiques, the growth soon mushrooms beyond all bounds. For all the boutique boom of the 1960s, clothing and furniture shops dropped by a fifth in five years, which suggests a horrifying casualty rate among inexperienced amateurs.

Docks

What happens next?

Dockers are rushing to accept the £4,000 voluntary severance terms offered by the Government in order to buy off the national dock strike, so much so that there is now a momentary shortage of dockers. So far, 3,200 men have accepted severance, wiping out the register of temporarily unattached dockers which had stood at around 2,000 men. The shortage of men is all the more acute because of the extra dockers still needed to clear the backlog of cargo from the strike.



Some of the lamb's left London

So far, so good. Were life on the docks to go on like this there would be no need to settle the thorny issue of how to pay for the employers' guarantee, made under the combined duress of the strikers and the Government-appointed Aldington-Jones committee, that will now abolish the temporarily-unattached register forever. But, unfortunately, the average age of the men accepting voluntary severance is getting on for 63. In other words, to solve this year's crisis the Government is buying off, at great expense, the natural wastage of retiring older men.

Picketing continues as an almost permanent recreation for those dockers, and some of their left-wing friends, who cannot think what else to do on their days off. Not content with abolishing the threat of unemployment, these men are still determined to force their labour, and that of their sons, brothers, uncles and cousins on to other parts of the economy. Since dockers are about the most privileged group of industrial workers in the country, their positions are keenly sought after. Now that a temporary shortage of dockers has arisen, the dockers are using the opportunity to press for recruitment to help their relatives into the establishment.

At the same time a storm is blowing in the London meat trade. Productivity in London is about half that for meat handling in other ports, and the New Zealand meat producers are threatening to take the trade away to Sheerness, though, ironically, the building strike has delayed handling facilities coming on stream there.

Government spending Picking right nits

Backbench MPs on the expenditure committee have held a learned seminar with Treasury officials and academic economists on "Public Expenditure and Economic Management,"*, which they turned into an exercise in reasonably well-directed nitpicking.

At present, British governments publish broad estimates for public spending for up to five years ahead, which are actually arrived at in the following way: (a) individual departments indent for what they would like to spend varying their bids according to whether their ministers and civil servants want to look frightfully reasonable or dynamically expansionist; (b) Treasury civil servants then cut down these asking bids, so that their annual total is only moderately above or (if the government is frightened of Zurich gnomes) just below the Treasury's "secret" estimate of the forward growth of productive potential for the whole economy, which is really the absurdly (but disciplinarily) low one of 3 per cent. Actual public spending then varies greatly and healthily from the published forecasts, but the departments always say until the last moment that they should not have to vary them when private consumption and investment are thumped down or up in a crisis; and such emergency cuts or boosts in government spending have indeed usually been disruptive, precisely because the preparation of them has been delayed until the last moment.

The MPs now recommend:

(1) The Treasury should be made to publish its working assumption of the forward growth in productive potential. The practical effect of this would probably be to increase government expenditure, because the Treasury would feel embarrassed at constantly saying "only 3 per cent."

(2) The Government could vary some public expenditure in the trade cycle if it would look in advance at its projects so that the time lags involved between the authorisation of work, the start of the work and the flow of economic benefits from each of them were a bit better known. Any such inculcation of normal business practices should be encouraged, but they could never be big stuff. Private consumption takes up about 60 per cent of gnp, so that a 2 per cent cut in it is 1.2 per

*Seventh report of the Expenditure Committee. HMSO. £1.25.

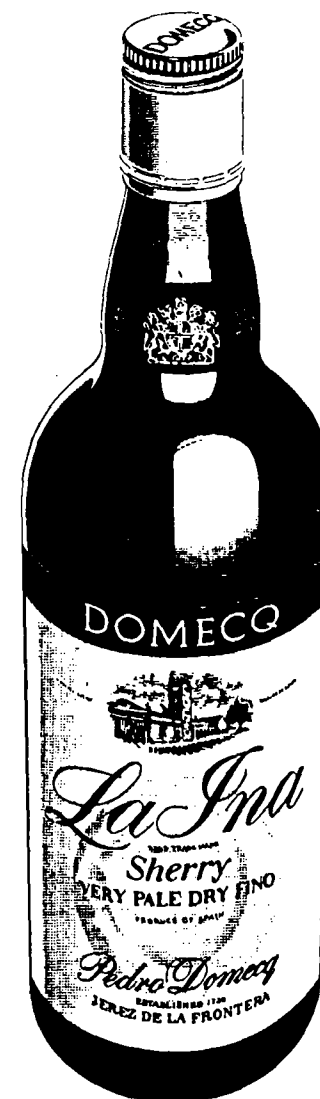
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cent of gnp; the delayable part of public expenditure is probably only around 5 per cent of gnp, so a 2 per cent cut in it would be 0.1 per cent of gnp.

The real mess, at which the committee did not even nibble, is that government expenditure is still planned wholly in input terms. Politicians and civil servants carry on this sham fight about whether they should say that real expenditure on the police service, the health service, roads, environmental pollution should by 1976 have risen by slightly more or less than the Treasury's wrong secret estimate of productive potential in the whole economy. Of course, government spending should be planned ahead in output terms: the target for 1976 should be to reduce crime by x per cent, reduce sickness rates by x per cent, speed traffic flows by x per cent, remove pollutants from the air and water by x per cent—and we should constantly be varying production efforts, sometimes indeed bringing in private enterprise to fields where public enterprise is now failing, when these targets are not being met. In America, discussion about present public sector targets is at last veering in this direction. In Britain the House of Commons still concentrates on picking minor blemishes off an input-oriented system which is thought-decades out of date.

Coal

Ezra stirs a crisis

Thanks to Mr Derek Ezra, chairman of the National Coal Board, all that unfounded American publicity about an energy crisis is beginning to take root here. If Britain does not watch out, Mr Ezra says, the country will be facing the same energy shortage in the late 1970s as America supposedly will suffer. The message that his hearers are intended to get is that we should keep the British coal industry at its present size, at no matter what cost, in order to ward off a crisis then.

This overlooks the prospects for North Sea oil and natural gas, which guarantee there will be no energy shortage in Britain for a long time to come. That would be true even if the Government's estimates of North Sea oil reserves turn out to be correct, although they almost certainly err on the low side and perhaps by a lot. Even the Government admits that, by 1980, around 75m tons of oil should

be coming each year from the British sector of the North Sea, which would be about one-half of Britain's projected oil consumption in that year. However, some oil experts say production could reach 200m or 300m tons by 1980 and even British Petroleum, despite its close ties with the Government, estimates 1980 production at 100m tons.

Mr Ezra can be forgiven for failing to look too deeply into what is happening in America, where plenty of options are still open to anyone wanting to use them. But it is naughty of him to ignore what is happening on his doorstep. It lessens the coal board's credibility, which may be unfortunate when Mr Ezra gets around to arguing the real case for coal. This is that the cost of energy is going to rise gently but inexorably, and that in not too many years Britain's coal industry could become a money-spinner, provided it can be made to operate efficiently. But it never will operate efficiently so long as the NCB's grossly unprofitable pits continue.

Their quick demise should be part of the negotiations now going on between the NCB, the National Union of Mineworkers and the Government. Apparently, they are not. The NCB and the union want huge subsidies, amounting to several hundred million pounds, to keep the industry running at its present size. All the Government appears to want is the union's assurance that it will not present another whopping wage claim this year. Such an assurance would help the Government's anti-inflationary campaign, but it would do nothing to solve the coal industry's long-term problems.

Farnborough

Who'll give way?

A rather tense meeting of the Society of British Aerospace Companies took place on Wednesday evening to decide what line the industry should take about the future of big air shows like Farnborough when it meets the rest of the European industry in Stockholm on Monday. Everyone agrees there are too many shows. Nobody wants to give theirs up.

One of the British industry's reasons for continuing the Farnborough air show is to let the British taxpayer see and sometimes touch where his money went. This year, on the show's three public days (earlier this month: Friday, Saturday and Sunday), a total of 184,302 people paid their money and watched. This was rather more

than the last time the show was held, in 1970. Millions probably watched it on television, too. But that does not explain why 633,000 people chose to turn up to one or the other of the seven Battle of Britain air displays held around the country last Saturday. The answer is probably that there are far more aircraft included in these local displays than the industry can now muster at Farnborough.

The industry has tried everything to compensate for the fact that there is no longer the flow of new aircraft that there was to sustain public interest when a crowd of 250,000 turned up one year at Farnborough in the 1950s. It has tried the admission of foreign aircraft (not many came) and this year even a popular flying display. What can be done? There are four European shows now, at Farnborough and Paris every alternate year, and in Hanover and Turin yearly. The last two shows have no business to be held at all but if Germany and Italy insist, then at least there should be an agreement to hold only one show in Europe a year, so that each country's turn comes round only once in four years. It will be proposed at Stockholm to drop at least one of the four shows, and rotate the remaining three on a three-year cycle.

The French, as usual, are raising difficulties. Their show in Paris, with its American and Russian aircraft, is the biggest and best air show held anywhere in the world. They want to keep it that way, which means discouraging other countries from holding anything on a comparable scale. They could conceivably be right. The

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The Board of Directors and the Managing Directors of the Company have declared on account of the expected total dividend in respect of the year 1972, an interim dividend amounting to Netherlands Guilders 3.50 per share on its outstanding shares of 20 guilders par value.

A. On the Bearer Shares

(i) This interim dividend will be payable against surrender of coupon No. 152 on or after 28th September, 1972 at the offices of N. M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU on business days between the hours of 11 a.m. and 2 p.m.

Payment will be made in sterling at the buying rate of exchange current in Amsterdam at 2 p.m. on 21st September, 1972 in the case of coupons presented on or before that date, or on the day of presentation in the case of coupons presented subsequently. In view of the fact that Netherlands guilder funds are being provided by the Company for payment of this dividend, the usual foreign exchange commission will be deducted from the sterling proceeds. Coupons must be accompanied by a presentation form, copies of which can be obtained from N. M. Rothschild & Sons Limited, and the face of each coupon must bear the stamp or other indication showing the name of the presenter. Lists of the definitive numbers of the share warrants from which the coupons have been detached need not be provided with the presentation form.

Coupons must be left for an appropriate period for examination and must be handed in personally. Coupons cannot be paid through the post.

In the case of shareholders not resident within the Scheduled Territories the paying agent may, at the request of the Authorised Depository presenting the coupons, pay the dividend in a different currency. Information in this respect will be supplied by the paying agent upon request. From the gross dividend the Netherlands dividend tax of 25 per cent is to be deducted, except where coupons are presented on behalf of residents of France and the appropriate declaration Model A or B Fr. is provided.

Netherlands dividend tax at the reduced rate of 15 per cent will be deducted where:

- (a) United Kingdom income tax has also been deducted;
- (b) Coupons are presented on behalf of residents of the United States of America, Austria, Belgium, Canada, Denmark, Finland, Ireland, Japan, Luxembourg, Netherlands Antilles, Norway, South Africa, Surinam, Sweden or West Germany, provided they lodge the declaration form No. 92 V.S., No. 92 O.S.T., No. 92 B., No. 92 CAN., No. 92 DEN., No. 92 FIN., No. 92 IER., No. 92 JA., No. 92 LUX., No. 92 N.A., No. 92 N.W., No. 92 Z.A., No. 92 SUR., No. 92 ZWE or No. 92 D respectively.

(ii) On 28th September, 1972 this interim dividend will be paid to Depositories admitted by Centrum voor Fondsenadministratie N.V., Amsterdam, on the shares whose dividend sheets were in their custody at the close of business on 15th September, 1972. Such payment will be made through the medium of N. M. Rothschild & Sons Limited, after receipt by them of a duly completed CF Dividend Claim Form.

Where appropriate, the usual affidavit certifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax.

Where under the double tax agreement between the United Kingdom and the Netherlands, 15 per cent Netherlands dividend tax has been withheld, the 15 per cent Netherlands tax is allowable for a resident of the United Kingdom as a credit against the United Kingdom income tax payable in respect of the dividend. The deduction of United Kingdom income tax at the reduced rate of 23.75 per cent instead of at the Standard Rate of 38.75 per cent represents a provisional allowance of credit at the rate of 15 per cent.

B. On the Registered Shares registered in the United Kingdom Section of the Amsterdam Register

On 25th September, 1972 the sterling amount of the dividend will be fixed on the basis of the sterling guilder rate of exchange current in Amsterdam on that date.

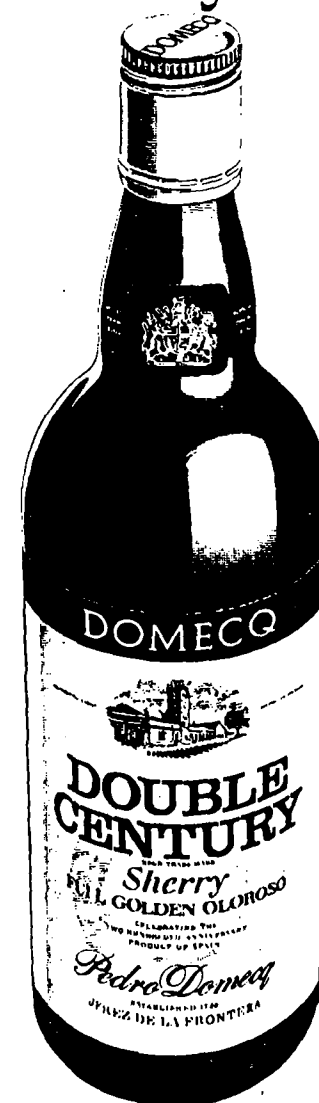
The record date will be 4th October, 1972; shareholders registered at the close of business on that date will be entitled to receive the dividend.

On or before 27th October, 1972 dividend warrants will be posted by the transfer agent, Algemene Bank Nederland N.V., Amsterdam, to shareholders registered in their books on the record date.

From the dividend on the registered shares Netherlands dividend tax of 25 per cent has also to be deducted. Where under the relevant tax convention shareholders are entitled to a reduction of the Netherlands dividend tax, this can only be effected through a request for a full or partial refund of the tax withheld on the appropriate tax affidavit. A further announcement will be made as soon as possible after 25th September, 1972 giving the rate of exchange, the amount of the dividend in sterling per share and the amount of the 25 per cent Netherlands dividend tax in sterling per share.

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pace of aircraft development has slowed to a point at which the industry cannot present a genuinely interesting show every year, and would be hard put to mount one every other year. The British and French, with the two biggest industries in Europe, would do better to agree to put on, between them, two shows in four years and cut out Hanover and Turin.

Drugs

Big's better

The scars of the Beecham-Glaxo takeover battle still rankle in the drug industry. This week the industry's neddy has come out with a report* that says, in effect, that the Monopolies Commission was wrong to advise the Department of Trade and Industry not to allow the deal. The first takeover approaches were made by Beechams in December last year. In July the commission reported that it saw nothing to suggest that the two companies together would do any more effective research than they were doing apart, so that the justification for allowing such a big concentration of power in the industry fell through.

When it was preparing its report, the commission actually had in its hands the draft of this week's neddy survey. The survey argues that the threshold level for effective research in the drug industry is £500,000 a year. The faster it rises above this threshold, the more effective research is likely to be. The bigger the company, the more productive its research, and the stronger the case for encouraging mergers in order to produce big companies.

*Focus on Pharmaceuticals. HMSO. £1.85.

The Monopolies Commission threw this argument out of the window. It looked at the number of patents registered by individual companies in the industry, and decided that it simply was not true. The neddy has now replied that it is "rather sceptical" of the weight that the commission attached to yardsticks like this; it has now commissioned a study of the number of innovations that companies produce in relation to their size, which it hopes will quash the Monopolies Commission's argument.

The neddy report was produced by a working party from the industry and the unions. To that extent it represents a piece of special pleading. It contains the industry's usual attack against continual pressure from the Department of Health and Social Security to keep down margins on drugs sold to the national health service, saying that low profits will discourage foreign investment (the return on capital has come down from 25½ per cent in 1967 to 18 per cent in 1970). In the same breath the neddy also argues that other studies it commissioned showed that £1 spent on research in British laboratories worked 2½ times as hard as the equivalent spent in America.

The Monopolies Commission turned all this down when it rejected the advice contained in the neddy draft and refused clearance for the Beecham-Glaxo merger. But, in doing so, the commission also rejected some of the genuine arguments for size: that it does help in international marketing and that it does, in particular, give companies a cushion against the occasional enormous loss incurred when a drug on which a great deal of money has been spent is suddenly taken off the market. Few people remember now

the losses the industry had to stand when the then Ministry of Health authorised the use in this country of oral polio vaccines. Manufacturers who were geared up to produce the older type given by injection, the only kind previously allowed in Britain, could not even give their stocks away.

Companies need a cushion of profits to carry them over these shocks, and big companies have a broader production base that can serve much the same purpose. But that is not the same as the industry's repeated complaint that its margins are too small to sustain either research or investment which the Monopolies Commission plainly disbelieved. When margins are squeezed, most industries cut back on research and on marketing. Research spending is already tightly controlled by the drug companies, but the amount that they spend on marketing is continually under fire. The Sainsbury committee found in 1965 that it was running at 14 per cent of sales, and said this was much too high; but four years later the Public Accounts Committee found that there had been no change. More is spent on marketing now than on research. Doctors continue to complain about sales promotion that runs beyond brochures that out-glossy each other, and includes such refinements as glass paper-weights to keep a drug before the doctor's eye when he reaches for his prescription form. There is something to be trimmed here at once. With the prospect of a drug market worth perhaps £700m a year in this country by the end of the decade, of which nearly £500m would be paid for by the NHS, no major company is going to hold back on either its research or its investment for fear of missing its share.

Key indicators: British economy

Unemployment
A small rise for the third successive month.

Gross domestic product
Recovered in the second quarter to 3 per cent above a year ago.

Wages and earnings
Basic hourly wage rates in August over 14% up on a year ago. Average earnings in July still rising at an annual rate of around 12%.

Money supply
Slight reduction in rate of increase in August, but still close to 30% over three months.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	July	131.4	+1.2	+3.3	+4.5
employment*	June	88.7	nil	-0.1	-4.0
productivity*	June	146.2	-0.9	+2.5	+7.3
Export trade*†	August	96	-33	-33	-36
Retail trade*	July	119.6	+2.3	+4.5	+7.5
Unemployment*	September	181.7	+0.5	+1.8	+2.4
Average earnings*	July	206.4	+1.1	+2.9	+11.3
Retail prices	July	158.5	+0.3	+1.5	+5.8
Export prices	July	152	+1½	+1½	+7
Import prices	July	139	+1½	+2	+3½

Export trade, retail trade: in volume terms (value at constant prices).
Unemployment: wholly unemployed excluding school-leavers; latest rate 3.6 per cent. *Seasonally adjusted. †Provisional



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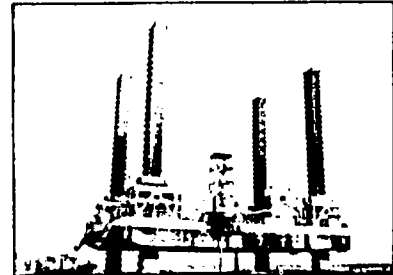
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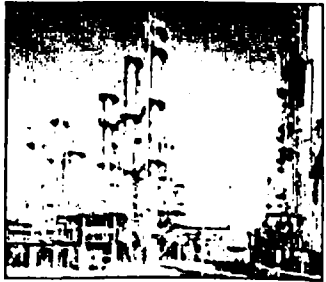
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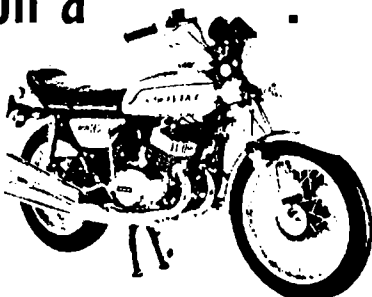
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Waiting for the Lords' day



Inchcape, Catto, Poole: still arguing

In three weeks' time, on October 12th, the shareholders of Peninsular and Oriental Steam Navigation will be enfranchised. They will be given one vote per share; at present each shareholding has a limit of 20 votes, whatever its size. The company hopes to lighten the ship to take the jet-propelled Bovis into the boiler room to generate some profits—if, that is, the shareholders of Bovis agree to take to sea. They have every reason to agree. They will be given half of P&O's equity in exchange for putting up a sixth of the net assets and 60% of the post-tax profits (after using P&O's capital allowances) of the combined housebuilding/construction/property development/shipping group. The doubt is whether the newly enfranchised P&O shareholders will pipe them aboard with full honours, or haul up the gangway.

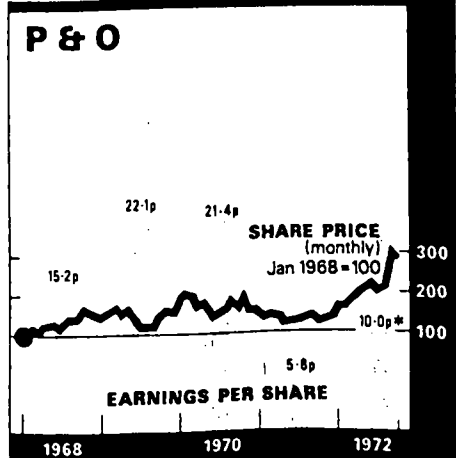
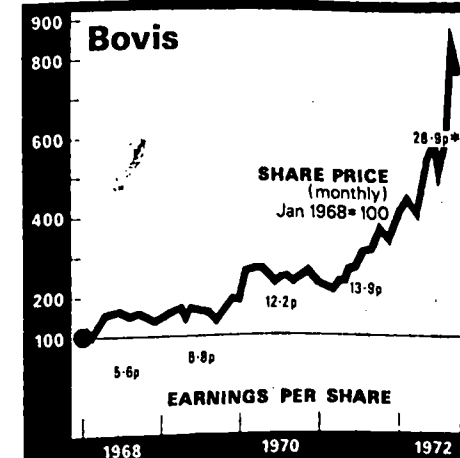
There is time to think over the implications of the merger and to await further developments. In the short time since the offer document appeared, several facts and figures which are not in the document, but are significant, have come to light. Mr Frank Sanderson, Bovis's chief executive, has specifically announced that he has made a verbal promise to stay with the new group for a minimum of five years. Is this a service

contract? Should it not have been in the document? There are some people in the City who had heard that Mr Sanderson had wanderlust. Evidently he does not have, and intends to devote his considerable energies and talents to creating an energetic team of executives for the new company (POvis?). It also emerged that P&O's property development potential has largely been realised; 80% of the new valuation of £108m is accounted for by completed developments. One could also quarrel with the description of Bovis's "proven expertise in property development" when its £100m development programme lies largely in the

future. Mr Ford Geddes, P&O's chairman, is at pains to point out that property is the bonus; the idea is to stick growing profits on to huge shipping assets. A notable omission from the document, therefore, was a detailed breakdown of Bovis's profit forecast. It will emerge, and will almost certainly be close to the unofficial one that has already appeared. Compared with last year, suitably adjusted for acquisitions, it should look like this:

	1971	1972
	£m	£m
Property	1.3	3
Construction	1.8	3
Banking	.6	1
Housing	2.6	6
	6.3	13

And the question is the extent to which these profits are maintainable, bearing in mind the dramatic leap over 1971. The increase in housing is caused by a rise in house sales by 1,000 to 3,300, but also by a 60% boost from the jump in house prices. However, with a substantial land bank worth some £55m, the current rate of sales and profits can be maintained. The other bits should show good growth too—and the profit on that £100m worth of property development, if sold to show a reasonable margin of 25%, might bring in another £6m a year on average.



*forecast

The confident men at Bovis have even more elevated ideas of their own future profitability. They saw no reason to accept less than an exit p/e at 13. Yet the question is not so much whether Bovis is too dear but whether P&O has too cheap a view of itself. That is the view of Lord Inchcape and the two other executive directors who have now followed him in opposing the merger. They see a gleaming future from the new shipping fleet and the new profit-conscious attitudes. So does Lord Catto, of Morgan Grenfell. Lord Poole of Lazard Brothers, the marriage broker, will no doubt be lending his weight to the argument when he returns from his holiday.

The market remains sceptical. The news of the property revaluation quickly pushed P&O up to 345p. If the merger fails, Bovis will fall back: if it goes through, the price of the combined POvis will fall too. So think seriously of selling Bovis. If P&O's merger plans are thwarted, the market might expect P&O itself to be bid for. That would be a miscalculation.

London and New York

Waiting for the breakout

The Financial Times industrial ordinary index fell on Thursday to 483.9, 16 points down on the week before, so keeping up the steady pace of decline since mid-August. The blood-letting will carry on a bit longer, and then there might be a rally in recognition of the splendid profits being reported by companies. There is no sign of a breakout from the 475-500 band in the up direction, and no reason for one on the downside yet. The steady fall has taken the wind out of the takeover vessels. The board of Quinton Hazell (Holdings), which booted out the lone director who did not want to merge with Burmah Oil, has now decided not to merge with Burmah Oil because Burmah's price has slumped by 13%. Quinton Hazell's advisers, S. G. Warburg, have resigned.

No one really understands why Wall Street is not going through the roof instead of remaining carpet-bound. Even American Telegraph and Telephone, which is unaccustomed to delighting anyone, came up with a 16% profit increase in the latest quarter. But, although the Dow Jones has fluctuated obstinately around 950 for six months, the balance of probabilities is in favour of a steep move up.

Compagnie Lambert Baron Lion

The Compagnie Lambert pour la Finance et l'Industrie, which owns the Banque Lambert and a host of portfolio and direct investments, is to merge with three other Belgian holding companies: Cofinter, of which it owns 51%, and Bruflina and Cofinundus, which are controlled by the de Launoit family. The new group, to be called the Compagnie Bruxelles Lambert, will have gross assets of £140m, less loan capital of £28m—not so very far off the granddaddy of Belgian holding companies, the Société Générale de Belgique, 150 years old this year, and some £200m big in assets, or more (*The Economist*, March 18th).

Stage one of the proceedings will be to get the deal agreed by shareholders. With Lambert shares at FrB2,500, other shareholders are being offered premiums of around 10% on their pre-bid prices so there should not be much problem. Then the aggressive Lambert management will get to work on the under-used assets of the newly-acquired holding companies. Immediately after the merger, the Lambert shareholder will still be getting the same FrB3,000 worth of net assets as before, and the logic of creating a more powerful grouping is to increase the net assets per share. The new group will own 10% of the Banque de Bruxelles, and will no doubt try to persuade the management of the benefits of closer co-operation with the Banque Lambert—an uphill struggle against the wish of the larger bank to stay autonomous and go multinational, if anywhere.

One of the mysteries of the deal is the percentage of the new group that the Lambert and de Launoit families

will own. All the deals are to be share exchanges. Many people anticipated a high cash element to maintain Lambert control. However, the Baron Léon Lambert is to be chairman, and the Lambert interests will undoubtedly have retained the lion's share of the shares.

SECTOR ANALYSIS Engineering: better tomorrow?

There is now a golden opportunity to invest in British engineering shares. All the economic indicators point to a recovery in Britain's fixed investment in 1973, and the latest company results suggest that the profits nadir has now been passed. But the engineering sector has moved broadly in line with the rest of the market in recent months, and some of the leaders at current prices are on prospective p/e ratios of under 10 for 1973.

Well, that's the line investment analysts are spinning to their clients. The trouble is that the clients have heard it all before. Last Christmas, everyone agreed that engineering, like mining finance, was the obvious sector for 1972. So far this year, engineering shares have under-performed the market by around 8%. Engineering shares have done worse than the market in every year since 1964; their relative rating has plummeted by 28% in 10 years.

There is no certainty that there will be a great boom in capital investment in 1973. The National Institute of Economic and Social Research predicts a rise of only 5% in private manufacturing investment. On top of this, there is the eternal worry of

Key indicators: world bourses

	Stock price indices			Percentage change on				
	Sept 20	1972 high	1972 low	one week	one month	one year	record high	
Nothing to cheer investors in either London or Wall Street. And other markets off their best too at mid-week.	London	488.8	543.6	470.4	- 1.1	- 7.2	+15.1	-10.1
	New York	940.3	973.5	889.2	- 1.0	- 3.1	+ 5.2	- 5.5
	Canada	228.1	233.8	187.5	+ 0.7	- 2.3	+25.4	- 2.4
	Australia	569.1	639.3	490.1	+ 0.5	- 3.5	+27.0	-14.2
	Japan	316.4	319.3	199.9	- 0.5	+ 1.8	+75.1	- 0.9
	H'kong	476.6	509.5	324.0	+ 1.5	+ 6.0	+20.7	- 6.5
	Belgium	116.8	117.7	96.9	- 0.4	- 0.3	+17.5	- 0.8
	France	86.0	87.9	67.6	- 0.5	- 0.5	+19.6	- 6.3
	Germany	112.3	121.3	97.1	- 3.1	- 4.3	+19.8	-25.7
	Holland	145.1	155.3	105.4	+ 0.1	- 4.7	+36.0	- 6.6
	Italy	49.4	49.9	43.9	+ 1.6	+ 1.2	+ 6.7	-57.6
Sweden	356.4	366.5	308.7	+ 0.5	+ 1.3	+31.7	- 5.1	

Stock prices and yields are on pages 109 and 110

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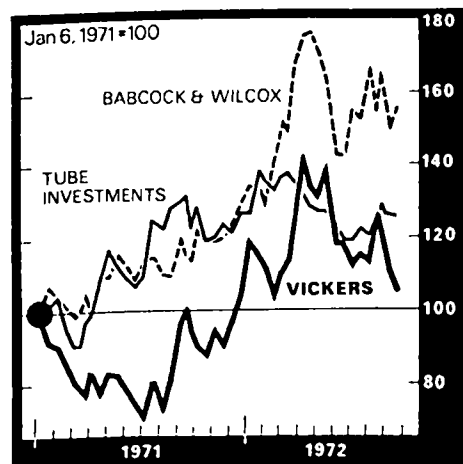
Quality in an age of change FAMOUS GROUSE SCOTCH WHISKY

For the true connoisseur, the first taste gives unusual satisfaction and arouses considerable interest. The mellow character of carefully-aged Whiskies reflecting our blending skill belies mass production.

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disruption by strikes. All engineering companies are on high strike-earnings ratios. The mining strike, for example, hit Tube Investments to the tune of £1m. The joint frontrunners for the next big strike are electricity supply and Fords. If either strike materialises, engineering shares will be severely hit.

But the latest company results from Tube Investments, Babcock and Wilcox and Vickers do indicate that the worst is past. Chairmen are now predicting that profits for the whole of 1972 will be roughly at the same level as in 1971, which implies that the recovery in profits has already begun. Engineering profits should be rising through volume growth rather than price rises, so they would not suffer much from a statutory prices and incomes policy. Engineers can also congratulate themselves on reaching a wage deal which was less inflationary than feared.

On balance, it looks as though there is a good chance that engineering shares might break out of their seven-year relative decline at least for the next six months. The best buys at the moment include Guest, Keen and Nettlefold, with its excellent management record, Tube Investments, which has the extra attraction of a growing stake in consumer goods, and perhaps Vickers, the well-known recovery stock.

CNA Financial Elmer's fire

New York

Stock analysts can fly to Chicago next week for a two-day quizfest with executives of CNA Financial Corporation. There they will meet the new chairman of the finance and insurance group, Mr Elmer Nicholson, and hear about his realignment of the top management of the company.



Strong words, Elmer

The Chicago meeting is the latest ploy in CNA's continuing effort to put itself across as a major diversified financial service company, rather than as just another rather large insurance business, and to convince the institutional stock buyer that CNA is cheap at its current price. The shares are now languishing just above their 1972 low of \$18, putting a price/earnings ratio of just 10 on the most conservative estimate of CNA's earnings in 1972. This sounds cheap for a company which showed 38% profits growth (to \$37m) in the first half of the year.

The trouble for CNA is that it actually is an insurance company—whatever its publicity may say. Its broad-based insurance operations accounted for \$21.1m of \$23m in after-tax profit in the second quarter of 1972, a higher proportion than in the previous year. One diversification, Larwin, a housebuilder, is in a business that does not have much glitter on Wall Street and the investment management group of the celebrated Mr Jerry Tsai—one of the swinging money men of the late 1960s—lost \$2.4m in the first half. Mr Nicholson says:

I have made it clear to my associates that they had better show me profits at the end of three years on these companies, or they better show me a plan for liquidation. Or depart.

Tough stuff for a solid American company in the solid (and probably under-priced) American insurance industry.

Rio Tinto-Zinc

From here to eternity

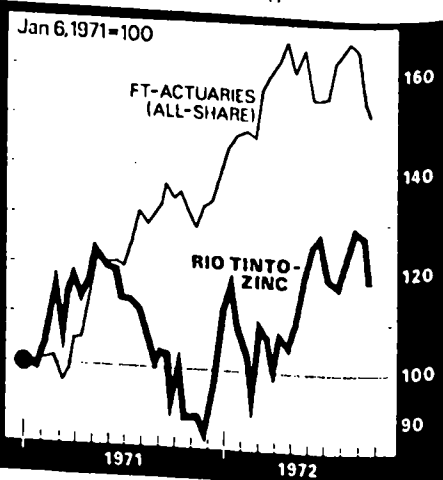
The Church Commissioners sold off £1.5m of Rio Tinto-Zinc equity during the course of the summer, blending the dictates of their conscience

with a canny investment decision. The church wished to bow out of the increasing criticism that is being levelled against RTZ's involvement in southern Africa, its copper developments in the virgin territories of Papua-New Guinea, and its proposed mining sites in Britain's national parks. It must be equally pleased to have no connection with the results RTZ announced on Wednesday.

Although sales were up by 16% during the first half of this year, earnings grew by only 8%. These figures contrast with a bad year in 1971, and fall short of the forecast that profits for the year would equal those earned in 1970; a prediction that drove the shares up to 287p earlier this year. Most of the increase in sales came from the first production run of the company's new, and rich, copper mine at Bougainville. Earnings at its major copper mine at Palabora in South Africa were down, as were those from its iron ore operations at Hamersley in Australia.

Once again, RTZ is left promising the future. The Bougainville production is having teething problems, and the new aluminium smelter at Anglesea is losing money. Copper, which earns a third of the company's profits, is still cheap. Huge copper stocks hang over the London metal exchange. Unless there is a major disruption from Allende's Chile, prices are unlikely to rise much from the present £430 a ton in the next six months. This means that there may be little in RTZ's annual figures to justify a share price much above the present 250p.

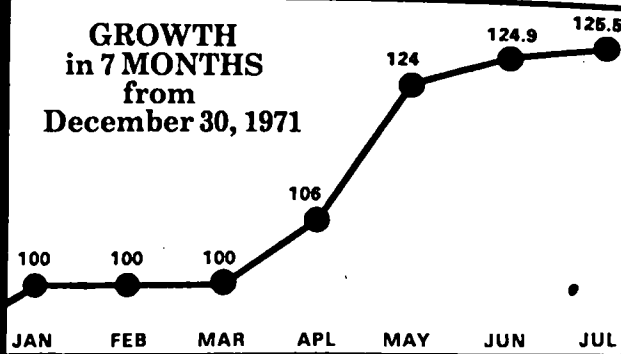
But there is little downwards potential in RTZ. The price of copper is unlikely to drop further. The outlook for zinc has improved, and the losses on the new aluminium smelters should be stemmed. In the long run Mammon may prove God wrong.



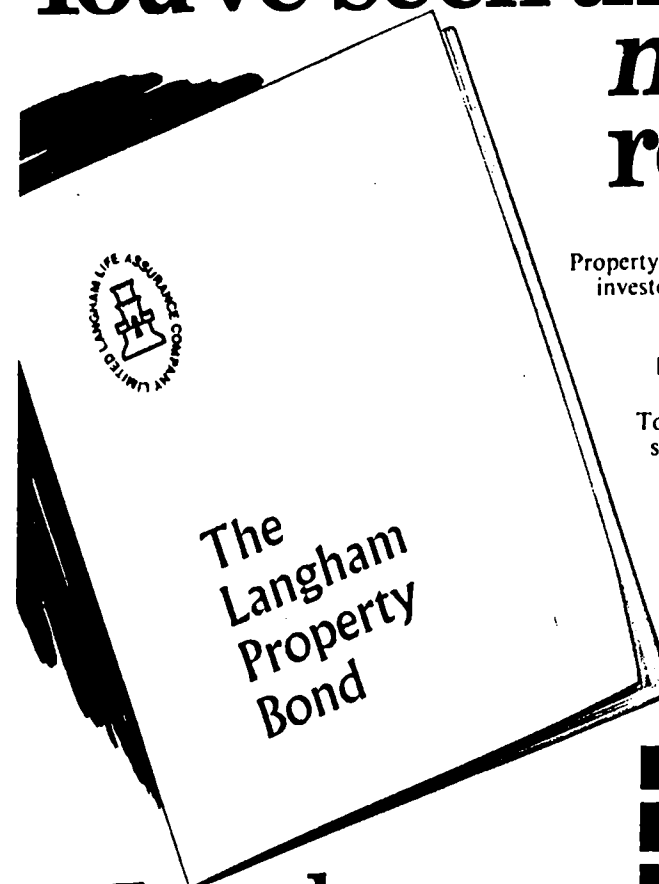
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Property Bonds

The time for them

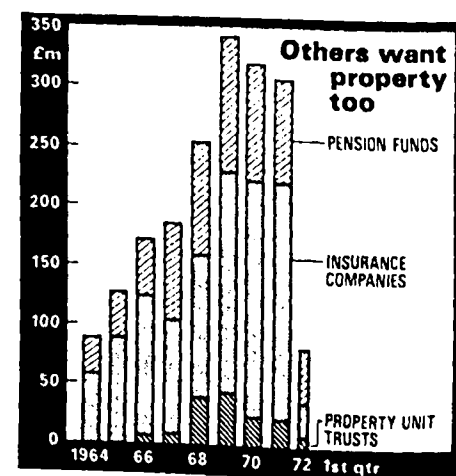
If the stock market has really turned bearish, the property bond funds will hope to attract a wave of money from savers disenchanted with equities and unit trusts. When *The Economist* did the first of its six-monthly property bond surveys 18 months ago, the total amount of money invested in these fledglings was only £80m. It is now just a mite under £300m. During most of that year and a half, the stock market was in full flower and exerted a considerable counter-attraction. Now that the equity bloom is fading, property bonds may be advertised as the answer to the average saver's search for the philosopher's stone of growth plus security plus stability. Savers should beware. While the virtues of this new medium are great, property bonds are still too young for their vices to have emerged.

The main argument for investing in property bonds is property. An increase in property values over the foreseeable future seems assured. The population and its demands for space are growing; the supply of space in places where the population wants it is (almost) fixed. The financial institutions in Britain recognise the commercial sense in becoming landlords, and have shunted hefty amounts of money into buying up completed property developments. The chart shows that

insurance companies, pension funds and the specialised unit trusts for pension funds invest over £300m a year in buying properties. In addition, there are hundreds of quoted and unquoted property companies which are creating developments and either selling them off to the institutions or hanging on to them if the long-term finance can be found.

Although the property market does not provide the same characteristics of marketability as the stock exchange, it does deal in huge amounts of money and has a pile of institutions which stand ready to buy anything that looks like a good bargain. The entry of the property bond funds into this market to some extent creates a situation of self-justifying prophecy. The bond funds are pouring money into a market where the good class properties are scarce as it is: they thus push up property prices further, and strengthen the claims that property is a good investment.

Few people expect property prices to increase in the year ahead at quite their recent pace. The huge surge in property values in 1970-72 has been a reflection of the fact that real estate always does rise by more than most other things during a state of near hyper-inflation, and it has been especially fuelled by an absurd rise in money



supply; the latter must be curbed soon, and excessive lending from the banks to the smaller and more speculative types of property trading and development is now being directly dammed at the Bank of England's request. The rise in property rents already seems to have calmed a bit in the past few months. But against these points there is the countervailing influence on property values of a change in yields. Once even 5% (ie, 20 years' purchase of net rents) used to seem a vast amount to pay for properties. Now there has been a change in the attitudes of fund managers to property. They used to compare the yields on property investments with the yields on fixed interest investments—and on this criterion property is clearly expensive in relation to the near-10% on gilts. But now they compare the yield with that on equities—and, compared with the 3.3% average yield on equities, safe old property still looks cheap, especially as, after the first few rent reviews, the yield on the purchase outlay zooms. So those who are buying property in competition with the property bonds are currently providing the valuations of the bond funds with another prop—the acceptance of smaller yields.

In our last survey (*The Economist*, March 18th) we said that the main problem before the managers of property bonds was that of finding properties to buy. One way out was to form an umbrella fund with three parts—property, equities and fixed interest—and to shunt the money into the last two while the managers scrambled around to find some bricks and mortar. Now that the fixed interest market has gone sour and equities are less than sweet, this way out does not seem appealing. In the past few weeks, many funds have been advertising the large extent to which they are now invested in properties.

The solution for some of them has

been one which carries its own dangers: they have been pouring money into property development directly instead of buying completed and tenanted buildings. *Abbey Life*, the largest fund of the lot, will put up to 35% of the fund into development. So will *Hambro Life*. The majority of the money is put into schemes where the developer guarantees a minimum return, or where a tenant is signed up. In some cases, the fund does what amounts to a sale and leaseback: buying the property, paying for the development and then getting a guaranteed 6% plus half of any rents which push the yield over 6%. While the buildings are under construction, they are valued on a basis which is even more of an art form than most property valuation: for a price a willing buyer and seller would agree on. No doubt the Scott committee, which is expected to produce its report on property bonds early in the new year, will have some recommendations on valuation methods. From the tenor of the committee's questioning, it seems likely that the emphasis will be on greater disclosure rather than on a control through some kind of watchdog.

The valuations of the property bond funds are, so far as can be judged, on the progressive side. We have, for the first time, ranked the funds according

to their performance over the past year—or since they began—but would not advise investors to assess the funds merely on the basis of growth over such a short period. To give another method of comparison, we have shown the average growth per month of the funds since their launch (this is a simple division of the growth by the number of months, and is not a compound rate). The growth is made up of the revaluation of properties, and, since there are no cash distributions, of the accumulation of income from rents and from short-term investments.

It is clear that the small funds have done best, but not clear yet whether this is because they are small or because they are smart. A good deal can create a jump in assets—a bad one a huge fall. The *Robert Silk* property bond points to the 25 years' experience of the Silk family and the fact that the family has put £180,000 of its own money into the fund. The *Langham Property Bond* plays up the 30 years' experience of Mr E. Alec Colman but has some features which the investor should note carefully. Although the prospectus does not mention the possibility, the fund goes in for considerable gearing: at present it has borrowed £600,000 from its bankers to buy properties against anticipated receipts from bondholders. The fund claims an inflow

of £300,000 per month, and that there are definite indications of all the £600,000 coming in within three months. However, for a £1.7m fund to borrow £600,000, short-term, is risky enough to have forewarned potential investors. On the other hand this "property bank" enables the fund to be fully invested. For most of the past year, *Hambro Life* was 50% liquid—which means that the creditable growth was achieved on only half the fund.

In spite of the lively performance of the new, and thus little, funds, there is certainly a strong argument in favour of size in property bonds. Big funds can buy or develop the bigger properties, the kind that will find a ready pension fund or insurance company buyer if the day should ever come when cash out exceeds cash in. Property funds are open-ended: investors can cash in (sacrificing a few percentage points) whenever they want. But property is relatively illiquid, and the prospect of redemptions exceeding sales remains the managers' nightmare.

As bond funds get closer to developers—*Property Growth* is about to announce that substantial sums have been advanced to a well-known property company—they are, inevitably, going to be a bit more risky. But there is no philosopher's stone: there is no investment without risk.

Performance league

Insurance company	Fund	Size of fund £m (approx)	Launch date	Increase since launch* %	Average monthly increase %	Increase over 1-year to Aug 31st %	Spread between bid and offer %
Property Equity and Life	Robert Silk Property	1.3	Oct 1970	+41.4	+1.9	+32.4	—
Langham Life	Property Bond	1.1	Dec 1971	+26.1	+2.9	+26.1†	5.3
Reliance Mutual	Reliance Property Bonds	1.9	Sept 1970	+29.0	+1.3	+20.9	—
International Life	International Life Property	2.4	Feb 1970	+46.0	+1.5	+19.7	5.8
Tyndall	Property Fund	8.0	Sept 1970	+25.0	+1.1	+17.7	—
Irish Life	Property Modules	13.0	Oct 1969	+49.5†	+1.5	+16.8†	5.2
Hearts of Oak Benefits Sty	Hearts of Oak Prop	2.0	July 1970	+14.8†	+0.6	+16.1†	6.0
Invest Annuity Life	Lion Property	0.4	July 1970	+19.4	+0.8	+14.1	—
Guardian	Property Bonds	7.5	June 1970	+32.8	+1.3	+13.9	3.2
Hambro Life	Property Bonds	29.4	Apr 1971	+15.5	+1.0	+13.6	5.3
Target	Hambro Property Invest	0.9	Sept 1970	+18.0	+0.8	+13.5	—
Abbot Life	Target Property Bd	126.0	Sept 1967	+44.2†	+0.7	+12.8†	5.7
Growth Property Mgt	Abbey Property Bond	2.2	Apr 1969	+29.8†	+0.7	+12.8†	5.4
Nation Life	Crusader Growth Property	5.0	July 1969	+37.3	+1.0	+12.7	5.3
Hill Samuel Life	Nation Property	8.6	Nov 1969	+26.7	+0.8	+12.6	5.1
Old Broad St Securities	Hill Samuel Property	7.8	June 1970	+18.8	+0.7	+12.3	—
Property Growth	Merchant Investors	1.3	Sept 1971	+11.5	+1.0	+11.5†	—
City of Westminster	Immediate Annuity	4.6	Aug 1966	+68.4	+1.0	+10.2	—
Property Growth	City of West Soc Prop Units	26.3	Apr 1969	+37.1	+0.9	+9.1	2.1
City of Westminster	Property Growth Bonds	8.9	Apr 1968	+52.1	+1.0	+9.0	3.1
City of Westminster	City of West Prop	4.9	Feb 1970	+19.0	+0.6	+7.7	1.3
City of Westminster	Abbey Nat Prop Growth	16.1	Mar 1971	+7.7	+0.5	+6.3	5.3
Property Growth	Property Fund	4.5	Jan 1971	+13.3	+0.7	+6.3	—
Save and Prosper	Property Fund	2.4	Mar 1971	+13.9	+0.8	+5.5	5.1
Welfare	Property Fund	5.4	Sept 1969	+31.0	+0.9	+4.4	—
M&G	Property Fund	1.2	Mar 1969	+49.2	+1.2	+0.8	—
City of Westminster	City of Westminster Annuity	0.9	Mar 1972	+0.7	+0.1	+0.7†	—
City of Westminster	City of West Speculator					+23.4	—
Pearl Montagu	Property Bonds					-5.2	—

*Offer price at August 31st.
†Adjusted for income distribution.

†or since launch.



Bought by Langham in April for £128,500; value now, £140,000

APPOINTMENTS

St. Antony's College

OXFORD

Research Assistants in Economics

Applications are invited for two posts, tenable for one year in each case, to assist in the preparation of a study of economic development in eastern Europe, a project financed by the Social Science Research Council. The candidates selected must primarily be of English mother-tongue with the ability to draft chapters from working papers already available in English from foreign project contributors and to collect and interpret economic data, applying standard statistical procedures. A good honours degree in economics is essential and a reading knowledge of French and German would be an advantage; other linguistic qualifications would also be of use, but work in the languages of the countries concerned is the responsibility of other project staff.

The salary is £1344 (though an appointment may be made at a more senior level for one with greater experience), with free lunches in College and membership of FSSU. The successful candidate would be expected to start as soon as possible. Applications should be addressed before 6 October 1972 to Miss A. McClintock, Secretary to the East European Economic History Project, St. Antony's College, Oxford OX2 6JF.

Bedford College

UNIVERSITY OF LONDON

Department of Sociology

Applications are invited from suitably qualified graduates for appointment as a Temporary Visiting Lecturer (part-time) in the Department of Sociology to teach Economics mainly to non-specialist students. Salary according to qualifications on usual scale pro rata. Further details may be obtained from The Secretary, (E) Bedford College, Regent's Park, London, NW1 4NS. (Tel: 01-486 4400 Ext. 312). Closing date for applications 13 October: 9th October. Late applications may receive consideration for subsequent arrangements.

The University of Sydney

Lectureship in Economics

Preference will be given to candidates specialising in quantitative economics with experience in either mathematical economics or econometrics.

Salary range: \$A6,697-\$A9,266 p.a.

Applications, including curriculum vitae, list of publications and names of three referees, by 16 October, 1972, to the Registrar, University of Sydney, N.S.W. 2006, Australia. Information about conditions of appointment and application procedure available from the Secretary-General, Association of Commonwealth Universities (Appl), 38 Gordon Square, London WC1H 0PF. (Tel: 01-367 8972).

CHAIRMEN'S STATEMENTS



Keyser Ullmann Holdings Limited

"Major advance in status, profitability, size and prospects"
Edward du Cann—Chairman.

Extracts from the Chairman's circulated statement:

The year under review saw a major advance in the Company's status, profitability, size and prospects. Profits for the year at £1,361,124—after tax and transfer to inner reserves—constitute a new record.

We were pleased to announce the subscription by the Prudential Assurance Company Limited of 3 million ordinary shares of 25p each at 250p per share. Most of the resulting addition to our resources was used to increase the paid-up capital of Keyser Ullmann Limited, the banking company, from £3.5 million to £10 million. This will enable the bank substantially to increase its lending.

The profits of the banking group were treble those of the previous year. This growth has been reflected in all sectors of the bank. The corporate services department has expanded considerably and it has now established itself as a major profit centre within the bank. The investment management section has also seen major growth and funds under management have increased from £40 million to some £100 million at the year's end. Since then a further expansion has taken place. Another welcome feature has been the growth of Keyser Ullmann S.A., our Swiss banking

subsidiary, which we hope is going to provide a foothold for our expansion in Europe.

A final dividend of 20 per cent is proposed making a total of 26 per cent for the year (1971—12.7 per cent).

Two major developments since the end of the year have been the merger with Central & District Properties Limited and the merger with Dalton, Barton Securities Limited. These two acquisitions transform the group. The company now comprises merchant banking activities producing profits which are substantial and broadly based, together with property investment and development in operations with a property portfolio in excess of £100 million. I believe this structure is well suited to meet the opportunities presented both at home and in Europe.

	1972	1971
	£'000	£'000
Net profit of the group after tax and transfers to reserves	1,598	792
Minority interests	237	202
Profit attributable to the group	1,361	590
Dividends	758	372
Retained profit	603	218

Copies of the Annual Report are obtainable from the Secretary:
31 Throgmorton Street, London, EC2N 2BS

ATTOCK OIL COMPANY

Extracts from the circulated statement of the Chairman, Mr. D. P. S. McCarthy, O.B.E.:

Political troubles had a serious effect throughout the year on the domestic economy of West Pakistan where the Company operates. Despite many adverse factors, the operating profit amounted to £1,006,268 at the pre-devaluation rate of exchange compared with £1,111,673 for 1970. The serious effect of devaluation has reduced the net profit for the year to £176,692 and the Board are unable to recommend any final dividend.

With regard to the future, Pakistan has undergone, and is undergoing, a very difficult period. Although conditions should improve next year the blow to the profitability of our operations in Pakistan consequent on devaluation could have a lasting effect. It is necessary, therefore, to diversify operations into other countries if the Company is to restore its profitability and this the Board has in mind.

A start has been made by negotiating a small investment in Jasper Oil Limited of Calgary, Alberta, Canada. Preliminary discussions have taken place about participations in other projects. However, these discussions can only be regarded as tentative at the moment, and your Board is unable to estimate whether they will lead to a proposition which can be submitted to stockholders.

APPOINTMENTS

Economic Statisticians

£3,653-£4,883

Department of Trade and Industry

One of the vacancies here is for a Statistician to provide statistical support in civil aviation matters. Working closely with the Civil Aviation Authority, you will be responsible for the civil aviation component in the balance of payments. You may also have certain responsibilities in the field of shipping statistics.

Ministry of Posts and Telecommunications

You will be a statistician in a small multi-disciplinary team advising the Ministry in its dealings with the Post Office. Your work will involve you in all aspects of Post Office business, in particular with policy questions. You would find experience of econometric model building and/or O.R. an advantage in this post.

These posts are at main grade Statistician level. Starting salaries could be above the minimum of the scale £3653—£4883 (Inner London) with prospects of promotion to Chief Statistician £5525—£7451.

Applicants must be at least 27 and possess an

honours degree in statistics (or in another subject involving formal training in statistics), or another appropriate qualification, e.g. A.I.S., and have had several years relevant experience. Appointment may be permanent and pensionable or on fixed period contract (with FSSU).

There are also vacancies for Statisticians and Senior Assistant Statisticians in other government departments. For Senior Assistant Statistician posts (£2476—£2984, Inner London scale) you must be 24 or over, and possess an honours degree in statistics (or in another subject involving formal training in statistics) and have had some relevant post-graduate experience. Senior Assistant Statisticians can expect promotion to Statistician within two or three years.

For full details of acceptable qualifications, information on all current vacancies in the Government Statistical Service, and for an application form (to be returned by 13th October), write to the Civil Service Commission, Alencon Link, Basingstoke, Hants, or telephone Basingstoke 29222 ext 500 or London 01-839 1992 (24 hour 'Ansafone' service) quoting reference A/619/1.

ECONOMIST

Age 28 - 32

Overseas Containers Limited is a leader in the development of international through-transport container services which are vital to the nation's export and import trades.

A vacancy has arisen at a senior level in the Company's Economics Department for a Graduate Economist. Post-university experience is essential.

The work involves trade forecasting, the analysis of opportunities for developing container services and other economic aspects of containerisation. It is related to practical problems affecting company policy and the job provides an opportunity to work with other Departments in OCL and to learn the container business.

Applicants should have a knowledge of macro-economic factors in world trade, of the elements of project analysis and of statistical techniques used in business.

Salary will be according to age and experience. The appointment will be based in London and conditions of service will include a four weeks' leave, free life cover, luncheon vouchers and a contributory pension scheme.

Applications giving details of career to date should be sent to: The Staff Adviser, Overseas Containers Limited, St. Mary Axe House, St. Mary Axe, London EC3A 8BE.



Financial Controller Property about £6000

A private Company which has expanded rapidly now wants to appoint a Financial Controller. The company now covers all aspects of property development and investment—commercial, industrial, office, residential and property financing although concentrating on office development.

He will be required to co-ordinate the financial affairs of the Company and create the organisation needed to take it from its present size (£12m) via growth and acquisition to incorporation as a public Company.

Commercial and administrative ability matched with an appreciation of financing in all its aspects will be the main characteristics of the successful candidate. Appointment to the Board is envisaged after competence and compatibility have been demonstrated.

Preferred age 28-35. Salary, which could be higher than indicated, will depend on proven experience and indication of potential.

Replies in confidence quoting reference FC/CO/3to



John Leach

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APPOINTMENTS

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CJRA STATISTICIAN

CITY £2,000-£3,000

Our clients are a well known international Group of non-ferrous metal brokers and merchants based in the City of London, and having subsidiaries throughout the world. They are looking for an Economist Statistician to assist the Management by providing an economic advisory service in support of the Groups trading activities. Applicants, male or female, should be 22-28 years old, have a good economics degree and have had experience in the commodities or industrial fields. The job could involve some overseas travel and has excellent prospects.

Applications, under reference S7167/E, will be forwarded unopened to our clients, unless you list companies to which they should not be forwarded in a covering letter, marked for the attention of the Security Manager.

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London School of Economics

ECONOMICS RESEARCH DIVISION

Research Assistants required to join group who assist staff members of the Economics Department with research projects. BSc or MSc with specialisation in Economics and knowledge of econometrics and/or computing methods an advantage.

Salary in range £1347 to £2040.

Apply Dr M. Desai, LSE, Houghton Street, London, WC2A 2AE, 01-405 7688.

For further announcements

see pages 5, 102 to 107

S Head Office

Economists

A sophisticated commercial planning system is being developed throughout the British Steel Corporation, and Economists are needed to join small specialist teams working on various aspects of macro-economic, industrial, price and demand forecasting for the Corporation's products at home and overseas. They may also be involved in the development of methodological techniques and in ad hoc depth studies of certain critical problems.

The work is exacting and calls for intelligence, initiative and ability to write clear reports. Candidates should have a good degree in economics, business studies or related disciplines. Some experience in industry, commerce or Government is looked for. They should have an understanding of statistical techniques and some specialised knowledge of international economics. For at least one of the posts experience in the use of computers is essential. Foreign languages will be of advantage.

Preferred age range: 25-35 but consideration will be given to younger candidates of outstanding promise.

Please apply in writing (quoting ref. H.O.43) stating qualifications etc., to:-
**Personnel Manager (Head Office),
BRITISH STEEL CORPORATION,
P.O. Box No. 403, Grosvenor Place,
London, SW1X 7JG.**

THE BOWATER CORPORATION LIMITED



Economist

A young economist is required to join the Economic Intelligence Unit in the London headquarters. He (or she) will be a member of a small team responsible for assessing the effects of economic, political and industrial developments on the Corporation's interests world wide. Duties will also include studies on possible areas of diversification.

Candidates should be qualified Economists, aged 25-30, with an analytical mind and experience of economic work in industry and commerce.

A good starting salary will be offered, dependent on experience and background, and benefits and conditions of service are excellent.

Please apply in writing to:-

Mr. W. E. D. Tidy,
Manager, Personnel Recruitment,
The Bowater Corporation Ltd.,
Bowater House,
Knightsbridge, London, SW1X 7LR.

APPOINTMENTS

BRITISH UNIVERSITY
in collaboration with SWISS BRITISH CENTRE
urgently require

DIRECTOR OF AGRICULTURAL STUDIES

with university degree. Bilingual applicants only (mother tongue English with German or French). Applicants will be responsible for formulating agricultural courses for Swiss, British and Commonwealth citizens in view of Common Market, and for establishing an international institute of agriculture. Initially they will be stationed in Britain. Interesting position with many opportunities. Salary by negotiation but based on British lectureship with overseas allowance.

Also immediately wanted

BILINGUAL SECRETARY

directly responsible to the above director. Appointments for both posts will be made initially for one year followed by contracts for longer periods. Will both applicants please send particulars, salary suggestion and photograph to **BOX 2924**, stating their present position and giving the earliest date of their availability for the above appointments.

Urban and Regional planning

A senior appointment in the EIU's team of economically-orientated planners. The ideal person would be over 30, have a first degree in economics, be an MRTPI and have experience in leading projects involving an economic approach to urban and regional planning. Would be expected to play a leading role both in obtaining projects and in carrying them through. Willingness to spend extensive periods abroad an advantage.

Development economics

To participate in, and lead major projects in regional economic industrial development, and agricultural development studies. Applicants should be over 30, be professional economists and have practical experience in major economic development studies. Willingness to work abroad for extensive periods essential.

Apply, with full details of qualifications and experience, to

Development & Planning Division

The Economist Intelligence Unit Ltd

Spencer House, 27 St. James's Place, London SW1A 1NT

Economists A post that could involve you in major projects like:

*Examining the possible trends in the purchasing power of the Defence Budget.
Examining various interfaces between defence activities and the civil economy.*

This vacancy for an Economic Adviser is at the Defence Operational Analysis Establishment (West Byfleet, Surrey) where you will be able to use your economic expertise in a practical way.

You have three areas of responsibility. Firstly, you guide DOAE on the right economic principles and practice in its treatment of costs. Secondly, you work for the Ministry of Defence as a whole and the Ministry of Defence from you might liaise with economists from other Departments or lead a multi-disciplinary team. Thirdly, you contribute to particular operational analysis studies. It is in this area especially that you will be required to analyse the cost of important defence operations. Usually in the defence field, investment appraisal is carried out with capability as the yardstick, rather than pure financial returns.

Much of the work relates to long-term planning - which must be based upon assumptions about equipment being evolved on the very frontiers of technology. As a member of the Government Economic Service, you are not restricted to one area of work, or even to one Department

and you can expect to be considered for a wide range of posts within the Service in the interests of your career development.

Qualifications. You will normally need to be at least 27 with a 1st or 2nd class honours or higher degree in economics or a closely related subject. Preferably you should have had experience of using mathematical, statistical or econometric techniques in long-term planning. Appointment can be on a permanent or fixed period basis.

Salary. Starting salary may be above minimum of scale £3478 - £4708, and promotion can lead to salaries of £7451 and above.

There are also interesting vacancies in other Government Departments.

Send for an application form (to be returned by 6th October 1972) and full details. Write to the Civil Service Commission, Alencon Link, Basingstoke, Hants, Or telephone Basingstoke 29222 ext 500 or London 01-839 1992 (24 hour 'Ansafone' service), quoting reference A/622/23.

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Telephone JEJ Johnson 01-830 5155

University of Mauritius

Applications are invited for SENIOR LECTURER IN ACCOUNTANCY, Centre of Professional Studies, School of Administration, under assistance from the Commonwealth Foundation. Duties include organisation, supervision, and teaching of courses for the A.C.C.A. Examinations, and assistance on other courses, with a financial or accounting element. Appointee should be a member of either Institute of Chartered Accountants, or Association of Certified Accountants, or Institute of Municipal Treasurers and Accountants. Previous teaching experience is essential, preferably for A.C.C.A. Examinations. Possession of an appropriate university degree would be an advantage. Appointee will be on a 3 year contract at a salary of £3,500 p.a., of which £1,250 will be payable in UK, normally free of all tax, be provided with subsidised housing and family passages. In addition, he will be entitled to either a supplementary salary of £400 p.a. or mid-contract passage for himself, not exceeding the worth of the supplementary salary. Leave will be 8 weeks p.a. (which may be accumulated) within the period of contract.

Further particulars may be obtained from The Head of Division (B), Inter-University Council, 90-91 Tottenham Court Road, London W1P 0DT, to whom applications should be sent not later than 21 October 1972.

APPOINTMENTS

Rhodes University

GRAHAMSTOWN,
SOUTH AFRICA

Applications are invited for the post of DIRECTOR of the University's Institute of Social and Economic Research from 1st July 1973.

The salary scale for this post will be R7,500 x 300-9,900 per annum. A vacation bonus is also payable and the successful applicant will become a member of the University's pension and medical aid schemes.

The Director, who has a seat on the University Senate, is the senior administrative officer of the Institute and is concerned with the furtherance of research in the social sciences and is also expected to engage in his own research. Candidates should have suitable academic qualifications in at least one of the social sciences, and experience of research, publication and administration.

Further particulars and application forms may be obtained from the Secretary-General, Association of Commonwealth Universities (Apts), 36 Gordon Square, London WC1H 0PF or from the Registrar of the University.

Applications close on 31 October 1972.

School of Agriculture, Aberdeen

THE NORTH OF SCOTLAND COLLEGE OF AGRICULTURE AND UNIVERSITY OF ABERDEEN

Applications are invited for three College-paid posts in the Economics Division (Head: Professor G. R. Allen):

A. Senior Economist who, while probably participating in the Division's management advisory duties, will specialise in teaching and research in some field of enquiry relating to the farming sector as a whole. It is expected that the appointee will be associated with University teaching and research supervisions.

B. Economist to specialise in marketing and related studies.

C. Economist in farm management or some other appropriate branch of agricultural economics.

Posts A and B are permanent. Post C is for 18 months only; no guarantee can be offered regarding subsequent employment although this is a possibility.

Salaries, according to qualifications and experience are on the scales of Grade II or III (Post A) and Grades III or IV (Posts B and C):

Grade II £3,362 to £4,054
Grade III £2,040 to £3,611
Grade IV £1,315 to £1,878

Federated Superannuation System for Universities. Medical Examination required.

Forms of application, together with further particulars, may be obtained from the Secretary, The North of Scotland College of Agriculture, School of Agriculture, 581 King Street, Aberdeen, AB9 1UD, with whom applications which should state for which post (A, B or C) application is made, should be lodged not later than 24th October 1972.

The Queen's University of Belfast

LECTURESHIP IN ECONOMICS

This post is tenable from 1st January 1973 or such other date as may be arranged. The appointment may be subject to a period of probation of up to three years in duration. Initial placing, which will depend on qualifications and experience, will be made at one of the first three points on the Lecturers' scale £1,641 x £147 (2)-£1,935 rising to £3,852 (extended to £3,999 from 1st October 1973) (salary scale under review). Applications should be received by 16th October 1972. Further particulars may be obtained from the Senior Assistant Secretary (Personnel), The Queen's University of Belfast, BT7 1NN, Northern Ireland (Please quote Ref. 72/E.)

University of Melbourne

INSTITUTE OF APPLIED ECONOMIC AND SOCIAL RESEARCH

Research Fellows or Senior Research Fellows (3 positions)

The University invites applications from economists, econometricians, and survey statisticians who wish to be considered for appointment as Research Fellow or Senior Research Fellow in the Institute of Applied Economic and Social Research.

The research programme of the Institute has been expanded to include:

(a) further research on factors influencing short-term fluctuations of the economy
(b) the development of medium and long-term projections of the economy
(c) the commencement of a quarterly survey of consumer attitudes and intentions.

For positions (a) and (b) the Institute is seeking macro-economists or econometricians with experience in the development of use of macro-economic models. For position (c) the Institute seeks a statistician interested in the conduct and analysis of household surveys with a background of psychology and/or economics.

Fellowships in the Institute are normally for a period of three years and carry the usual rights to superannuation, travel allowances and housing finance, and rights to three months' study leave after three years' service. Salary for a Research Fellow will be equivalent to that of a Lecturer, with annual increments, and will be determined according to qualifications and experience in the range \$A8,697 to \$A9,288. Salary for a Senior Research Fellow will be equivalent to a Senior Lecturer and will be determined according to qualifications and experience in the range \$A9,540 to \$A11,130.

Applications indicating position and level sought, and giving details of age, qualifications and experience, together with the names of three referees should be sent by 30 October 1972 to The Registrar, The University of Melbourne, Parkville, Victoria, 3052, Australia, from whom further particulars may be obtained. This information is also available from the Association of Commonwealth Universities (Apts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

INTERIM STATEMENT

MOULINEX

The interim statement at 30th June shows a net profit of Frs. 30,936,743 for the first half of 1972 as against Frs. 15,529,789 for the first half of 1971.

These comparative figures have been established after the deduction of depreciation Frs. 18,777,061 at 30th June, 1972 as against Frs. 12,071,220 at 30th June 1971, but do not allow for deductions in respect of:

tax on profits, staff profit share, provision for investment based on this profit share.

The increase in profits derives both from the rise in sales during the half-year (+53.8 per cent) and from substantial industrial investments which have appreciably improved productivity.

BUSINESS NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

Four Per Cent 100-Year Adjustment Bonds

Notice is hereby given that the Board of Directors has declared due and payable at the office of the Company, 120 Broadway, New York City, annual interest at the rate of four per cent (4%) on its Adjustment Bonds, of which 2½ was paid on May 1, 1972, and 2½ will be payable on November 1, 1972.

Interest due November 1, 1972, will be paid as follows: On each registered bond (without coupons) to the registered holder thereof, on each STAMPEO coupon bond, upon presentation and surrender of coupon No. 132. The transfer books of the registered bonds (without coupons) will close at the close of business October 20, 1972, and will remain closed until the close of business November 1, 1972.

G. E. WASKO
Assistant Treasurer
New York, N.Y., September 1, 1972.

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Metropolitan College

(Dept. G92), St Albans, or call at 30 Queen Victoria Street, London, EC4. Tel. 01-248 6874. (Founded 1910.) Accredited by the Council for the Accreditation of Correspondence Colleges.

Read for a Degree at Home

Successful Postal Tuition for OCE O and A levels (all boards), London University Degrees, Teachers' and Professional exams, Business Studies, Gateway Courses for the Open University. Guidance by Graduate Tutors. Fees by instalments. Wolsey Hall is Accredited by the CACC. FREE prospectus from Wyndham Milligan, MBE, MA, Principal, Department CA1.

Wolsey Hall
Oxford, OX2 6PR.

COURSE

A SYSTEMS APPROACH TO MANAGEMENT

6-10 November 1972 in WINDERMERE

and
22-26 January 1973 in AMSTERDAM

The courses are intended to give senior management an insight into the application of systems thinking to problem solving in industry, commerce, local and national government. They will draw on the cumulative experience of the Department of Systems Engineering and ISCOL who have conducted over 100 consultancy projects in outside organisations.

The courses are organised by ISCOL in conjunction with the Department of Systems Engineering in the University of Lancaster. The ment of Systems Engineering in the University of Lancaster. The course fee will be £90 at Windermere and £95 in Amsterdam. Details of these and other courses from F. A. Godfrey, ISCOL (Ref. M/1), University of Lancaster, Bailrigg, Lancaster. (Lancaster 65201 extension 4659).

CONFERENCE

Higher Education and the EEC

This Conference, organised by the North East London Polytechnic, is the first in a series of European Conferences and Symposia.

Participants include:

W. Van Straubenzee MP
Harold Lever MP
Felix Mercereau
Gunter Kopke
Professor Revans
Michael Shanks
Lord Harlech
Fred Jarvis
Dr. G. S. Brosen

October 30 & 31, 1972

at the Waterloo Room,
Royal Festival Hall, London
Conference Fee—£30

Details from:

The Conference Secretary (DJ101),
North East London Polytechnic,
Longbridge Road, Dagenham,
Essex, England.
Tel. 01-599 5141.

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For further announcements

see pages 5, 102 to 106

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(Cable-SAITAMAGIN NEW YORK, Telex-223410)

Urawa Central Office:
Takasago, Urawa, Saitama, Japan

Tokyo Central Office & Foreign Dept.:
Kyobashi, Chuo-ku, Tokyo. Tel. 211-1211
(Cable-SAIGIN TOKYO, Telex-J2811, J26376, J28321)

Dixons

PROFITS UP 181%
ONE-FOR-ONE SCRIP ISSUE
DIVIDEND UP 60%

The Chairman Stanley Kalms announces another record year. Profits for the 52 weeks ended 29th April, 1972 are increased to £2,324,000 (£828,000 in the previous year).

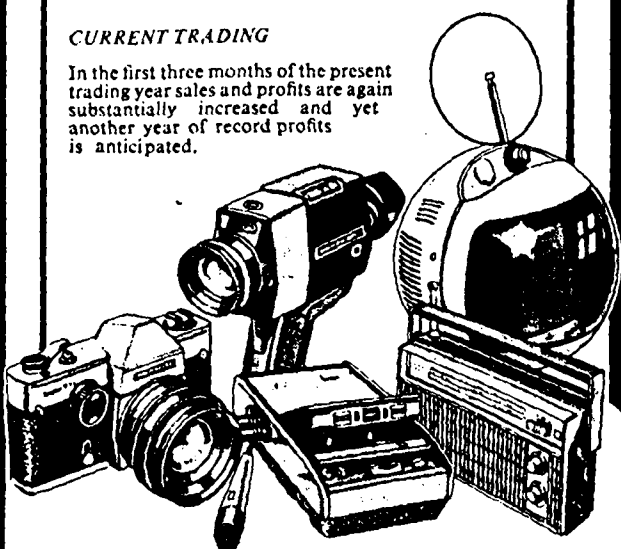
Our products now include photographic, audio, hi-fi, radio and television, optical, electronic calculators and sports goods.

Through our overseas network of buying and development offices, we have considerably extended the number of countries with whom we are trading . . . It is reassuring to have these wider sources of supply.

All £000's	1972	1971
SALES		
Retail Sales Division	17,102	10,846
Processing Division	1,004	978
Overseas Sales Division	4,371	—
GROUP SALES	22,477	11,824
NET PROFIT		
Retail Sales Division	1,725	596
Processing Division	293	232
Overseas Sales Division	306	—
GROUP NET PROFIT	2,324	828
DIVIDEND		
Rate	24%	15%
Per 10p Share	2.4p	1.5p
EARNINGS PER SHARE	12.5p	4.7p

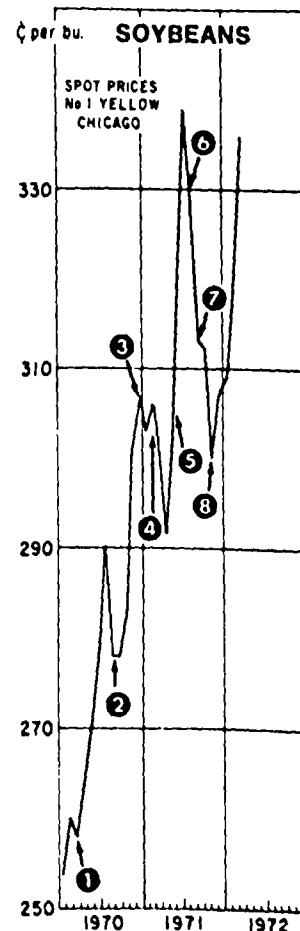
CURRENT TRADING

In the first three months of the present trading year sales and profits are again substantially increased and yet another year of record profits is anticipated.



Copies of the Annual Report may be obtained from the Company Secretary:

Dixons Photographic Limited
Dixon House, 18-24 High St., Edgware HA8 7EG.



Recommendations of:

- 1 March 1970 — BUY.
- 2 August 1970 — BUY.
- 3 December 1970 — lower prices first quarter 1971.
- 4 February 1971 — make major commitments around 287 — 290.
- 5 June 1971 — prices above 340 soon.
- 6 August 1971 — BUY late October early November.
- 7 September 1971 — prices at 285 undervalued.
- 8 November 1971 — BUY. Significantly higher prices.

For over a quarter of a century, our basic research has enabled us to anticipate well in advance a major reversal in the price trend. It is indicative of the commodity work performed by us for many large corporations in industrial and agricultural commodities.

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122 East 42nd St., New York, N.Y. 10017

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Guernsey Williams & Glyn's Bank Ltd, 22 High St., St. Peter Port, GUERNSEY.

STOCK PRICES AND YIELDS

2

British funds

Price, Sept. 13 1972

Price, Sept. 20 1972

Net red. yield, Sept. 20 1972

Gross red. yield, Sept. 20 1972

Low

High

97%

97%

British Electric 3%

1968-73

98%

98%

4-110

6-850

1987

98%-9%

98%-9%

7-42

75%

75%

British Electric 3%

1976-79

76%

76%

6-370

8-125

1987

93%-4%

93%-4%

8-49

96%

96%

Treasury 8%

1980-82

97%

98%

5-455

9-005

1987

101%-2%

101%-2%

7-83

94%

94%

Treasury 8%

1984-86

95%

95%

5-640

9-255

1982

100%-1%

100%-1%

7-97

81%

81%

Funding 6%

1985-87

82%

82%

5-840

8-975

1987

102%-3%

102%-3%

7-73

54%

54%

British Transport 3%

1978-88

54%

54%

6-455

8-260

1987

102%-3%

102%-3%

7-46

70%

70%

Funding 6%

1993

69%

70%

6-120

9-215

1987

101%-2%

101%-2%

7-84

46%

46%

Treasury 9%

1994

95%

96%

5-815

9-700

1987

101%-2%

101%-2%

7-60

75%

75%

British Gas 3%

1990-95

47%

47%

6-295

8-295

1987

100%-1%

100%-1%

7-92

75%

75%

Treasury 5%

1995-98

75%

75%

5-985

9-500

1987

101%-2%

101%-2%

7-81

36%

36%

War Loan 3%

2008-12

58%

58%

5-985

9-440

1987

102%-3%

102%-3%

7-73

30%

30%

Consols 2%

after 1952

37

37%

5-740

9-675

1987

102%-3%

101%-2%

7-03

25%

26

5-755

9-585

1987

99%-100

98%-9%

7-03

102%-4

101-2

Prices, 1972

Ordinary stocks

Price, Sept. 20 1972

Change on week

Yield Sept. 20

High

Low

383%

268

Banks, other financial

FI 357

-2

4-8

118

89

Breweries, etc.

97%

-1

3-5

74-9

58-7

Hoesch

DM 63-3

-3-1

4-7

84

57-8

Algemeine Bank

FI 74

-2-2

4-6

69

55

Allied Breweries

£58%

-3

1-0

79-7

60-9

Hoogoven

FI 74-8

-1

5-3

370

257

Aust & NZ Bank

335p

+35

3-3

194

148

Anheuser-Busch

157p

+1

3-2

220-3

145%

Mannesmann

DM 193%

-9%

5-2

47%

37%

Bank of America

\$47%

+1%

2-3

165

132-8

Bass, Charrington

FI 145

-10%

2-5

104-8

65-2

Nippon Steel

YB 53

+2

6-1

500

370

B of Ireland

460p

+5

3-4

217

106

Bols NV

203p

+1

2-0

85-8

68

Thyssen Huetste

DM 75-1

-3-4

7-7

11%

8%

B of Montreal

\$10%

...

3-1

212

153

Distillers

168p

+1%

4-0

34%

28%

US Steel

\$29%

-%

5-5

116%

84

B Nac de Mexico

P 87

...

8-5

41%

33%

Distill Seagrams

\$38%

-7%

1-8

117-1

85-9

Usinor

Fr 114-8

-1-6

7-8

470

298

B of NS Wales

425p

-25

2-2

470

420

Dortmund Union

DM 437

-3%

2-3

52-2

40

Wendel-Sideler

Fr 45

...

10-8

740

525

B of Scotland

635p

-25

3-2

244

182

Guinness

185p

...

3-9

2680

2310

B Bruxelles

Fr 8 2675

+15

4-6

349-9

238%

Heineken

FI 304%

-6%

1-1

238-6

183-3

B de Paris Pays Bas

Fr 219%

-5-7

5-1

319

234

Kirin Brewery

Y 313

-1

2-4

64%

53%

Bankers Trust

\$62%

...

4-6

20%

15%

Nat Distillers

\$17%

...

5-3

492

298

Barclays

410p

-7

2-0

127

88%

Scottish & Newc

110%

+1%

2-9

121%

11%

Can Imp Com

\$103p

...

2-0

99

70

Sth African Br

98p

+4%

3-4

66

58

Charterhouse Group

\$44%

+1%

3-0

114%

84%

Whitbread 'A'

104p

+1%

3-5

59%

48

Chemical Bank NY

\$51%

-1%

5-6

257

225-2

Commerzbank

DM 230%

-6-4

3-7

182

148%

Credit Commercial

Fr 172

-3

4-8

346%

249

Assoc Portland

249p

...

3-7

450

370

Credit Foncier

Fr 435

-9

5-2

246

149

BBP Industries

164p

-6

4-3

4550

3695

Credit Suisse

Fr 5 4180

-40

1-9

200

Boise Cascade

9%

...

2-5

350

310

Deutsche Bank

DM 31%

-8%

2-7

514

252

Bovis Ltd

272p

-7

1-3

289

255

Dresdner Bank

DM 270

-8%

3-3

276

195

Ciments Lafarge

Fr 260

-0-1

5-4

68

43%

First Nat City

\$65%

+%

2-0

2795

2100

Cimenteries Briq

Fr 8 2625

+5-5

4-9

652

355

Fuji

Y 637

...

0-9

320

155%

Costain

268p

-20

2-8

4990

335

Hambros

410p

-5

2-1

143

105

Eng China Clays

119p

...

2-2

208

142

Hill, Samuel

\$1

-6

2-9

26650

19050

Italcementi

LI 26495

-155

1-8

13%

11%

IOS Ment

\$20%

+%

1-4

191%

149%

Laing 'A'

158p

-12

1-6

130

100

Hongkong & Sh

46p

...

2-9

121%

76%

London Brick

84p

-6

4-0

33%

23%

Kleinwort Benson

Fr 8 7100

-50

2-7

139

95

Marley

102p

-4

4-2

33%

23%

Kreditbank

DM 400

-8

2-5

375

303

Pilkington Bros

318p

-14

3-3

33%

23%

Kundenkredit

DM 400

-8

2-5

170

124

Redland

138p

-7

2-9

33%

23%

Lambert Lind

Fr 8 2500

-3

2-2

182

131

Rugby Portland

174p

-7

2-7

33%

23%

LBI

375p

-3

2-7

174

133

Steelco

150p

-5

3-5

33%

23%

Lloyds

375p

-3

2-7

174

133

Steelco

150p

-5

3-5

33%

23%

Manuf's Hanover T

83p

...

4-1

360

270

Taylor Woodrow

270p

-18

2-1

33%

23%

Mediabanks

DM 6060

+210

1-4

275

212

Wimpey

222p

-2

1-1

33%

23%

Mercantile Credit

103p

-5

3-6

33%

23%

Mercury Secs

433p

-1

2-7

33%

23%

Midland

Y 404

-2

1-2

173

143

ATV 'A'

143p

-2

5-2

33%

23%

Mitsui

265p

-1

1-9

62%

45%

CBS

\$55%

-%

2-5

33%

23%

Motorgu Trust

\$99%

-5%

2-8

280

202%

Granada 'A'

213p

-5

2-9

33%

23%

Morgan J P

108p

-11

3-9

275

200

Grand Metropolitan

218p

-1

1-6

33%

23%

Nat & Grindlays

\$A3-56

-0-24

2-5

55%

40%

Holiday Inns

\$39%

+1%

0-6

33%

23%

Nat Australasia

195p

+5

2-6

434

362%

Lyons 'A'

414p

-4

2-4

33%

23%

Nat Com Grp

387p

+8

2-3

246

167

Trust Houses-Forte

213p

-4

4-7

33%

23%

Nat West

\$142%

+5

6-3

33%

23%

Norsk Creditbk

217%

-%

2-1

33%

23%

Royal Canada

755p

-5

1-4

33%

23%

Schroders

246p

+1

3-7

33%

23%

Slater Walker Secs

DM 8 3145

+40

4-7

33%

23%

Soc Gen de Banque

Fr 8 2850

-20

4-9

33%

23%

Soc Gen de Belgique

475p

-20

4-9

33%

23%

Standard & Chart

Fr 376

-10

5-0

33%

23%

Suez

Y 643

-7

0-9

33%

23%

Sumitomo

Fr 3 3980

-135

2-0

33%

23%

Swiss Bank Corp

Fr 5 4505

-120

2-2

33%

23%

Union Bank Swiss

465p

-5

5-2

33%

23%

United Discount

126p

-3

3-3

33%

23%

United Dom Tst

126p

-3

3-3

69%

55

Aetna Life & Cas

\$63%

+1%

2-5

557

388

Allianz Versich

DM 491

-25

1-1

260

215

Comm Union

215p

-5

3-9

618

496

Eagle Star

205p

+2

3-8

234

164

Gen Accident

DM 18050

+60

0-8

59190

46350

Generale

238p

-23

3-8

312

228

Gdn Royal Exch

178p

-23

3-8

90

163

Legal & General

FI 71

-3-7

3-4

40

65-8

Nat Nedriandn

403p

+5

2-8

446

300

Pearl

260p

+2

3-7

310

250

Phoenix

184p

-4

3-2

224

171

Prudential

380p

-14

3-9

452

380

Royal

578p

-30

3-2

640

502

Sun Alliance

Y 365

-2

1-5

392

285

Taiho Mar & F

Y 569

+1

1-0

576

476

Tokio Marine

Fr 5 7575

-25

2-4

7600

4775

Zurich Ins

126p

-3

3-3

Chemicals

FI 69-8

-3-6

5-2

237

178

Engineering, shipbuilding

Acrow 'A'

182p

-7

2-8

AKZO

LI 523

-5

...

245

214

Atlas Copco

Kr 218

-4

2-3

ANIC

\$34%

+%

3-6

45

25

BSA

27p

...

...

Amar Cyanamid

DM 155-2

-7-1

4-8

94%

67%

Babcock & Wilcox

83p

+4

2-9

BAF

DM 133-6

-3%

4-9

187

129

Brown Boveri 'A'

Fr 1330

-80

3-8

Bayer

Fr 5 2680

-90

0-8

100%

69%

Cohen 600

72p

-3

5-2

CIBA-GEIGY

\$93

-3%

1-9

71

49%

Davy Ashmore

60p

-1%

3-3

Dow

\$175

-3%

2-6

236%

167

Demag

DM 204%

-4%

3-9

Dupont

\$81

-4%

1-0

36

6

B Elliott

46p

-2%

1-3

Fisons

\$25%

+%

5-5

40

342

GKN

362p

-5

3-5

W R Grace

DM 150

-3-2

5-0

186

148%

Gutehoffnung

DM 157

-5%

4-5

Hoechst

281p

-5

5-0

72

21%

Harland & Wolff

42p

-1

4-6

ICI

88p

-6

2-3

402

317

Hawker Siddeley

327p

-4

4-5

Laporte

\$54%

-%

3-3

82

63

Head Wrightson

66p

...

4-5

Montanto

Kr 1080

-10

1-0

71

40

Alfred Herbert

43p

-3

...

Montecatini-Edison

Fr 171-8

-5-2

7-0

25%

17%

IHI

Y 110

-2

5-5

Norsk Hydro

Fr 2900

-20

5-3

152

114

Inter Combust

19p

-%

...

Rhone Poulenc

Y 195

-5

4-8

108

42%

Inter Comp Air

118p

-7

2-9

Solvay 'A'

Fr 239

+4

3-6

214

169

Laird Group

91p

-%

3-4

Sc Gobain

\$45%

-1%

4-4

111

76%

Mather & Platt

DM 177%

-10

5-1

Takeda Chemical

Fr 4200

-100

5-9

156

107

Metal Box

Y 127

-1

4-7

Union Carbide

\$29

-%

4-1

425

369

Mitsubishi Heavy

Y 127

-1

4-7

Coal & steel

\$A 11-20

-0-30

...

77

57

Morgan Crucible

Kr 373

+1

3-2

Arbed

Fr 171-6

-5-4

7-9

136

96

Serck

57p

+4

3-5

Beckheim

LI 228

-21

...

93

70

Simon Enging

103p

+7

7-3

Broken Hill Pty

DM 136

-2

...

179

49

Stone-Plant

74p

-1%

4-4

Densin Longwy

Kr 153

-2

...

3820

3200

Swan Hunter

138p

-1

7-3

Finatider

Fr 153

-2

...

...

...

...

...

...

Fried Krupp

Fr 153

-2

...

...

...

...

...

...

Granges A B

...

...

...

...

...

...

...

...

Stock Prices and Yields compiled with help from Messrs. Yamaichi Securities Co.; and The First Boston Corporation. * Ex dividend. Ex capitalisation. † Ex rights. ‡ Ex all. (f) Flat yield. (i) To latest date.

Prices, 1972		Ordinary stocks	Price, Sept. 20, 1972	Change on week	Yield Sept. 20
High	Low				
500	412	Tube Investments	440p	+2	4.3
284½	201½	US Industries	\$21½	-½	2.8
121	82	Vickers	86p	-4	4.7
142	93	Weir Group	118½p	1½	4.6
125	103½	Thos W Ward	116p	1½	3.8

Food, pharmaceuticals					
88 1/2	69 1/2	Assoc British Foods	74p	-3	2.6
83	68	Assoc Fisheries	66 1/2p	+2	5.6
126	94	Avon Products	\$117 1/2	+1 1/2	1.1
352	281	Beecham Group	323p	-4	1.9
230	139 1/2	Beghin	Fr 230	+4.8	4.7
108	73	Brooke Bond 'B'	76p	-2	3.6
132	87 1/2	Cadbury Schweppes	107p	+2 1/2	3.7
347	187	Cavenham	202p	-13	1.3
86 1/2	57 1/2	Colgate-Palmolive	\$79 1/2	-2	1.8
5.86	4.80	Coli Sugar Ref	\$A4.81	+0.03	...
162	115 1/2	Fitch Lovell	124p	-4	3.1
36 1/2	24 1/2	General Foods	\$25 1/2	-1	5.5
56 1/2	38 1/2	General Mills	\$54 1/2	-1	1.7
528	430	Glaxo	436p	-1	2.3
47 1/2	40	Heinz	\$40	-1	2.5
220000	176500	Hoffman La Roche	Fr 5.215.250-3250	0.5	...
47 1/2	41	Krafco	\$43 1/2	+1 1/2	3.9
2350	1605	L'Oreal	Fr 2235	63	1.0
3095	2100	Motta	L 2105	220	...
4150	3000	Nestlé	Fr 5.3910	+50	1.8
47 1/2	36 1/2	Pfizer	\$41 1/2	+1 1/2	1.4
100	76 1/2	Procter Gamble	\$97 1/2	+1 1/2	1.5
251	155	Ranks-Hovis	174p	-2	4.6
373	270	Reckitt & Colman	330p	-3	2.9
3950	3425	Sandoz	Fr 5.3775	-105	1.7
91	60 1/2	Spillers	73 1/2p	8 1/2	4.2
38 1/2	30 1/2	Swift	\$33	-2 1/2	2.1
209	171	Tate & Lyle	180p	-1	5.6
197	138 1/2	Unigate	152p	-24	3.0
406	318	Unilever	370p	8	3.0
147 1/2	79 1/2	Unilever NV	Fr 141	-4	4.4
136	81	United Biscuits	117p	-1	2.9

Motors, aerospace					
56	33	BLMC	33 1/2p	-1	6.0
26 1/2	19	Boeing	\$22 1/2	-1 1/2	1.8
66 1/2	46 1/2	Caterpillar Tract	\$65	-1	2.1
36	28	Chrysler	\$30	-1 1/2	2.0
104	79 1/2	Citroen	Fr 96	-2	2.3
425	323	Daimler-Benz	DM 365	-21 1/2	5.8
199	132	Dunlop	139p	-6	5.4
2440	2068	Fiat	L 2240	-22	5.4
27	21 1/2	Firestone Tire	\$22 1/2	-1 1/2	4.0
76 1/2	62 1/2	Ford	\$64 1/2	-1 1/2	4.0
32	22 1/2	General Dynamics	\$25 1/2	-1 1/2	4.6
84 1/2	73 1/2	General Motors	\$74 1/2	-1 1/2	3.0
33 1/2	27	Goodyear	\$28 1/2	-1 1/2	2.1
452	254	Honda	Y 431	-21	2.8
302	155	Komatsu	Y 306	+4	2.8
15 1/2	9 1/2	Lockheed	\$9 1/2	-3	2.9
438 1/2	356	Lucas	340p	-3	2.9
17 1/2	11 1/2	Massey Ferguson	SC 16 1/2	-1 1/2	1.2
45 1/2	33 1/2	McDonnell Douglas	\$33 1/2	-1 1/2	1.3
1680	1229	Michelin 'B'	Fr 1680	+115	1.6
520	246	Nissan Motor	Y 506	-14	1.6
36 1/2	30 1/2	N Am Rockwell	\$34 1/2	-1 1/2	4.0
430	242	Peugeot	Fr 418	+2	2.8
1870	1400	Pirelli-Spa	L 1400	+126	3.7
231	162	Smiths Indust	162p	-11	4.0
284	186	Steyr-Daimler-Puch	Y 620	-53	1.3
673	405	Toyota Motor	\$41 1/2	-1	4.4
42 1/2	28 1/2	United Aircraft	DM 144	-6 1/2	3.1
163 1/2	133 1/2	Volkswagen	Kr 261	-5	1.5
280	226	Volvo	58 1/2p	-2	5.1
73 1/2	57	Westland	98p	-4	3.6
120	92	Wilmot-Breeden			

Office equipment, photographic					
243	180	Canon	Y 210	+3	3.6
141 1/2	93 1/2	Eastman Kodak	\$129 1/2	+2 1/2	1.0
428	358	Fuji Photo	Y 411	-1	1.8
1750	1565	Gewers Agfa	Fr B 1700	-5	3.5
183	150	Gestetner 'A'	164p	+2	1.9
410	325	Nippon Optical	Y 398	-2	1.9
2065	1439	Olivetti	L 1580	-106	4.4
292	228	Ozald	255p	-4	2.6
147 1/2	86 1/2	Polaroid	\$112 1/2	-1 1/2	0.3
1188	825	Rank 'A'	1088p	...	1.3
171 1/2	120 1/2	Xerox	\$152	+1	0.5

Paper, publishing					
135	99	Borregaard	Kr135	+11	...
199	151	Bowater Paper	182p	+6	3.3
124	100	Bunzl Pulp	110p	+5	4.1
34 1/2	25 1/2	Crown Zellerbach	\$26	-1 1/2	4.6
180	149	DRG	154p	-14	4.6
28	23 1/2	MacMillan Bloedel	SC 24 1/2	-1 1/2	...
20 1/2	14 1/2	McGraw Hill	\$15 1/2	+1 1/2	4.0
315	207	News International	292p	+9	3.2
244	174	Pearson Longman	219p	+2	2.5
337	274	Reed Int	306p	+15	4.1
192	78	Thomson Org	182p	...	3.8

Property				
135	96	Capital & Counties	106p	+1 2.8
615	490	Hammersons 'A'	490p	-20 1.3
230	181	Land Securities	200p	-1 1/2 2.4
147	107 1/2	LMS	113p	-4 2.0
274	225	MEPC	252p	-2 1/2 1.8
234 1/2	176	St Martins	185p	-9 1.8
494 1/2	293	SG Immobiliare	L 494 1/2	+23 1/2 2.0
398	259	Star (Gr Britain)	323p	-6 2.8
211	150 1/2	Stock Conversion	164p	-1 1.1
10		Trafalgar House	173p	-6 2.3

Prices, 1972		Ordinary stocks	Price, Sept. 20 1972	Change on week	Yield Sept. 20
High	Low				
Transportation					
49 1/2	26 1/2	American Airlines	\$26 1/2	- 1/2	...
301	229	Brit & Comm	\$265	- 3	3-2
16 1/2	14 1/2	Canadian Pacific	SC\$15 1/2	1/2	...
400	315	Furness Withy	398p*	- 12	3-8

3500	1580	Japan Air Lines	Y 3200	-300	1-3
131 1/2	106 1/2	KLM	FL 111	-1-3	...
79	63-7	Lufthansa	DM 71-2	-4-3	...
175 1/2	136	Ocean Steam Ship	166p	-1 1/2	4-5
179 1/2	11 1/2	Pan American	\$11 1/2	-1	...
390 1/2	186	P & O Delf	340p	+2-6	3-5
740	575	Swissair (Bearer)	Fr S 695	-6	4-3
58 1/2	39 1/2	TWA	\$44 1/2	+1 1/2	...
54	31 1/2	UAL	\$32	1/2	...

321	216	Boots	283p	-7	1-9
392	260	Brit Home	344p	-15	2-5
305	225	Burton Group	238p	-7	2-5
179	117	Debenhams	149p	-4	1-7
187	119-8	Galleria Lafayette	Fr 175	-2	3-8
420	341	Galerias Precios	175p	+16	...
343	255	Grattan Ware	275p	-15	2-7
22	15%	Great Atlantic	\$15%	-7	8-3
340	25%	GUS 'A'	288p	-4	2-7
161	111%	House of Fraser	139p	-7	3-1
2100	1460	Innovation	R 8 2010	+10	...
132	82-3	K&B	Fr 122%	-5%	3-3
497	330	Karstadt	DM 350	-24	2-2
359	243	Kaufhof	DM 319%	-14%	3-1
622	484	La Redoute	Fr 588	+5	2-3
325	227	La Rinascente	L 325	+22	1-5
31%	21%	Marcor	\$22%	-1%	3-4
320	272	Marks & Spencer	294p	-2	2-7
630	407	Mitsukoshi	Fr 622	-10	1-4
2-75	1-70	Myer Department	Fr 122	-0-03	...
48	107	Nekkermann	DM 132	-7	...
195	114	Nouvelles Gals	Fr 185	-10	2-6
84	67%	J.C. Penney	\$78%	-1%	...

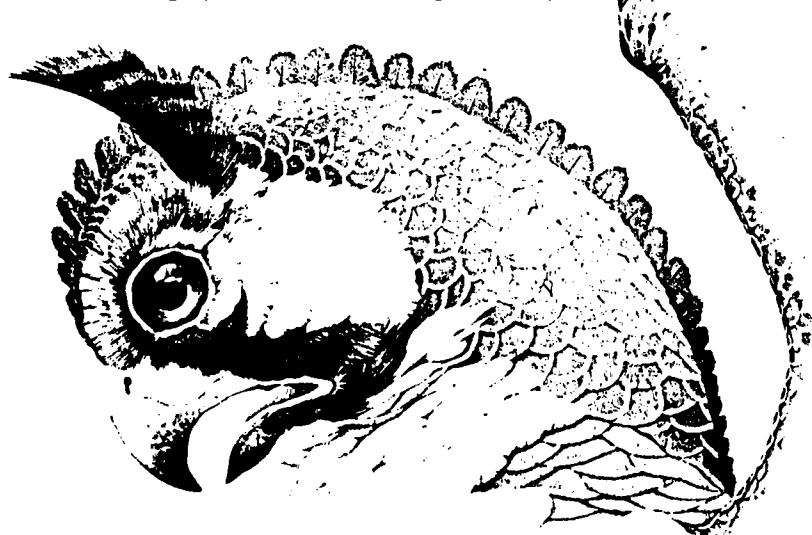
384	281	Provid Clothing	340p*	-25	2-5
193½	129½	Sears 'A'	152p	-4	3-3
117½	97½	Sears Roebuck	9107	-½	1-4
640	428½	WH Smith 'A'	580p	+5	1-7
87	73	Tesco Stores	78½p	-½	2-1
180	138½	United Drapery	153p	+1	3-7
47½	33½	Woolworth	\$36½	-½	3-3
Textiles					
40	30½	Burlington	\$32½	-1½	4-3
186	132	Carpenter International	48p	-4	4-6
81	68	Coal Patons	72p	-3	4-9
179½	129½	Courtaulds	165p	-3	4-2
116½	80	Dollfus-Mieg	Fr 115	+7	4-8
63½	48½	Indical Calico	53½p	...	4-7
1813	1085	Snia Viscosa	L 1087	-63	...
31½	23	Sca Scvs, JP	\$26½	...	5-5
138	71	Tellin	Y 130	-1	4-6
170	95	Toray Ind	Y 160	-5	5-3

Tobacco				
366	286	Brit Amer Tobacco	293p	-7 4.2
219	172	Gallaher	189p	-5 5.7
124	94	Imperial Tobacco	100sp ^a	-2 1/2 5.9
76 1/2	55 1/2	RJ Reynolds	\$55 1/2	-6 4.3
Utilities				
47 1/2	41 1/2	AT & T	\$47	+2 1/2 5.5
1050	790	Chubu	Y 1000	... 5.0
274	780	Chugoku	Y 995	5 5.0
120 1/2	24 1/2	Cons Edision	\$24 1/2	... 7.3
2900	2600	EBES	Fr B 2750	-50 5.7
2415	1995	Intercom	Fr B 2150	-35 5.8
998	780	Kansai Electric	Y 939	-1 1/2 5.3
191	161 1/2	RWE	DM 165 1/2	-4 4.8
1040	795	Tokyo Electric	Y 980	-30 5.1
130	89	Tokyo Gas	Y 116	-3 5.1

Prices, 1972	Ordinary stocks	Price, Sept. 20, 1972	Change on week	Yield Sept. 20
High	Low			</

There's a reward for catching this bird.

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September 30, 1972

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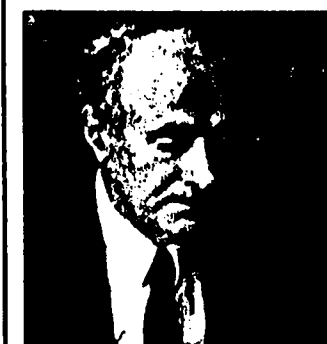
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Now hear this

The Prime Minister, swallowing hard, has done the right thing to tackle inflation. But although he has rattled the unions the decisive fight for public opinion has only just begun, page 11. The electricians still seem set to call a power strike in two to three weeks, as they had always planned to do, page 69. Suppose the freeze works, what will it mean to industry, jobs, profits, wages and the rate of inflation?, pages 72-83.

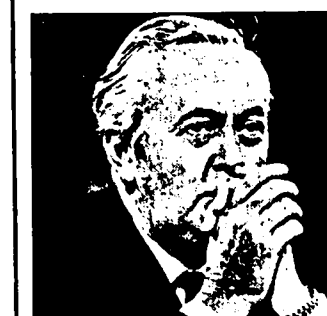


Euroasion

So it can't be Ten, it may be only Eight, and its politicians must grasp the reasons why, page 12. Where Norway has landed itself, and the chances of Denmark following suit, page 31.

Half a step forward

The Shultz plan that they talked about in Washington, page 70. Hot money got hotter, page 66.



Testing time

The Labour party conference will be a major test of Mr Wilson's leadership, and of his wish to be leader. His readiness or hesitancy to fight the left on Europe will be decisive for many moderates, and especially the Jenkinsites, page 14. Mr Jenkins has a policy, and a philosophy, page 57.



East Africa goes west

General Amin's almost invisible war has left visible scars, page 15. Speeding the Asians' exodus, page 32.

Nit without grit

The Government's proposals for negative income tax, the biggest single change in the tax and social security system for 30 years, should be published within the next two weeks. The advantages of Nit and how it ought to work, page 84.

Tanaka-think

Peking's Japanese visitor plans a balancing act—just like Mao, page 18. Taiwan thinks furiously, page 44. In Tokyo they are thinking about China trade too, page 91.

برایانی فی ایران

Letters

McGovern and Europe

SIR—Commenting adversely on my exposition of Senator McGovern's European policy (September 16th) you say: "The heart of the matter is that most people believe that the present allied forces in western Europe . . . would not be able to defend themselves for more than a week without using nuclear weapons. . . ."

With respect, that is not the heart of the matter at all. The heart of the matter is that hardly anyone believes that a land war in Europe with the Soviet Union is anything more than a barely conceivable possibility. And among those who do, nobody believes that it could come in the form of a surprise attack on the central front with the Soviets fully mobilised in secret and no opportunity for western reinforcement in advance. Your reference to the Czech invasion on this score is peculiarly inapt, because, according to the American Nato ambassador, Harlan Cleveland, Nato was fully aware of what was going on and took a deliberate decision not to mobilise.

Most independent analysts, far from thinking the west to be hopelessly inferior in conventional forces, conclude that there is a rough overall balance. (See, eg, John Newhouse, "US Troops in Europe.") Indeed, if there were truly a perceived military vulnerability, it seems hard to believe that the Europeans themselves would not act to correct it.

No, the heart of the problem, as I was repeatedly told in every capital I visited, is not military but psychological and political. It is a widespread sense in Europe that the Atlantic partnership has eroded and attenuated over the past eight years. This is in part because of American indifference and neglect. It is in part because the energy and attention of two Presidents and their chief foreign policy and military advisers have been diverted and absorbed by a major war in a peripheral theatre. And it is in part because of the Nixon-Kissinger five-power balance theory which conceives Europe as a quasi-adversary, rather than a tried and valued partner in common enterprises for common purposes.

Senator McGovern proposes to attack this political-psychological problem directly, by reviving and reinvigorating the practices and institutions of Atlantic partnership. This involves not only consultation on the timing and phasing of the American troop redeployment. It includes joint and co-ordinate preparation for the round of east-west negotiations that are ahead—the European security conference and the MBFR, where Euro-

pean interests are central, and Salt II as well, which, unlike Salt I, will also have a significant European component. Beyond this, he proposes to return to the habits and practices of intimate consultation and co-operation in trade and monetary fields—habits and practices that have now been all but abandoned.

It is by these kinds of practical measures addressed to real world problems that the Atlantic partnership will be renewed and the essential interdependence between America and Europe confirmed—not by arid and increasingly unreal exercises in scenario writing.—Yours faithfully,

ABRAM CHAYES,
Washington, DC McGovern-Shriver '72

Inflation

SIR—Your disparaging comments regarding the settlement of the building workers' strike (September 16th), may please your executive-class readers in their cloistered offices. However, prior to this settlement, your readers might note that the take-home pay of many building workers in North Cornwall amounted to £12.50 per week—the cost of lunch for many an executive or editor!

No one would deny the urgency for a solution to the problem of inflation; but to talk in terms of percentages rather than actual money increases, avoids the basic economic fact that an additional pound to a poor man is intrinsically worth more than an additional pound to a rich man.

Neglect of this simple fact can only exacerbate the problem of the low-paid, further divide the country, and prolong the achievement of an equitable prices-incomes policy.—Yours faithfully,

J. B. BENJAMIN,
Prospective Parliamentary Labour
candidate, North Cornwall
Bristol

SIR—Contrary to what you suggest (September 9th), the government can by no means be considered to have taken all reasonable steps to halt inflation.

Reduction or abolition of charges on employees, such as National Insurance and Set, and payment by the Government (instead of by industry) of redundancy payments are, for example, possible means of reducing industrial costs. If such measures were applied preferentially to firms operating approved profit-sharing schemes, this would make it in the interest of a larger number of employees to bargain rather than strike.

Measures such as these, coupled with subsidy of public transport to keep increases to an acceptable level, must surely be tried before the Government can be said to have taken all reasonable steps in the battle against inflation. Whether or not such measures should be combined with mild selective tax increases (on, for example, cigarettes, alcohol and high octane petrol) to siphon off excess buying power is a question which I leave to the economists.—Yours faithfully, R. M. CURR
London, W10

THE ECONOMIST SEPTEMBER 30, 1972

A time of terrorists

SIR—It would appear that the leading politicians in Egypt and Jordan were working towards a position to negotiate with Israel for a peaceful solution to the Palestine problem. It is to be hoped that the events of Munich will not divert them.

The Munich tragedy has removed any doubts there may have been that we are here dealing with terrorism and the universal recognition of this, long since recognised by King Hussein, can be a major contribution to its eradication and hence a major step to peace between Israel and its neighbours. Professor A. L. Goodhart has stated that "there is a vital distinction between guerrillas and terrorists" and one of your leaders seems to echo this. "It is time," you write, (September 16th), "that we purged the language of words that confuse terrorists with freedom fighters."

It is surprising in other parts of your current issue to find the words "terrorist" and "guerrilla" used as though they were synonymous. "One ought to recognise," as George Orwell wrote in *Horizon* in 1946, "that the present political chaos is connected with the decay of language and that one can probably bring about some improvement by starting at the verbal end."—Yours faithfully, ANSEL Z. HARRIS
Kew, Surrey

SIR—The desperadoes of Black September are qualified as "terrorists." Who are we to judge such acts? Were we not "terrorists" during the second world war when we were resisting the nazis? Who was responsible for murdering 6m Jews in concentration camps? The Germans or the Arabs? Who now is paying the debt? Who were reluctant to welcome survivors of the nazi concentration camps and integrate them in their home countries? Who was responsible for creating Israel and for having millions of Arabs living since 1948 in concentration camps? What do you exactly expect from people—who were probably born in such camps and are living in those camps since 1948? Do you expect them to sit comfortably in cosy armchairs and watch peacefully television shows of the Munich Olympic games? Do these desperadoes have anything to lose except their lives, and what do their lives look like? And what about the punitive expeditions of the Israelis in Lebanon and Syria which always kill many more people than those the Israelis have actually lost?

Apparently we still feel guilty for all those Jews who were murdered during the war and we are now granting them all our complicity for any retaliatory actions they may exert on the Arabs. We have discovered that there is still someone representing less in the human scale than the Jew. It is the Arab and particularly the Palestinian.—Yours faithfully,
Brussels MARIE-JEANNE ESTERSOHN

more letters on page 6

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For further management appointments see page 7

SIR—Is it really intelligent to tell the general public exactly how to make "letter bombs," even to the extent of telling them where to get explosives (September 23rd)? The majority of your readers are, no doubt, not potential murderers; none the less, there is a distinct possibility that information supplied in this way could be used through personal vindictiveness or, worse, through irresponsible experimenting of the practical joke type—you make it sound so easy. May I suggest that this, and similar topics, are not those on which your readers need to be better informed?—Yours faithfully,
London, N8 ANNE HARRISON

Manufacturing investment

SIR—Your article, "Someone else has made an instant error" (September 9th), reveals that once more manufacturing investment is much lower than had been predicted.

The article does not, however, mention one of the major factors contributing to the continuing decline in expenditure on new plant, etc, this being our impending entry into the common market. Most large manufacturing companies are intending to concentrate the bulk of their activities in the "golden centre" of the common market (on the continent) and intend to reduce rather than increase the size of their operations in the United Kingdom. The economic advantages of such a location are obvious and the consequences should surprise no one. Furthermore, British capital is being channelled via banks and investment trusts to the continent (and elsewhere) at an enormous rate, thereby reducing the amount for investment here.

Until this factor is taken into account the predictions will continue to be far too

high.—Yours faithfully, R. E. SIMMERSON
Chairman,
Democratic Conservatives against the
London, W14 Common Market

Latin America

SIR—With regard to your reference to the United Nations Economic Commission for Latin America (Brazil survey, September 2nd) I should like to state the following. So far as this commission is concerned, there has never been any dilemma between economic growth and the redistribution of income. Its position has always been that maximum acceleration of growth must go hand in hand with the most equitable possible distribution of the benefits of growth.

We strongly feel that there is no antagonism between the two objectives and that the major problem of economic policy is to seek the best way of attacking them simultaneously.—Yours faithfully,
ENRIQUE V. IGLESIAS,

Executive Secretary, United Nations
Economic Commission for Latin America
Santiago

Private flying

SIR—As both a professional and private pilot, flying helicopters and aeroplanes, I was somewhat surprised by "How many others?" (September 2nd). After reading it one gets the impression that our skies are full of daring young men, mostly inebriated, who are tired out with the familiarity of flying and are potential killers because there is no one to supervise them. While not denying that there is a minute element of truth in the facts that you give, I feel that they must be put in perspective.

First, let us compare your accident statistics with those found on our roads; I don't think one has to go very far to find far grimmer accident records than those in the air. Secondly, to say that there is no supervision of private pilots is a complete falsehood; there is very real and visible control of private pilots in proficiency checks, medical examinations and limitations on the weather conditions in which they may take off. The Board of Trade, as it was then known, introduced the IMC (instrument meteorological conditions) rating for just this very reason. However, it is still possible for a private pilot to take off on a bright, sunny day and fly into the middle of a thunderstorm some miles away; in the same sense it is still possible for a young owner of a sports car to try to do 100 mph down the M1 in thick fog. Fortunately for us all, there are not too many people around with suicidal tendencies.

Prince William's accident will most likely be attributed to pilot error unless some mechanical failure is found to have occurred. This is quite normal, as all pilots know that accidents are caused by one or other of these two influences. I cannot see how it is possible to have a

THE ECONOMIST SEPTEMBER 30, 1972

combination of inexperience and calculated risk-taking, as calculated risk-taking can only be achieved by experience; for there can be no calculation if there is no experience on which to base one's calculations.

With the greatest respect, I would suggest that your article is not only factually misleading but creates a very bad impression of general aviation and flying as a whole, and is entirely unfounded.—Yours faithfully,
Singapore J. R. G. KEITH

Lorryways

SIR—If the natural medium for heavy freight such as fuel and ore is rail (Letters, September 16th) then why do shippers send so much of these by road, despite massive subsidies to the railways and punitive taxes on road transport?

In the relatively undistorted North American market, long hauls (over 125-300 miles) of primary products usually are by rail. Short hauls are accomplished by road. In fact, there is a trend toward gathering prairie grain from country elevators by truck instead of by 75-125 mile-long branch railway lines, for subsequent rail shipment from main line terminals for the 800-2,000 mile haul to Great Lakes ports. The Canadian railways have been trying to adopt this as general practice but they are frustrated by the Crows Nest Pass laws.

Britain is simply too small for railways. Who ships coal or iron from Exeter to Inverness? It is precisely because the railway routes are built to take heavy axle loads that they should be converted into lorryways, so as to get those juggernauts off tiny streets and lanes that were never intended to carry such weights.—Yours faithfully,
Northwood, Middlesex LIONEL ALBERT

Guzz

SIR—No one has asked me to set up a committee to investigate guzz, but this is not going to deter me from undertaking a thoroughly impartial inquiry that will, I hope, result in legislation to deal with this nasty business which, especially since the war, has thrived on titillating the sensual appetites with exotic fare from the sort of country that is associated with things like foot fetishism, the can-can or Kama Sutra. As the law stands at present there is nothing to prevent children from watching overfed, underexercised men and women guzzling together in public. The most flagrant excesses are confined to middle-aged middle-class males in the West End and a few large provincial cities, yet it must surely be right to question the cumulative effect on our society of a daily diet of food unrelated to hunger and often the mere adjunct of commerce and money-making.—Yours faithfully,
Stanford le Hope, Essex G. W. PATTISON

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Issue No.55, September 1972

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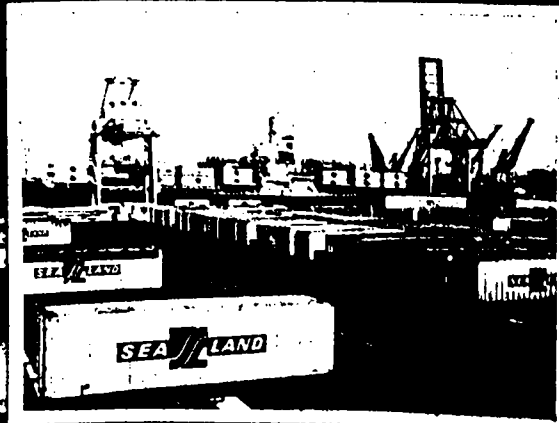
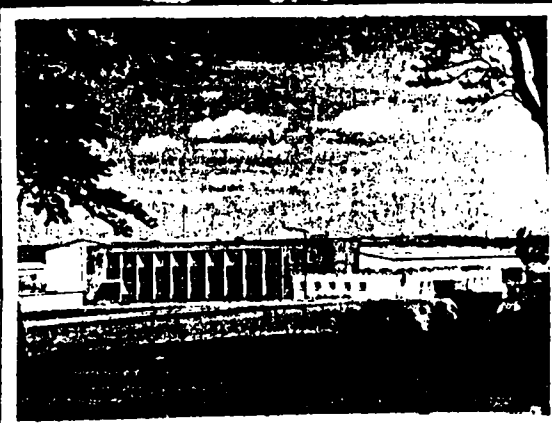
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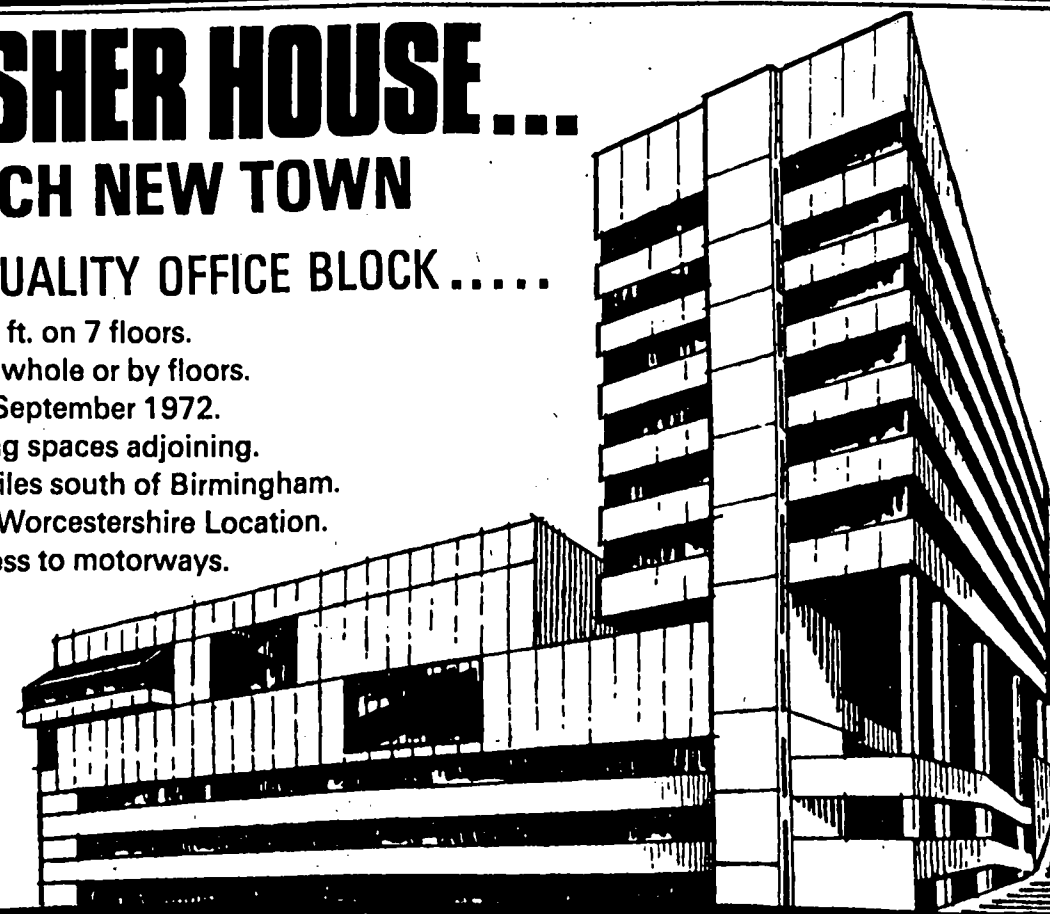
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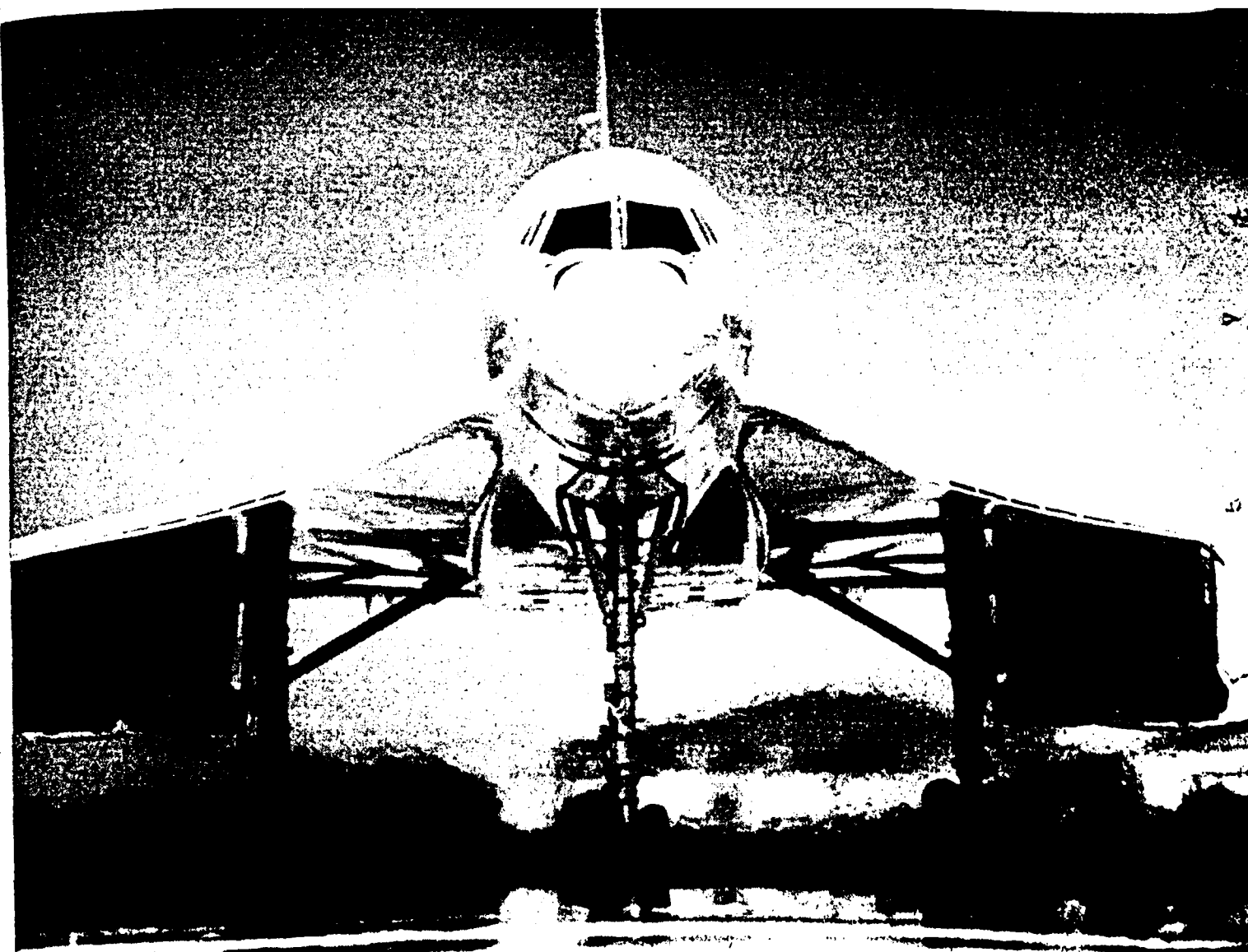
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The Economist

September 30, 1972



Incomes policy, I said

Mr Heath has begun his run. With a commendable disregard for past words on incomes and prices policies (which Mr Wilson will remind everyone of) and even for what he would once have stigmatised as economic nonsense, he did what he had to do when he saw the leaders of the Trades Union Congress and the Confederation of British Industry on Tuesday. The TUC was asked to accept wage restraint in exchange for a redistribution of income in favour of the low-paid, and the CBI was asked to accept continued price restraint in exchange for wage restraint, all in the context of a Government commitment to much faster growth than this country has experienced for very many years. The TUC general council expressed shock, horror and disbelief, but said it would continue the talks. By almost all the press and much of the public Mr Heath seemed to be moving well.

The initiative was skilful, in both its timing and its content. The finishing tape for Mr Heath's race to find a credible way to deal with inflation is October 31st, when the CBI's present price restraint runs out. By putting forward its own proposals now the Government allows the TUC and CBI three weeks in which to consider them in detail before the attempt is made at the next meeting, on October 16th, to reach final agreement. During these three weeks there are the Labour and Conservative party conferences. Then, if agreement actually were reached on the 16th, the CBI and TUC could put the proposals to their councils at meetings on October 18th and 25th respectively. If all went well Mr Heath could just get home with his voluntary policy.

But good timing is not enough. The proposals themselves are astute. They can be presented as having genuinely emerged from the earlier tripartite discussions and to reflect the stated willingness of the parties to co-operate in finding a solution to the present inflation. They are consistent, too, with the TUC's Brighton resolution because they deal with wage restraint in the context of a policy for the economy as a whole, and one in

which the TUC has had a large say.

The proposals are directly concerned with the distribution of income. The suggested £2 a week maximum for wage increases for a year—which will be generally regarded as an entitlement—means a considerable redistribution of real income in favour of the low-paid. If the £2 limit holds and the rise in retail prices can be held to 5 per cent, nearly everyone earning more than the average industrial wage will be worse off in real terms. But inflation can only be cured at a cost. It seems right to the majority that the cost should fall on those with the highest incomes, who anyway stand to gain most from the faster growth in the economy which the successful restraint of inflation would allow. Mr Heath and Mr Barber can argue, as the unions do, that those on higher pay have done well out of this Government's programme of personal tax reforms. The promise that pensioners will share in the country's increasing prosperity is certainly right. Not only does this remove another social grievance, there is no reason why this promise should not be generously kept.

Industry's worries

The CBI is whipping its doubters into line, but there are many grumblers who believe they are being asked to shoulder a further substantial burden in restraining the growth of prices to 4 per cent when wages, on average, will be rising at over 8 per cent. But this overlooks the effect of faster growth and rising productivity on company profits. Companies as a whole could do very well out of the package. There are, of course, many detailed objections and questions. It is not clear precisely what is being proposed for productivity deals. Dividend restraint has yet to be considered and certainly some concessions will be made to Labour mythology—without wrecking investment altogether. There are problems about the effect on the distribution of profits. In particular, labour-intensive low-paid industries will fare very badly. This could bring on more unemployment,

especially among women. The poverty trap, in which the low-paid can lose social security benefits as their earnings rise by the £2, means that some even of the poor will join all those with more than about £35 a week in being worse off because of continued 5 per cent inflation. The Government did not go for a much slower rate of price increases because it would then have been impossible to redistribute income without those at the top actually having their money incomes cut.

One other important gap remains in the plan. As presented, the figures for wages and prices would not generate 5 per cent growth. An 8 to 9 per cent increase in wages combined with 5 per cent inflation produces no more than a 3 to 4 per cent growth in real disposable incomes and consequently in consumption. But there is nothing to stop the Government making up for this by an expansionary budget, increased pensions, or restraint on nationalised industry prices. This is an important joker which ministers have, quite rightly, kept up their sleeves.

The proposals are essentially political. They are to be seen as an offer by the Government to do a socially fair deal in exchange for the unions giving up the present free-for-all. They go even further than a once-off deal. This is an offer to the TUC and the CBI to take a really effective share in the formulation of economic policy from now on. There is no doubt that this is a genuine offer from Mr Heath, who has not yet changed in his fundamental opposition to statutory controls. He seems ready to strike a bargain. What he is doing is asking the TUC to come clean. Is it really prepared to work with the Government in dealing with inflation or is it not?

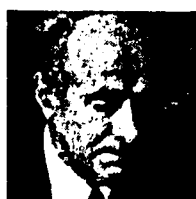
Taken all in all, the Heath proposals place the unions in quite a dilemma. Even Mr Vic Feather has admitted that "they offer a good deal of fair play to a good many people." As such they command considerable public support: people are, after all, fed up to the back teeth with inflation. So Mr Heath has set the stage for his showdown on inflation with what may turn out to be a

pretty solid public opinion behind him. The TUC's reaction on Wednesday showed just how awkward it found the corner into which it had been manoeuvred. Although the general council wanted to reject his proposals outright it did not want the odium of the consequences of breaking off the negotiations. It knows that unless it can put up a reasoned and reasonable alternative in the next three weeks Mr Heath will be in a strong position to impose a unilateral solution.

Certainly Mr Jones and Mr Scanlon can help Mr Heath in the public debate by demanding a complete political surrender by the Government. But it is probably the moderates who need to be watched most closely, for if they carry opinion with them on matters like freezing rents the Government could find the tables turned and be forced into a compulsory policy (which many ministers might welcome) amid general disapproval (which they would not). Mr Heath can consider new inducements on the threshold system and a 7½ per cent Vat. He can make sensibly encouraging noises about the scope that exists for expansionary fiscal policies generally. But that is probably about as far as he will—or should—go.

What will decide things?

But all this begs the question of the TUC's power to deliver the goods even if it puts its name to an agreement. The plain fact is that the Government's policy will be challenged by individual groups of workers. The electricity power workers, who now have a legal right to strike, are one such group. They still seem intent on pressing their claim for £12 more a week (see page 69). The question is whether such claims can now be resisted to the bitter end. If they can it will only be because public opinion is determinedly on the side of the Government, and other unions are not prepared to help those who take the public on. The Government's voluntary policy can be wrecked even if the TUC supports it. The real issue is whether it has massive public support. There can be no faltering now.



Europe goes down to nine

And whether or not the Danes imitate the Norwegians who voted down Mr Bratteli, Europe's politicians must get the message right

Norway's eleventh-hour defection from the ranks of the European community will have little practical effect on how the enlarged EEC will work. Except, perhaps, for the better: the common market will be easier to run with nine members than 10 and easier still, if Denmark votes against entry on Monday, with eight. Those crocodiles who have wept over Norway's demise, notably by the Seine, did not hide any pleasure they felt at the prospect of their diet surviving more nearly as it was before the attempt to recruit new members began. Europe's farming and fishery rules will not now be punctured by Norwegian exceptions; its common budget will be

less encroached upon by Norway's regional needs; its remaining protectionist industries in pulp and paper-making, in aluminium and other alloys will be less open to Norwegian competition. Europe's debilitating farm surpluses may even be relieved of the prospect of Denmark's heavy food surplus as well. Even Mr Heath can be glad providing he does not look too far; without the peoples of Scandinavia to provide for, British hopes of getting studies for regional policy off the ground at the Paris summit in three weeks' time should be that much improved.

Those are the practical effects on the community.

These will be wearying negotiations to take Norway, and perhaps Denmark, back out of the inner circle of the EEC and to fit them into the outer circle of European countries that have obtained a limited form of industrial free trade with the community.

But Europe's present generation of leaders—its Heaths and its Wilsons, its Pompidous, its Barzels and Brandts—will deceive themselves if they leave their post-Norway calculations at that. When Europe's postwar history is written Norway's vote on Sunday and Monday may prove to have been one of those little political dominoes whose tumbling warned the rest of Europe of what it should not be about. It has not been chance that when, after 15 years' delay, Britain's moment to enter the community finally arrived, its electorate should have proved less happy about the prospect than either of its major political parties in their European heydays had expected. It has not been chance that Norway's strange coalition of antis has prevailed over the pro-market drive led by its prime minister, Mr Trygve Bratteli. And it is not chance that Denmark (whose economic wellbeing more closely depends on entry than does any other applicant except Ireland) may nevertheless vote against entry or come close to doing so on Monday. In none of these countries has opinion simply been swayed by a primitive anti-foreigner brigade; certainly such men have been active in the cause, but it would be hard to accuse many Scandinavians, even the Norwegians with their historic dislike of outside domination, of that.

The new distrust

What has happened in these past 10 years of prosperity and peace is that the populations of western Europe, like those in North America and, more lately, in Japan, have come to question the machinery which brings them that prosperity and that peace. Bigness and central power, even in the United States where in material and social terms each had paid off so handsomely, are now distrusted or rejected out of hand by younger voters. And not just the young. The notion of "one Europe" alarmed enough other people in Norway's cities to combine with the rural worriers to win the day.

The lesson is there to read. The vision of an integrated Europe which the common market's founders aimed for, and that other vision of a Europe of like-minded states brokering its economic power in the world which Mr Heath enunciated during his visit to Japan this month, are each equally reckoned by a potential European majority to be anachronisms years before they have come to pass. The dangers in this way of thinking are real and immediate enough. The issue of Europe will now not, for instance, go to sleep, as many had hoped it would, at the Labour party conference at Blackpool next week (see page 14). But the British Labour party's hostility to Europe, like Norway's defection, can affect much more than domestic party politics in either country. It helps to make that socialist accusation that Europe is a capitalist club into a self-fulfilled prophecy, for there will be no willing socialist participants to change it. It will leave Europe to be run in the present nationalistic and bureaucratic way with less chance of

the parliamentary check that Europe's social democrats would be likeliest to bring to it. And it will help to bring about what northern Europeans practised in democracy have always resisted, promotion of the claims of countries such as Spain and Greece to be members of Europe's inner circle.

Why Russia sent flowers

The dangers in the impatience with power go beyond Europe itself. Praise for the vote in Norway was nowhere more explicit than in Moscow. This expressed not just some long-range Russian fear of western Europe's economic power. From now on Norway, and possibly Denmark too, will no longer sit in the councils of the Ten which have been preparing Europe's way to the so-called security conference of east-west negotiations between the Soviet alliance and the west. This will further undermine a western negotiating position which has never been solid. Next, and possibly more serious, the economic consequence of Norway's non-accession will almost certainly be an economic squeeze and possibly devaluation of its currency. If Denmark balks it will devalue by up to 20 or even 30 per cent next week, which will force it immediately into a heavy cutback in government expenditure. The trend in Nato's northern flank will not at that stage simply be towards "neutralism" and "Finlandisation" in theory. There are no prizes for guessing that budget cuts in Scandinavia will bite where it hurts all modern European voters least, defence; and spending on defence in both countries, particularly Denmark, is already considered in Nato circles to be dangerously low.

Stiffening Europe's backbone at such a moment of doubts is the sort of thing that Britain, at least under Mr Heath, and most of the present members of the Six should be capable of in the short run. What is less sure is whether any of them, either at the Paris summit or afterwards, will have the imagination to do more than doggedly pursue the course they were already on.

Norway's decision should, for example, encourage the other nine or eight to strengthen the democratic role of a European parliament. Modern Europeans are clearly bored both by national pretensions and the supranational bureaucracy which the first generation of Europeans wanted to put in their place. Yet it is doubtful whether the nine or the eight will do any such thing. Norway's decision should encourage Europe's inner circle to give the widest possible measure of free trade to an outer circle taking in the Scandinavian north and Mediterranean south. But it probably won't. In a week when the United States has taken the first positive step towards international monetary and trading reform (see page 70). Norway's decision should further encourage Europe to spread freer trade into the world at large. This in turn should spur those inside the common market to take the next steps in economic integration among themselves, towards a single economy in which intelligent regional transfers of resources are made and which is intelligently controlled in matters, such as pollution and sheer bigness in business and monopoly trade union power, which ordinary Norwegian and other voters will worry

about more and more. It is not yet sure that the present common market sees its way even to that.

And if Scandinavia is to be peeled off progressively from the Nato alliance, the pressure should be on the major powers in the centre of Europe to find a defence policy which their voters can tolerate and which provides

the United States with a good enough reason in addition to its own security to continue underwriting Europe's defence policy with its own. Norway's decision not to join the common market is a reminder from the voters that should jolt the politicians into remembering what they want Europe for.



To Blackpool with love

Mr Wilson's leadership of the Labour party will undergo a severe test at next week's annual conference. It may be very severe indeed

Labour party conferences rarely live up to their advance billings, particularly when the agenda seems packed with opportunities for fraternal strife and general mayhem. So it is possible that next week's conference in Blackpool will turn out to be a relatively calm affair, at least in public. But although it is possible it does not seem very likely, for to bring it about would require a collective decision by the right wing not to take on the rampant left on the battlefield where it is most outnumbered. And even if that did happen it would not alter the fact that next week's conference is likely to prove as critical as any in Labour's history, and no one will approach it all—this weekend's meetings and the attendant gatherings throughout the week, as well as the conference itself—with more justified apprehension than Mr Wilson.

Mr Wilson will be far from alone in that, for what happens in Blackpool could have a profound effect on the personal futures of many in the upper ranks of the Labour party. That is not to say, of course, that the conference can break Mr Wilson or make anyone else; however much the left would wish it otherwise it is far from having that power now, and it probably never will have it. But if Mr Wilson will not be fighting for his political life he will be fighting to regain something only slightly less vital: his political stature. If he stumbles, certainly if he stumbles badly, it could affect his own view of his future prospects; and what is even more certain is that it will cause many of his colleagues to start making agonising decisions about their own future actions.

Just how much trouble?

Many Labour politicians affect to resent the way discussion about their party's affairs concentrates on personalities rather than policies, and it may well be, as Mr John Mackintosh argues in the current issue of the Political Quarterly, that the purely political crisis inside the Labour party between what he calls the social democrats (the right) and the populist/socialist left is more serious than the old recurrent crises over leadership, doctrine and tactics. If that is true the Labour party is in even more serious trouble than anyone else has so far suggested. But in the animosities, rivalries and alliances that go to make up the Labour party, policies are invariably indistinguishable from personalities, and the higher up the party ladder the more indistinguishable

they become. Take, for example, the last great political issue which convulsed the Labour party before the common market: the campaign for nuclear disarmament. When Hugh Gaitskell died that movement immediately collapsed to the tiny handful of activists with which it had started; does anyone really doubt that the market issue is not being used by many at the top of the Labour party for similar purposes?

Mr Wilson is in an extremely difficult, but by no means unique, position. He goes to his annual conference with the latest opinion poll giving Labour a massive lead over the Government, but no longer showing him to be an asset to his party, and with his own colleagues and party members questioning his judgment and political capacity. Mr Heath knows the feeling exactly. But Mr Heath was never required to prove that he was still fit to lead his party, never mind capable of holding it together better than anyone else, in anything like the way that will be required of Mr Wilson next week.

The Economist was wrong to suggest last week that what we called Mr Wilson's "extraordinary cloak and dagger" trip to Tunisia was prompted by his obsessive desire to steal the headlines. It turned out to be even more cloak and dagger than we suspected, and Mr Wilson has made no attempt to exploit whatever success he may have had in his humanitarian mission. But then many of the great coups that Mr Wilson has attempted have had humanitarian purposes—the Vietnam peace initiatives, his visit to Nigeria, and not least his attempt to mediate in Northern Ireland since he left office. It is not his heart that is questioned, it is his judgment, and it is not newspapers but his colleagues who are embarrassed when something goes wrong or expectations are not fulfilled.

Mr Wilson cannot afford a failure at Blackpool, and neither can the Labour party. But success will not be measured by a standing ovation following his usual, and often very funny, knockabout turn on Tuesday morning. Nor will it be measured simply by whether he is able to persuade both the national executive committee and the conference itself to fudge the common market issue for a little while longer, by persuading them to accept the irreconcilable policies of being both opposed to joining the market on principle and ready to renegotiate the terms of entry. In the present circumstances such a fudging

would be an achievement, for it would allow the marketeers to stay reasonably comfortably within the party, and would give everyone a happy time watching Mr Wedgwood Benn decide which conference decision the whole party (ie, Mr Jenkins and his friends) should accept. And, of course, if the conference came out instead in clear-cut opposition in principle to the common market it would be a very considerable blow, for it would indicate that the left wing in the constituencies and the trade unions did not care a damn whether Mr Wilson had to stand on his head once more, or even whether he continued as party leader.

In either event, both Mr Wilson and the party could be in very deep trouble unless he can show that he has a renewed capacity and will for political leadership. For what has to be accepted on the market issue is this: certainly there are many in the party who are sincerely opposed to the market, but there is a core of left-wing MPs and union leaders who are using this issue in an attempt to force Mr Jenkins, and the moderates and right wingers who support him on other issues as well as that, either out of the party altogether or out of any future influence on the leadership or the policies of the party.

The common market is the only major political issue in the Labour party where the left is in alliance with the majority of the centre against the right. On all others, including strikes and industrial law-breaking, the traditional centre-right coalition is fundamentally in control. If the market issue is fudged next week, the left will not let it go; if it is clear-cut they will move to make it binding on the parliamentary party. If Mr Wilson resisted that, as he would have to, he would have an unhappy time with some unions, constituency parties and all the left-wing MPs; he might well find Mr Benn standing against him for the leadership at the beginning of the new session of Parliament. On the other hand, if through miscalculation or lack of will the left were not fought and the centre-right coalition were broken, which is the left wing's openly stated aim, there would not be much point in having Mr Wilson as party leader; and as the chances of a Labour leader becoming prime minister

would then be minimal for many years to come there would not seem to be very much point in Mr Wilson wanting to stay on, either.

That is why Mr Wilson knows that his all-round performance next week is going to be assessed very critically indeed by his most important colleagues. For it is very largely on that performance that they and their friends will start to decide whether his leadership should be challenged now, and, if so, who should do the challenging. Certainly, if he is put in the position where he must fight for the autonomy of the parliamentary party he is likely to be challenged in much the same way and on much the same grounds as he challenged Hugh Gaitskell in 1960. Yet if Mr Wilson hesitates to fight, Mr Jenkins will be urged to stand against him for his friends' protection; Mr Jenkins would have no chance of election, but his friends might believe it important that he should show just how large a section of the parliamentary party felt it was being put in jeopardy. And, of course, if Mr Wilson came out of a fudged situation with his reputation even further diminished it could open up a much wider field of possible challengers.

The malaise in the leadership of the Labour party has been too obvious for too long for a serious political party not to attempt to end it in good time before the next general election. But Mr Wilson is not entirely to blame for that. With the exception of Mr Jenkins, who must be regarded as out of the running while Europe is still an issue, those men who believe that they stand a chance of succeeding Mr Wilson are more concerned with not offending the current majority in the party than with providing the party with the leadership which its voters deserve. Some of them do not even seem greatly to care whether they would be left with a really viable party to lead. As a result, perhaps the most common cause which could be made between Labour MPs is that there has never been such a sense of drift—whatever the opinion polls say about their lead over the Tories in the country—as there is now. That drift will not be ended in Blackpool. But one way or another a start will be made.



The damage is done

An east African war looks less likely, but General Amin and Colonel Qaddafi have tied their bit of Africa up in knots



It is not General Amin's style to adopt a low profile for long, but this week his shadow has been shorter than for some time. His "war" with invading exiles from Tanzania went his way, but it seems to have taken some of the steam out of him. The habit of making astonishing remarks has been maintained: one of his spokesmen has accused India of despatching destroyers with troops to join Tanzania and Zambia in an attack on Uganda; and Uganda has also claimed that Tanzania is sending soldiers overland to their common border and by boat across

Lake Victoria to eastern Uganda. But there are hopes that in spite of these far-fetched accusations, which are denied by Tanzania, a peace is being constructed. If it is, a border skirmish has been prevented from becoming an east African war. Nevertheless, dissension has been sown not only among Africans but among Arabs, and few reputations have been enhanced by the events of the past fortnight.

That the bloodshed has not been greater is partly because of the efforts of the Somali foreign minister,

who has persuaded both the Tanzanians and the Ugandans to go to a meeting in Somalia this weekend. It also owes something to the present restraint of Tanzania's President Nyerere, who has resisted strong pressure in his own country to retaliate against Uganda for its two bombing raids on Tanzanian towns. It owes little to General Amin, whose belligerency has been more muted this week but who remains unpredictable. And it owes nothing to Libya's Colonel Qaddafi, who by the weekend had circumvented Sudanese efforts to prevent him sending troops to Uganda.

Such details of the Somali peace proposals as have emerged suggest that agreement has been reached by the two sides not to attack or subvert each other, and on a mutual withdrawal of troops to the positions that each occupied last month. The Tanzanians are anxious about a triangle of disputed land that they fear will be left undefended, and there is also disagreement about what is to happen to the remainder of the Ugandan exiles on Tanzanian soil, bands of whom apparently crossed into Uganda on September 17th. But, whatever the outcome on these points, it will be a victory for General Amin if he has extracted a Tanzanian promise not to abet the supporters of Uganda's former president, Mr Obote, in any new armed attack. And a Tanzanian agreement to sit down and negotiate with the Ugandans in itself constitutes some sort of de facto recognition, although perhaps no greater than the recognition that General Amin has already received through Tanzanian representatives sitting down with Ugandans at meetings of the east African community.

On Tuesday the Tanzanians admitted for the first time that the rebels who started the fighting in Uganda were indeed exiled followers of Mr Obote. Until then the only evidence that there had actually been any fighting in Uganda, apart from the statements of General Amin's propagandists, was a photograph of a pile of bodies, all unarmed and lying face down; the Ugandans said these were rebel dead, but they could have been almost anybody. There had, it is true, been two well-corroborated bombing raids on Tanzania, but they hardly constituted a war. Certainly neither Tanzanian nor Ugandan—still less British, Israeli, Zambian or Indian troops—had crossed the Ugandan border.

Not many dead—but many involved

A small war, therefore, but one with far-reaching consequences. In most of black Africa governments have avoided taking sides, but President Kaunda of Zambia rallied to his old friend and sympathiser, Mr Nyerere, by making a flying visit to Dar es Salaam on Sunday. Zambia, in contrast to Tanzania, has an air force; the possibility of its coming to Tanzania's aid may well have had a very salutary effect on General Amin, who had formerly felt able to send his own aircraft out to drop bombs on defenceless Tanzanian towns with complete impunity.

Some west African heads of state have fired off telegrams to both sides, urging a peaceful resolution of the dispute, but most are probably anxious to keep the problem at arm's length. President Nyerere is widely

respected in black Africa for his stand on apartheid and his commitment to African nationalism, but his dislike of military rulers and his socialist inclinations cause him to be treated with mild reserve by such men as Zaire's General Mobutu and Nigeria's General Gowon. None the less, it takes a zealot to espouse a nutcase, and only Colonel Qaddafi has wholeheartedly rushed in to support General Amin.

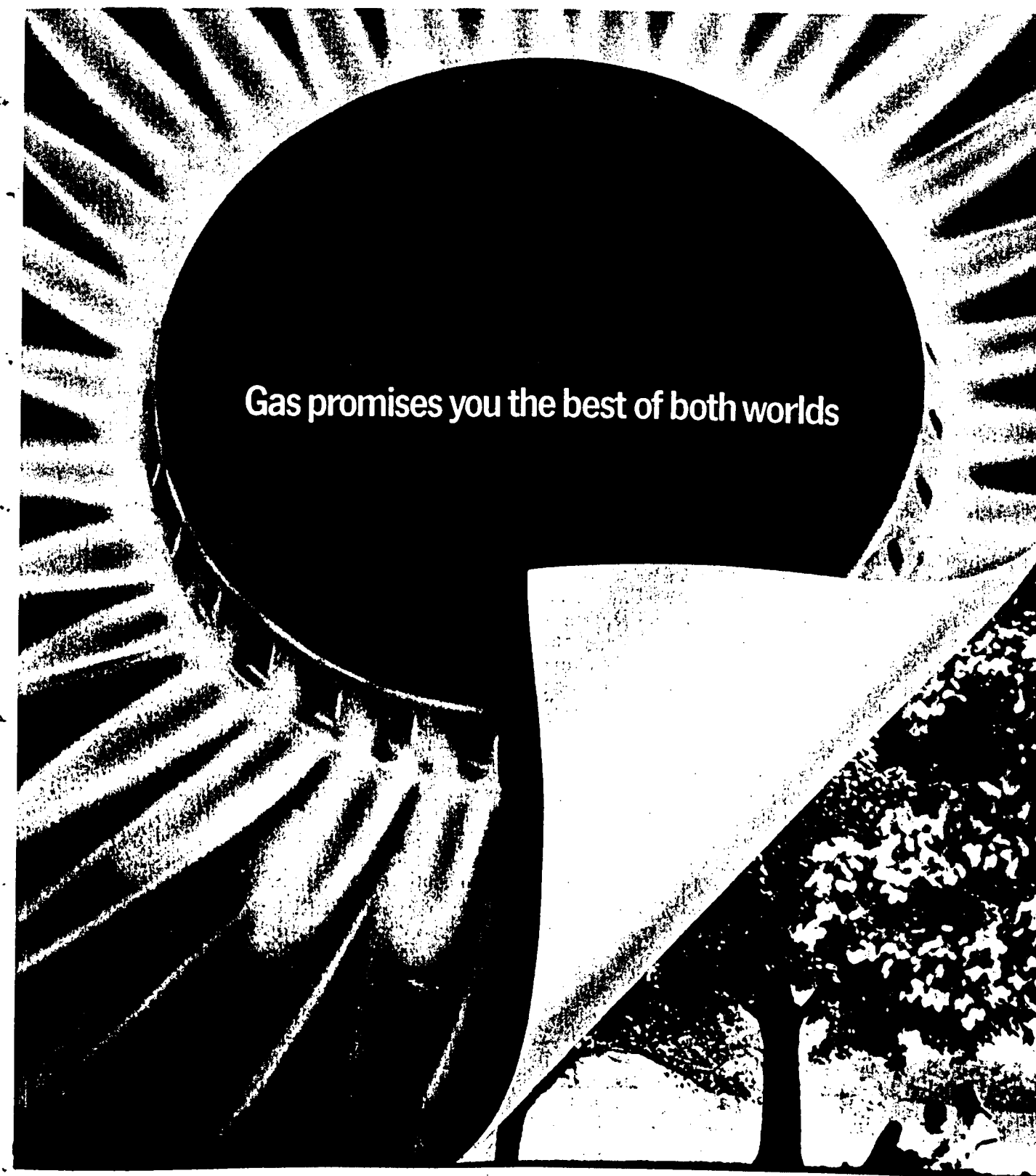
It is the Libyan move that has proved most divisive. Colonel Qaddafi's decision to get into this black African dispute seems to have been determined chiefly by the feeling that he ought to do something for Islam. Although Uganda is a predominantly Christian country, General Amin is a Moslem. And although once upon a time the general used to collaborate more closely with the Israelis than any other African head of state he was persuaded—largely by Colonel Qaddafi—to change his policy, and he expelled all Israelis from Uganda some months before he picked on the Asians. Libya then stepped in with the promise of aid for Uganda, first money and now troops.

Numeiry saw it differently

General Numeiry, who last week denied the Libyans permission to send Uganda-bound troops across his country, Sudan, sees things rather differently. In the face of considerable difficulties, he is trying to repair the destructive differences between the black, Christian south of his country and the Arab, Moslem north. The last thing he wanted was for Arab troops to be seen fighting African ones, even if they were fighting alongside other Africans. So even though antagonising Uganda could jeopardise the newly-won peace in southern Sudan, and even though General Numeiry has reason to thank Colonel Qaddafi for helping him to retain his position after the communist-led coup last year, General Numeiry felt it worth while sending back the Libyan troops.

It is not yet clear how the move has been taken in the Arab world. Mohammed Heikal, the influential editor of the Egyptian paper *Al Ahram*, has declared his support for the Libyan intervention, and President Sadat has reportedly sent General Amin a message offering him assistance "to stop the barbaric aggression . . . by the imperialist and Zionist elements." Since President Nyerere has been a much more consistent and effective supporter of the Arab cause than General Amin, the Egyptian interpretation looks pretty absurd. Its effect must be to weaken the solidarity, such as it is, of the Arab-African front against Israel.

For South Africans and Rhodesians, General Amin is the living justification of keeping power in white hands. For the Israelis, division in the camp of the Arabs' supporters pays off their involvement in some of Africa's internal wars, in Ethiopia and southern Sudan, and the energy they have put into their campaign to win over such Black African leaders as they could. By responding so immoderately the Libyans, and possibly the Egyptians too, have played into the hands of the Israelis. But Uganda and, to a much less extent, Tanzania have also helped to allow new lines of division to be scrawled across the map of Africa.



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GAS-THE NATURAL FUEL



Everybody goes to Peking

Now Japan's Mr Tanaka has got his link with China, at a price, but the shape of Pacific politics hasn't really changed

Mr Tanaka's descent on Peking this week had none of the moon-walk quality of Mr Nixon's trip last February; too many Japanese have been shuttling in and out of the Chinese capital for too long to duplicate that other-worldly effect. But for the folks back home the prime ministerial visit was none the less one of the most dramatic events in Japan's postwar history. It had its element of theatre—Mr Tanaka's poetic tribute to Peking and his rather more serious expression of repentance for Japanese war crimes. But unlike Mr Nixon's visit it also produced a solid agreement on an issue that touches the heart of Japanese politics today. Before Mr Tanaka left China on Saturday he was due to break a 20-year emotion-laden bond with Chiang Kai-shek's government on Taiwan and replace it with full diplomatic relations with Peking.

It was logical and predictable that the Japanese tortoise should beat the American hare in giving formal recognition to the Peking government. For almost a decade Japan has had more extensive relations with China than the United States has even now: Japanese correspondents have been resident in Peking since 1964; Japan has been China's largest trading partner since 1965; and even in the past two years, while China was conducting a virulent propaganda campaign against the "militarist" Sato government, there were more visitors in Peking from Japan than anywhere else.

Three things prevented the Japanese from extending these contacts to the diplomatic level: Tokyo's little-brother relationship with Washington, which was not itself ready to go so far; the cautious conservatism of Japan's ruling politicians; and Japan's tie with Taiwan. Mr Nixon's decision to visit Peking removed the first restraint and also the second: it was the Nixon *shokku* which put the Liberal Democratic party in the mood for a relatively unconventional leader like Mr Tanaka. The third obstacle remained. But the pressure to catch up with the 73 countries that had already recognised Peking had become irresistible. Regretfully, guiltily, equivocally, the Japanese accepted that formal ties with Taiwan had to go.

The elimination of Japan as Taiwan's most important diplomatic prop after the United States was clearly one of China's main aims in inviting Mr Tanaka to Peking. China's Taiwan strategy now seems to be to ensure that Chiang Kai-shek's claims to nation-status are undermined at every turn; after that Peking seems prepared to allow the island to maintain its independent existence in a kind of political limbo. The Japanese government evidently expects to keep up trade with Taiwan, which is still 25 per cent higher than Japan's trade with China, as it assured the Nationalists last week (see page 44) though of course it is also hoping for a trade windfall from Peking (see page 91).

Apart from China's obsession about Taiwan, both

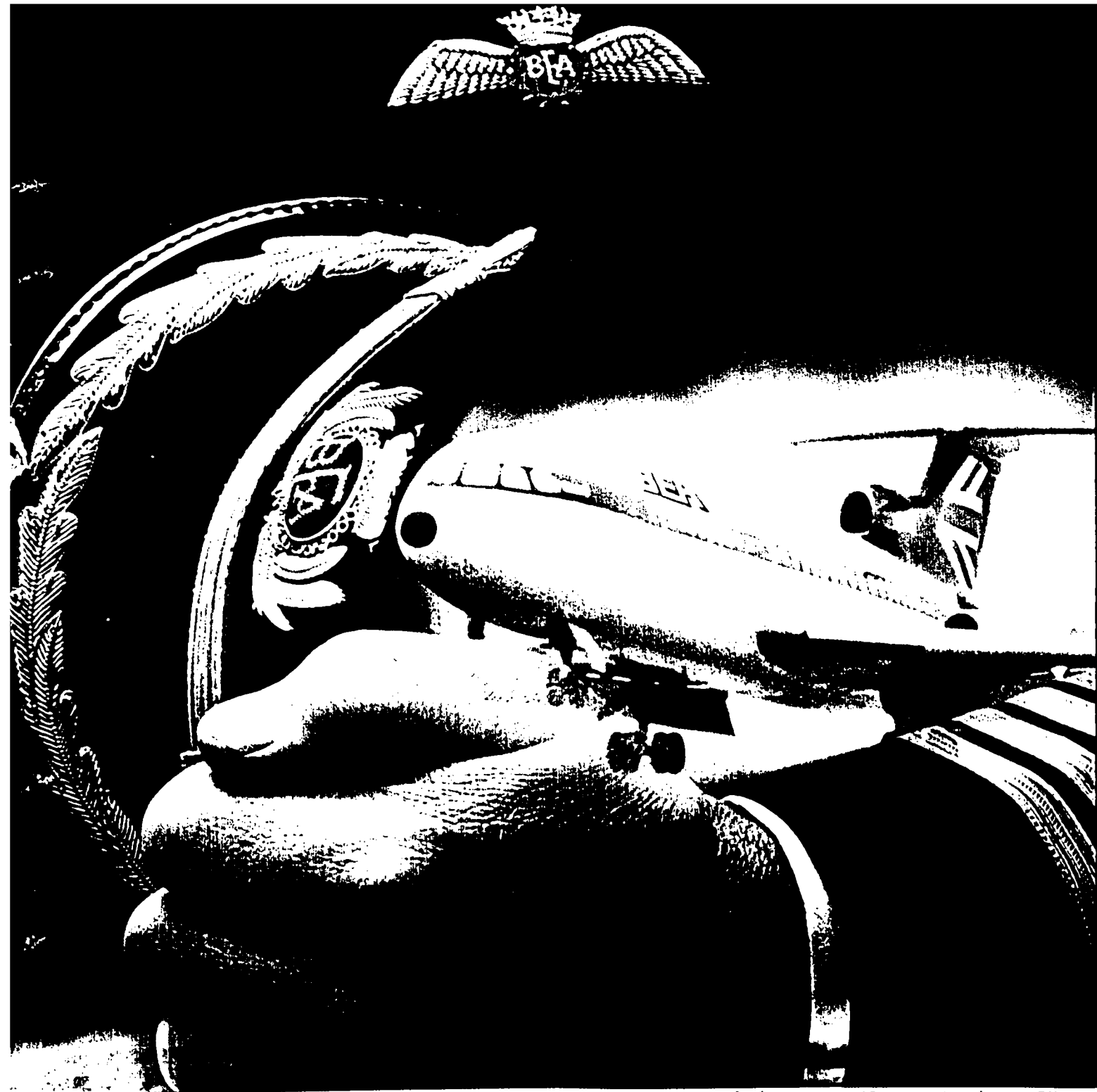
the Chinese and the Japanese see their new relationship primarily as part of an international balancing act. One of the reasons for Chou En-lai's urgency in wooing Mr Tanaka this summer was the prospect that the Japanese were about to conclude two important agreements with the Russians—their long-delayed peace treaty, and their long-pending contract for exploitation of Siberian gas. The Chinese presumably hope that direct links with Tokyo will help them to counter Russian influence more effectively than before.

With Mr Nixon's assistance, the Chinese have already succeeded in creating some tension between Japan and America about the relative speed of their approaches to China; and they will presumably continue to exploit differences between the allies as they arise. But paradoxically China seems to have an interest in the preservation of the Japanese-American alliance. Chou En-lai's apparent generosity in not pushing for an abrogation of the American-Japanese security treaty may be explained by the calculation that removing America's nuclear umbrella would be the surest way of provoking Japan to go nuclear—which is the last thing China wants. The Chinese are undoubtedly anxious to neutralise the threat of resurgent Japanese militarism that they have been harping on, partly for propaganda purposes, partly out of real fear, for the past few years. They cannot expect the exchange of ambassadors alone to achieve this, but it may well discourage Tokyo's military lobby.

They'll get more leverage

China's view of Japan is largely defensive. But the Japanese are counting on the new China link to increase their leverage with the other superpowers. Mr Tanaka has learned his lesson from Mr Nixon well: a few days before his departure for Peking he sent a letter to Mr Brezhnev saying that Japan wanted closer relations with Russia as well as with China, but at the same time he pointedly prodded the Soviet leader to solve the problem of the four northern islands that Japan wants back.

The result of all the breathless expectations of the past few months seems to be that Japan, to be sure, is at last conducting itself in the world with something like the self-confidence of a rich and successful country; but the actual changes in its relationship with the three superpowers around it are likely to be a great deal less dramatic than it was once fashionable to suppose. The Japanese are restoring the formality of the connection with China. But the further development of that connection, once the ambassadors have been exchanged, will not be easy. And so long as Mr Tanaka continues to balance his dealings with the two great communist powers against each other the friendship of the United States is going to remain the foundation of Japanese policy.



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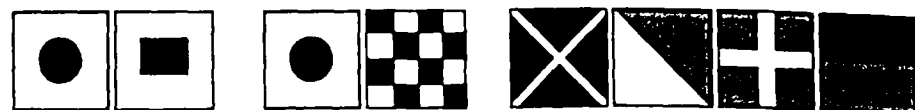
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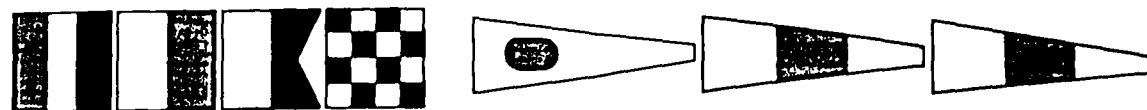
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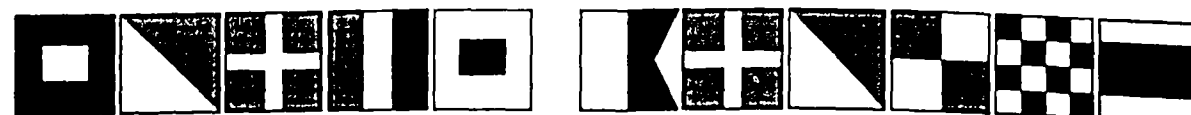
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BRITAIN

The plan for Ulster: carry on talking

The present Whitelaw plan for Northern Ireland seems to be to bore everyone into some compromise some day. When the Darlington conference ended on Wednesday, after a lengthy barney over security, the Secretary of State calmly let it be known that he would produce a green paper which would not be his own proposals but would scan the scene and show to the discerning (and persevering) what sort of proposals he might be thinking of coming up with. But exactly what they might be would not be revealed until he put out his white paper, and that would not be until early next year. This shattered some delegates. It might have been because they really thought Ulster was slipping towards civil war while Mr Whitelaw dithered. It might have been because, for once, a British politician was encouraging Irishmen to go on talking.

But there are three reasons why Mr Whitelaw should go cannily. The first is that the campaigning for the referendum, which will be conducted on tribal lines, must be got out of the way

before there is much chance of statesmanship emerging from the Ulster party leaders in public. The second is that it is becoming steadily clearer, even to the most committed republicans in the Social Democratic and Labour party, that the Lynch government in Dublin and opinion in the south generally are not concerned to get Irish unity in a hurry. As this sinks in throughout the Catholic community in Ulster it will reinforce the effect of the referendum in turning northern minds back to settling the northern problem on its own. The third reason is that when Mr Whitelaw puts his proposals forward he wants to have got the old internment system over and the new model in operation. The SDLP will still not like it, but it may find it easier to lump it.

There is a risk in the Whitelaw timetable: that the violence will get worse again and that the IRA or the UDA will commit an act of savagery or stupidity at any time that will imperil any sort of political compromise. But that danger will be present

for a long time anyway. In fact, now that the army has been encouraged to pick up IRA leaders in the street again, it can be said that things have got steadily better since Operation Motorman. There will be relapses, but this is a bad moment to despair.

Mr Whitelaw himself is still making headway with Northern Ireland opinion, and what the Ulster parties, present at Darlington or absent, have contrived to do for him is to give him one more real chance as a conciliator. If Ulster really does feel it is still slipping towards civil war, its own parties are plainly helpless to prevent it themselves. In the end Mr Whitelaw's plans must be debated not with the parties but with Ulster's voters.

IBA

Taking the telly to task

The Independent Broadcasting Authority (better known under its old title of the Independent Television Authority) does not come out at all well from its investigation by a sub-committee of the Select Committee on Nationalised Industries. In its report, published on Wednesday, the committee is really rather scathing about the IBA's performance, especially in its duty to provide a well-balanced television service of high quality during peak viewing hours. The committee's criticisms of many aspects of the authority's work are no less pungent for being familiar; most of the recommendations are sensible enough.

Despite all that, however, the total effect of the criticisms is to paint a picture of Independent television which is too black to be true, and if the committee's report points up anything it is the overwhelming need for a really intelligent inquiry into the future structure of television (and radio) for the period after 1976 when the BBC's charter and the commercial franchises run out.

The committee pays tribute to the "quality of the Independent television productions in news, current affairs,



Whitelaw (left) with Darlington debaters



Aylestone: this is your IBA

arts and drama programmes" but it considers that the authority has "failed to make full use of opportunities given to it under the [Television] Act and has not exerted a strong enough influence to ensure sufficient representation of a wide range of programmes. . . . The authority appears to have been more influenced by the requirements of the individual companies, especially of the major companies, than by the requirements of the public which should be its first concern."

The first of the committee's recommendations is that to get the authority to take "a more positive role and exert its influence at an earlier stage than now" its senior management should be strengthened with people who have actually had wide experience in producing television programmes and command the respect of professional broadcasters. The committee, less happily, recommends that regional companies should be guaranteed some network time. In fact, it would be better if the duty laid on the authority were to ensure that only the very best programmes available are shown, irrespective of their source.

The committee would also like the authority to appoint immediately two programme planners (which the IBA said it would do if a second ITV network were set up) and a programme planning board, and to commission or produce its own programmes, particularly "experimental" programmes. It then half grasps the problem that that would create: if the IBA, which is primarily a regulatory body, becomes a producing body in its own right, who regulates the regulators? It wants an independent consumer council (appointed by the same government that appoints members of the IBA?) and

prima facie sees "much virtue" in setting up a broadcasting council, which would consider both the BBC and the IBA, hear complaints, conduct research and provide a forum for discussions of broadcasting policy.

The IBA is, naturally, criticised for the way it handled the crisis at London Weekend Television, and the committee is much concerned with the question of public accountability. It rejects the idea that all meetings of the IBA should be open to the press, but it rightly argues the need for greater accountability on such matters as why a particular regional structure was chosen, the allocation of contracts, the rentals paid by the programme companies, and so on. It also argues forcibly that hearings for allotting new contracts should be heard in public. The select committee also wants the contracts between the IBA and the television programme companies to be rolling contracts of the type that will be enforced for commercial radio, but like everyone else it has no idea how that stability could be reconciled with the periodic need to allow new applicants to compete for contracts even with companies whose performance has not been faulted.

Some of the select committee's recommendations will be disputed even by some professional broadcasters, and all will be disputed by all those members of the IBA and its staff who chiefly want a quiet life. The chairman, Lord Aylestone, will have to take the criticisms seriously, whatever—as a former chief whip—he may think about the general run of select committee reports. But when that has been said the committee's great omission becomes more glaring than ever. It seems impossible, but it is true, that a bunch of backbench MPs can talk of the excellence of ITV's news and current affairs programmes and not consider why their own political masters find vastly more fault with the BBC than they do with ITV. Could it not be that the IBA has got something rather important fairly right?

Police

The sentence stands

The rejection last week by the House of Lords of an amendment to the Local Government Bill means that a number of major police forces have lost their last chance of reprieve and must now face drastic shake-ups or

virtual dismemberment. That prospect arises because the Government is determined that police force boundaries should be the same as those for the new counties created by the reorganisation of local government which will take effect as from 1974. The amendment moved at the committee stage of the bill in the Lords—by a Labour peer, Lord Champion, but supported by a prominent and normally loyal Tory, Lord St Oswald—would have allowed the Home Secretary, Mr Robert Carr, to maintain existing police boundaries. It was lost without a division. A similar amendment was moved at the committee stage in the Commons and was lost only by the chairman casting his vote against it.

The Police Federation has mounted a skilled and sustained campaign to have the bill amended. Sometimes it has stressed the loss of efficiency likely to result from the breaking-up of particular forces; at other times, the emphasis has been upon the hardship it will bring to policemen in those forces and the consequent effect upon morale. The federation has naturally exploited the best arguments to hand. But when its case for large forces has been examined with full caution and scepticism it still looks a strong one.

It was as recently as 1966 that Mr Roy Jenkins, then home secretary, initiated a drastic reform of the police, which meant wholesale amalgamations of small forces in England and Wales into many fewer, bigger ones. The justification was police efficiency and the police accepted the upheaval on those grounds, though not without a lot of anguish and protest. The forces then created followed county boundaries, or were combined forces covering two or more counties; the biggest county boroughs continued to have their own police. The process of amalgamation was completed only three years ago, and the dust has hardly settled.

Under the present Government's local government reorganisation, new counties and metropolitan counties are established and county boroughs disappear altogether. Mr Carr is following the policy adopted by his predecessor at the Home Office, Mr Maudling, in saying that the police structure must fit in with local government. That, not police efficiency, is the criterion.

Most of the existing forces worst affected are in the northern half of the country—although the heartburning of the West Midlands should not be overlooked. Forces in Yorkshire, Durham and Northumberland can all



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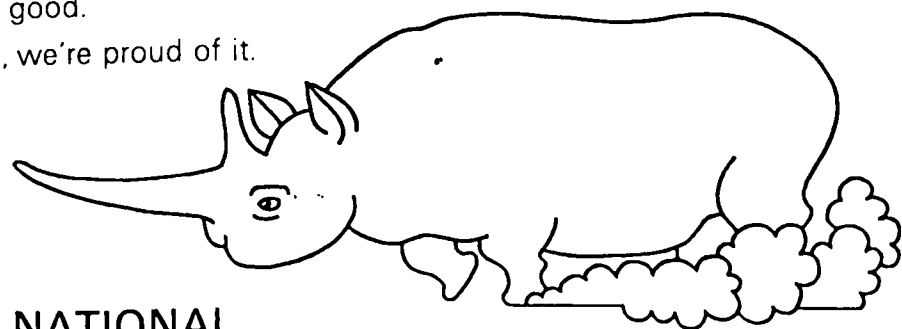
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Carr: chopping up constabularies

demonstrate what they see as the disastrous effects of recasting their boundaries, but Lancashire offers the most dramatic example. The birth of the Lancashire constabulary was a long and painful one. No fewer than 13 local authorities had to submerge their sovereignty in the making of a force some 7,000 strong. The reward was a force acknowledged to be one of superior efficiency, with a headquarters complex outside Preston geared to the needs of such a force, in terms of training, equipment and administration. Now, large chunks of the area covered by that force are to be hived off to the new constabularies. The strength of the Lancashire constabulary will be cut by more than half.

Government spokesmen say on the one hand that the reorganisation, seen in the national context, will not be as widespread as the police would like to make out, and, on the other, that police forces must be subject to democratic control and the only alternative to what is now proposed would be a national police force, which is not acceptable. The insistence upon accountability is right, but it could be achieved without subjecting the police to so much dislocation. The Police Federation has pointed out that the Crowther commission, whose report is expected soon, may well recommend a regional structure of government for Britain. If that were to come about, police forces, too, could conform to a regional pattern, with a regional police authority drawn, as now, from the magistracy and elected councillors.

But even if the idea of regional government is not put into practice, there is no reason why there should not be regional police authorities, to which existing forces, maintaining more or less their present boundaries, should be accountable. There would be initial

administrative difficulties and jealousies but that would be a smaller price to pay than what is now asked. There is need for strong police forces, which should be accompanied by a machinery for investigating complaints against them which is manifestly scrupulous and independent. The need for that kind of machinery is increasingly recognised within the police.

Crime

Borstal babies

A report* on the conviction, treatment and recidivism of girls between 17 and 20 years of age, published by the Home Office Research Unit on Tuesday, could hardly make more depressing reading. The number of offences committed by this group has doubled from 1960 to 1970 (for boys the increase has been only 42 per cent). True, the number of boys found guilty outnumber girls by 15 to 1, but for indictable (more serious) crimes the ratio is 9 to 1. Convictions for prostitution offences—which were sharply reduced after the passage of the 1959 Street Offences Act—have nearly trebled since 1964. The amount of violent crime committed by girls is tiny, but increasing sharply: there were 2½ times as many convictions in 1970 as in 1960. Convictions for shoplifting have more than trebled.

More depressing still is the study, which follows this statistical analysis, of the some 300 girls in borstals and a detention centre in the mid-1960s. Only 2 per cent of girls in this age group found guilty are sent to penal establishments, and the rate of recidivism seems to be lower than for boys, but even so it is a sorry picture. About 40 per cent were recalled or reconvicted within two years of release.

A discussion of their problems is disarmingly obvious. The saddest statistic is that of the 129 girls received into borstals (on which there is more detailed information), almost a third had one or more children on discharge. Girls with close links with their parents (and so no problems over accommodation) were far less likely to be reconvicted; girls with criminal friends or families (45 per cent of the group) were more likely to return; girls with previous convictions had a higher reconviction rate; so did those who were illegitimate and/or had had an institutional childhood. Sir Keith Joseph need search no further for examples of his "cycle of deprivation."

* HMSO. 521p.

Planning

South Hants bonanza

It is a fair bet that there are already builders or speculators with options over most of the main sites pin-pointed in the draft plan for south Hampshire published this week; or, if not, the plan is a handy guide on where to invest now. This highlights one of the main weaknesses of the new planning system created in 1968, under which this is the first "strategic" plan to be published: how do you plan 10 or 20 years ahead for land use, with emphasis on publicity and public participation, without pricing the achievement of your plan out of reach? Still more fundamental, is there a better way of getting a public share in the profits of land development other than through taxing them after they have been realised?

Although high land prices cannot be held responsible for high house prices—rather the reverse—there is felt to be a political vacuum at present on this subject. The old Land Commission did at least have powers which are not available now, of assembling land across administrative boundaries. And even if inflation were checked the problem of putting together large parcels of land for big new communities would still exist. Mr Jenkins has called for a system of "fair prices" for building land acquired compulsorily by a local authority or government agency (the political boomerang of "fair rents" might have warned him off this one). The Labour party officially wants large-scale nationalisation of building land, but this still does not answer the question of at what point or at what price public ownership takes over.

The authors of the south Hampshire plan—who represent the county council and the two big cities of Southampton and Portsmouth soon to become mere districts within it—are wary of any development machine which (like the Land Commission) would depend too much on central government support. They believe, however, that both county and district authorities may get more into the business of advance land assembly, and that there will be means of co-operating with private enterprise in development and with private owners for the provision of services. Not by chance, the Government is due to publish during October the results of a working party which has been examining the idea of joint public-

private development agencies and, in particular, whether existing company law provides enough safeguards for this to become a general power of local government. (One or two councils, notably Buckinghamshire and Norwich, are already running joint schemes.) It is hard to see how councils will be able to afford to make adequate use of their powers of advance land purchase, which they have actually had since 1968, without tapping private sources.

South Hampshire is a boom area which for some time has been growing at the rate of 12,000 people a year and which is expected to gain over 280,000 more between 1971 and 1991. For half of this time, the planners think, it will be all right to carry on with a little bit of growth all round—adding here and there to existing towns and villages. But after 1981 it will become increasingly important to concentrate new growth in a limited number of places and enforce more stringent policies to protect the best countryside. They propose that only six places should receive 125,000 of the extra population, most of it going to two small towns, Horton Heath and Waterlooville.

Family incomes

Uncovering the traps

When the National Council for the Unmarried Mother and her Child gave evidence to the committee on one-parent families chaired by Mr Morris Finer, QC, it was asked what part it thought means-tested schemes had to play. Unable to reply, it commissioned an analysis of the impact of the six most important selective schemes in operation in Britain—family income supplement, free school meals, rent and rate rebates (taking account of the Housing Finance Act) and of course income tax (taking account of family allowances) and national insurance contributions.

The result is the most comprehensive exposition of the overlap of selective schemes and the "poverty traps" that they create that has yet been published. It contains other important conclusions, namely that the difference in disposable income between large and small families, after all selective benefits have been taken up, is too small; that a tax-credit scheme will help only if it swallows up most of the present means-tested benefits; and that the introduction of effective schemes depends on whether childless house-

holders will accept a greater redistribution of incomes away from themselves. But its most valuable contents are its figures.

The "poverty trap" problem is summarised in the examples below. At certain levels, a rise in gross income is more than eroded by a loss in benefits: the result is an actual fall in disposable income; at one point, of over £1. It must be stressed that this loss is usually theoretical; the figures assume that all benefits are claimed (including future rent rebates under the Housing Finance Act). And, of course, benefits are fixed for certain periods: if a man receives a rise in the middle, the benefit will not be withdrawn for some months—by which time the benefit rates may well have been raised again. Nor does Miss Della Nevitt, the author of the report and a reader in social administration at the London School of Economics, believe that the universalists have the answer. A £1 increase in family allowances, for example, would only serve to shift, and in some cases deepen, the poverty traps.

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Hospitals

Bad food guide

Anyone who has ever sampled hospital food in Britain will be unsurprised to learn that it does not come up to the standards of the Egon Ronay Organisation. But it is quite touching to discover, in a report published on Wednesday on a survey of 31 hospitals, what pains its investigators were to make allowances.

They do have some sharp words for mushy vegetables, poor quality meat and "worst of all" puddings, which they found "almost uniformly bad." The individual reports were compiled after visits arranged with the help of the Junior Hospital Doctors' Association, after the Department of Health, which has commissioned an as yet unpublished survey of its own, had refused its assistance.

It abounds with descriptions of soggy chips, stringy vegetables, bitter and tough liver and synthetic fruit puddings. In one hospital the investigators were "privileged" with the recipe. Scrambled eggs (an abysmal choice

for mass catering) were made with diluted powdered milk, steamed until set and then whisked. The inevitable result was rubbery, pale and watery. An indifference to good cooking (seasoning was obviously a closed book to some hospitals) is merely a pity. An indifference to the value of fresh food and even to dietetics is worse. The worst report was of a mental hospital where doctors blamed the food for the patients' persistent diarrhoea.

Such hospitals have a lower budget: in May, £2.17 a head a week as against £2.40 in general hospitals. That, as the report says, is an indefensible distinction, particularly since patients there receive fewer visits and bunches of grapes. But the investigators found some mental hospitals where the catering staff made great efforts and the standards were higher than in general hospitals. The best of both earned generous praise. At New Addenbrooke's Hospital, Cambridge, the greengage tart was delicious; the Eastern General Hospital, Edinburgh, offered home-made vegetable soup, good steak and "pommes paillettes." But the investigators were well content with a less recherché menu; at St Thomas's the rice pudding was "hot, creamy and delicious."

The report is careful to admit that perfection is impossible on a budget of £2.40 a week. But how good an excuse is this? The nearest comparable figures from the National Food Survey show the actual ordinary household expenditure at much the same time was only £2.33 a head a week: large young families were making do with £1.50 a head.

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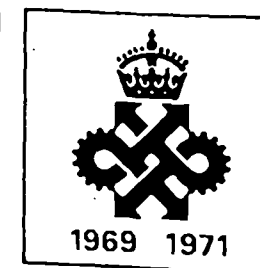
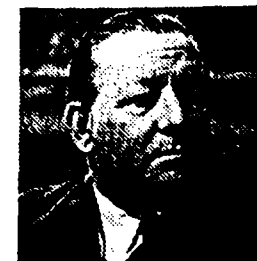
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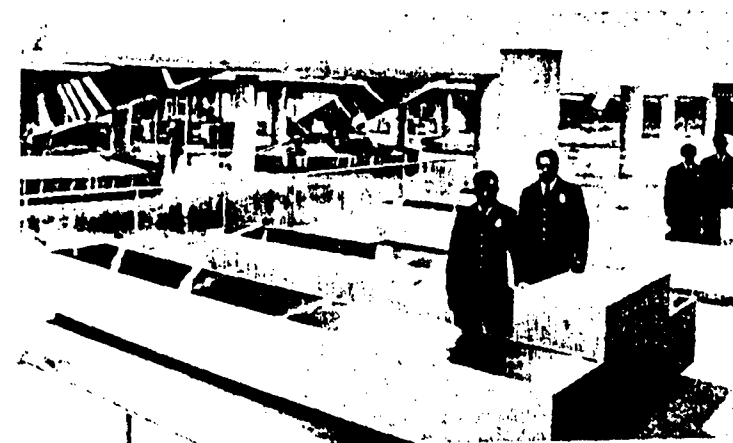


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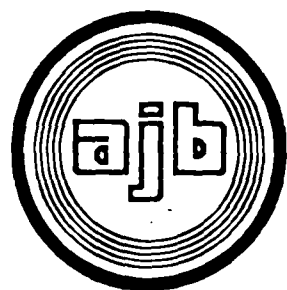
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THE WORLD

International Report



While the winners celebrate, Bratteli mourns



Norway went thataway— and the Danes may follow

A clear "yes" from Norway this week would have virtually ensured a similar response in the Danish referendum that is to be held next Monday, October 2nd, and the European community of the Ten that had been envisaged would thus have become a firm prospect for the new year. Now the question is whether, come January, it will be the Nine or only the Eight. And that must depend on how strongly the Danes will be influenced by the Norwegians' clear "no." Clear it was. After months of strenuous campaigning on both sides, a high poll (75 per cent of the electorate) yielded 54 "no" votes for each 46 "yes" ones, giving a majority of more than 150,000 in a total of just over 2m votes cast.

True, nearly three quarters of the members of Norway's single-chamber parliament, elected in 1969, want the country to join the common market; a year from now the next general elections may well produce a new parliament of much the same persuasion; and the referendum held last Sunday and Monday was only a consultative one. But nobody can imagine that the Norwegians will reverse their decision within a matter of months. Their immediate problem is how to

get out of their present pickle with the ability to take any further decisions at all.

Mr Trygve Bratteli's Labour government, which commands 74 of the 150 seats in a Storting that cannot be dissolved until next September, had pledged itself to resign if the referendum went against it, and had rejected the suggestion that it might then quietly reassume office and negotiate a Swedish-type trade agreement with Brussels. The solidly pro-market Conservative opposition party has similarly committed itself to seeking nothing less than full EEC membership. Only the Centre party (20 seats) is now wholly anti-market; only about 24 dissident Labour, Liberal and Christian MPs have lined up with it on this issue—enough to make up the "blocking quarter" that has prevented the Storting from ratifying the treaty of accession, but hardly enough to sustain a new government and shape a new deal with Brussels. On the face of it, Norway could now find itself with a virtually paralysed caretaker cabinet and no access to the common market even of the kind that Sweden and Finland will enjoy next year.

Meanwhile the Danes, having timidly

chosen to wait till they could see which way the Norwegian cat jumped, are now jittering on a hot tin roof of their own. Norway's vote has made their dilemma more, not less, acute. Constitutionally, they have boxed themselves in even more tightly than their neighbours. Their referendum is mandatory, in the sense that it offers them their only way of joining the EEC other than by mustering a five-sixths majority in parliament—a stiffer hurdle than the three-quarters one required in Norway. Admittedly entry into the EEC, which has looked like a death sentence to Norway's heavily protected farmers, has looked like the promised land to Denmark's highly competitive ones. Given the dazzling prospect of privileged access to both the British and the German food markets, surely the Danes could not draw back from Jordan's brink and retreat into the wilderness, voluntarily renouncing both the new German opportunity and the established British connection? But they might—and for much the same reasons that swung the electorate in Norway.

The Efta years have seen a dramatic tightening of the links between the Scandinavian countries. Denmark has always been keener about the EEC than the others, but it has not wanted to find itself the only one of the group to enter. It has supported Swedish and Finnish appeals for more generous terms in the agreements between Brussels and the non-applicant Nordic states. And now that Norway has jibbed

on the very threshold of the common market, the Danes (although a few days' contemplation of Norway's new disarray may well give them the shudders) are bound to feel the Nordic pull more strongly.

Nordic solidarity should not be overestimated, but it is to be reckoned among the factors that shaped this week's Norwegian decision and will shape Monday's Danish one. The anti-market vote in Norway was not wholly accounted for by hill farmers, inshore fishermen, young ultra-leftists and elderly puritans. Nor is Norway quite such a snugly Arcadian place as it was made to appear by some of the foreign correspondents who invaded it last week. Norwegians trade and travel widely. They have known war, occupation and, in many cases, wartime exile; their ships sail all the oceans; they share a frontier with Russia, and claim a hunk of Antarctica. Indeed, some of their quails about getting boxed into a restricted European group may well reflect their inclination to look outward at wider horizons.

Norway is an Atlantic country in a special sense. Its people discovered North America in the eleventh century, emigrated there in large numbers in the nineteenth, and became founder members of Nato in the twentieth. Their vote against the common market does not necessarily imply a turning away from the Atlantic alliance or the broader idea of an Atlantic community. It does indicate a lively doubt whether a small, peripheral country, unable to influence centralised decision-making in Brussels as much as, say, Britain might hope to do, could preserve its cherished identity within a community that has not always handled small states' susceptibilities very tenderly.

Uganda

Speeding the exodus

FROM OUR UGANDA CORRESPONDENT

With the Asian exodus out of Uganda at the half-way stage, there seems a good chance that General Amin's November 8th deadline for its completion will be met after all—at least for those Asians who have somewhere to go. The British high commission has issued entry permits to about 15,000 Asians, and processing is continuing at the rate of around 1,200 a day.

Just how many Asians will be coming to Britain is still very much an open question, but the signs are that it will be in the region of 30,000. Of those



Kampala air terminal is one stage in a long journey

who have been cleared so far, about 7,500 were anyway in the queue for quota vouchers. The rest had not previously applied for entry to Britain. Of the 18,000 passport-holders called forward in the past eight days, only 7,000 have actually come and been granted entry permits. The fighting on the Tanzanian border last week, and the security measures it prompted, kept some Asians at home. Others, in up-country areas, were physically unable to reach Kampala.

The Ugandan government seems to have accepted that a good deal of red tape will have to be done away with if the Asians are to be out on time. It has also issued new regulations to ensure that the Asians do not delay their departure after receiving final clearance. Since Tuesday all outgoing Asians have had to buy their air, rail or sea tickets at the same time as they obtain their exit papers—which means they are booked on the first available aircraft or train out. Until then many had been hanging on in the hope of seeing some progress made towards selling their businesses. In practice the few weeks they might have been able to spin out would almost certainly have made little difference, for there is no more word on the sale of Asian property than there is on arrangements for the remission of the proceeds.

The airlift of Asians to Britain, which has been running at 500-600 people a day, should have expanded to 800 a day by the end of this week. The Canadian airlift is now also under way. The Canadian immigration office here has so far granted visas to about 1,500 Asians, most of them either stateless or Ugandan citizens, and they will be flown out over the next 10 days or so. Another 6,000 applications are still being processed. About 1,000 of the 4,500 Indian citizens have already left,

and 1,000 British Asians have been granted Indian visas.

The number of Asians going to countries other than Britain, Canada and India will probably be smaller than some of the forecasts now being made suggest. This is partly because, with the exception of Australia, Malawi and one or two others, none of the countries who have made statements of intent has yet begun translating them into practical terms. It is also because not all that many Asians—apart from the luckless ones who find themselves stateless—seem disposed to try their luck in places with which they have no connections.

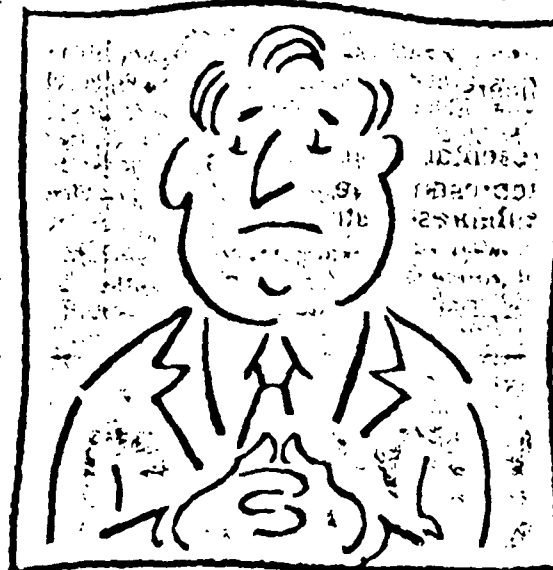
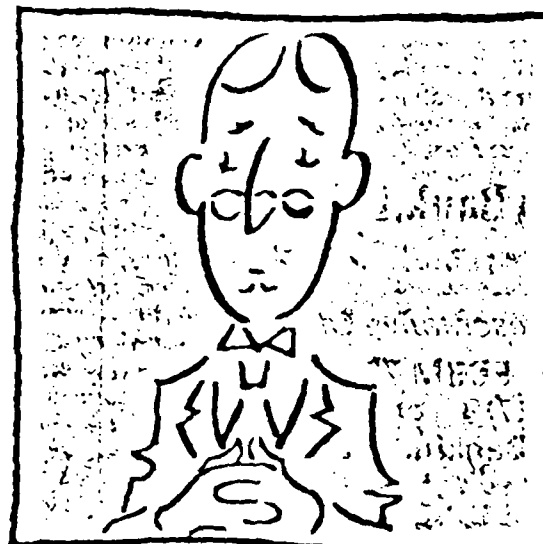
The stateless Asians remain the most intractable of the many problems General Amin's expulsion order has produced. No official figures have yet been released on their number, but it is estimated that about 16,000 people were deprived of their citizenship in the government's "verification" campaign. Asians exempted from expulsion by virtue of their Ugandan citizenship or professional skills are currently being required to buy identity cards to "facilitate their continued stay and movement in Uganda." The stateless have no identity, and no easily identifiable future.

Rhodesia

Making no into yes

FROM OUR RHODESIA CORRESPONDENT

Mr Ian Smith apparently managed to head off a right-wing challenge to his authority over Rhodesia at last week's annual congress of the ruling Rhodesian Front, and the result is that once again there is speculation about a settlement with Britain. Even before Mr Smith told the 600 delegates that he was still anxious for a settlement



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there had been reports of renewed contacts between British and Rhodesian officials. Mr Smith's appeal to the congress not to rock the settlement boat seems to confirm these reports, and among businessmen in Salisbury there is a growing feeling that the two governments are trying to find a way to circumvent the Pearce report, which earlier this year found the settlement drawn up by Mr Smith and Sir Alec Douglas-Home to be unacceptable to Rhodesia's 5.4m blacks.

The press was excluded from the three-day congress, but Mr Smith seems to have taken the heat out of some of its debates by doing two things. First, he lectured his audience on the facts of life about the economy and the guerrilla problem. Rhodesia's economy remains under siege; exports rose again in the first half of 1972, but the balance of payments is still under considerable strain. As for the guerrillas, a landmine has recently exploded at the Mana Pools game park close to the Zambezi, and the Rhodesian authorities are concerned about reports of Frelimo penetration southwards in Portuguese Mozambique.

Secondly, Mr Smith emphasised that the settlement terms left lying on the table by the British Government would not interfere with "traditional" racial segregation in Rhodesia. The Land Tenure Act, which divides the country roughly equally by area between 5.4m blacks and 290,000 whites, Coloureds and Asians, would be retained under the settlement. There would still be separate schools, hospitals and residential areas, he promised. So much for the section of the proposed settlement which sets out the Rhodesian government's "firm intention" to make progress towards ending racial discrimination.

So it does seem that there was some move rightwards by the platform in response to grassroots pressures at the congress. Although delegates are reluctant to say precisely what was agreed upon in committee, it appears that the right was given some assurances about future policies. These include the siting of black townships in black areas, and the ending of "infiltration" by Coloureds and Asians into white residential areas.

This suggests that the whole thing is very much where it was a year ago; then too Mr Smith was able to divert right-wing pressures by holding out hopes of a settlement. This time, he says he has some ideas not on how to renegotiate the terms, which he has said is out of the question, but on how

to get the proposals implemented. This boils down to his apparent hope that he can convince Britain either that Lord Pearce was wrong, or that black opinion has changed since March. Some white Rhodesians are hopefully assuming that Britain is now so desperately tired of Rhodesia and so embittered about Amin-style African nationalism that it is more willing to circumnavigate the Pearce report than it was a few months ago.

Ireland

Removing the difference

FROM OUR DUBLIN CORRESPONDENT

After a summer in which things seemed to go miraculously his way—the successful referendum on Irish entry into the common market, and then the triumph of the Mid-Cork by-election—Mr Jack Lynch faces a difficult winter. The Irish prime minister knows that last week's rioting and bomb-planting in the Dundalk area, just south of the border, was nothing much by Northern Irish standards, but it shook southerners out of their complacency and shocked the republic's young minister for justice, Mr Desmond O'Malley, into threatening subversives with "tough and immediate" measures.

There are not many people who believe the Provisional IRA's disclaimer of responsibility for the business in Dundalk. It is not clear whether the incident, like similar earlier ones in other border areas, marks an extension of the Provisionals' campaign into the

republic. But Mr O'Malley was on safe ground in claiming that at least 95 per cent of the Irish people would support any action taken by the government to suppress violence.

Events are now obliging Mr Lynch to match with deeds his promises to grasp the nettle of constitutional change in order to remove some of the differences between the south and the north. Already a referendum has been promised this winter on the question of lowering the voting age to 18. Mr Lynch must decide within the next few weeks whether he will at the same time put to the people the question of removing from the constitution the article, number 44, which recognises the "special position" of the Roman Catholic church and possibly another one, number 41, prohibiting divorce.

The electorate, like the Catholic hierarchy, would probably agree to the removal of article 44 but not to the legalising of divorce. So long as these articles remain, and with them the laws against the import and sale of contraceptives, Mr Lynch can fairly be accused of hypocrisy towards the north. He would prefer to trade constitutional change—even to the extent of a totally new constitution—against a British move opening the door to eventual Irish unity by consent. But the pressures on him may oblige him to act earlier.

Most people in the republic long ago wrote off Mr Whitelaw's conference in Darlington this week as a meaningless but inevitable prelude to the eventual solution, which they believe Britain will have to impose. Mr Lynch's main interest is to secure his own



Dundalk: nothing much by northern standards

position in quadripartite talks between the London and Dublin governments and the two communities in Northern Ireland before that solution is announced. So the Irish government will press its charges against Britain at Strasbourg for alleged breaches of seven separate articles of the European convention on human rights involving torture and killings, despite Mr Heath's request when he met Mr Lynch at Munich for them to be withdrawn. But if the court accepts the admissibility of the Irish government's evidence Mr Lynch would be prepared to withdraw the charges at a later date in return for British recognition of a place for him at the conference table deciding Northern Ireland's future.

United Nations

Blood and bonhomie

The big guns rumbled this week in the United Nations General Assembly. Keynote speeches were delivered by Mr Rogers, Mr Gromyko, M. Schumann and Sir Alec Douglas-Home. The Secretary of State, pointing out that such antagonists as the two Koreas, the two Germanies and India and Pakistan had found they could talk to each other, made a fresh call for an Arab-Israeli dialogue, either generalised or limited to the priority aim of disengagement along the Suez canal. But his major theme was international terrorism.

Mr Rogers offered draft texts of three treaties. One would aim at the protection of diplomats and officials against kidnapping and other acts of violence. A second, like the project that Britain recently opposed in the International Civil Aviation Organisation, would bind signatory states to punish skyjackers and to cut off air services to countries that shielded them. The third, dealing with the "exporting" of terrorism, would provide for action against groups that attacked or kidnapped "innocent civilians in a foreign state" with the aim of blackmailing a government or an international organisation.

Mr Rogers took pains to show that he was not singling out the Arabs for condemnation; he also reassured the Africans that he was not seeking to obstruct the struggle for self-determination in white-ruled southern Africa. Next day, in an interesting contrast, Mr Gromyko included in his speech a specific denunciation of the "acts of



Waldheim paired with Trepczynski

terrorism committed by certain elements in the Palestinian movement," and notably their "criminal actions" in Munich.

But a speech is one thing, action is another. Three days before Mr Gromyko's speech, Russia had backed an unsuccessful Arab bid to prevent the subject of terrorism being debated in this year's assembly. The defeat of this move ended a four-day procedural struggle which produced a vote of 66 to 27 in favour of holding a debate. China, a conspicuous ally of the Arab opponents of this decision, thus found itself on the losing side for the third time in one day, for the assembly had also rejected its demand for a debate on Korea and overruled its objections to a debate about the admission of Bangladesh to the UN.

It was the new secretary-general, Mr Kurt Waldheim, who had made the first formal move for an assembly debate on terrorism. His initiative, taken only three days after the Munich massacre, looked like foundering at one stage during last week's procedural tussle. The necessary majority vote was mustered only after Jamaican and Saudi Arabian amendments to the first draft of the proposal had both narrowed its scope and, in another sense, widened it by adding (in words borrowed from Mr Waldheim himself) a reference to "frustration and despair" as causes of some forms of terrorism.

Yet the assembly itself had opened under the shadow. As the delegates gathered last week, airline pilots were demonstrating, with demands for urgent action against skyjacking, outside the UN buildings, in which security precautions had been tightened. The new precautions did not avert a minor incident that came just after the opening statement by this year's assembly president, Mr Stanislaw Trepczynski of Poland; but the protester who had got into the public gallery was, fortunately, content to scatter leaflets and shout

"Let the Soviet Jews go!"

The nervousness in the New York air did not noticeably reduce the bonhomie among the major powers' foreign ministers as they paired off for the usual series of private chats. This year Britain's Foreign Secretary found his Russian colleague just about as amiable as his French and American ones. Sir Alec also had a quiet word about fish with the foreign minister of Iceland. There seemed, however, no way of easing the plight of Uganda's Asians by similar discreet methods. Sir Alec had to try the effect of including in his speech a request for a debate, and for support for his appeal to President Amin to extend his November deadline and end the practice of stripping the expellees of their possessions.

Germany

Fighting back

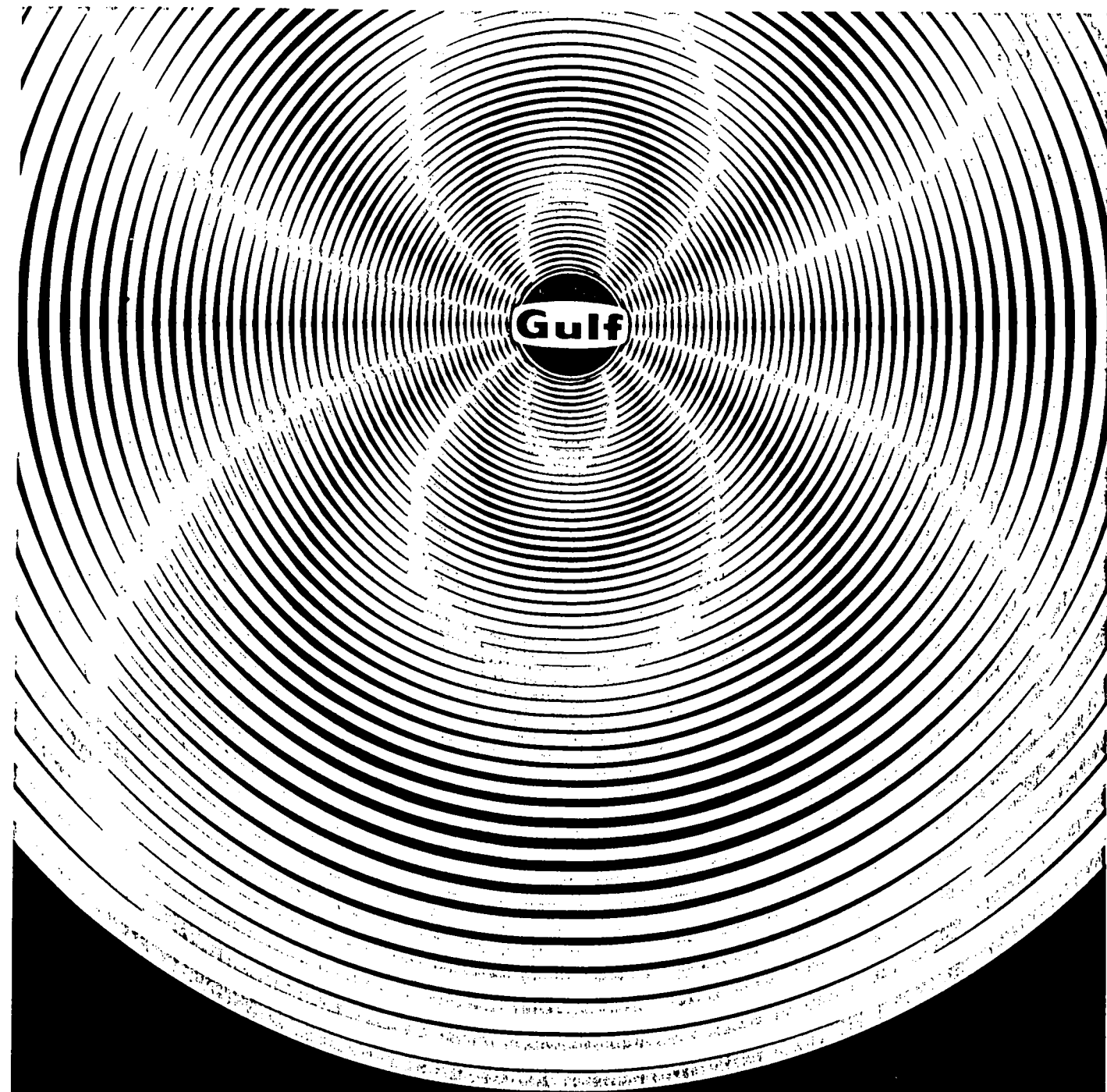
FROM OUR SPECIAL CORRESPONDENT

Bonn

While Willy Brandt's coalition begins the fight for its political life, west Germany's security chiefs are trying out a new strategy to defeat political terrorism. The task is urgent, since spokesmen for the Black September group have promised new terrorist attacks in Germany in revenge for the battle at Fürstenfeldbruck airport on September 5th. One of them, talking in Beirut to a reporter from the German magazine, Quick, spoke of the group's determination to free the three surviving Munich killers.

The Palestinian terrorists can choose from a broad range of targets as the election campaign gets under way and politicians travel about the country. They might even try something at the Frankfurt book fair, which opened this week with a fair sprinkling of strongly Zionist Jewish publishers among the throng. The Hamburg interior minister announced after a recent conference of state interior ministers that the security forces have drawn up a new list of persons and places that require special protection, and that there will be much tighter control at airports.

But the new approach to internal security hinges on two things in particular: the creation of a special counter-terrorist force, and stricter control of foreign residents. The new squad of 180 men will be drawn from the Border Defence Force and will be responsible to the federal minister of the interior. It will provide sharpshooters, explosives experts and com-



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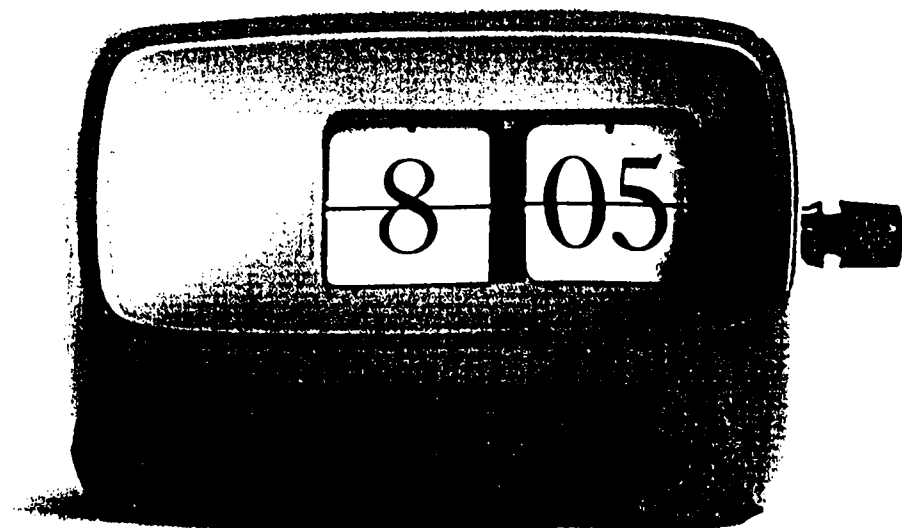
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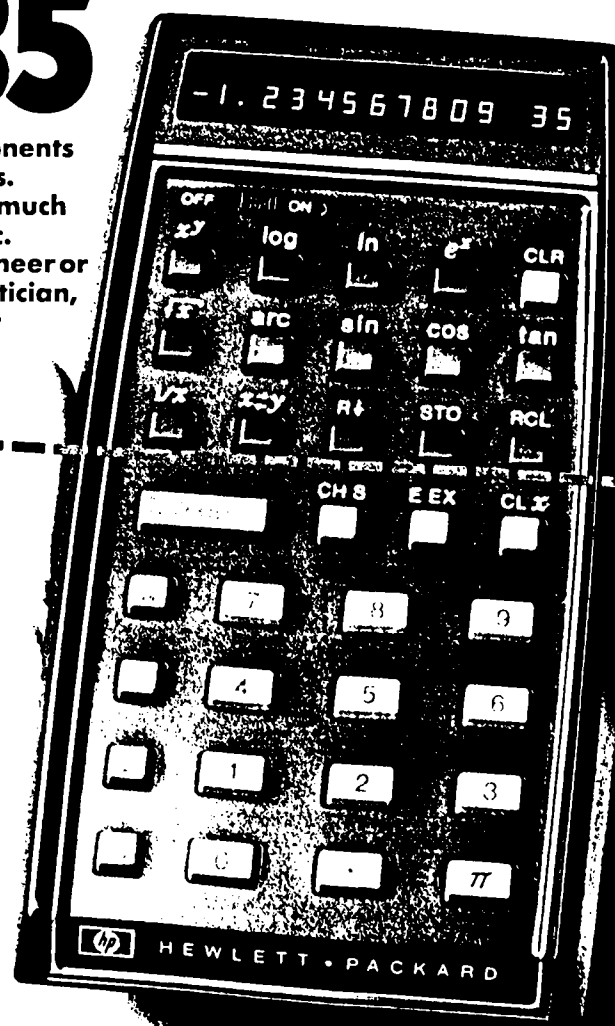
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Roman dog sniffs German mail

munications technicians who can be flown in by helicopter at short notice to handle a crisis like the Olympic tragedy. But the state security services will still be the first line of defence against political extremists, and some are forming their own commando-style squads.

Second, there will be a closer watch on west Germany's 3.4m foreign residents, who include large numbers of Yugoslavs, Turks and Greeks, as well as the 70,000 Arabs living in the country—13,000 of them without the necessary permits. The Office for the Protection of the Constitution, west Germany's internal intelligence service, claims that 47 foreign political groups are active in west Germany that are "conspiratorial or with terrorist leanings." These range from Turkish right-wingers and the Croatian separatists to the Palestinian extremists and Spanish anarchists. The state interior ministers have agreed, as a first step, to expel 60 Arabs who are believed to be in league with terrorist groups.

The Hamburg police showed the way on September 21st by deporting three Arabs back to the countries shown in their passports. For a girl called Helen Abu Hadid, who is alleged to have been an accomplice to the murder of five Jordanians, including a police informer, near Cologne in February, this was Israel. Four of the 12 people listed by the Hamburg police will have a chance to appeal in court. One of them is Yousif Abdel Muhdi, who was the local leader of the General Union of Palestinian Students, generally regarded as a front for Fatah. He was also a member of Rasd, the Palestine Liberation Organisation's intelligence service, whose chief, Ali Hassan Salameh, is thought to be the man in charge of Black September operations.

The investigations in Hamburg reveal a tangled undergrowth of terrorism and intrigue. Arab extremists in west Germany move back and forth fairly frequently from east Germany and Yugoslavia. One of the missing men on the Hamburg list is in east Berlin and another had stopped there on his way back to Beirut. How the Palestinian guerrillas get their arms is another obscure story, but many of them are equipped with arms manufactured in Russia or eastern Europe, like the Kalashnikov sub-machine guns that were used at Munich.

The west Germans accept that there has to be an international approach to what has become a trans-national concern. The new anti-terrorist division of Interpol, to be based at Scotland Yard, is a step forward, but there were 111 countries represented at the Interpol conference in Frankfurt that ended this week, and the organisation represents too many viewpoints to be really effective.

Spy country

FROM OUR BONN CORRESPONDENT

At Bonn railway station, one spring evening in 1970, a woman in her early forties was waiting for her train home to Cologne after an evening at the theatre. She never caught the train. Instead she was apprehended by the west German police, who found in her handbag copies of the minutes of two of Herr Brandt's cabinet meetings. The woman was Liane Lindner, alias Ingeborg Weber, who had been working for east German intelligence since 1960. Frau Lindner passed the time of day in the office of a Cologne publisher but devoted her real efforts to supplying the east Germans with political and scientific information. In her flat (as all good spy stories go) were found instruments for coding and false passports. Frau Lindner was a devoted theatre-goer, never failing to come to Bonn once a week. The Bonn theatre was the place where she was handed information and documents by her agents, chief of whom was Frau Irene Schultz, at that time the science minister's secretary.

The two ladies were last week handed over to the east Germans, having spent more than two years in prison while investigations went on. In return, the west Germans are receiving more than 100 "political prisoners" from the east. Some of these had been sentenced to prison for life, others were serving terms of 5-15 years. They had been charged with various crimes

including currency smuggling, attempting to help people to escape to the west, and trying to escape themselves. Perhaps, too, there were some who had been up to the same kind of mischief in Karl Marx Allee, Berlin, as was Frau Lindner in Adenauer Allee, Bonn. The west Germans are being very discreet about the whole affair.

The fact of the matter is that exchanges, arranged through lawyers in west and east Berlin, take place regularly, and normally the general public knows nothing about them. In some years there are merely two or three exchanges, in others as many as 20. Not all the exchanges are on the scale of this latest, which is one of the biggest ever, but they have become part of the way of life of a divided nation. They continue irrespective, almost, of the political atmosphere. The west German view is that east Germany stacks up political hostages against a rainy day and to secure the release of specific spies. The east looks after its own. Indeed, Frau Lindner is said to have fretted to her jailers after a couple of years that "they should have exchanged me by now."

West Germany remains an exceedingly popular place for what in other countries seems to have become a rather outmoded profession: that of the individual spy. Unofficial figures put the number of agents working for foreign interests here at 16,000. Even in central European terms this is a remarkable figure. Even more remarkable, the interior ministry affirms that 80 per cent of all agents are west Germans spying for east Germany. This makes sense when one remembers that more than 3m east Germans have crossed to the west since 1949 and are readily assimilated into west German society.

The problems of security in an open society were vividly illustrated some time ago when two men stole a 10-foot Sidewinder missile from a Nato base in broad daylight and, having dismantled it, proceeded to send it air freight to Moscow. This week a senior official of the west German trade union federation was arrested in Berlin, allegedly in the act of passing microfilm and documents to an espionage contact. For as long as there are two Germanys, the trade in secrets and in people will inevitably continue. The pool of political prisoners in east Germany encourages latter-day Frau Lindners to carry on happily ferreting out secrets, secure in the knowledge that even if they are caught it will not be long before they are exchanged.



Martial law comes to Manila's Hilton

Philippines

The mark of Marcos

FROM A SPECIAL CORRESPONDENT

With a flurry of melodramatics President Marcos last Saturday did what he was expected to do by imposing martial law on the Philippines. This development had been awaited ever since he suspended, and afterwards only partly restored, habeas corpus just over a year ago.

The question is why now. The president's second term of office does not run out until the end of next year. Evidently he calculated that this was as good a time as any to eliminate those who have persistently opposed his desire to extend his rule beyond the constitutional limit of two four-year terms. The recent floods destroyed the gains of the past three years of economic stringency; prices of food and other essentials have been climbing unmanageably in the past few weeks. To add to the president's woes, his manoeuvres in the constitutional convention to retain power legitimately, by becoming prime minister of a Westminster-style democracy, were vitiated by the convention's resolution to ban him, his wife and other close relatives from establishing a Marcos dynasty.

True, Mr Marcos and his wife have repeatedly and vehemently denied in public that either of them had any intention of hanging on to power beyond the lawful span. But some of their public actions, together with the private assurances given to palace cronies that they had no intention of retiring into political limbo after 1973,

enhanced the fears of those Filipinos who, politically weaned on American democratic values, look upon the two-party system and the orderly transfer of power as ideals no less sanctified than motherhood.

The government's dark reference to a Peking-inspired plot to undermine national safety is no more than clumsy sensationalism to provide an excuse for suppressing criticism. When the army high command displayed photographs of caches of arms with Chinese markings, most people in Manila saw only the mark of Marcos. The "new society" Mr Marcos says he intends to construct with his newly acquired powers—a country purged of corruption and social injustices—is no more than a sonorous slogan evocative of Lyndon Johnson's "great society."

Public venality, endemic in the Philippines, has probably never before been on such immodest display as in the past few years. Public funds have been blatantly diverted for partisan and personal political gain, and seldom has it been so evident as now that 5 per cent of the people own 95 per cent of the country's wealth. All this, placed alongside Mr Marcos's declarations of good intentions, has created a chasm in credibility which will take more than catch phrases to bridge. But Mr Marcos is now asking his countrymen to accept that the evils from which they are suffering cannot be eradicated without the elimination of criticism, and rule by decree.

In the course of his second term, President Marcos has rearranged the leadership of the armed forces to ensure direct loyalty to himself. He may thus have already won the battle against his political enemies. But he may also have made the mistake of under-estimating the Filipino sense of individualism, which rejects heroes or any man who comes on bigger than life as they know it. This could cost him the war.

Switzerland

Make love and war

Cohabiting is now no more illegal in Switzerland than exporting arms—at least in one part of the country. On Sunday the citizens of Zurich repealed a 116-year-old ban on "concubinage," the living together of unmarried couples, and abolished fines and jail sentences for couples failing to comply with "separation orders." On the same day Zurich was also one of 17

cantons which voted to defeat a proposal that would have prevented the export of Swiss arms to any country except European neutrals.

But it was a close call for the arms manufacturers: 593,199 votes against 584,726. Normally Swiss referendums do not come as close as that to success, particularly when they involve changing the existing state of things. The Swiss are a conservative lot. One reason why this one did so well may be memories of the Oerlikon Bührle rumpus in 1968, when it was discovered that Swiss planes of the International Red Cross, flying relief supplies to Biafra, were being shot at by Swiss guns sold to the Nigerian government. On further investigation it was discovered that Oerlikon Bührle had sold some \$20m of arms to South Africa, Egypt, Israel, Lebanon, Saudi Arabia and Nigeria between 1965 and 1968, in unusually flagrant contravention of the Swiss policy which, in theory, is supposed to prohibit sales to areas of actual or potential conflict.

Even before the start of the trial of senior employees of Oerlikon Bührle in 1970, the necessary 50,000 signatures had been collected to call for a referendum. The churches took an active part in the campaign to mobilise public opinion in favour of an export ban: one Protestant committee spent money from relief funds to finance a poster campaign. Even though the proposal has been defeated, the campaign has borne fruit in a new federal law which sets up a special office to enforce existing arms restrictions and stiffer penalties for breaking them.

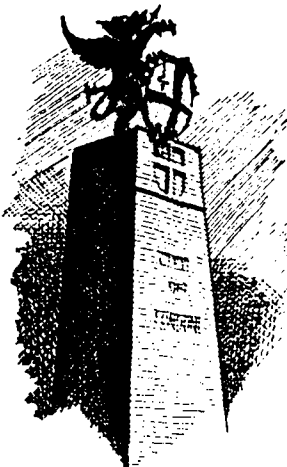
The arms industry has not been exactly idle either. To show how useful Swiss arms exports can be, it ran newspaper advertisements about the Swiss-made armoured cars used by the Munich police after the Olympic killings. And it has argued that exports are essential to maintain the domestic arms industry Switzerland needs for its policy of armed neutrality. The Swiss government seemed to recognise the force of this argument when in 1969 an order that Oerlikon Bührle should be given no more export licences was rescinded only a month later.

Sweden faces the same problem, but even more so, because it imposes the same kind of export restrictions as Switzerland while aspiring to a higher level of both public morality and technology. As a result the Viggen is probably the last totally Swedish military aircraft that Saab will ever build.

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Japan and Taiwan

From Taipei, with tears

FROM OUR HONGKONG CORRESPONDENT

Acting as humble interpreter, the second consul of the dying Japanese embassy in Taipei twice broke into tears at the severity of the rebukes delivered by Taiwan's prime minister, Chiang Ching-kuo, to the Japanese envoy, Mr Shiina, when the two met to discuss Japan's new pro-China policy last week. Then two members of the Shiina mission diffidently but seriously inquired why there had not been more violent demonstrations against them. Those marginal human closeups best reflect the mood of the meeting on the eve of Mr Tanaka's kowtow in Peking: Japanese nationalist guilt, Chinese Nationalist toughness.

The Japanese had come well prepared for a stony reception; they had indeed indicated that they were prepared to offer proposals for building a highway around the coast of Taiwan and an atomic energy station at a Taiwanese port as proof of their continuing interest in the island's economic future. But they were curtly told that Chiang Kai-shek's Nationalists did not wish to be insulted by this *kumshaw*.

The Nationalists were resolved to be tough and contemptuous. They disapproved of the students who harassed the Japanese, and they were severely correct themselves. They neither expect nor seek favours. They have been "adjusting" to their new position in the world, ever since the United Nations expelled them, by diversification and reorganisation of industry, and by examining the development of alternative markets.

They will give the knuckle to the Japanese, who—apart from \$68m in capital investment, now slackening and basically representative of small units—have a good deal to lose themselves by a reduction of trade. Taiwan is their third largest market and provided them with a \$635m surplus last year. The Nationalists have already decided to ban any imports from Japan which total more than \$20,000 on each order, and to pump loans from hard currency reserves into local industries that wish to stockpile raw materials now available from Japan or to produce equipment now bought from Japan. One major worry for the Nationalists is the possible contraction of the export of agricultural products to Japan, worth \$250m a year. The Japanese have



They defaced Shiina's face

already started buying bananas from China instead of Taiwan.

The belligerent Nationalists snarl that Mr Tanaka's approach to Peking is "asking the tiger for his skin." Reports of undercover feelers from Peking to Taipei are ridiculed. Less contemptuous, and perhaps more expedient, are denials of any Soviet overtures, although a recent Taipei green light discreetly offered port facilities to transient Soviet trawlers from Vladivostok which Hongkong has rejected.

One possible Peking manoeuvre would embarrass the Taipei government: an apolitical offer by the Red Cross representatives of the Mao Tse-tung "bandits" to the Red Cross representatives of the Chiang Kai-shek "bandits" for Korean-style discussions on reunions of families on the island and the mainland separated since 1949. The Chiang Kai-shek "bandits," it is clear, would reject such an approach without any concern for adverse United Nations and Geneva Red Cross reactions.

Yet dark anxieties overhang the current mood of righteous indignation on Taiwan at Japan's betrayal. It is believed that Japan and China will exchange diplomatic representatives inside three months. Can Thailand, Malaysia, the Philippines and Australia be far behind?

The Nationalists have one sound incontrovertible answer to these doubts. The 12m native Taiwanese will unswervingly support the Nationalist Chinese devil they know rather than the communist Chinese devil they don't want to.

China

You do better if you work harder

Material incentives, they say in China, are reactionary poisons used by cads like Liu Shao-chi to tempt people down the capitalist road. But then they say that "rational rewards," which are of course quite different, are a sound maoist method of strengthening the socialist economy. The difference between these two types of payment is often difficult to grasp, even for Chinese party officials. But the result of this semantic refinement is what matters: Chinese peasants are now being encouraged by the promise of profit to work harder both for the collective and for themselves.

During the past two months, the People's Daily has devoted considerable space to a series of case studies illustrating the disastrous impact of the suppression of private agricultural plots and other forms of individual enterprise. The experience of a Kwangsi production brigade is typical. Cadres there decided to confiscate the fruit trees which peasants had planted around their houses; "the result was that the fruit trees were wildly chopped down." Some cadres in Anhwei province, tilting against the same capitalist windmill, made manure collection into an unpaid activity. Fertiliser supplies promptly dropped by two-thirds because "nobody cared to keep a private cesspool" any more.

The blame for these left-wing deviations is being put on the "Lin-type swindler"—the standard codeword for that still unnamed villain, Lin Piao. It is not yet clear whether Lin and his radical followers actually orchestrated the local assaults against individual money-making, or whether they were merely independent initiatives by local officials. But they were almost certainly not a response to official Peking policy, which began the return to a moderate path as early as the spring of 1969. In the autumn of 1970 the draft state constitution guaranteed the peasant's right to keep his private plot. But it was only last December, after the fall of Lin Piao, that the central government issued a formal instruction on how income was to be distributed in the countryside.

The basic principle of distribution laid down in the directive is "to each according to his work." There is, no nonsense about the egalitarian principle of "to each according to his needs";

that belongs to the elusive age of fulfilled communism. The collective economy will, of course, remain supreme. But when collective production increases, the individual peasant should share in the profits. And even where the collective runs sideline occupations, families should not be prevented from carrying out the same activities on a private basis.

The newly articulated tolerance for private sidelines is part of the move to stimulate production by rehabilitating material incentives. But it also reflects a new effort to diversify agriculture. For 10 years or so the Chinese have concentrated on grain, often at the expense of other crops. Now that grain supplies seem to be adequate, local officials have been given the go-ahead to plant higher-priced cash crops. At the same time the directive points out the dangers of "blindly seeking profits." And for good reason. Before the cultural revolution some peasants were earning more than half their income from their private plots. The temptation is clearly there.

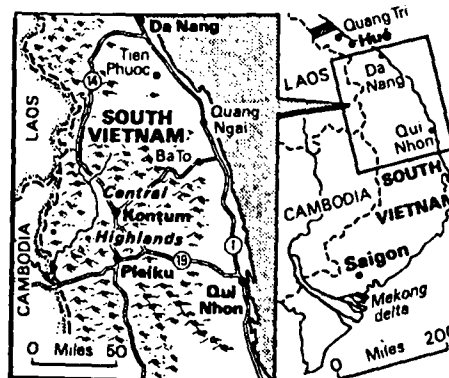
Vietnam

The place to hit

FROM OUR SAIGON CORRESPONDENT

The recapture of Quang Tri by South Vietnamese troops was too important for the communists to let it go unavenged. They have chosen the area south of Da Nang for a new counter-thrust. This was one of the few regions that had not seen major action during the six-month-old communist offensive, and the government's hold over this part of the country, never strong, has been further weakened by the transfer of troops for the Quang Tri operation.

Much of the action has been in districts of Quang Ngai province with a long history of communist political and military activity. This is one of the most populous provinces, and conveniently close to the corridor through northern Kontum



Death in the fields south of Da Nang

that brings in North Vietnamese troops and supplies from southern Laos and northern Cambodia. Quang Ngai town itself is safe. The road north to Da Nang, Highway 1, remains open, but increasingly hazardous; and the road south from Quang Ngai has apparently been cut in several places.

Speculation that the attacks south of Da Nang might lead up to a major attack on that city is not taken very seriously. It is still thought that if the North Vietnamese attempt an October mini-offensive to embarrass Mr Nixon before the American election, it will be concentrated on the political plum of Hue, and on the area around Saigon.

Mr Kissinger's latest talks in Paris this week with the North Vietnamese politburo member, Mr Le Duc Tho, generated a new wave of rumours in Saigon. But there is no indication that Mr Thieu is willing to soften his position on a coalition. On the contrary, a new law forbids Saigon's newspapers to distinguish between the Vietcong and the North Vietnamese; this is evidently a sign that Mr Thieu is not prepared to do business with the Vietcong's provisional revolutionary government, only with Hanoi.

Rumania and the west

Exeat

Not long ago Rumania's application to join the International Monetary Fund and the World Bank would almost certainly have caused a row with Moscow. But these days Mr Brezhnev seems to take that sort of behaviour from Rumania almost in his stride; certainly he took Rumania's application for membership of the common market's preference scheme for

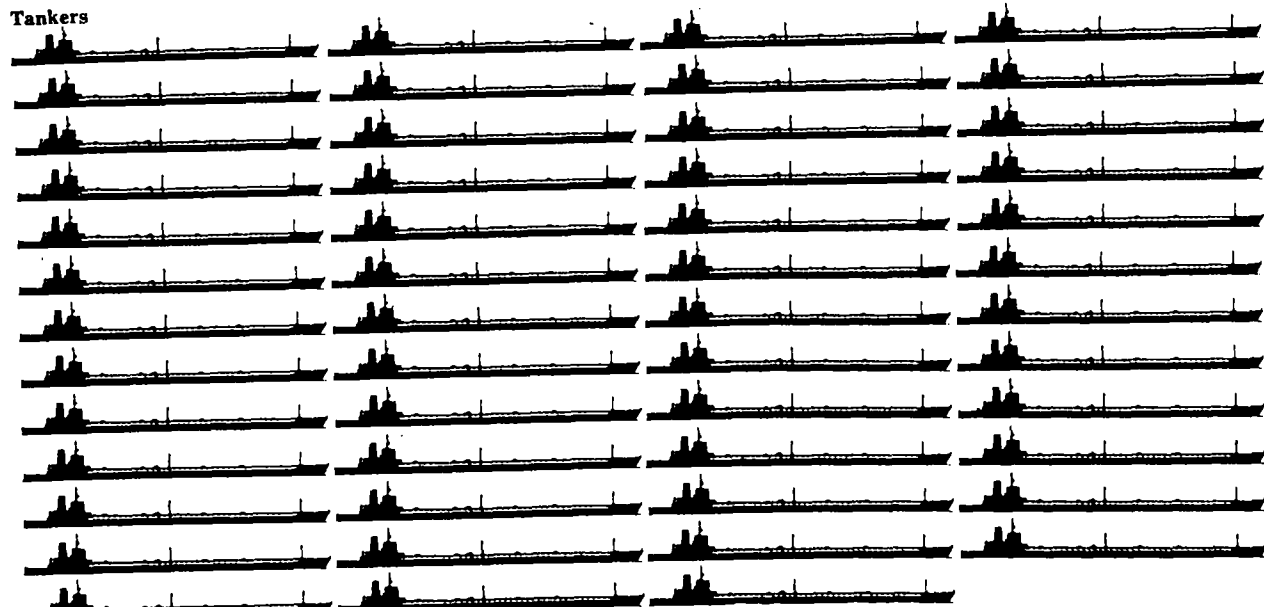
developing countries last February quietly enough.

That application still hangs fire, but the one lodged in Washington last week stands a good chance of being successful. Most western countries are sympathetic to Rumania's attempts to diversify its economic contacts and reduce its dependence on Russia, and the United States in particular has been well disposed to Rumania since President Nixon's visit to Bucharest in 1969. Before it is admitted, Rumania will have to pay a financial contribution, take some of the veils of secrecy off its economy and, most important of all, promise to make the lei convertible. But that promise, as Yugoslavia discovered, need not be fulfilled on the spot: Yugoslavia has been a member since 1954 but has not actually made its dinar convertible yet.

By getting into the World Bank and the IMF, Rumania will have access both to loans and to technical and management expertise from the west. The Rumanians, knowing this very well, thought of joining in 1968, when Czechoslovakia was about to make the same move. But the Russian invasion stopped the Czechs in their tracks and persuaded the Rumanians to wait.

President Ceausescu probably calculates that Russia could hardly raise any objections to the Rumanian application when Russia itself is doing big business with the Americans. The Rumanians may not be the only ones to have such thoughts: the Poles and the Hungarians are said to be interested in the IMF and the World Bank too. But Mr Brezhnev may not feel he can loosen their leading-strings as readily as he has with Rumania.

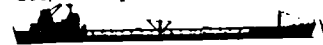
Tankers



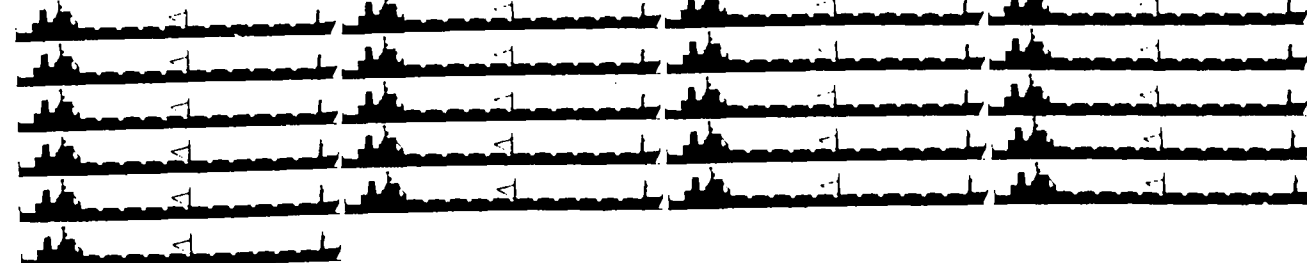
Container Ships



Ore/Oil Ships



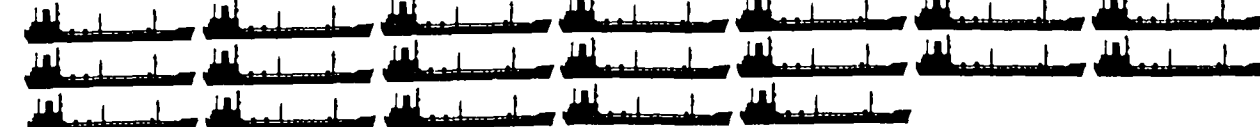
OBO Ships



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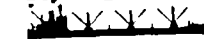
Product Tankers



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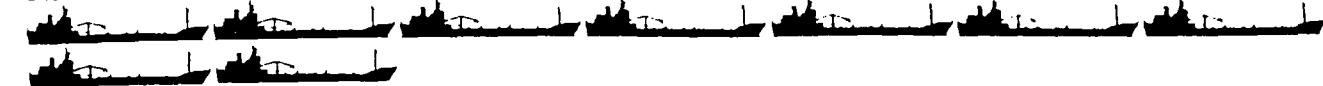
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THE WORLD

American Survey



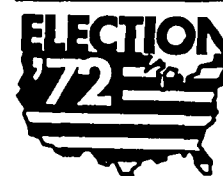
"...OKAY, UNIT NINE, GO AFTER SHRIVER... NIKE GOING, UNIT TWO — KICK 'EM WHERE IT HURTS..."



Agnew: Nixon's favourite son



Shriver: Kennedy family man



Running mates run for 1976?

Washington, DC

Almost any candidate for the Presidency would prefer to campaign without a vice-presidential companion if he had the choice. A running-mate who is maladroit or merely unlucky can impede him; a skilful or fortunate one can rarely help him in any decisive way. In 1968, Mr Nixon had some polls taken and found himself doing better alone than with any possible companion. He chose one of the least-known of them all, Mr Spiro Agnew, as offering some reassurance to the party's touchy conservative wing and being able to help in a few border states. Both calculations proved correct.

The discrepancy in importance between the presidential and vice-presidential offices is so huge as to make it a source of wonder that the presidential candidate is also anxious not to be outshone; but so, as a rule, he is. Mr Nixon, now enjoying a position of total supremacy in Republican politics, can have no cause for worry on that score. All the same, at this

stage of the campaign, while the President is still doing little of the campaigning himself, the burden being placed on the Vice President is less than striking.

Some 35 or more "surrogates" for Mr Nixon are criss-crossing the country on an intricate pattern plotted from headquarters in Washington. They include most of the cabinet, those of the sub-cabinet who have special affinities with various groups, the more personable heads of federal agencies and a favoured selection of Senators and Congressmen, not to mention the President's wife, brother and daughters.

Somewhere among this multitude, Vice President Agnew is busy. His aircraft ranges widely: Tennessee, North Carolina, Virginia, Kentucky, Texas and Illinois in one week. But the pace is fairly stately, intervals for rest and reflection abound and any pressure to cram in a maximum of appearances is firmly resisted.

Mr Agnew travels with his own staff,

without those lively presidential speechwriters who were seconded to him for his pugnacious intervention in the congressional campaign of 1970. His speeches, too, have become staid, their tone dignified, their syntax regular, their vocabulary conventional. With gravity Mr Agnew explains fine points of the Administration's policy, dwells on Mr Nixon's achievements and puts down the errors of his opponents, while conceding that those opponents, though misguided, are doubtless sincere.

Well aware of what he is up to, the Vice President permits himself an occasional quip about the "new Spiro Agnew" and has teased an audience with a promise of Howard Cosell as his new speechwriter: Mr Cosell is the most aggressive living football reporter. No doubt Mr Agnew could and would pull out the oratorical stops again if it became necessary. As things stand now, however, with his renomination settled and his re-election (which, in any event, will not be much influenced by any exertions of his) as near certain as such a thing can be, a becoming gravity and a touch of tedium suit his interests very well.

When this year Mr Nixon repeated the gesture of choosing a vice-presidential candidate acceptable to his party's conservatives, what was at issue,

as all could see, was the leadership of the Republicans in four years' time when Mr Nixon will be retiring. The important conflict at the Republican National Convention last month concerned the future distribution of voting power within the party; this will determine the future leadership. In that conflict Mr Agnew has declared himself to be on the conservative side, or the side of the small states against the big states. He has also said frankly that if he had ruled out the idea of seeking the Presidency in 1976, he would not be seeking the Vice Presidency today. Put together, the two statements suggest that he thinks of approaching the next convention as the conservative Republican candidate.

If he does, the reasons will lie partly in historical accident, partly in a judgment of where a majority can be found within the Republican party as it is now constituted. Up to the spring of 1968 Mr Agnew was not known as a conservative at all. He had won the Governorship of Maryland with a good deal of liberal, black and Jewish support against the segregationist who had won the Democratic nomination. He also decidedly preferred Governor Nelson Rockefeller over Mr Nixon as Republican candidate for the Presidency. But Mr Rockefeller let him down and the efficient Nixon organisation lost no time in persuading Mr Agnew to change his allegiance. At almost the same moment, the Negro riots in Baltimore which followed the murder of Martin Luther King brought out the paternalistic, disciplinarian side of Mr Agnew and detached him from the liberals and the blacks.

Once the Nixon Administration was installed the task of defending it against pacifist dissent, racial turbulence and youthful discontent seemed to fall naturally upon Mr Agnew. That nobody seems to need him for a "cutting edge" (his own term) this time is a welcome relief, frankly acknowledged. Presumably he hopes to gain some degree of latitude to pick his colours for the future when, for the first time since he gave up the Governorship of Maryland, he can be his own man.

Party continuity also played an obvious part in the belated, hasty calculations which caused Senator McGovern to select Mr Sargent Shriver, a Kennedy brother-in-law, as vice-presidential candidate for the Democrats. So wide are the Democrats' divisions and so deep their fears that a return to the Kennedy connection, once so bitterly fought over, is a source of reassurance. Mr McGovern has been

doing so disastrously himself that Mr Shriver's prestige and importance have, in a relative sense, risen and Democrats look forlornly to him to produce the party unity that, in fact, nobody but the presidential candidate is in a position to create. So Mr Shriver jets doggedly across the country, addressing rallies with that special mixture of concentrated vigour and wide cultural outlook which is a Kennedy hallmark and, not less importantly, treating the local Democratic chieftains and other potential helpers to the straightforward geniality with which he has pulled them together in past years.

But in dealing with the state and local party officers Mr Shriver has the drawback of having never, in fact, been popularly elected to a more important office than that of member of the Chicago School Board. He has held national office under three Presidents, but by appointment, not election: head of the Peace Corps, head of the Office of Economic Opportunity, ambassador to France. A lawyer by training, he served the late Joseph P. Kennedy in the management of his properties and married Mr Kennedy's daughter Eunice, a sister of President John Kennedy. Mr Shriver's chain of appointments, started through his family relationship, was continued through his own ability. But being a Kennedy son-in-law is not, in some substantial respects, the same as being a Kennedy; when the candidates were declaring their fortunes this past week, Mr Shriver came out at the bottom of the list with only \$100,000, which is somewhat less than he earns in a year through his internationally-orientated law practice. The Kennedy money, although manifestly there in abundance, is in a trust for his family.

A reading of Mr Shriver's campaign speeches is intriguing. Here is the man who is to give, is indeed giving, the Democratic presidential campaign the popular, down-to-earth touch that Senator McGovern has not quite pulled off. Mr Shriver does certainly use direct language and simple quips. He also quotes from authors little known to the average Democratic, or indeed Republican, voter but whom not only the Shriver speechwriters but Mr Shriver himself actually read: Maritain, Camus, Teilhard de Chardin, Bernanos. Obviously the French, Catholic, theological, rebel flavour is not wholly accidental. Wordsworth and Tacitus come up too and the chief speechwriter turns out to be a theologian and philosopher, Professor Michael Novak.

What is to be made of this mixture

of the eclectic and the gung-ho? Mr Shriver cannot single-handedly rescue his dramatically fallen chief. He can contribute a touch of hope, companionship, human feeling, intellectual curiosity and style which are otherwise not abundant in the campaign on either side—but to whose benefit, eventually? When the fortunes turn and opportunity knocks again on the Democrats' door, will the luck of opening that door fall to Mr Shriver? Should the times call for a Kennedy it may not be he but his brother-in-law, the Senator from Massachusetts. All that can be said with certainty is that Mr Shriver, according to his custom, is doing his best.

ELECTION '72

Poll power

The public opinion polls agree that Senator George McGovern is running far behind Mr Nixon in the presidential contest. But this week they could not agree on whether the underdog was going backwards or forwards. The Yankelovich poll which was conducted for Time magazine and the New York Times between August 25th and September 12th showed that in a month Mr McGovern had lost another 11 points, to put him behind Mr Nixon by 23 to 62 per cent. A Harris poll, taken later, between September 19th and 21st, when the McGovern campaign had really got going, claimed that since the last Harris survey the Democrat had gained on the President



"Sorry to bother you again, Sir—this time the question is: 'No kidding, are you sure?'"

One of Switzerland's Major Banks Reports

The second quarter of 1972 once again saw extremely lively activity in all sectors of Credit Suisse operations. The volume of international transactions was high.

Yet, it is to be expected that the monetary defense measures instituted by the Swiss government will make themselves felt the most in the international field. Nevertheless, the long-established business tradition, the qualified staff and the well-developed facilities of Credit Suisse, founded in 1856, and whose network of foreign representative offices will be further expanded by a new branch office in Los Angeles, will continue to ensure the efficient and conscientious customer service despite these new conditions.

1,000 million francs mark; the other mutual funds managed by the bank, such as "Credit Suisse International", have followed an equally favorable pattern.

Higher credit demand

In the credit sector, general economic and seasonal factors contributed to a marked acceleration of loan applications. Reacting to mounting monetary unrest, international business showed a strong trend towards borrowing in non-Swiss currencies. Loans and advances rose by a total

Increase in foreign currency deposits

On the liability side, sight deposits from banks showed a 416 million franc rise to almost 9,000 million francs. Customers' checking accounts declined by 476 million francs to 6,600 million, partly reflecting the strong demand for securities. Primarily because of continued low interest rates for Swiss franc deposits, time deposits also decreased. On the other hand, savings books and private accounts showed a gratifying increase of 11% to almost 3,000 million francs. Also, there was another slight increase in total outstanding medium-term notes, despite a high level of maturities.

Continued increasing profitability

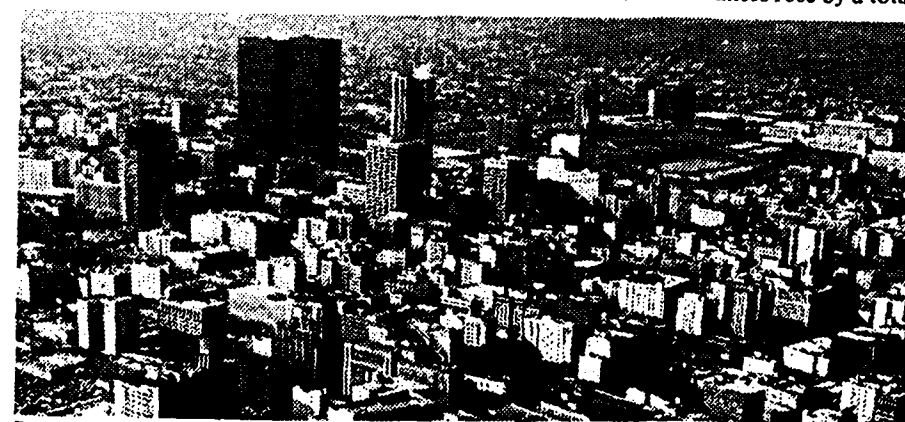
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September 22, 1972

who now had a lead of only 59 to 31 per cent. A survey conducted by Mr McGovern's own experts closed the gap still further, putting its candidate 22 points behind; but in July this difference had been only 17 per cent. There were other areas of disagreement: the Harris and the Yankelovich surveys differed on whether Mr McGovern had gained or lost popularity among the young voters.

The Yankelovich poll certainly paints a bleak picture for Mr McGovern. Mr Nixon has gained support among almost all geographic and ethnic groups. Most surprising of all is that even Democrats favour the Republican candidate by 43 to 40 per cent with 17 per cent undecided. The President has also lessened Mr McGovern's large lead among black voters. Mr McGovern, who is preferred now only by Jews, blacks and college students, has made progress among Jews, with a good gain of 13 per cent, among German-Americans and among the professional and executive groups. But, in spite of Mr McGovern's long opposition to the war in Vietnam, Mr Nixon is considered to be the candidate who can best end that war and, while many voters think that he is capable of underhandedness to win the election, they still feel that he is more honest than Mr McGovern.

Part of the discrepancies between polls stems from the different techniques used by each organisation. The Yankelovich poll is conducted by telephone and therefore catches fewer of the poor and the young. The Harris poll is done by personal interview. Both the Harris and the Gallup polls take a national sample on which to base their findings while many other surveys concentrate on particular states. Some polls have no statistical basis and are merely hit and miss affairs. In order to weed out the good from the bad Congress is now holding hearings on a bill which would require pollsters to disclose their methods along with their results.

What then do the polls mean and how much influence do they have? Senator McGovern, like all candidates who are doing badly, would like the voters to think that the polls—at least unfavourable ones—are the figment of someone's imagination. Yet this did not stop him rushing out his own more optimistic findings in reply to the disastrous Yankelovich survey this week. But polls which show a candidate far in the lead may make his workers and supporters dangerously complacent. Sympathy builds up for the underdog and people start to ask whether such a landslide is

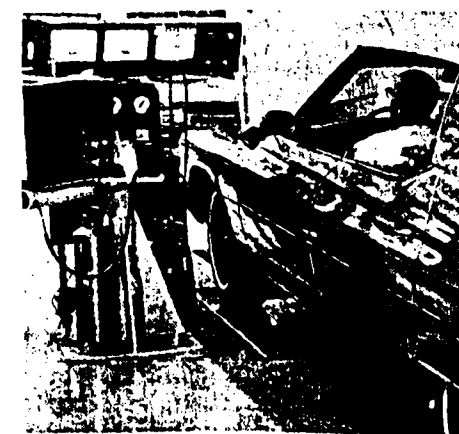
really possible? A candidate who is far behind at the outset often narrows the gap during the last weeks of the campaign. And then there is always the possibility that the polls may be completely wrong.

But however the voters react to the polls, it is generally agreed that those who contribute to political campaigns do take them seriously. Mr McGovern needs money badly but large donors do not want to waste their donations on a man who looks like a loser.

GM's smoke screen?

Prospects are growing dimmer of getting the hoped-for results from the huge sums that the American motor industry is spending on reducing air pollution from car exhausts. On Tuesday the president of the General Motors Corporation, Mr Edward Cole, gave a speech to the American Petroleum Institute, in which he had been expected to declare that GM could meet the standards for controlling emissions of carbon monoxide and hydrocarbons that have been set for 1975 by the government regulators and those for nitric oxide emissions that have been set for 1976. But in the event Mr Cole could not promise that the prototype systems which he was describing would prove reliable when sold to the public; so far they have only met the standards in experimental cars at low mileage. It is hard to believe that the complex and sensitive array of devices that he proposed will stand up to the battering that most drivers give to their cars.

The devices outlined by Mr Cole include a precise system for metering fuel which involves a carburettor that is calibrated and compensated for temperature and altitude, a high energy electronic ignition system and early fuel



Buick checked for pollution control

evaporation. Most things on a car require regular servicing but drivers tend to ignore most of them until their vehicles actually grind to a halt. The chances of these new emission devices being able to perform satisfactorily without regular maintenance are slender. A spokesman for one of GM's competitors doubts whether the metal catalysts that are used to reduce pollutants will last even for 10,000 miles. Some European car manufacturers who have been showing a breezy optimism about being able to meet the American regulations may not appreciate fully the problems of translating prototypes into production models to be driven by the average motorist.

In view of all this it is surprising that GM should have talked about being able to meet the standards at all. Maybe Mr Cole was trying to get the powerful oil industry to join the lobby that is pressing in Washington for postponement of the regulations. An investment of over \$2 billion would be required from the oil industry to reduce the levels of lead and other contaminants in petrol in order to prevent the catalysts being destroyed. Meanwhile large contracts for the platinum and palladium required for these catalysts are being placed in South Africa and Russia as the car companies try to cut out the middlemen who have been selling to them up to now. The metals are very costly and if they had more time the motor manufacturers might find cheaper catalysts. They might also develop more reliable systems.

Knapp's top cop

Governor Nelson Rockefeller has acted quickly and decisively on the recommendations of the Knapp commission on how to deal with corruption in New York City. Last week he followed the commission's advice and appointed Mr Maurice Nadjari as a special prosecutor to look into all charges of corruption among the city's police and in the offices of the five district attorneys and those of the judges. Mr Nadjari will have his own independent offices, a force of 200 investigators and lawyers and a budget of \$4m from state and federal funds. He has started work already and claims that in the first five days on his new job he received hundreds of tips and complaints about corruption.

Not unexpectedly the city authorities have greeted their new prosecutor with ill grace. Although the Mayor, Mr John Lindsay, appointed the Knapp

commission, he is jealous of his territory and does not like Governor Rockefeller interfering in the city's affairs. The head of the police, Mr Patrick Murphy, also has to tread carefully, since his force is under strength and morale is low. Nor have the five district attorneys, who bring legal prosecutions on behalf of the city, taken kindly to the idea that their authority in matters of corruption will now be superseded by that of Mr Nadjari. Mr Frank Hogan, who has held office for 32 years and is one of the most able of them, has taken the appointment as a vote of no confidence in his ability to deal with corruption. So far Mr Hogan has torpedoed efforts at co-operation and is considering going to court to stop Mr Nadjari's appointment. The whole effort to clean up New York City could be endangered if the appointment of a special prosecutor only serves to stifle the vigilance and the initiative of the five elected district attorneys.

ELECTION '72

On the go

FROM A CORRESPONDENT ON THE DAKOTA QUEEN II

The atmosphere aboard the McGovern campaign aircraft is akin to that of a naval vessel's wardroom during a heavy storm at sea. There is an enforced cheerfulness among the staff, an attempt to convince all and sundry (including themselves) that everything is going to be fine. But there is also an underlying unease and anxiety, a worry that the cargo will shift, that the seas are too great and even, sometimes, that the captain is not perhaps in full control of the situation.

In Senator McGovern's case, he may not be in control, but he is doing what he can, even though it often seems repetitive and futile. The *Dakota Queen II* (the first *Queen* was the wounded bomber that Mr McGovern safely crash-landed on an Adriatic island in 1945) criss-crosses the northern industrial states—from Illinois to Pennsylvania to New Jersey—and then back again, stop after stop, day after day. In each one of these vital states, the problems are about the same: Democratic party organisations in disarray, voters who are traditionally tied to the party but who are now alienated and frustrated, trade union leaders annoyed because they find it difficult to work in harness with the young McGovern amateurs.



McGovern keeps flying

At each stop, it is the mixture as before: meetings with local Democratic officeholders and party power-wielders, with union officials and fund raisers, then the public rally or dinner speech. The crowds, in the past fortnight, are warmer and more numerous and, best of all from Mr McGovern's standpoint, contain a better mix of voters.

But so far he has not found an issue, or rather he has too many issues. He talks about eavesdropping and Republican scandals, unemployment and inflation, waste in national defence. And too often his flat, plains states' accent makes him sound like a court clerk reading an indictment. There are exceptions. In Philadelphia he returned to the theme of the war in Indochina and his rhetoric was as strident and strong and bitter as it has ever been.

The United States, he said, now present to the world the spectacle of the richest and strongest nation standing at a safe distance and raining down—on primitive, helpless and defenceless people—the most incredible and murderous bombardment in the history of mankind... the strikes come with new weapons and new techniques. These weapons have a very special purpose. They cannot blow up a bridge, or destroy a structure or stop a truck or even penetrate a rubber tyre. They are designed solely to tear human flesh... I ask here tonight how our honour is saved by fewer American deaths and more Asian.

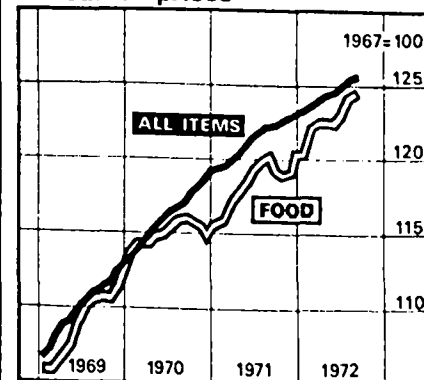
This anger and moral outrage have long been one of the South Dakota Senator's greatest political assets. For some time they have been submerged, but if the reaction of his mesmerised listeners in Philadelphia was any indication, they may now flare more frequently. If so, the disastrous gap in the public opinion polls may close more effectively than either Mr McGovern or his staff expect.

Water fit to drink

At the beginning of September President Nixon, making a bid for the conservationist vote, listed 20 environmental measures that he had proposed and that the Democratic Congress had failed to follow up. The list was headed by the water quality bill; 10 days later an agreed version was voted in triumph by the conferees from the Senate and the House of Representatives who had been arguing over the details for four months. Both houses are expected to approve the compromise before adjourning. Yet the President may veto the bill; if he does it will be because in his view it is more important to hold down the federal government's spending than to clean up America's rivers, lakes and oceans completely by 1985, the goal set in the bill. In August his Council on Environmental Quality had reported that, while the air was getting cleaner, water was getting dirtier, partly because of the pollution from sewage and industrial wastes that the bill deals with, but also because of the runoff of pesticides and fertilisers from farms and of earth from construction projects.

Admittedly the bill goes much farther than the President (or the industries which are responsible for much of the pollution) wanted. And it offers much more money—\$24 billion over nine years instead of \$6 billion over three. But the money still has to be appropriated and the Environ-

Consumer prices



To the delight of the Administration the consumer price index was only 2.9 per cent higher last month than it had been 12 months earlier when the President announced his new economic policy, designed to cut the rate of inflation to under 3 per cent. But food prices, the housewife's main concern, were 3.8 per cent higher than in August, 1971.

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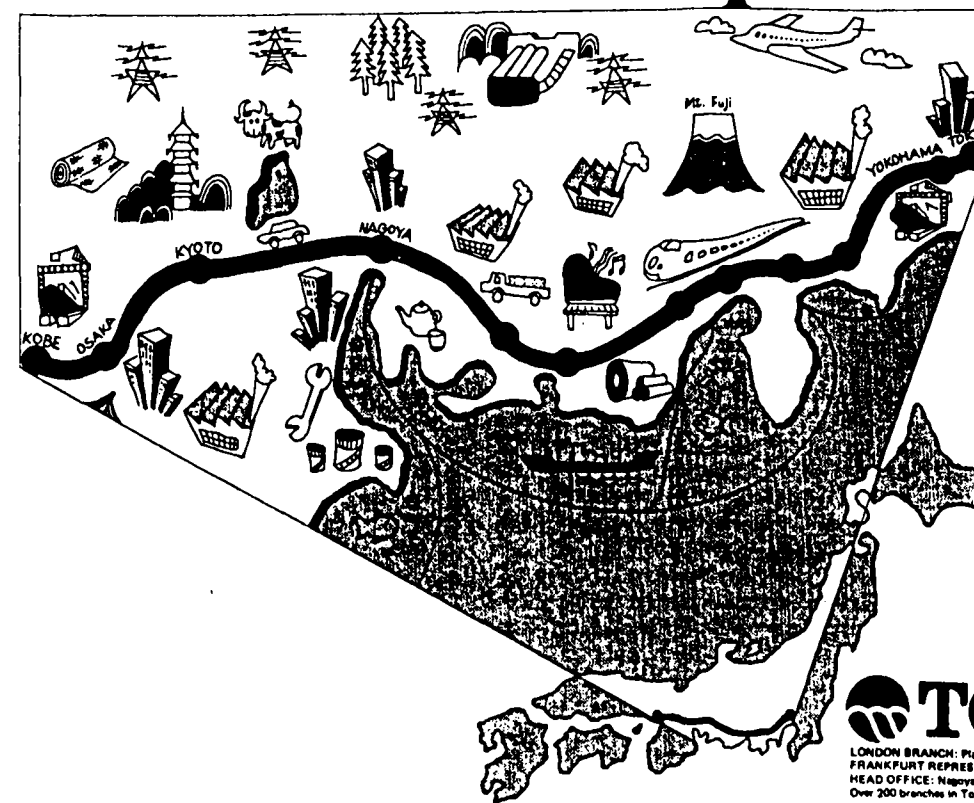
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mental Protection Agency must be provided with staff and funds to administer the complicated measure. As a result of experience under an earlier act which has not been very effective, the new bill gives more power to EPA, and less to the states, than Mr. Nixon would have liked. If a state is not strict enough the federal agency can take over the responsibility for issuing the permits which will be needed by every industrial plant that discharges wastes into a waterway.

These plants are required to use the "best practicable" technology to control pollution by 1977 (which means all plants in an industry must do as well as the ones which pollute least) and the "best available" technology by 1983 (which applies not only to waste treatment facilities but also to production processes). Most of the money provided by the bill will go to cities and states to improve their sewage plants; 75 per cent of the costs of doing this will now be subsidised by

Washington, while in the past municipalities had to find as much as 70 per cent of the money themselves. This is a very substantial carrot to back up the stick of the court cases which the federal government is now bringing against cities such as New York and Memphis for dumping untreated waste in rivers and oceans. Legal action is also being taken to ban new construction around Lake Tahoe and on the New Jersey coast until sewage facilities are ready.

Building a new Manhattan

New York

The din caused by the construction of new office buildings and shops all over Manhattan led the city council recently to pass a tough anti-noise measure, in spite of the furious protests of the powerful property lobby. The Mayor, Mr John Lindsay, one of whose concerns is that big business should not abandon the city, is expected to sign the bill in spite of this, since there is considerable public pressure to reduce the many annoyances—dirt and obstructions to traffic as well as noise—created by builders.

Although it has become fashionable to depict New York City as a disaster area, it continues to lure business firms and property developers. For example, approval has been won for a grandiose plan to add 113 acres to the east-side tip of lower Manhattan for a \$1.2 billion complex of luxury flats, shops and offices. The new Manhattan Landing project, when combined with Battery Park City (another landfill project already under construction on the western tip of the island), will not only enlarge the boundaries of the constricted financial district but will also transform it into an around-the-clock community. Moreover, clusters of new office skyscrapers are either finished or nearing completion in the midtown area.

This concrete evidence of belief in the city's future is not quite so solid as it seems. New construction has been concentrated on the island of Manhattan, particularly in the downtown financial district and the midtown commercial area, not in the residential sections or in the outlying boroughs of the city. In addition, a great many of the buildings now reshaping New York's celebrated skyline are the product of the stock market and property boom of the mid-1960s.

In the three years from 1966 to 1968, about 11.5m square feet of rentable office space was completed, but in 1971 almost 15m square feet came on the market. This year will mark the peak, with approximately 23m square feet due for completion, including most of the World Trade Centre, about

to be opened officially. It will account for 10m square feet when it is finished next year.

Demand for new office space in New York City runs in the neighbourhood of 6m-10m square feet a year, which means that there is now a huge glut. Developers have either slowed construction or cut rents to rock bottom levels, but the effects of the recession, which came close to a depression in the securities industry, have not worn off yet. As a result, the city estimates that nearly 15 per cent of the rentable office space is vacant, compared with an average of 4 per cent in the past decade. But the recovery in business activity should stimulate increased demand during the next few years, while construction is slated to turn down sharply.

Since the Manhattan Landing project is still only on paper and is not scheduled for completion until 1985, it represents the beginning of the next building boom. Mr David Rockefeller, long a booster of downtown development and a supporter of the new project, has expressed the conviction that there will be a need for more office space once the current glut is absorbed. He may be right, but his own plan appears overly optimistic: for example, its blueprint includes a new stock exchange on the waterfront even though the exchange has not decided to move and does not have the funds to do so. The failure of the Lower Manhattan Plan, which was to go up on the same site but never got off the ground, suggests that the new project will face many obstacles.

Already there has been criticism from civic and ethnic groups which are concerned about the absence of housing for low- and middle-income families in the proposed plan. Critics claim that the project, with flats renting at £120 a month for each room, will make the Wall Street area an enclave for the rich. Because the project involves high-cost landfill, new legislation will be required to raise the money and it is probable that, as in the case of Battery

Park City, some provision for low-cost housing will have to be added to the plan if it is to go ahead.

In spite of the current glut of offices and the uncertain future of Manhattan Landing, the death of the city has been greatly exaggerated. The fact is that the publicised exodus of business from New York is now not much greater than the influx. This is partly because of the rise in office costs and the shortage of clerical staff in the suburbs. But it is also because New York is unparalleled as a service centre—for financial transactions, auditing and legal assistance, advertising and communications. New York is also unrivalled for shopping and entertainment. It may be a dirty, dangerous and expensive city, but its amenities and attractions are so many and so diverse that it seems certain to defy the prophets of its collapse.

Still, it is questionable whether Manhattan can enjoy a real renaissance if the rest of the city and its own upper reaches continue to decay. The lack of low-income housing and the deterioration of municipal services, especially in education, jeopardise the effective labour force on which a service centre must rely. Unfortunately, existing programmes to subsidise low-cost housing cannot meet the demand. If a new building boom is to develop, it will have to furnish living as well as working space.



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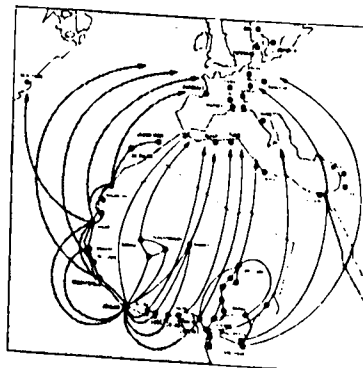
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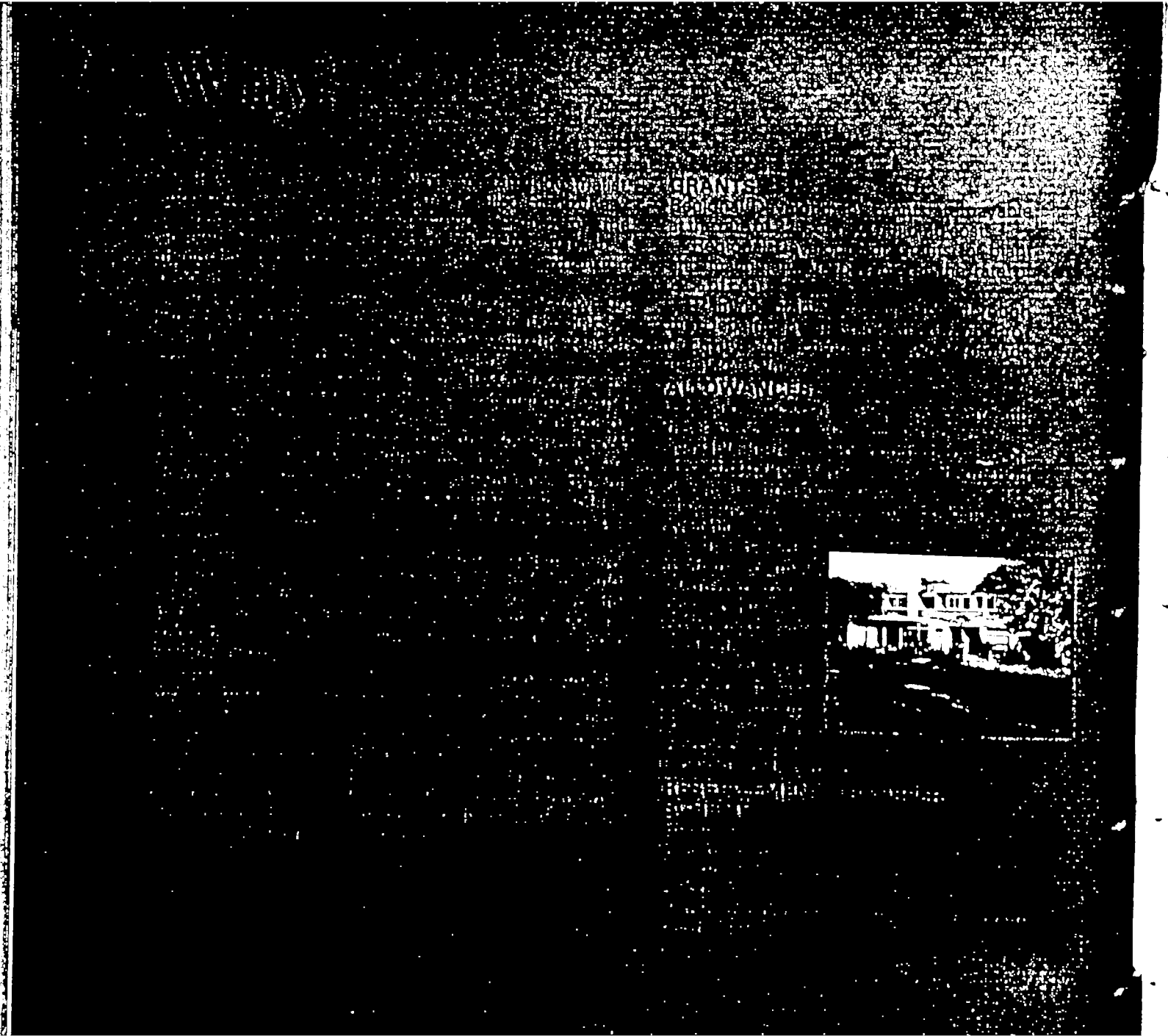
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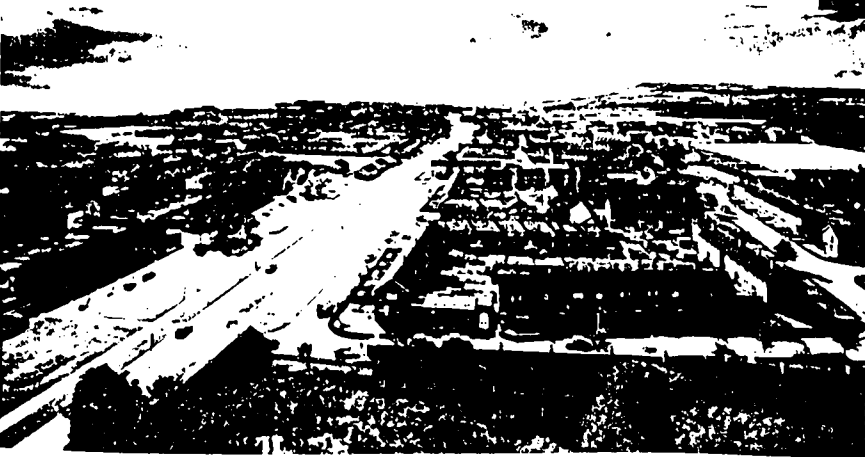
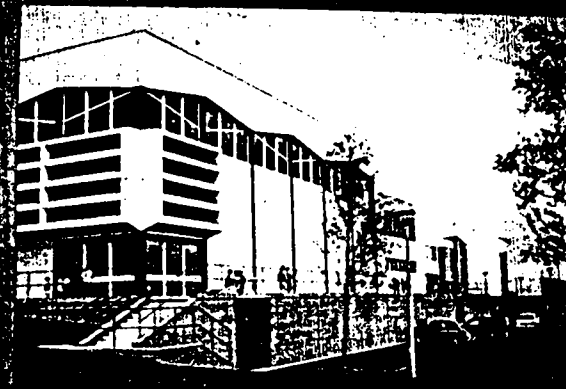
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Books

The pursuit of righteousness

CHRONICLES OF WASTED TIME.
VOLUME I: THE GREEN STICKBy Malcolm Muggeridge.
Collins. 284 pages. £3.

The green stick is not, like the green tree, an augury for what Mr Muggeridge would do in the dry. He "cannot recall a time when the notion of Christ and Christianity was not enormously appealing to me." But he has managed to recapture the agnosticism of his youth. He was baptised and confirmed in adolescence and in a hurry, in order to go up to what is now Selwyn College at Cambridge, where the only good thing he got out of four years' study was perhaps "a certain familiarity with the incomparable Book of Common Prayer." The first volume of his autobiography is not a journey down Damascus Road; his formal introduction to Christianity was memorable for the bishop's irritation when the young Muggeridge got out of ceremonial step.

The preoccupation of his youth was socialism, as embraced by his father (whose hero was GBS), who eventually entered Parliament, and then as promulgated by his wife's Aunt Beatrice and Uncle Sydney. The Webbs he describes with relish and acidity, not as undiluted as in his digression on C. P. Scott and Churchill in old age, but with a sharp eye for socialism's curious snobbery, a snobbery not so much inverted as diverted towards money and success. Mrs Webb, Mr Muggeridge recalls, wrote to his mother-in-law that his father was "a Fabian and a very worthy person, though of modest means." "Truly," adds Mr Muggeridge, "there is no snobbishness like that of professing equalitarians." His father had his own brand; he wanted his son to go to Cambridge "and speak down his nose as dons and Fabians do."

But ideals both he and his father plainly had in plenty. The young Malcolm was not, he recalls, sent to a grammar or public school (with a jibe at Lord Snow); and in those days (with a jibe at Holland Park) there



Muggeridge: questing

were no democratic-sounding schools "specially earmarked for the progressive elite." Mr Muggeridge is profoundly grateful for this, believing that from grammar school he might have emerged "fully brainwashed to take his place with the new socialist elite, the Hendersons and Greenwoods and Noel-Bakers." Again and again he returns to worry at this bone: at Cambridge and in the army he found "a highly developed system of sycophancy".

Even in the Labour party the unlikely emergence of such figures as Hugh Gaitskell, R. H. S. Crossman and Wedgwood Benn may well have been fostered by their sycophantic skills. Bertrand Russell's elder brother, when he was a member of a Labour government, told me that he had never before been so conscious of the advantages of being an earl.

Later, he acquires a greater cynicism, like several skins—a distaste for editorials (from his experience on the Manchester Guardian) and for statesmen's jargon; a bitterness against Ramsay MacDonald for forming a National government; the major disillusion with Soviet Russia, whither he went as the Guardian's Moscow correspondent. The end of this book, just before the second world war, is sunk in a typical Muggeridge slough of despond, where he has no expectation that "any earthly battle could be won, or earthly solution found." But the monumental death wish that he felt abroad in the world, the Tolstoian

forces of history, are represented far less effectively than the incidents and reminiscences reconstructed from memory and press cuttings, "the rags and tatters of a professionally exhibitionist ego." These are what make this autobiography so wonderfully well worth reading. Only the title is left to Tolstoy, who

... used to believe that there was a green stick, buried on the edge of a ravine ... on which words were carved that would destroy all the evil in the hearts of men and bring them everything good.

Measure for measure

WHAT MATTERS NOW

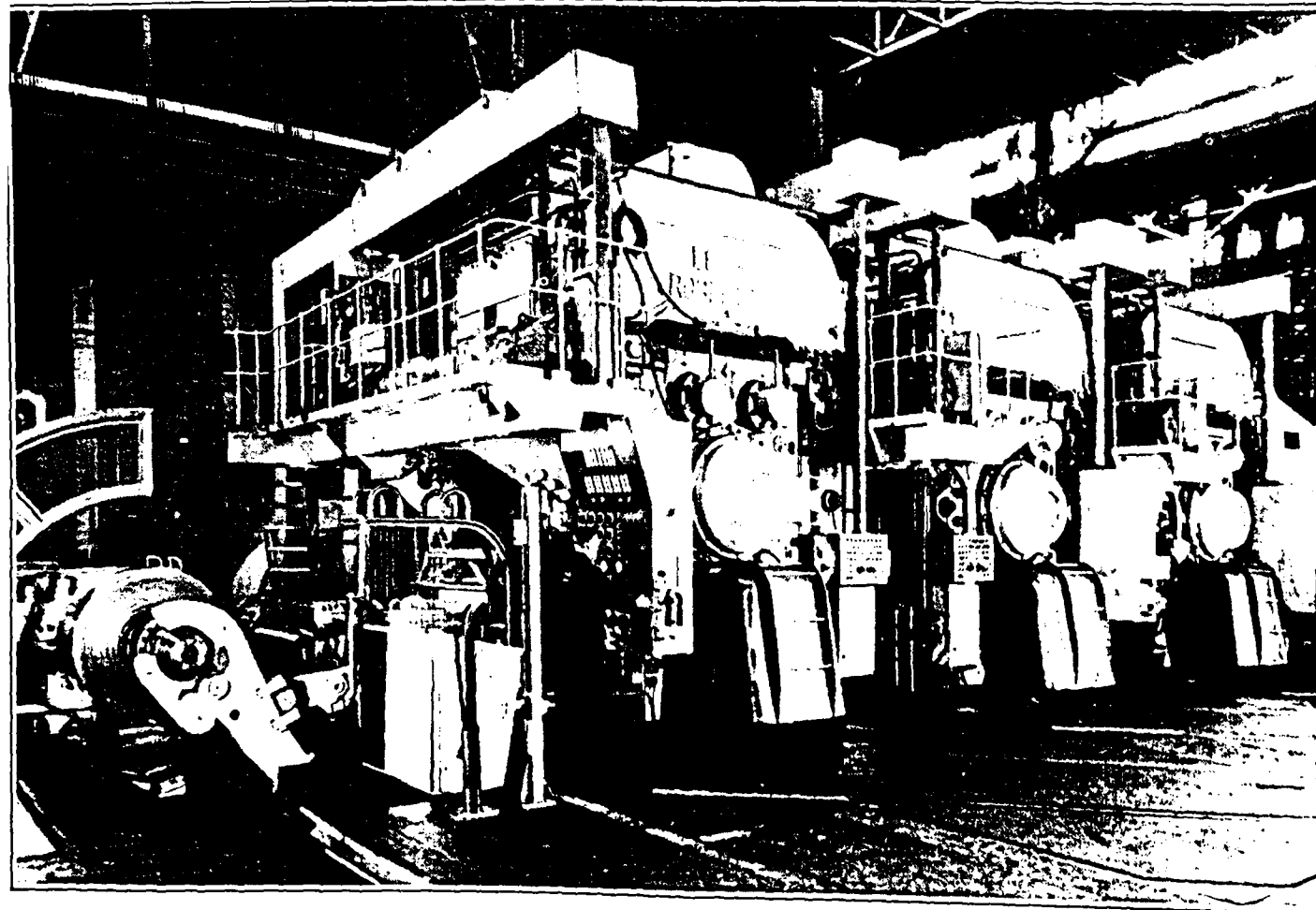
By Roy Jenkins.
Fontana. 128 pages. 30p.

This is an interesting and appealingly-written collection of speeches and essays; Mr Jenkins is one of the few remaining British politicians (Mr Powell is another) who are actually literate. Although its publication on the eve of the Labour party conference at Blackpool means that it will be chiefly read to see what Mr Jenkins feels about the leadership and the left wing, it is of much better stuff than that. It goes unerringly to the Labour party's fundamental problem:

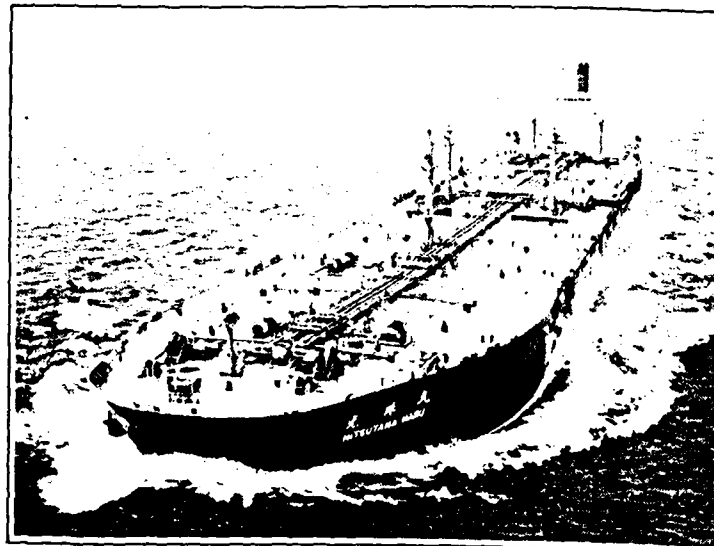
The Labour movement was created to fight against a wealthy minority on behalf of a poor majority. Now ... it has to enlist the majority in a struggle on behalf of a poor minority.

So his party is not a class party, and the class-war attitudes struck in it are useless to him. He is not an anti-nationalisation man: far from it, for state shareholdings and state holding boards figure uncomfortably frequently in his plans. He is still very much a socialist in thought, not to be confused with a compassionate sort of Mr Heath. (He allows no word of respect for Mr Heath to enter his pages, not even on Europe.) But he is ready to experiment intelligently in the relief of poverty, being rather more unbiased than biased on the idea of a negative income tax. It is reassuring that, in months when the environmentalists were having a free run through the trendy middle class, including middle-class Labour leaders, Mr Jenkins's speeches remained firmly committed to growth.

He sets his party a nobly radical target for its next time in government: "the elimination of poverty as a social problem." Whether his ideas for the regions would actually qualify as growth measures, rather than welfare ones, is debatable. He is good enough to say that "even within the poorer



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regions a policy of indiscriminate, blanket growth is neither practicable nor desirable." He recalls that in his grandfather's day the south Wales coalfield looked like "an El Dorado" to the poverty-stricken workers of Somerset—which might be taken as an admission that labour mobility has its advantages. But one suspects that, as the proposals stand, Whitehall would have a bigger say in these matters than Mr Jenkins owns up to.

He is certainly open about how much idealism must operate in his system. He is not fond of laws about unions, and not fond of compulsory incomes and prices measures. The strong must consent to hold back for the weak's sake; and this consent can only be got by following broad policies of social justice, including social justice to the poor countries overseas:

The pessimistic view ignores the traditions of concern for those less well-off which can be mobilised in the British trade union movement.

Is it just Tory policies which make that look so fragile a basis for action today? Mr Jenkins would not be in politics if he did not believe that a Jenkins-type Labour movement would have such motives; but in government he might have to depend more on measures.

Kuwait

Prospect and Reality

Zahra Freeth & H. V. F. Winstone

Surprisingly this is the first comprehensive, modern history of this small, immensely rich and increasingly important nation. The whole of its development, from the semi-legendary civilisation of Dilmun to the hard, acrimonious bargainings for oil concessions (whole details are given here for the first time) and to its modern emergence into the full light of the twentieth century are given in this thorough and very enjoyable work.

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Pollution

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Peter A. Victor

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£5.85

GEORGE ALLEN & UNWIN

November rising

THE REVOLUTION OF 1688 IN ENGLAND

By J. R. Jones.

Weidenfeld and Nicolson. 345 pages. £4.35.

MONARCHY AND REVOLUTION

By J. R. Western.

Blandford Press. 432 pages. £3.50 cloth, £1.50 paperbound.

Two new books describe, from converging angles, the incident our grandfathers knew as the Glorious Revolution; Professor Jones's in a series on "revolutions in the modern world," Professor Western's in one simply on "problems of history." The longer and less expensive book is the wider in scope and richer in content of the two; unhappily, it is the last we shall have from John Western, who has just died, in his early 40s.

Western wrote partly from original sources, partly from other people's books. All that he wrote was coloured by his own originality and precision. He began by sketching the powers of the crown (as the indecisive struggles of the civil war and commonwealth, and the indolence of Charles II, had left them) and by going back, as the politicians of the seventeenth century always did, to first principles of political theory. He thought there was not a great deal to choose between James II and William III, so far as capacity for despotism went. James believed it was his right and duty to be a Catholic king, William knew he could do a Protestant king's work well. The change of regime was prompted by no demagogic motive; indeed:

As the only political ideas which the people were allowed by their betters to have were anti-papery and xenophobia, it was no doubt as well that the revolution was no more democratic than it was.

The sovereign did not, according to Western, lose his independence at the revolution; it dwindled, during William's reign, "because his lengthy involvement in war was altering the character of government and the balance of political factors in the state." He took the throne because he was locked already in a lifelong struggle against the France of Louis XIV, in which he needed English help. Paying for that help tied the executive down within parliamentary bonds, from which it has only in recent memory started to break away. "Modern British liberties," Western concludes, "originated in a lucky accident. . . . Their capacity to survive under harsher conditions has yet to be



James II: unanswered prayers

determined."

On his way, he touched in illuminating detail on one of the problems Professor Jones picks out as needing further research: army organisation, on which Western as an expert on the English militia wrote with assurance. Professor Jones believes neither Macaulay's nor Marx's account of the revolution to be adequate, and controverts the view that the defeat of Charles I decided anything in the constitutional field. In a lively reinterpretation of James II's reign, he throws out several interesting suggestions on what work remains to be done. He touches less on theoretical, and hardly more on religious, subjects than did Western; but goes into more detail about political management and machinery, and makes skilful use of unpublished material. Both books show how much we still have to find out about the cardinal factor: in Western's phrase, "the way in which the system actually worked."

Worms' eye view

OSS: THE SECRET HISTORY OF AMERICA'S FIRST CENTRAL INTELLIGENCE AGENCY

By R. Harris Smith.

University of California Press. 472 pages. £3.95.

It was presumably the publishers who called this book a secret history. The author, having made it clear in his preface that the CIA had refused to make the classified archives of the Office of Strategic Services available to him, claims more modestly, and more accurately, that it is a "political history" and a "very unofficial ana-

tomy" of that organisation.

But Mr Harris Smith had plenty of published material to work with, as well as some that had not been published, gained from letters and interviews. The mixed bag of personalities recruited by General Donovan, himself a personality on a grand scale, when he was given the task of organising the first American secret service, were an intelligent and articulate lot. Nearly every operational group found its chronicler and Mr Harris Smith has read them all. There is, however, a shortage of stories from headquarters. The result is fascinating, but has had to be based on a collection of worm's eye views. Unfortunately, even 50 worms do not make a bird.

Mr Smith is an earnest, perhaps even a solemn, young man who has recently been working on Senator McGovern's campaign staff in California. It worries him when things and people do not turn out as his simple instincts tell him they should (when, for example, successful Republican lawyers are found to be imaginative and liberal in their ideas). So his last chapter, in which he tries to describe and explain how the CIA has developed from the ashes of the OSS, is the least satisfactory. He shows little comprehension of the forces which have driven the United States to its present policies but tries to find an explanation in personalities. Men, he complains plaintively, "who had been in the OSS during the second world war and had worked with the resistance . . . were responsible for planning the ill-fated invasion of Cuba." Mr Edmond Taylor, from whose "Awakening from History" Mr Smith quotes liberally, wrote in that book that it had not occurred to him at the time that the OSS wartime operations in Thailand:

were already starting to forge postwar sentimental, political and ultimately strategic links with south-east Asia that from the United States point of view would eventually turn into bonds of something strangely akin to imperial responsibilities.

Mr Smith does not quote this passage.

Most of the book is devoted to the operations of the OSS in the field. These provide some first-rate adventure stories. The most satisfactory chapters are those in which hindsight has proved his heroes, the "liberals" in OSS, right—or has at least proved the establishment policies wrong: those on the Darlan affair, on the stubborn official support for Chiang Kai-shek against those who wanted to gain the confidence of Mao Tse-tung

and, best of all, the account, so tragic in the light of all that has happened, of the spurning of Ho Chi Minh at a time when he seemed to be prepared to trust the United States.

Mr Smith seems to have little understanding of Europe, but he has an old-fashioned American liberal's distrust for Britain and its policies, which makes him dwell at length on the quarrels between OSS and SOE and use "anglophilia" as a term of reproach when applied to Americans. And his three references to the Minister Resident at the Allied headquarters in north-west Africa are to "wealthy publisher Harold Macmillan," "diplomat Harold Macmillan" and "Harold Macmillan of the Foreign Office." The winds of change seem to have passed him by.

There was a little girl

THE CASE OF MARY BELL

By Gitta Sereny.

Eyre Methuen. 229 pages. £2.75.

In December, 1968, Mary Bell was convicted at Newcastle assizes of killing two small boys by strangling. The ver-

dict was not murder, but manslaughter because of diminished responsibility and her responsibility for it was diminished, not because she was barely 11 (she committed the crime the eve of her birthday) but because she was diagnosed as suffering from a psychopathic personality. Responsibility is a concept that has been defined in the criminal law by way of the Criminal Justice Act of 1957, and was legally defined in the Health Act two years later.

Most of this book, by someone with much experience of disturbed children, tells the story of the crime and the trial of the two girls. (The 11-year-old Norma Bell—no relation to the neighbour and close friend—was acquitted of both murders.) Some of the examination of the children is a little tedious; but on the other hand the real life crime story achieves wide publicity, the account is absorbing. The account of the case is interspersed with the observations of the author, who tells the whole of it and was in the way all concerned—judges, counsel—tried to make it

FINANCIAL STRUCTURE AND GOVERNMENT REGULATION IN THE UNITED KINGDOM 1952-1980

This is a research paper which was commissioned by IBRO from Professor J. R. S. Revell of the University of North Wales, Bangor.

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procedure fit the age of the defendants.

But she remained uneasy. The British accusatorial system of justice was not, she felt, adequate in this case. Had it been inquisitorial, the question that everyone was asking—why did a little girl strangle two much younger boys?—might have been answered, and the problem of the disposal of Mary Bell, once convicted, might have been more successfully solved. So Miss Sereny set herself to find out the background against which the child's crimes were committed, and a long chapter gives her findings. Much of it appeared in the *Daily Telegraph Magazine* a year after the trial; it is compulsive reading. But ought it to have been given permanent form in a book? The author herself admits to having some qualms but justifies publication on the ground that knowledge of Mary Bell's disturbed childhood may help to prevent similar crimes.

She is not entirely convincing. Even at the end of her sympathetic account, although we are not surprised that Mary Bell should be abnormal, we still do not know why her abnormality should have taken the form it did. Many children have similarly bad backgrounds but do not take to strangling.

GROWTH AND WELFARE

A New Policy for Britain

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Provides a theoretical framework for answering two key questions: 'How should conflicts between competing economic objectives be resolved?' and 'How can more rapid rates of growth be achieved?' The model is applied to the British economy but could be used for any developed country.

'The book is immensely readable by the layman interested in economic policy, while at the same time carrying some impressive commendations from leading academic authorities.' *The Times* 'The main structure of growth economics has not yet been built. Mr Mills' book should be a notable landmark in the development of this branch.' Sir Roy Harrod £3.45

Coming on November 9th is *Growth and Stability in a Mature Economy* by John Cornwall price £4.95

MARTIN ROBERTSON

17 Quick Street, London N1 8HL

Economic scientist

PAPERS AND CORRESPONDENCE OF WILLIAM STANLEY JEVONS: VOLUME I, BIOGRAPHY AND PERSONAL JOURNAL

Edited by R. D. Collison Black and Rosamund Könekamp. Macmillan. 243 pages. £7.

William Stanley Jevons, the economist, was one of the most fertile and lively minds working in his field in the second half of the nineteenth century. Not only was he the main investigator in this country of the so-called marginal revolution, he was also a pioneer in the construction of index numbers and the investigation of trade cycles, a vivid writer on the coal question, on the state in relation to labour and other social problems, the inventor of a logical machine and the author of a not negligible work on "The Principles of Science." If the word genius has definable meaning it certainly is applicable to him.

For long it was thought that the labours of his widow and his son, together with Foxwell and Higgs, had given to the world all that remained of his uncollected writings. But some years ago the deposit in the National Library of Ireland of the papers of J. E. Cairnes put Professor Collison Black on the track of further letters and eventually of a large cache of unpublished matter not used in Harriet Jevons's "Life and Letters" of her husband. This was a discovery which, combined with other not now easily accessible material, will eventually present us with four volumes of systematically arranged papers and correspondence—another gift to the history of thought by the Royal Economic Society.

The present volume, the first of the series, is entitled "Biography and Personal Journal." It is the product of the joint labours of Professor Black and Mrs Könekamp, Jevons's granddaughter. The title "biography" is perhaps slightly misleading, as a description of Mrs Könekamp's valuable contribution. For, save for five summary pages at the end, it stops with Jevons's marriage and is better described, as indeed it is in the body of the book as distinct from the cover, as a biographical introduction to the journal. As such it is a fine piece of scholarship which not only provides all sorts of new details about Jevons's early life but also throws light, hitherto withheld by the family, on that sense of anxiety and apprehension which has invested the tone of certain



Jevons: anxious genius

letters already published with a certain perplexity. Great wits are sure to madness near allied: one of Jevons's brothers, the one he most dearly loved, was a victim of mental illness.

Some of the more striking passages from the journal which constitutes the rest of this volume were used by Harriet Jevons in the "Life and Letters." But it is good to have the document as a whole as illustration of the development of eventual genius: early days at University College—the main asylum south of the border in those days open to those who did not subscribe to the Thirty Nine Articles; life in Australia whither, because of family financial troubles, he had gone to take up a temporary post as assayer to the local mint; the return to University College to give academic finish to the many scientific interests developed in this interval; and finally his early struggles as a university lecturer and professor. It is valuable as source material for certain aspects of Australian economic and social history, but most of all perhaps as an object lesson for those who think that the spiritual life of a scientist differs much, in its emotional aspect at least, from that of the creative artist. Professor Black and Mrs Könekamp are to be warmly congratulated.

Profits from apartheid

THE SOUTH AFRICAN CONNECTION
By Ruth First, Jonathan Steele and Christabel Gurney.
Maurice Temple Smith. 352 pages. £3.50.

Everyone, runs a familiar argument, is agreed that apartheid is obnoxious, but why support guerrillas, interrupt

cricket matches and sit down in the South African embassy when the imperatives of economic development will make it all come right in the end? Businessmen, particularly embarrassed chairmen of companies with profitable investments in South Africa, are becoming increasingly anxious to persuade the world that the dawn of enlightenment will be ushered in, not by African liberation movements, but by international capital ones. That view is strongly contested in "The South African Connection."

As South Africa as a whole has grown richer, as trade has flourished and foreign investment increased, it argues that black South Africans have become worse off, and not only worse off politically—the steady erosion of human rights and the rule of law has been well-publicised—but, so it says, in real financial terms as well.

What about the white labour shortage and the consequent breakdown of job reservation that is now beginning to take place? As the authors point out, this situation is met not by the colour bar being abolished, but by it being raised. Since you can pay a black less than a white, even though he may be doing skilled work, both employers and white workers are kept happy.

Far from working towards the destruction of apartheid, commerce and business depend upon it for high profit levels. Yet the issue is not quite as simple as the authors make out. They do not tackle the general question of the ethics of overseas investment. Is it, for example, morally all right to invest in Russia, Brazil or even Uganda? They do not tell us. It is hard to see quite where their researches lead. They despair of the few piecemeal reforms that one or two foreign companies have so far introduced, and their pessimistic conclusion seems to be that there is no hope of foreign companies ever effecting change. Those who rely on an economic resolution of the South African problem should certainly read this book. But the influence of foreign companies may in fact provide the only chance of averting hideous bloodshed there.

McFadzean round?

TOWARDS AN OPEN WORLD ECONOMY

By Frank McFadzean and others. Macmillan. 198 pages. £3.95.

Another round of negotiations under the General Agreement on Tariffs and Trade is due to begin in Geneva next year. It will be a great benefit to the

world if it can be spurred towards success, like the Kennedy round, by some dramatic initiative; and it is pretty clear what the initiative should be. The objective should be the elimination of substantially all tariffs on industrial products traded among developed countries, over an agreed transition period of five to 10 years.

The requirements now are (a) to get this idea bruited around, and (b) to suggest safeguards for the timid in the shape of escape clauses, agricultural exceptions, diplomatic noises in respect of high unemployment regions etc. Both tasks are attempted in this report from an advisory committee of the Trade Policy Research Centre of London, headed by Mr Frank McFadzean, chairman of Shell Transport and Trading, and aided by six prominent British economists (Sir Alec Cairncross, Professors Harry Johnson and James Meade, Mr Sidney Golt, Dr W. M. Corden and Mr T. M. Rybczynski). Their suggestions for escape routes include all the conventional ones, plus a sensible insistence on flexibility in exchange rates and one very bright new recommendation. This is that the benefits of all tariff-cutting agreements should be extended non-reciprocally to all developing countries on an unconditional most-favoured-nation basis, but that the multilateral negotiations between developed countries should be conducted only on a conditional most-favoured-nation basis whereby only the parties to an agreement would be allowed to benefit from it. Basically, the report recognises that the trade discrimination against the rest of the world that has resulted from the use of the customs-union exceptions to Article 1 of Gatt, in order to sanction Efta and the common market, can best be counteracted if the rest of the world, and specifically the United States, makes use of the same technique of bargaining. This would allow all the developed countries to establish bilateral freer trading blocks with anybody else (provided they let in all who follow the same rules, plus all the poor).

This is an idea that really could get the next round of all sorts of trade liberalisation moving, and it deserves strong support. Unfortunately, it does not get as strong support from the form of this book as one expects when one reads the introduction. Only the first 40 pages are the report of the advisory committee. The rest of the book contains eight background papers of rather uneven quality.

BOOKS THIS MONTH

J. Wilczynski

THE ECONOMICS OF SOCIALISM

A revised edition of this successful work covering all aspects of this vital field. George Allen & Unwin £1.60

E. Victor Morgan and Ann D. Morgan

THE ECONOMICS OF PUBLIC POLICY

A study of the roles of the state and the market in economic affairs. Edinburgh University Press £4.00

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Editor: Francois Crouzet

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A collection of leading contributions to the study of capital formation in eighteenth century industrialisation. Methuen University paperback £3.2 £1.6

Vladimir Pertot

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H. R. Vaughan

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The Rio Tinto - Zinc Corporation Limited

Half-yearly report

The Directors announce the unaudited results of the RTZ Group for the six months ended 30 June 1972, with comparative figures for 1971.

GROUP SALES REVENUE

Sales for the first six months of 1972 were £261.8 million, an increase of £35.7 million compared with the same period of 1971. The increase was largely due to the inclusion of sales amounting to £14.2 million for Bougainville Copper and £9.8 million for Anglesey Aluminium, neither of which was operating in the comparable period last year. An increase of £13.3 million in sales by the RTZ Pillar Group included £6.6 million from new acquisitions. Rio Algom and Borax both increased their sales. These improvements were partly offset by reduced sales from Hamersley as a result of the Japanese seamen's strike. United Kingdom sales of lead and zinc were lower following closure of the smelting plant at Swansea and the Vertical Retorts at Avonmouth. The additional tonnage of copper sold at Palabora was coupled with a decrease in metal price so that revenue overall was virtually unchanged.

GROUP PROFIT BEFORE TAX

After deducting interest payable, the increase in which was due to the inclusion for the first time of Bougainville Copper and Anglesey Aluminium, profit amounted to £37.9 million to show an improvement of £1.4 million over the first half of 1971. Bougainville Copper made its initial profit contribution and increased profit was earned by Rio Algom, Borax and RTZ Pillar. The Group's lead and zinc operations achieved higher profit. Hamersley's profit decreased and the lower level of copper prices reduced Palabora's profit. Anglesey Aluminium experienced a loss. Its facilities were damaged and its operations were seriously interrupted as a result of the coal strike early in the year. A further loss was incurred on marketing the Group's share of metal output.

NET PROFIT

After deduction of tax and the interests of outside shareholders, net profit attributable to RTZ shareholders was £11.5 million, an increase of £0.9 million over the first six months of 1971.

AVONMOUTH

Following the publication of the Windeyer Committee Report, discussions have been reopened to finalise arrangements for transfer of the Avonmouth smelter to Australian Mining & Smelting. An announcement will be made shortly.

OUTLOOK

The Chairman indicated at the Annual General Meeting in May that 1972 should see a return to the record level of profit achieved in 1970, subject to no unforeseen circumstances and based on the then level of commodity prices. In the event, copper and aluminium prices have been lower than expected and more recently realisations from copper sales have been further affected by changes in certain

(All figures in £'millions)	Six months ended 30 June 1972	Six months ended 30 June 1971	Year ended 31 Dec. 1971
Group sales revenue	261.8	226.1	445.9
Operating profit of Group	40.6	34.1	65.8
Deduct: Interest payable	10.2	5.9	13.4
	30.4	28.2	52.4
Share of profits of associated companies	4.2	4.8	9.7
Income from investments	1.0	0.9	1.5
Interest receivable	2.3	2.6	4.4
Group profit before tax	37.9	36.5	68.0
Deduct: Tax	15.2	15.5	28.3
Net profit of Group	22.7	21.0	39.7
Deduct: Attributable to outside shareholders	11.2	10.4	20.7
Net profit attributable to RTZ Shareholders	11.5	10.6	19.0
Earnings per 25p ordinary share	5.16p	4.70p	8.45p
Dividends			
Preference	0.3	0.3	0.5
Ordinary: Interim	4.4	4.4	4.4
Final	—	—	8.8
	4.7	4.7	13.7
Rate per ordinary share	2p	2p	6p

NOTES:-

(1) The comparative figures for the half year ended 30 June 1971 have been adjusted to take account of the merger of NBHC and CRA lead/zinc interests which was not finalised until after publication of the 1971 interim report.
(2) The results of overseas operations have been converted from foreign currencies into Sterling at the quoted rates of exchange at 30 June 1972.

sterling parities. Recommissioning work at Anglesey is still to be completed. Furthermore, as is not unusual with an operation of the magnitude of Bougainville, some minor problems are being encountered which are affecting output at this early stage of the project.

Taking these factors into account, the results for the full year are now expected to be less favourable than earlier forecast.

DIVIDENDS

The Directors have declared a dividend of 2.375p per share on the 4½% 'A' cumulative preference shares of the Company and a dividend of 2.5p per share on the 'B' cumulative preference shares of the Company, both in respect of the half-year to 31st December 1972.

The dividends on the preference shares will be paid on 1st January 1973 to holders on the London and Melbourne registers as at 22nd November 1972 and to holders of share warrants to bearer representing 5% 'B' cumulative preference shares on or after presentation of Coupon No. 21.

The Directors have declared an interim dividend of 2p per 25p share (1971—2p per share) in respect of the year ending 31st December 1972 on the ordinary share capital of the Company. The interim dividend on the ordinary shares will be paid on 8th January 1973 to holders on the London and Melbourne registers as at 22nd November 1972 and to holders of share warrants on or after presentation of Coupon No. 23. The Directors have been advised that the transitional provisions of the Finance Act 1972 would restrict the tax relief available to the Company in respect of dividends in 1973. Payment of the interim dividend in January 1973 one month later than usual, will remove this restriction.

Dividends on both preference and ordinary shares will be paid in United Kingdom currency less income tax at 38.75% or, in the case of shareholders resident outside the United Kingdom, at such lesser rate as may be approved by the Inland Revenue.
6 St. James's Square, By order of the Board
London SW1Y 4LD. P. H. Dean
20 September 1972. Secretary

RTZ

Newsweek

ATLANTIC
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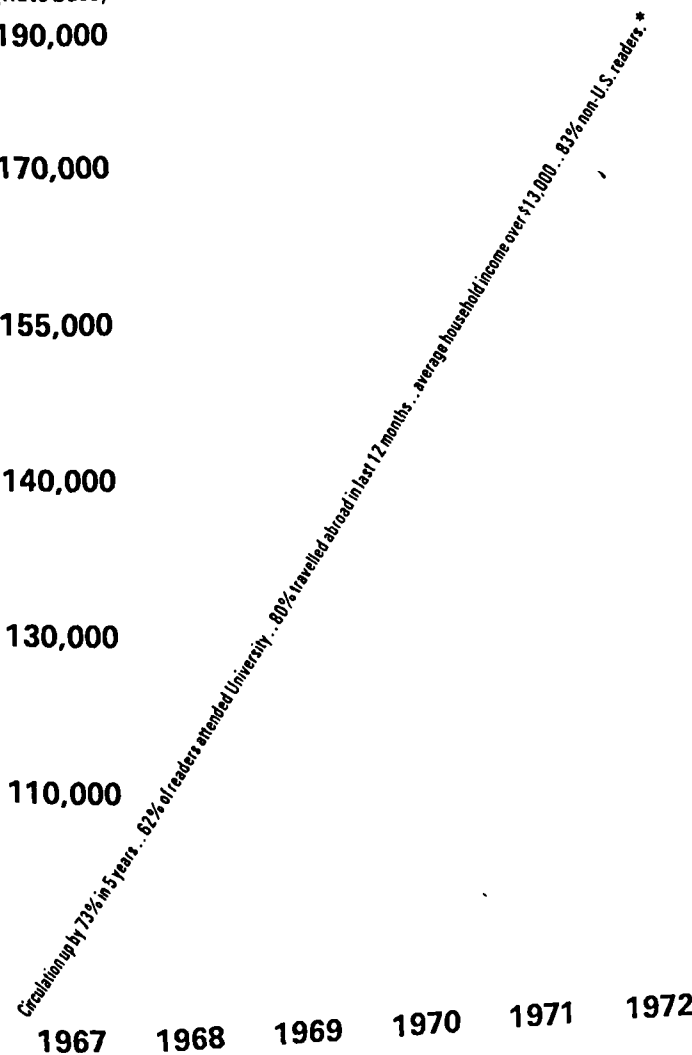
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155,000

140,000

130,000

110,000



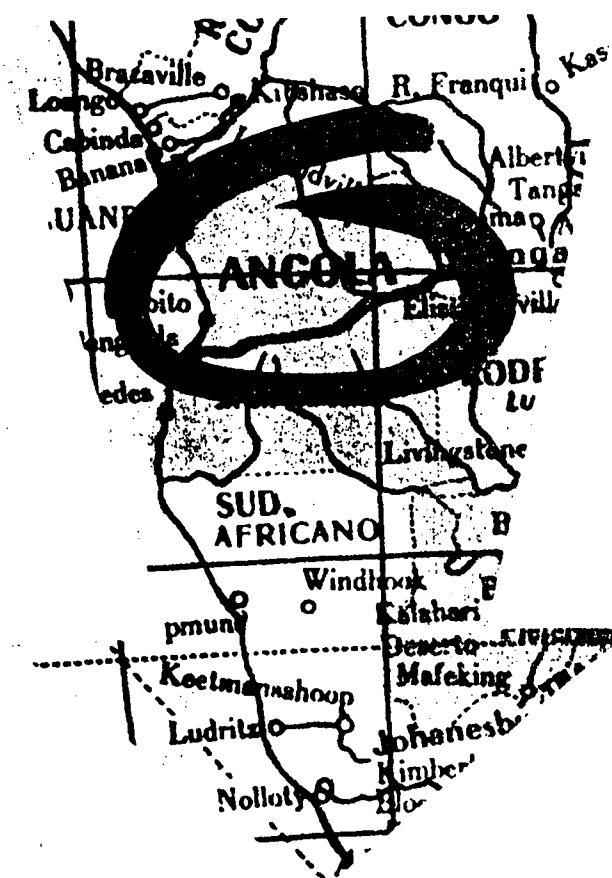
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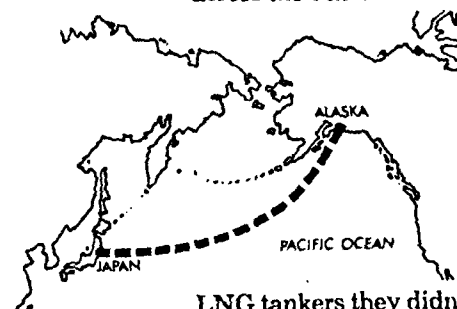
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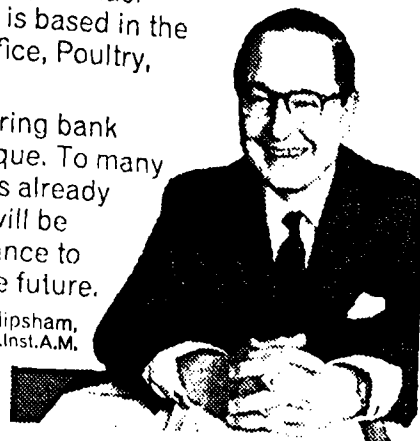
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BUSINESS

Buy those candles now

The electricians seem likely to be the first of the unions to test their strength against Mr Heath's new incomes policy

Before Mr Heath made two quid the limit the leaders of the electricity workers had been preparing to call a strike within the next three weeks, in the hope of getting their 37 per cent wage claim settled before the Government brought in a wage freeze. By Wednesday evening Mr Frank Chapple, one of the Trades Union Congress's resolute moderates, was reduced to pointing out on Thames television that a voluntary incomes policy assumed that there would be some volunteers, and he did not see his members providing them.

Where does Mr Chapple go from here? At least half a dozen other unions are watching to see how he gets on, among them Mr Joe Gormley's miners, who have a 30 per cent wage claim in; Mr Alan Fisher's dustmen (43 per cent); Mr Reg Bottini's farmworkers (60 per cent); Ford's workers (50 per cent) and the teachers, policemen, printers, postmen and others with claims submitted or in preparation. Most of them have called the Government's plan inadequate, unfair, unacceptable and not their cup of tea, even though the farmworkers stand to gain a good deal from it. The Government has, in its turn, instructed all employers in the public sector not to settle for anything more than £2 a week between now and the next meeting with the TUC on October 16th, which rules out any chance of Mr Chapple rushing through a generous settlement with the Electricity Council. A flat £2 a week would give his members 6 per cent.

There is still a strong probability that the power workers will go as far as a strike, but they must now allow for the equally strong probability that, if they do, the Government will order a cooling-off period. That did not scare the railway unions when it was tried out on them for the first time, but a 60-day cooling-off period would

do precisely what Mr Chapple had hoped to avoid, which is to push the strike on into mid-winter, when the days are at their shortest, the weather is at its coldest and a national blackout is most likely to lose public sympathy. Mr Chapple's men were pretty unpopular with everyone except Lord Wilberforce when they worked to rule in December two years ago.

The electricians are, however, in an unusually militant mood; even though their earnings have risen by nearly 60 per cent in the past three years, and they have bonuses equal to at least 2 per cent still to work through from the Wilberforce settlements which the Government has reassured them are not touched by the new freeze. The men have not forgiven their leaders for settling at the beginning of the year, just before the miners ended their strike, for a modest-looking 8 per cent (which was increased by various concessions already promised to 12 per cent). To them it looked a poor achievement beside the huge increases that the miners, dockers and car workers won later in the year because they obstinately refused to go back to work for anything less. Nothing will convince the power workers that the increases in productivity that automatically follow the trebling of generator sizes in the power stations is not the result of their own efforts, and they are set on getting the rewards for it.

Even without a freeze, the electricity industry would be in no shape to pay this sort of increase; on Tuesday the Electricity Council reported a £23m loss over the network, and even bigger losses are likely this year. The Government is assuming that the mere process of holding down price increases to 5 per cent over the past year has produced a combined loss of £250m in all the nationalised



Electricians, dustmen, miners, farmers teachers, printers, postmen: more than two quid

industries before allowing for whatever other losses they made as a consequence of their own inefficiency—which must have been at least as much again. The electricity industry thinks it has done well to have shed a third of its manpower in five years, and to get rid of 10 per cent in the past year, at a time when small power stations are being steadily taken out of commission. But the rate of run-down is really a warning to the unions that theirs is still an over-staffed industry, and that if the management is pressed too far—and the new chairman, Sir Peter Menzies, comes from industry—it may nerve itself for a faster shake-out.

Mr Chapple's continually expanding Electrical, Electronic, Telecommunication and Plumbing Union, now the fifth biggest in the TUC, has continually ducked a decision on whether or not to stay registered under the Industrial Relations Act. A ballot, which has been promised but postponed, is thought almost certain to produce a majority among members for staying on the register, which would then lead to the union being thrown out of the TUC. What Mr Chapple would like before the ballot is taken is some understanding that Mr Maurice

Macmillan, the Secretary of State for Employment, will make some small amendments to the Act, which would make it easier for the electricians to organise a closed shop and rather harder for what they describe as "bogus" unions to register in order to make a closed shop difficult. In principle, the Government is not against these proposals.

It would be a coup for Mr Chapple if he emerged as the union leader who had persuaded the Government to amend the Act, and an even bigger one if he then went for a merger between his union and that of Mr Hugh Scanlon's engineers in which he was top dog. He is also looking at other mergers, too—the National Union of General and Municipal Workers has come under his eye—but these are not as attractive as the engineers. Mr Scanlon may retire soon, and Mr Chapple could be his heir-apparent. This could produce a block vote in the TUC 2m strong; as very many engineers are to the right of Mr Scanlon, under Mr Chapple's leadership it should be a moderate block vote. It is quite an ambition, and the first steps towards it depend on how Mr Chapple extricates himself from his present difficulty as the new incomes policy's stalking horse.

Too slowly, to Shultz, without sanctions?

The Americans did a Barber at the IMF meeting and quite nicely too. But there was a horrible silence about world inflation

When the finance ministers and central bankers from 124 countries met in Washington this week their discussions might have centred on the worldwide problem of inflation. But instead their job at this year's meeting of the International Monetary Fund, as they saw it, was to try to move half a step forward towards a new monetary system. Of course, the German economics minister, Herr Helmut Schmidt, said price stability must have top priority "for all of us." And he went on to say that the explosion in international liquidity (an increase of 61 per cent in two years) had certainly nourished world inflation. For that reason, it looks as if Germany will oppose any new allocation of special drawing rights (SDRs) next year. On the other hand, Italy's Signor Giovanni Malagodi, who had been expected to favour only a nominal allocation to keep the scheme going, surprised the meeting by asking for annual amounts as large as in the first three-year period (roughly \$3 billion a year), although for two years only. Taking an un-gallic mid-road position, M. Giscard d'Estaing asked for a limited allocation. If little thought was given to inflation, it goes without saying that few of this year's speeches touched on domestic economic performances. Mr Anthony Barber, perhaps, could be excused: he addressed the meeting on the same day as Mr Heath announced his incomes policy.

When President Nixon told the largest financial gathering the world has ever seen that his Secretary of the Treasury, Mr George Shultz, would outline a number of proposals, there was audible relief. Although Mr Nixon was responsible for destroying the world's old monetary system in one fell swoop on August 15, 1971,

until this week his Administration had refused to give any leadership on what should replace it. His proposals for monetary reform, although not yet spelt out in detail, have a considerable amount in common with the British scheme to reduce the role of gold and give special drawing rights a bigger role in the system, which the Chancellor presented at last year's IMF meeting. The biggest room for disagreement, however, is over what the Americans care about most: the need to improve the process by which countries correct surpluses or deficits in their balance of payments. The Americans suggest that this correction should be guided by an automatic indicator, related to a country's gains or losses in reserves. Mr Barber, on the other hand, told the meeting on Tuesday that he did not believe "that it would be practical politics to rely on any purely automatic mechanism." And M. Giscard d'Estaing, in an otherwise co-operative speech which advocated in only the mildest way the case for a continued link between parities and gold, said quite firmly that no attempt should be made to accomplish parity changes by formal procedures.

The bite in the Shultz plan lies in the sanctions proposed against countries which do not obey the new rules. While the British are not against penalties in principle, they might draw back from specifying, as the Americans do, that countries should be ultimately free to levy a surcharge on imports from a chronic surplus country.

British and American views also split on capital controls. The British Treasury still believes that wicked speculators were partly responsible for unpegging the pound last June, even though the foreign exchange markets have demonstrated so clearly since that the Smithsonian pound

was overvalued. So Mr Barber seemed to be asking for short-term capital controls, although apparently without any clear-cut idea of what he wanted, while the Americans are all for discouraging controls. Another possibly prickly point is that, if the EEC countries do move towards monetary union, the guidelines might be applied on a collective basis, provided "the countries were willing to speak with one voice."

As would be expected, the Shultz plan demands that America be able to play as equally an active role in exchange rate changes as any other country. Under the Smithsonian agreement, a currency can move by 2½ per cent either side of its central rate with the dollar. The relative rates between two non-dollar currencies, therefore, can now move by as much as 9 per cent, whereas the rate of any one against the dollar has a leeway of only 4½ per cent. If America wants the full flexibility, as it says it does, then most likely a multicurrency intervention scheme, on similar lines to that now being tried by the Europeans, will be adopted. It will be a good deal trickier to operate than the single intervention system of the old dollar world.

But at least the Americans have given a sensible lead to the new powerful Committee of 20 which is now to detail proposals for reform. And their concession that monetary reform can proceed separately from trade negotiations, although there will be some overlapping issues, should really encourage the new committee to shorten its target timetable. Ridiculously, most people seemed to think Mr Barber was sprinting when he suggested that a consensus of reform should be reached in time for the next annual meeting of the IMF in Nairobi to take "operative decisions."

The Shultz plan

Exchange rates. A fixed "central" or "par" value, but a sufficiently wide margin for fluctuations around the central value to dampen incentives for short-term capital movements. Maybe the permissible outer limits of these margins for all currencies, including the dollar, should effectively allow a fluctuation of 9 per cent between any two currencies. Floating rates not to be banned, but a country that floats its currency beyond a brief transitional period should be required to observe more stringent standards of behaviour in other respects.

Reserves. The special drawing right (SDR)—freed of present reconstitution obligations, designation procedures, and holding limits—would become the numeraire of the system. Amounts of SDRs to be changed periodically to meet the aggregate need for reserves. Official foreign currency holdings alongside SDRs need be neither generally banned nor encouraged. Proposals should be studied for exchanging part of existing reserve holdings into a

special issue of SDRs at the option of the holder. No restoration of a gold-based system, but orderly procedures to facilitate a diminishing role of gold.

Adjustment process. Disproportionate gains or losses in reserves mean that a country is in basic imbalance. Only exceptionally, and for a brief period, should a country in basic deficit be permitted direct restraints (which must be general and non-discriminatory, like import surcharges) rather than a devalu-



What do you think of it?

ation of its currency. Conversely, a country in basic surplus should usually upvalue. Any alternative measures—such as concessionary aid on an untied basis, tariff reductions, or elimination of obstacles to outward investment—must be truly corrective. Sanctions against deficit countries which do not devalue might consist of the withdrawal of borrowing or SDR allocations. Sanctions against surplus countries which do not upvalue might be the loss of the right to demand conversion: ultimately, other countries should be free to impose a surcharge on imports from a chronic surplus country. Controls on capital flows should not be allowed to become a means of maintaining a chronically undervalued currency, and certainly no country should be forced to impose capital controls.

Convertibility. After a transitional period, and after the United States had achieved equilibrium or surplus in its balance of payments, the United States would resume convertibility of official foreign dollar holdings into other reserve assets.

If the committee does spin out its job, its efforts will be in danger of being overtaken by one of two events. There may be another currency crisis which will reintroduce floating generally. This crisis might not be too far ahead if the American balance of payments shows no sign of improving. The devaluation of the dollar has as yet had no significant effect on America's exports, but considerable effect on its imports. And there were some gloomy forecasts of worsening, rather than improving, overseas accounts circulating in Washington this week. But even if there is no such crisis, the Committee of 20 could nevertheless find that its reform, if not introduced for another three or four years, is out of date. The distribution of power will go on changing: significantly, Japan and the Middle East now have 16 per cent of the free world's reserves, compared with 8½ per cent only two years ago.

Proposals for future evolution of the world's money must also include a blueprint for its management. The understandable sympathy shown at this week's meeting for the IMF's Managing Director, M. Pierre-Paul Schweitzer, after the rough handling of his reappointment by the Nixon Administration, should not obscure the real issue. The problem is not only one of personalities, but of decision-making powers. Mr Shultz wants to place the new monetary rules under the guardianship of the IMF, "which must be prepared to assume an even more critical role in the world economy." He went on to recognise that the IMF must be reorganised and strengthened, implying that there must be political representation on it. There is a lot to be said for this, and it is far more important than whether some Americans have been rude to M. Schweitzer or not.

BUSINESS

Suppose it works

There's more in it for some than for others

The justice that limits wage rises all round to £2 a week and price rises to 4 per cent is of the rough sort; men have been complaining about it ever since Christ's workers in the vineyard objected to a flat pay rate of one penny a day regardless of hours worked. Some industries can only be jubilant. They include the capital-intensive, highly-automated ones like oil, chemicals, some kinds of engineering and synthetic fibres. Their payroll, consisting of small numbers of highly-paid workers, will go up hardly at all, but their margins by quite a substantial amount if they take full advantage of the opportunity to raise prices. Industries relying on highly paid professional skills will also feel the benefit. It is small wonder that the British Overseas Airways Corporation's pilots suddenly settled their wage claim on Wednesday afternoon. The train drivers still holding out against British Rail's offer of special rates for test-driving the advanced passenger train must be regretting that they had not, too.

It is the raft of industries employ-

ing large numbers of relatively low-paid workers who are going to feel the pinch. Ministers are frankly afraid that their reaction to the freeze will simply be to get rid of them. The Government's package is intended to redistribute incomes in favour of the low-paid, but the inevitable price will be to increase unemployment among them. A fair number of industries are in no position to give pay increases of £2 a week. They include textiles, employing 580,000; clothing, employing 377,000; not to mention food manufacturing, with 830,000, and shoemaking, with 82,000, and cutting back already in the face of competition from imports.

If industries like these have to pay out an extra £2 a week to large numbers of staff over the next 12 months, their wage bill will rise sharply, and a 4 per cent rise in prices would, in many firms, not be big enough to cover it. Since industries employing large numbers of relatively low-paid people are almost by definition over-manned, this would signal the kind of labour shake-out that has already taken place in

other industries, to the benefit of the economy in the long-term, but producing some unwelcome headaches over the rise of unemployment in the short.

The greatest concern is for the textile industry. Like clothing and shoes, it is not holding its own against competition from imports, and had been campaigning for greater protection long before this blow hit it. All that ministers have been able to offer by way of comfort is the thought that the industry's plight would be even worse were inflation to continue at its present rate, together with the suggestion that the tenor of the Chequers talks indicated that, when whole industries demonstrably cannot pay an extra £2 a week, the unions will not necessarily press for it. Any volunteers?

Women's work

A good proportion of the low-paid workers in the service industries are women, and there are crumbs of comfort to be drawn from this. The obvious crumb is that service industries like garages and restaurants automatically pass increases in costs on to their customers. They do not fall within the price freeze and they will soon be relieved of the remnants of selective employment tax (although some of them will eventually be paying value-added tax). The less immediately obvious one is that the freeze also freezes further progress towards equal pay for women, and women would anyway have stood to get big pay increases in the coming year, since by law their wages were to have been brought up to 90 per cent of men's rates by the end of 1973.

This is crucial in industries like electronics, where the assembly lines are staffed almost exclusively by women, and where labour costs were bound to jump as equal pay came in. But the £2 means a good deal to retailers and to distribution generally. There are at least 600,000 women working in distribution now who earn less than £20 a week, which is the minimum for which their union has

BARCLAYS BANK BRIEFING-19



A quarterly information service
on money matters

Mr. W. G. BRYAN, Chairman of the Financial Services Division of Barclays Bank, examines one of banking's new growth areas.

New Horizons

When one looks around today at the extent and variety of diversification by the Clearing Banks it is worth while remembering how rapidly these changes have come about; for in the mid-fifties the "clearers" were sailing in pretty well-charted waters, confined to a great extent by post-war restrictions but still governed in part by pre-war philosophies.

Neither the opportunity nor, so it seemed, the desire to reach out beyond the ordinary confines of deposit banking were present and "services" were basically limited to the old established trust and tax business and the provision of currency and associated facilities. Portfolio management and corporate advice were still firmly in the hands of the merchant banks, the revival of unit trust investment had not got under way, leasing and factoring were virtually unthought of in this country and consumer credit for the masses in the shape of hire purchase was still considered a somewhat dangerous and, in some degree, an anti-social vehicle of finance.

Surprisingly, perhaps, the break from tradition came in the suspect field of HP in which, by the end of that decade, all clearers were heavily involved and which was accompanied by the brief and somewhat painful incursion of 1958 into personal loans as such. It was nearly ten years later that consumer credit was seriously marketed as a banking service and even then Barclaycard, as the front runner, was bedevilled for a number

of years by credit restrictions of one kind or another.

Awakening giants

If, however, it was becoming clear from these events that the sleeping giants were stirring, the reasons for this awakening were somewhat mixed. Competition was increasing and there was growing evidence that the traditional activities of the clearers were being eaten into by the merchant banks, the newer finance houses and the various savings institutions; costs were rising fast in a very labour intensive field and margins were increasingly under pressure; and perhaps most significantly "marketing" became respectable and the banks realised that in their 10,000 branches they possessed the most powerful marketing network that could be wished for.

From all this has emerged the new world of financial services, closely allied to the mainstream of traditional banking but given the challenging opportunity of competing with the financial specialists both new and old. It has, of course, been argued that to diversify into such peripheral activities was merely diverting effort from the main objective, that there were problems which the Clearing Banks were not equipped to handle and that the possible benefits were irrelevant in terms of overall profit. On the other hand, it has seemed logical enough to take the view that, if financial services were required and could be provided profitably and

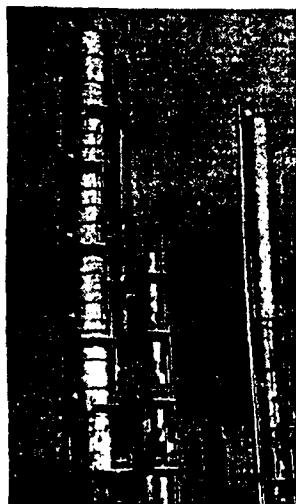


W. G. BRYAN
Chairman, Financial Services
Division and a Deputy Chairman
of Barclays Bank

effectively, then the potential of those services should be developed for the benefit of the banks' own customers, and stockholders.

It is, indeed, a new world full of problems and not without risk, but fortunately one with a reasonable choice in the method of operation from outright purchase of an established business to 100% internal development. In Barclays we have chosen generally to develop rather than to buy, the main exception being in the case of our unit trusts where, through the merger with Martins, we were fortunate in being presented with the established Unicorn Group.

We have also chosen to combine these new activities in a separate division of the bank to ensure that their particular needs receive the special attention called for—that they do



No men in sight . . .

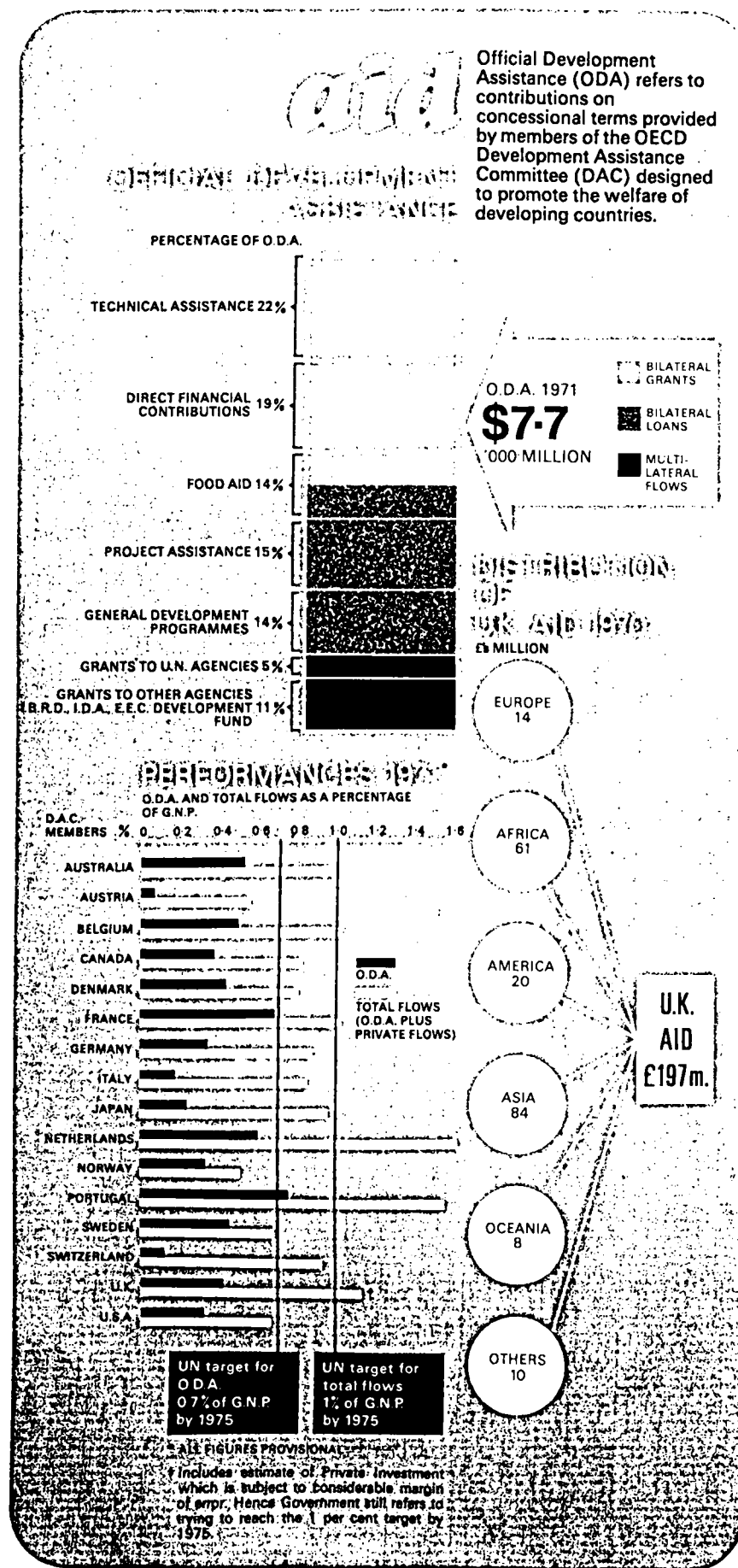


fewer jobs? . . .



no equal pay

CONTINUED ON FOURTH PAGE



A Study in Export Success

By any standards, Sonicaid's is a success story. In five years Sonicaid Limited of Bognor Regis has grown from a little-known firm employing 15 people in making ultrasonic detectors for industry to leading specialists in medical ultrasonic equipment. As the company's reputation has stretched world-wide its turnover has increased over 100 times, its ratio of export to total sales has risen from about 5% to 84%, and its staff now numbers close on 100.

The turning point in Sonicaid's business came in 1967 when it took its first step into the highly specialised field of medical electronics. This took the form of the

Sonicaid D205 Fetal Blood Flow Detector, a device using ultrasound, transmitted at very low power, to detect the fetal heart-beat within 10-12 weeks of conception. The D205 also had valuable diagnostic applications throughout pregnancy.

Competitive

Shown at the Ultrasonics for Industry Exhibition in October 1967 it was judged competitive in every respect with its only rival, made by one of America's biggest medical companies. Its price, on the other hand, was appreciably less than its competitor.



A Sonicaid FM2 Fetal Monitor in hospital use

The ensuing publicity led to the D205 being exhibited in Berlin early in 1968. There Mr. Ronald Cowan, Sonicaid's founder and managing director, established his first links with European distributors in readiness to meet the orders for the instrument that seemed bound to follow. And follow they did. By the end of October the European order book alone was worth nearly £50,000 for an instrument selling at about £100.

Export finance

The prospect of a large and expanding export market brought with it the problems of financing the period of credit allowed to overseas buyers. At this point Barclays' manager at Chichester, where Sonicaid keeps its accounts, introduced Mr. Cowan to Barclays Export and Finance Company.

BEAFCO its invoices expressed in sterling and with evidence of shipment. On the same day the invoice is received, and if there is no query, BEAFCO sends a cheque in payment direct to Barclays in Chichester for the credit of Sonicaid's account.

"This service might have been tailored for a company like Sonicaid," Mr. Cowan says. "To be assured of a steady cash flow in those early days of rapid growth gave us the financial backing we needed. It also freed us of exchange risks, kept our accounting staff to a minimum and enabled us to achieve considerable expansion with very little increase in our capital."

Distinction

Since those early days, less than five years ago, Sonicaid has marked up success after success. Its development and marketing of other equipment, including a Fetal Monitor—probably the first ultrasonic monitor in quantity production—have boosted the company's turnover to over £600,000. With overseas sales totalling 84% of total production Sonicaid has achieved the distinction of exporting to every continent, and in recognition of this performance Sonicaid's marketing director, Mr. K. A. Wheelodon, was made an M.B.E. for services to export.

PRODUCTION OF CARS (monthly averages—thousands)

		U.K.	U.S.A.	GERMANY	FRANCE	ITALY	JAPAN
1969	3rd Quarter	118	518	217	136	115	218
	4th Quarter	132	687	262	201	89	256
1970	1st Quarter	147	630	262	214	147	236
	2nd Quarter	157	726	286	221	137	265
	3rd Quarter	92	397	210	153	131	261
	4th Quarter	153	435	285	232	159	297
1971	1st Quarter	144	807	294	240	143	295
	2nd Quarter	157	767	296	226	138	297
	3rd Quarter	121	562	250	176	124	293
	4th Quarter	159	721	258	258	162	352
1972	1st Quarter	160	754	284	271	159	318

NATIONAL SAVINGS—AMOUNT OUTSTANDING (£'s million)

End of:		Nat. Savings Certs.	Brit. Savings Bonds	Premium Savings Bonds	Nat. Savings Bank		Trustee Sav. Bank		Nat. Development Bonds	Other	Total
					Ordinary Acc.	Invest. Acc.	Ordinary Dept.	Special Dept.			
1969	June	2,563	188	726	1,550	22	1,070	1,349	549	333	8,548
	September	2,535	217	741	1,522	23	1,052	1,361	518	336	8,513
	December	2,507	307	753	1,499	24	1,043	1,368	432	396	8,451
1970	March	2,483	322	765	1,498	26	1,073	1,392	418	305	8,517
	June	2,453	372	774	1,476	27	1,074	1,416	372	290	8,502
	September	2,431	406	785	1,459	28	1,075	1,451	338	280	8,520
	December	2,475	439	797	1,445	30	1,073	1,469	311	272	8,589
1971	March	2,508	490	810	1,475	32	1,130	1,505	245	283	8,768
	June	2,532	526	845	1,459	33	1,145	1,542	224	275	8,884
	September	2,552	571	868	1,455	35	1,149	1,593	184	285	9,010
	December	2,607	618	890	1,453	37	1,155	1,642	179	298	9,220
1972	March	2,654	719	913	1,474	40	1,205	1,711	117	307	9,507
	June	2,677	777	928	1,484	44	1,246	1,777	113	323	9,767

HIRE PURCHASE AND INSTALMENT CREDIT IN GREAT BRITAIN Seasonally adjusted (£'s million)

	Retailers				Finance Houses				Total
	New credit extended	Repayments	Change in debt	New credit extended	Repayments	Change in debt	New credit extended	Repayments	Change in debt
1969	2nd Quarter	206	198	+8	183	-10	379	381	-2
	3rd Quarter	206	209	-3	180	-4	382	389	-7
	4th Quarter	210	208	+2	160	0	390	388	+2
1970	1st Quarter	216	210	+6	181	+6	403	391	+12
	2nd Quarter	219	211	+8	188	+16	423	399	+24
	3rd Quarter	227	218	+9	200	+11	438	418	+20
	4th Quarter	232	226	+6	197	+23	452	423	+29
1971	1st Quarter	196	211	-15	192	+19	407	403	+4
	2nd Quarter	242	217	+25	202	+8	452	419	+33
	3rd Quarter	281	246	+35	216	+73	570	462	+108
	4th Quarter	292	258	+34	215	+65	572	473	+99
1972	1st Quarter	291	258	+33	213	+54	558	471	+87

QUARTERLY CLASSIFICATION OF BANKERS' ADVANCES

August 1972	£'s m.	Quarter's Change Un-adjusted	Quarter's Change Seasonally adjusted	August 1972	£'s m.	Quarter's Change Un-adjusted	Quarter's Change Seasonally adjusted
MANUFACTURING				SERVICES			
Food, drink and tobacco	447	+16	+45	Transport & Communication	389	+45	+61
Chemicals	400	+54	+60	Public Utilities	256	+15	+14
Metal Manufacture	220	+42	+43	Local Government	79	+17	+17
Electrical Engineering	427	+5	+5	Retail Distribution	483	+6	+17
Other Engineering	1,194	+59	+72	Other Distribution	737	+77	+59
Shipbuilding	582	+38	+38	Professional, scientific and other	981	+68	+94
Vehicles	596	+15	+14	Total Services	2,924	+228	+262
Textiles and Leather	356	+37	+17	FINANCIAL			
Other Manufacturing	536	+16	+20	Hire Purchase	263	+33	+41
Total Manufacturing	4,758	+282	+314	Property	1,001	+225	+225
OTHER PRODUCTION				United Kingdom Banks	232	+12	+12
Agriculture, Forestry and Fishing	659	+51	+26	Other Financial	1,556	+332	+365
Mining and Quarrying	202	+1	-1	Total Financial	3,052	+602	+643
Construction	851	+87	+102	OVERSEAS			
Total Other Production	1,713	+140	+127	Overseas residents—including banks overseas	7,487	+701	+701
PERSONAL				TOTAL ADVANCES	22,311	+2350	+2395
House Purchase	707	+105	+93				
Other Personal	1,671	+293	+255				
Total Personal	2,378	+399	+348				

BARCLAYS BANK BRIEFING—19

New Horizons

continued from page one

not, in effect, get overlain by the main body. Nevertheless, we believe it to be of the greatest importance that we should attract into the various companies talent and experience from outside the bank to complement the skills we can provide from within and that the interaction of differing experience, outlook and background will provide the best possible foundation for future growth.

Separate companies

The integration of individual specialists into the structure and ethos of a large organisation must inevitably create problems and, in particular, the more intractable ones of status and of reward. It has seemed right to us to incorporate the various activities into separate companies where individuals can more easily develop their particular skills without the natural fear of loss of identity and, doubtless, time and experience will help to provide the answers.

More substantial and quite vital to the whole operation is the question of marketing. This inevitably rests on the shoulders of the domestic branch managers and their staff, whose lives become daily more complex even without the added complication of providing the outlets for what must seem to be a never-ending succession of new services, at times confusing and almost always time-consuming. It calls for a high degree of understanding, at the marketing end, of overall Group requirements and, by the enthusiastic specialist, of the problems of everyday life in the market place.

Exploration and development have never been trouble-free, but though the new horizons of financial services will certainly engender their own growing pains, the rewards—financial and personal—will be earned by those who seek them.

EXPORTS AND IMPORTS (Monthly Averages seasonally adjusted \$'s millions)

EXPORTS (FOB) with percentages of GNP (at factor cost)

		U.K.	U.S.A.	GERMANY	FRANCE	JAPAN
1969	2nd Quarter	1,412	3,344	2,422	1,271	1,315
	3rd Quarter	1,516	3,346	2,453	1,210	1,378
	4th Quarter	1,534 (16%)	3,415 (4.0%)	2,639 (19%)	1,309 (11%)	1,421 (10%)
1970	1st Quarter	1,575	3,478	2,733	1,413	1,530
	2nd Quarter	1,586	3,649	2,818	1,484	1,570
	3rd Quarter	1,526	3,654	2,884	1,503	1,622
	4th Quarter	1,752 (16%)	3,649 (4.4%)	2,952 (18%)	1,568 (12%)	1,716 (10%)
1971	1st Quarter	1,628	3,817	3,079	1,597	1,856
	2nd Quarter	1,841	3,731	3,187	1,674	1,972
	3rd Quarter	1,933	3,922	3,393	1,774	2,044
	4th Quarter	2,016	3,274	3,347	1,814	2,128
1972	1st Quarter	2,016	3,994	3,688	1,957	2,237

IMPORTS (CIF except U.S.A.—FOB)

		U.K.	U.S.A.	GERMANY	FRANCE	JAPAN
1969	2nd Quarter	1,683	3,214	2,043	1,492	1,154
	3rd Quarter	1,672	3,110	2,067	1,466	1,348
	4th Quarter	1,685	3,125	2,271	1,449	1,358
1970	1st Quarter	1,719	3,241	2,410	1,518	1,486
	2nd Quarter	1,837	3,292	2,444	1,573	1,537
	3rd Quarter	1,767	3,336	2,493	1,627	1,634
	4th Quarter	1,923	3,449	2,603	1,656	1,639
1971	1st Quarter	1,906	3,651	2,691	1,668	1,642
	2nd Quarter	1,979	3,943	2,799	1,731	1,647
	3rd Quarter	1,998	3,982	2,935	1,831	1,576
	4th Quarter	2,121	3,637	3,032	1,853	1,704
1972	1st Quarter	2,293	4,493	3,138	2,135	1,803

Barclays' Chairman visits Pacific basin

Sir John Thomson, Chairman of Barclays Bank Limited, left London on September 16 on a one-month visit to Singapore, Kuala Lumpur, Australasia and San Francisco. With him is Mr. R. G. Dyson, Deputy Chairman of Barclays Bank International.

New ventures

Barclays have recently announced several new ventures in the Pacific basin and Sir John is investigating further possibilities during his tour. He will be meeting senior ministers and government officials in Australia, Singapore and Malaysia. His other engagements include attending a Foreign Correspondents' Association luncheon in Singapore.

From New Zealand the party will call at Fiji and the New Hebrides where Barclays Bank

International are expanding their branch network.

Barclays' new interests in the area, gained through Barclays International, include a 20 per cent stake in New Zealand United Corporation, New Zealand's leading merchant bank, and a 70 per cent interest in a new \$A2.2 million merchant bank to operate in Sydney and Melbourne, Barclays Australia Limited.

Barclays International also plan to set up a Far East merchant bank in conjunction with Merrill Lynch, Pierce, Fenner & Smith International and Nomura Securities.

In San Francisco is the headquarters of Barclays Bank of California which in less than seven years has built up a 26-branch network throughout the State and deposits of \$176 million.

been pressing. A wage claim is in for 200,000 workers in supermarkets whose average wage now is £14 a week. The department stores, Selfridges and John Lewis among them, have recently been giving increases of around £2 a week to men but £3 to women workers in order to move towards equal pay. Retailers as a whole will now be relieved of the growing obligation to give women bigger rises than men. Since women dominate the labour force, the shops can only be thankful for it. Still, the shops are more worried about rising overheads than about rising wage bills, and are particularly alarmed at the latest recommendation to increase road haulage rates by 10 per cent.

The mechanics of a retail price freeze mean that the Government will not really be able to stop some shopkeepers from edging up their margins. But ministers are going to come under great pressure to be seen to be doing something. The means of monitoring prices in a crude sort of way already exist in the data collected in order to compile the monthly retail price index. This would allow the Government to wag a warning finger. But because consumer goods are not homogeneous, it is always going to be possible to argue back that an apparent price rise is due to an improvement in quality, a change in technology or simply the cost of restyling. One precaution the Government is thinking of taking is to ask consumer industries to start quoting prices per pound or per unit, as they are obliged to do now for certain goods under the Weights and Measures Act. This is something that consumer organisations have been urging for some time; but while it makes it easier for shoppers to compare prices, it does nothing to see that they do not rise by more than 4 per cent over the year.

Prices will be hit : increases announced or forecast since July 1st

	annual rate %		annual rate %
Agricultural land	25	Gas industry	5
Aluminium	8	Gin	6
Bacon	8	Whisky	6.7
Beer	8.5	Leather (over one year)	100
Bricks	7.5	Meat	"Inevitable"
Bus and underground fares	3	Metal (scrap) per ton	7.5-10
Cars (VW, BMW, British Leyland, Ford, Renault)	3-6.5	New houses (over two years)	29
Cigarettes	2.5	Nylon yarn	5-10
Cocoa, per ton	1.7	Oil	1
Coffee, per ton	4	Package tours	20
Corrugated packaging	"very likely"	PVC	8
Domestic air fares	5-15	Rail fares: passenger	7.5
Electricity: domestic	15	freight	2.5
industrial	2	Shipping freight	7-10
Ferry (car) fares	7.5-15	Steel	"Substantial"
Fertiliser	7.5	Sugar	5.5
Fish (over last year)	26	Wheat	18
		Zinc, per ton	6.7

Good for profits

Many members of the Confederation of British Industry are wringing their hands at the prospect of a 4 per cent price ceiling. They ought, instead, to be clapping: 5 per cent growth for the economy as a whole will usually produce a somewhat faster growth in industrial production and manufacturing output. The National Institute of Social and Economic Research calculated, on its 3½ per cent growth forecast for 1973, that industrial production would rise by just over 4 per cent and manufacturing production by just under that. On top of this, productivity in industry is now rising very rapidly indeed. The July figures suggest an 8½ per cent rise in industrial productivity on a year ago.

Thus output in industry could well rise 6 per cent with little if any extra employment. Add to this a 4 per cent rise in prices and the value of final output could be up by more than 10 per cent. Against this the cost of £2 a week all round would be an extra 9 per cent on the wages bill. A difference of 1 per cent may not sound much, but as profits are only a fraction of total value-added there is considerable gearing. With gross profits, for instance, at 25-30 per cent of value-added, the rise in profits would be, not 9 per cent, but 13-14 per cent.

Economic growth is good for profits—and a far more important influence on them than simple price rises. As output rises, productivity goes up; as factories operate closer to capacity, unit costs come down. The desperate attempts of companies to retain their share of the national cake through price rises has been far less successful than that of the unions to have their cake and eat it; the share of profits in

national income has fallen war years from a high of 12 per cent in 1951 to a mere 12 per cent in 1971. The tendency has been to fall most when growth has been slowest.

The effect of a rise of 10 per cent in real output might have effect on the share of profit: income; they could conceivably increase it from 12 to 16 per cent, on a relatively crude calculation on the assumption that the rise did not intend some of the gain to go to consumers and wage earners. A better guess may be 14 per cent.

The fact remains that the effect of the incomes policy is to redistribute income in favour of company profits, and away from nationalised industries and real battle will be to win it politically. One way of winning it is to lose an unimportant battle on dividends. The Government is prepared to do this.

Dividend restraint did little for anyone. Over the past few years profits have been hanging on, and they had been before the Labour government came to power during it and after it. The share of profits that is distributed fell from 1968's 33.6 per cent to this year's 31.3 per cent.

One red herring about corporation tax, starting in 1973, is that it will be killed off; it is not. It will encourage companies to pay dividends—it simply removes the incentive of the present double taxation that they will pay tax of 30 per cent on their profits whether they pay dividends or not. Thus dividend restraint will force companies to have less money, which might encourage them to pay dividends.



It's quite tough on shops

THIS BRIEFING has been prepared by Barclays Bank in the hope that it will provide a useful service for journalists, economists and everyone interested in finance. The tables have been specially compiled from the latest available statistics. Further information is available from the Bank's Press and Information Department (01-626 1567, Ex. 7145) 54 Lombard Street, London, EC3P 3AH

Who gets what

The effect of £2 a week all round is to add 7 per cent on wages and salaries, plus another 2 per cent for the inevitable extras, making 9 per cent in all, but with higher percentage increases for the low-paid. But the effect on earnings is not going to be as simple as that. Anyone on a flat weekly wage will be restricted to £2 and no dodging about. But for men who qualify for bonus and shift payments calculated on the basic rate—and that goes for a great deal of the engineering and motor industries—by the time their wage packets have been made up some will get nearer £5 a week than £2.

The same is true for that half of the working population that does overtime, and the amount of overtime worked is starting to rise again, it is already nearly 10 per cent higher than it was last autumn. The Treasury has calculated that these aberrations from the £2 rule together add up to something like £700m on the wage bill. This was then averaged out to the 60p-a-week figure for wage drift quoted by the Prime Minister. What he omitted to explain was how unevenly it was going to be distributed.

Some of those who may get most from it are in British Leyland factories, where the new pay system that is gradually working its way through the company is going to bring some sizeable rises unaffected by the Government's freeze. This may take a lot of explaining away to other unions, and to men in other parts of the motor industry whose wage claims stand to be clobbered by the freeze (as Ford's will be). The freeze bans new productivity agreements, because Whitehall has learned from Labour's last wage freeze that the fake

productivity deal (ie, an end to tea-breaks) is the favourite management-union device for breaking one. Deals either in existence or under negotiation are, however, going on. This is crucial to British Leyland, which thinks that its only hope of breaking the perpetually disruptive power of its shop stewards lies in wooing the men off piece rates and on to the equivalent of a weekly wage. The carrot has to be luscious to persuade them, and the British Leyland factories that have accepted so far have had rises of around £5 a week. The men at the Longbridge factory, one of the company's traditional trouble spots, and at Triumph in Coventry, had been holding out the longest against the new scheme. The thought that, unless they do accept the pay system, they may be restricted to a £2 rise, instead of another £5, got talks moving smartly on Thursday afternoon. But only by stretching the definition of what constituted negotiations to its very limits could they be said to have gone far enough already to squeeze past the Government's ban on new productivity agreements. Nevertheless, Whitehall seems ready to agree that they have, indicating that the Government is preparing to treat Lord Stokes's problems as special. This spells trouble.

So could the promise of what amounts to a general threshold agreement, allowing wages to go up that bit more if retail prices rise by more than is intended. It is said that this will only be allowed if the rise is due to once-and-for-all factors like the introduction of value-added tax, or the effect of the common market on food prices. But, ominously, the offer is one of an arbitrary 20p a week increase across the board for every point by which retail prices rise above 6 per cent.

The poor do not get as much out

of the flat rate £2 as might look at first sight. Single people and couples without children do relatively well; and there are about 13m households, excluding pensioners, in this category.

On average a single man or woman now on £15 a week will get more than a 10 per cent net rise. If however, people are poor enough to get rent rebates, and, worse still, if they have children, that extra £2 on a £15 a week wage can have a net worth of only 40p. To a single man earning £40 a week, it is worth 130p.

Lots of tax cuts?

The presumption is that the package is going to put personal incomes up by around 8 per cent. It is anybody's guess what will happen to the other parts of the economy; but 8 per cent on disposable incomes, offset by a 5 per cent rise in retail prices, would seem to add growth up to only a 3 per cent rise in real consumer spending. The Government says it is going for 5 per cent real growth in gnp. If this is intended to be a consumer-led boom, 2 per cent of it appears to be missing.

It can only come from tax cuts. The Government has no intention, now that it has produced this package, of adding an autumn budget as a sort of frosting on top; but by next spring it will have to do something to stimulate spending. There are several ways open to it. Personal tax allowances will need to be raised, if only to take care of the buoyancy of the income tax system; but the main cuts may well come in indirect taxes as part of the drive to keep down prices.

The notional rate at which value-added tax will be introduced in April is 10 per cent; and the National Institute has estimated that this will actually deflate consumer demand by putting 1.1 per cent on prices, or £420m at 1972 rates of spending. This calculation is made up of £101m more from Vat-plus-the-car-surcharge than from the purchase tax and selective employment taxes it replaces; £134m from the fact that Set has not been passed on in full to the consumer, so its going will not be passed on in full either; £185m from the fact that Vat will fall more heavily on consumers and less on industry than purchase tax and Set do now.

To offset this, the Chancellor has (a) the purchase tax holiday promised before Vat comes in, which is likely to be short; and (b) the option of setting Vat at 7½ per cent, which is the lowest

end of the 7½-12½ per cent range allowed under the 1972 Finance Act.

But a 7½ per cent rate for Vat will do no more than stop indirect taxes from having a deflationary effect. To reflate on top of this more cuts are needed. The obvious candidates are not purchase tax or Set—cuts in them now would make an even lower rate of Vat necessary—but the taxes on oil, tobacco and alcohol.

If the Government aims at reductions equal to 2 per cent of consumer spending, that is £800m. Cuts in tobacco duty might cause controversy but beer duty yields nearly £500m in a year. It could be halved, with a powerful effect on the cost of living. Beer would come down by 2p a pint.

Oil duties are not such an obvious choice for cuts. Sixty per cent of them are paid by industry, which is already going to have a massive cash flow injection from the Vat changeover (the reverse of the factors causing a 10 per cent Vat to put up consumer prices). Wine duties raise only £85m a year, but halving them would put the total, with beer, up to £300m. The duty on spirits is £2.20 for the normal bottle, 550 per cent of its duty-free price; this is ludicrous, and halving it would cost £200m, making a total cut of £500m. The further £300m could come from a Vat starting rate below 7½ per cent. This gives the Government considerable scope, along with dividend restraint and some much less desirable subsidies to nationalised industries, for bargaining with the TUC.

It could work

In the past quarter of a century incomes policies of one kind or another have been tried in Britain in one year out of every two: Sir Stafford Cripps, Mr Harold Macmillan, Mr Selwyn

Lloyd, Mr Maudling, Lord George-Brown and Mr Wilson have all had a go. There is therefore plenty of experience from which to judge the success of such policies. The simplest way to do this is to assume that the rate of growth of wages is normally determined by the pressure of demand in the economy, as measured by the level of unemployment, and to see how far incomes policies changed things.

A rough calculation suggests that, over the whole period 1948 to 1965, weekly wage rates during a year rose on average by 6.7 per cent when unemployment was 1 per cent and by 2.7 per cent if unemployment increased to 2 per cent. This relationship, in which the rate of growth of wages falls by four points for every one point rise in unemployment, can be used to estimate what might have been expected to happen in any particular year during the period. The chart compares the actual movements in wage rates with such estimates. The shaded areas show when an incomes policy was in force. Very broadly speaking, wage rates do appear to have risen less rapidly in years when incomes policies have been operating than would have been expected from the pressure of demand in the economy.

The trouble is that there have been very few normal years during this period. Either we have just been recovering from the last dose of incomes policy or just about to get the next. However, a far more interesting story emerges when the calculations are divided into periods when incomes policies were being applied and periods when they were not. As the dividing line between "policy-on" and "policy-off" periods is blurred, two divisions have been made into "policy-on," which covers all periods of any policy however ramshackle; and "policy full-on," which includes only full-scale freezes.

Average rise in weekly wage rates
%
(December to December) Unemployment at

	1%	2%
1948-65	6.7	2.7
Policy-on*	4.0	4.8
Remainder of period	7.9	1.9
Policy full-on**	1.5	5.4
Remainder of period	7.1	3.7

*1948-50, 1956, 1961-68 **1949-50, 1961-62, 1966-68

The difference between policy-on periods and the remainder is striking. As expected, the rate of wage increases declines with rising unemployment when there is no incomes policy. But

when incomes policies are applied, although the rate of increase in wages is reduced at low levels of unemployment, wages rise faster the higher the level of unemployment.

The explanation is probably that periods of incomes policy have, in the past, been associated with measures to slow down the economy or to shift resources to the balance of payments, public expenditure or investment. Such measures, usually tax increases, put up both costs and prices which also increase wage demands, as well as putting up unemployment. Incomes policy is successful, but has other forces operating against it that lead to both higher wages and higher unemployment.

If this is true, this time it could be different. This time incomes policy can be reinforced by tax cuts. Mr Heath stands a better chance of success than any of his predecessors.

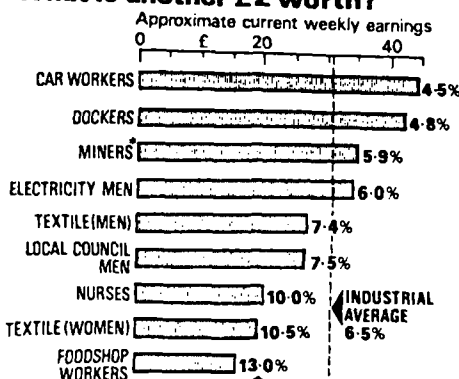
Hardly anyone has done worse

Tearaway inflation has not been a purely British phenomenon. Since the late 1960s virtually all major industrial countries have been facing price increases well above historic norms—and most when there has been slack in the economy. The upturn in the American economy is already well under way, but most continental European countries are only now moving into the recovery phase. The slack to be taken up varies from country to country, but none of the heavyweights has been suffering from straightforward pressure of demand, nor is any likely to in the future. Only in Holland, where there are real regional headaches, is the level of unemployment and of spare capacity in industry likely to be misleading.

The charts on the next page tell the story. For Britain and four other major economies they compare what consumer prices have done in the recent past both with earlier price movements and with indicators of shortages of labour and plant. It is a story that has been repeated everywhere, especially in Italy.

But the charts also point up just how much worse Britain's price performance has been than that of its major competitors—including those soon to be its common market partners. On the latest figures—not to mention the forecasts worked out before Mr Heath's Tuesday initiative—only Holland and

What is another £2 worth?



Figures show percent by which wages would rise for a standard 40-hour week

*including coal and housing concessions



Those talks get moving too

The British Electric Traction Company, Limited

Sir John Spencer Wills forecasts still higher earnings

The Annual General Meeting of The British Electric Traction Company, Limited will be held on 19th October 1972, at the Connaught Rooms, Great Queen Street, London, W.C.2.

The following are extracts from the Review by Sir John Spencer Wills, Chairman and Managing Director, which has been circulated with the Report and Accounts for the year ended 31st March 1972:

Accounts

In my Review last year I said that we had begun to reap the benefits of the groundwork put into the development and expansion of the businesses in which we invested the proceeds of the sale of our United Kingdom bus interests and that we should reap further benefits in the year to 31st March 1972. This expectation has been amply fulfilled. The pre-tax profit of the Group at £23,390,000 is 22.9 per cent up on the previous year and the earnings, after tax and minority interests, attributable to the B.E.T. Company are £11,605,000, compared with £9,032,000 for the previous year—an increase of 28.5 per cent.

Excellent results were produced by Boulton & Paul and by our associated company, Thames Television, and there was a substantial improvement in those of Rediffusion, but Murphy Bros., Argus Press Holdings and our plant hire interests fared less well than in the previous year. Owing to the incidence of their financial year-ends in relation to that of B.E.T., only one of the companies which became subsidiaries during the year made a contribution—a small one—to Group results and the considerable increase in our profit came from organic growth.

The major newcomer to the Group was United Transport Company. As United Transport's year ended on 31st December 1971, a few days after it became a subsidiary, the company's 1971 earnings of £2.2 million have not been consolidated in our Profit and Loss Account. That Account includes only dividends totalling £178,000, received or receivable during the year on our shareholding in United Transport as it stood prior to B.E.T.'s Offer.

The Board recommend the payment of an increased final dividend of 3.75p per 25p share on the Deferred Ordinary capital making, with the increased interim dividend of 2.0p per share paid on 11th April this year, a total distribution of 5.75p per share for the year. The cost of the final dividend will be £5,298,200, of which £569,600 is attributable to the new shares issued to former United Transport shareholders.



Canadian Motorways

The profit, before tax, of Canadian Motorways in 1971 at £497,000 was an improvement on the previous year's results. Although recent substantial wage awards to employees will increase costs, a further improvement in profit is expected in the current year.

United Transport Company

United Transport had a successful year in 1971 and the profit, before tax, of £7,023,000 showed an increase of 13.0 per cent compared with the profit of the previous year.

The United Kingdom transport interests, which include all forms of road haulage as well as warehousing and forwarding, were subject to intense competition during the depressed economic conditions of 1971 and it is particularly encouraging that they managed to improve their profits. The Dendix brush group, which is the leading industrial brush manufacturer in this country, had a good year. The overseas road transport group earned record profits despite the cessation of all operations in Zambia and passenger services in Tanzania. The companies in Kenya, Malawi and Rhodesia, all had a successful year. Economic conditions in Uganda were unsettled and the passenger transport undertaking there suffered losses in 1971 but it has since been operating profitably. The South African companies' results, although an improvement on 1970, were a little disappointing, as were the results of the Australian undertakings.

The national miners' strike in January and February last, has adversely affected the profits of the United Kingdom haulage companies in the current financial year but the overall performance of the overseas group is expected to compensate for this.

Humphries Holdings

A pre-tax loss of £191,000 was incurred in the year to 31st March 1972, compared with the loss of £329,000 in the previous year. Although this is an improvement, the results are nevertheless a considerable disappointment.

The continued recession in the feature film industry affected the amount of work handled by the 35 mm. department of Humphries

Continued

Film Laboratories. Filmatic Laboratories achieved an increased profit and the laboratories in Manchester and Leeds also had a good year.

The Mole-Richardson subsidiaries, which specialise in the provision of lighting equipment and associated services, had a better year, although continuing to be adversely affected by conditions in the film industry.

The De Lane Lea companies, providing sound and music recording services, incurred an overall loss and the three manufacturing subsidiaries had a difficult year.

The work of consolidation, planning and reorganising Humphries Holdings' businesses to meet changed market conditions has begun to take effect and the group's management believe that the current year will show further improvement.

Argus Press Holdings

Last year I warned that the benefits of the rationalisation of the weekly newspaper interests would not be felt immediately and that the profit would be lower in 1971 owing to the cost of financing the purchase, in December 1970, of two newspaper groups. In the event, the pre-tax profit was £221,000 against £383,000 for 1970, the whole of the drop being attributable to the newspaper interests.

The results of the newspaper side for the current year should fully justify the further investment made in that sector.

All three magazine groups are expected to benefit from acquisitions made during 1971 and earn increased profits in the current year. The general printing division produced excellent profits last year and should do so again. The overall results of Argus Press Holdings for the current year are expected to show a substantial improvement.

Advance Laundries

The profit of Advance Laundries for 1971 at £1,498,000, before tax, failed to fulfil the company's expectations of the early part of the year and showed only a slight improvement on the record results of the previous year.

The group's business is now largely concentrated on its commercial services—Towelmaster towel cabinet hire and garment and linen rental, together with a number of related activities. The commercial services have consistently shown an adequate return on capital employed and should continue to do well.

Domestic laundry and dry cleaning, although much smaller sectors of the group's business than they used to be, still make useful contributions to profit.

Plant Hire

The effects of the economic recession on the civil engineering and construction industries proved to be more severe than had been expected and the total pre-tax profits of Eddison Plant, Grayston and J. D. White, at £1,168,000, were some £140,000 less than the corresponding figure for last year.

To offset increasing capital and operating costs, determined efforts continue to be made to effect economies. These measures, coupled with recent signs of an improvement in demand for contractor's hire plant, should enable our companies more than to make good the drop in last year's profits, providing that the recent industrial dispute in the building industry does not have serious repercussions.

Murphy Bros.

Murphy Bros. secured further contracts from the National Coal Board for opencast mining work in South Wales and Scotland. Increased costs and narrowing profit margins in the coal mining activities, coupled with another unsatisfactory year for the general road haulage subsidiary, resulted in pre-tax profits of £1,382,000 for the year to 30th November 1971, compared with the record figure of £1,505,000 for the previous year.

The group's results for the first six months of the current year were adversely affected by a shortfall in coal reserves at some of its own sites and at some contract sites, and also by the disastrous effects of the national miners' strike. The position is now much improved. Coal output is increasing and the new sites are producing at their scheduled rates of output, but because of the poor start to the year, Murphy Bros.' profits for 1972 cannot be expected to match those for 1971.

Rediffusion Television

The pre-tax profit of Rediffusion Television, including its share of the profits of Thames Television, for the year to 29th July 1971 was £2,287,000. This compares with £1,024,000 for the previous twelve months and reflects the substantial improvement in the profits of Thames Television, in which Rediffusion Television has a 50 per cent shareholding.

A further improvement will be shown by the Accounts of Rediffusion Television for the year which ended in July last, due mainly to a further increase in the profits of Thames Television.

Rediffusion Holdings

The pre-tax profit for the year to 31st March 1972 at £605,000, was slightly better than the results of the previous year. Wembley Stadium produced an improvement in its trading profit but the earnings of Walport, which provides filmed entertainment on ships at sea, were marginally reduced.

After difficult and protracted negotiations, Wembley Stadium received revised outline planning permission for the building of a conference centre, warehouses, offices and a multi-storey car park on its undeveloped land at Wembley.

It is expected that the hotel which the Esso Motor Hotel group are erecting at Wembley, following the grant to them by Wembley Stadium in 1971 of a building lease, and the multi-storey car park, will be completed towards the end of this year.

Oil Exploration

The consortium formed by Phillips Petroleum Company, in which B.E.T. is a participant, hopes to drill a well later this year in one of the five North Sea blocks for which it received licences in 1970: drilling on others of these blocks is planned for 1973. The consortium has a one-half interest in four other blocks in this sector of the North Sea.

In 1971, the consortium was granted licences on five blocks in the northern part of the North Sea, two blocks west of Shetlands and one block in the Celtic Sea. B.E.T.'s interest in the consortium is 5 per cent or 7 per cent, according to area.

Boulton & Paul

Our expectation that Boulton & Paul would achieve record results has been fully realised, the group's pre-tax profit of £2,892,000 for the twelve months to 31st March 1972, being over 20 per cent greater than the profit for the whole of the extended accounting period of 18 months to 31st March 1971.

All the joinery factories worked to capacity throughout the year and benefit was also derived from the further integration of the production facilities of John Sadd & Sons. The year also saw the

Continued

The British Electric Traction Co., Ltd.

Continued

commissioning of a flush-door production line which provides a further addition to Boulton & Paul's product range. At Melton Mowbray a rebuilding programme is in progress which will give substantially increased capacity.

The structural steel section of the group had another excellent year and the results of the division which manufactures mechanised handling plant for steel fabrication were particularly gratifying. Even better results are forecast for Boulton & Paul in the current financial year.

Rediffusion

Rediffusion produced much improved results for the year to 31st March last, earning a profit, before tax, of £8,238,000, compared with £5,705,000 in the previous year—an increase of 44 per cent. The outstanding feature of the year was the substantial increase from £3.3 million to £5.5 million in the profit from Rediffusion's television set business and the associated cable networks in the United Kingdom. The removal in July 1971 of all controls on hiring and credit gave a tremendous stimulus to colour television and most of the above increase came from colour television set rental contracts.

Rediffusion Industrial Services, which specialises in the installation of communication systems and audio and television distribution in industrial premises, offices and hotels, transacted a record volume of new business. With the exception of flight simulation, all departments of Redifon, the group's principal manufacturing subsidiary, put up better performances than in the previous year but Redifon's overall profit was again unsatisfactory.

The overseas broadcasting and relay companies increased their overall contribution to the group's profit by 10 per cent compared with last year's quite good performance.

Legislation to establish local commercial radio broadcasting in the United Kingdom became operative on 12th July 1972. Rediffusion Radio Holdings was formed last year to place at the disposal of interested operators Rediffusion's wide experience of all aspects of commercial broadcasting. This new company has been in discussion with some intending applicant companies and will have a limited equity participation in at least one of them.

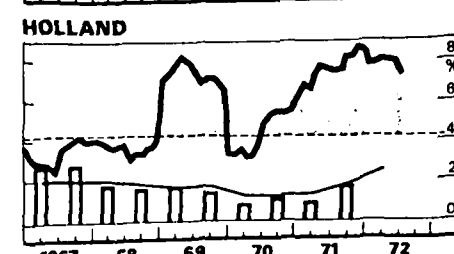
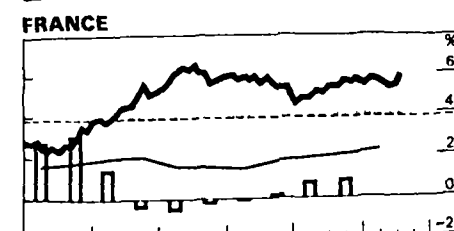
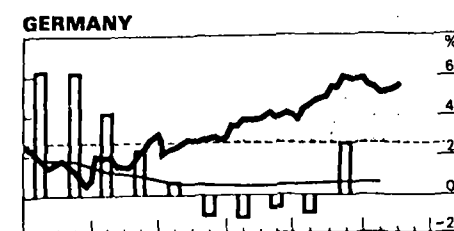
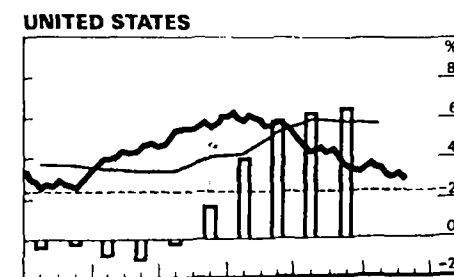
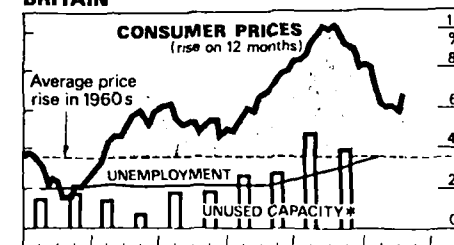
The considerable work done by Rediffusion in recent years in laying solid foundations for a successful business at home in colour television, both on cable and off the air, is now bringing its reward. Some Rediffusion companies abroad are, however, working under difficult conditions and there may be a diminution in the profits of the overseas group for the current year. For this reason, and because Rediffusion's consolidated profit for the year to 31st March 1972 showed such a substantial increase, the results for the current year, whilst they are expected to be good, are unlikely to show the same rate of improvement as those of the year just ended.

Current Year

Having been, a year ago, insufficiently optimistic about future profits, I am even more than usually reluctant to hazard a forecast now. The results for the current year will include, for the first time, the profits of United Transport; against that, there is the extra cost of an interim dividend on the B.E.T. Deferred Ordinary capital issued in December 1971 to the shareholders of United Transport. Much hard work is being put in to secure higher profitability from all sectors of the Group, but it is unlikely to be successful in every case. All in all, I look forward to still higher earnings per Deferred Ordinary Share.

Copies of the Report and Accounts, containing the Chairman's Review, can be obtained from The Secretary (EC), Stratton House, Piccadilly, London, W1X 6AS.

Profile of stagflation



OECD figures, seasonally adjusted except for prices
* gap between actual gnp growth and normal capacity growth rates

some of the smaller Scandinavian countries have had even less enviable records.

The behaviour of prices suggests a deeper unpalatable truth. Ever since the 1967 devaluation of sterling, wage inflation in Britain has outpaced productivity gains in manufacturing industry to produce a massive rise in Britain's unit labour costs. The league tables run only to the end of last year, and it is probably just as well it is not possible to see what has happened so far this year. What signs there are suggest Britain is still going downhill.

Other freezes

Most European countries, faced with inflation, have tried price and incomes policies. Only Switzerland and Germany have not. Neither has Japan. Admittedly, there have been some spectacular failures, above all in Holland. But Mr Heath can take some heart from the evidence.

At least over short periods, and where the policies have not been expected to cope with old-fashioned demand inflation, they have made a contribution to stability, even when the results have not always measured up to official targets.

The three European countries that did survive the 1969-72 inflation without a dramatic acceleration of prices were France, Belgium and Austria. These are also the three, significantly, which combined price control with relatively smooth growth. Stop-go has never been a French predilection.

The most striking success has been in the United States. During the freeze phase of Mr Nixon's package the annual rate of increase in consumer prices fell from 4 per cent in August, 1971, to just 1.7 per cent by November. Nor has the post-freeze upsurge of

prices been particularly marked. The annual rate of increase in seasonally-adjusted consumer prices from last December to April of this year was just 3.3 per cent, and the rate has since fallen back to well within the 2½-3 per cent target fixed for the end of this year.

True, the Nixon package had unique advantages. Controls were a novelty in the United States and were introduced when the shock of the dollar's effective devaluation persuaded everyone of the need for co-operation. The timing was also good economically. The wage-price spiral had not become as rooted as it has in Britain, Holland and Italy. American companies were already enjoying the outsized productivity gains of the early upswing.

But if the American success can be chalked up in part to special factors so, too, can the Dutch failure. The breakdown of Holland's incomes policy came only after two decades of comparative success, when internal strains in the machinery were compounded from 1969 onwards by the rather messy introduction of value-added tax, excess demand and import price rises.

Norway has had two price freezes. The first, in October, 1969, was introduced to smooth the shift to Vat, and was certainly a success. The second, in December, 1970, was less so—but was imposed as a holding operation in conditions of excess demand and rising import prices. The Swedish freeze of October, 1970, held prices virtually stable over nine months until it was relaxed, step by step, after May of last year. The Danish freeze of 1970 brought a distinct slowing down in price rises and paved the way for the introduction in April last year of a new price control law aimed at restricting price increases by companies granting above-normal wage rises. Not that this has worked quite so well; prices since have been rising at or near 7 per cent.

Where Britain ranks in the international league tables

Who did best, or worst, in holding down unit labour costs in manufacturing—because rates of hourly compensation (earnings plus employers' welfare contributions) rose only moderately, or because productivity rose rapidly. Figures in brackets are average annual percentage increases for 1967-71.	Unit labour costs	Hourly pay	Output per manhour
	Switzerland (2.1)*	America (6.6)	Japan (12.6)
	Belgium (3.0)	Canada (8.6)	Holland (9.3)
	Sweden (3.4)†	Switzerland (8.9)*	Sweden (7.7)†
	Holland (3.5)	Belgium (9.3)	Switzerland (6.8)*
	America (3.7)	France (10.3)	Belgium (6.1)
	Japan (4.0)	Britain (10.9)	France (5.9)
	France (4.1)	Sweden (11.2)†	Germany (5.4)
	Canada (4.2)	Germany (11.4)	Italy (5.1)
	Germany (5.8)	Italy (12.3)	Canada (4.2)
	Britain (6.7)	Holland (13.1)	Britain (3.9)
	Italy (6.9)	Japan (17.5)	America (2.8)

*Wage earners only; others all employees †Manufacturing and mining.

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BUSINESS

Negative Income Tax

The biggest, best and most complicated simplification

Within the next two weeks, the Government will publish an outline of plans for the biggest single change in the tax system since the introduction of pay-as-you-earn in 1943, and the biggest change in social security since the Beveridge proposals were published the year before that. Mr Barber hopes to publish his green paper on "tax credits" or "negative income tax" on about October 10th; then refer it to a select committee in the 1972-73 parliamentary session, and enact the legislation in the 1973-74 session. The scheme would then come into force around 1976-78. It is the brainchild of the Chancellor's special adviser on taxation, Mr Arthur Cockfield.

The object of the reform is that income tax, tax allowances, social security benefits, family income supplements, clothing allowances, rent rebates—and all the complicated apparatus of social security that the poor, the afflicted and the not-too-bright find so hard to understand—should be combined into one relatively smooth system. Everybody in the country with an income below a

certain level will automatically receive a straight payment from the inland revenue, instead of making a tax payment to it. Everybody with an income above that level will pay taxes at a smooth progressive rate.

Until the green paper is published, it will not be certain whether the Government has had the courage to opt for the full system. There have been some hints in ministers' speeches that it does not really intend to do more at this stage than tinker with the fringes of the problem. But these are big enough in themselves. These next three pages of *The Economist* discuss what should and may be done. Consider the basic system—i.e. the system for childless taxpayers—first.

Single bliss

The present (i.e. 1972-73) tax system has a standard rate of income tax of 38½ per cent and personal tax allowances as shown in line 1 of Table 1. These personal allowances may be deducted from income before it is taxed. There are others (described later) for children and other circumstances. But before earned income is counted at all, earned income relief of 2/9ths may be deducted. This reduces the standard rate of 38½ per cent by 2/9ths to an effective 30.1 per cent on earned income. And a personal allowance is effectively worth 9/7ths as much to a person with earned income. Thus, a single person with £591 of income (9/7ths of the £460 single allowance, see line 2 of Table 1) would deduct 2/9ths of it (£131) as earned income relief, and his income for tax purposes would be represented as £460. Since that is the single allowance, no tax would be due.

Table 1

	Single person £	Married couple (Wife not working) £
(1) Present allowance	460	600
(2) Value of present allowance in earned income terms (=1 x 9/7)	591	771
(3) Allowance assumed for next year	600	780
(4) Tax credit equivalent to 3 at 30% tax rate	180	234

This is why we say in line 2 of Table 1 that a single earner's allowance is effectively worth £591.

Since 95 per cent of personal income in Britain is earned income, the Government has announced that it will reform the system from 1973-74 on. All allowances and tax rates will then be expressed in their effective earned income terms. For convenience, we have assumed that the allowances will be rounded up to the levels in line 3 of Table 1. The basic tax rate will almost certainly be 30 per cent.

For a single person earning over £600, the £600 allowance in 1973-74 will then be worth £180 at a 30 per cent tax rate (see line 4 of Table 1). That is the extra tax which he would pay if he did not have the allowance. But if he is earning less than £600—say, £400—the allowance will be only worth £120 to him in 1973-74. The allowances are therefore worth less to people on very low pay. This may seem academic for a single person, since full-time wages of below £600 (about £12 a week) are not usual, except for young girls. But a married man with a family tends to have allowances of over £1,000 and there are plenty of people earning less than that. It is they who will gain from a "tax credit" or "negative income tax" system.

The essence of the tax credit system after 1976 will be to make the



Barber disposes, Cockfield proposes



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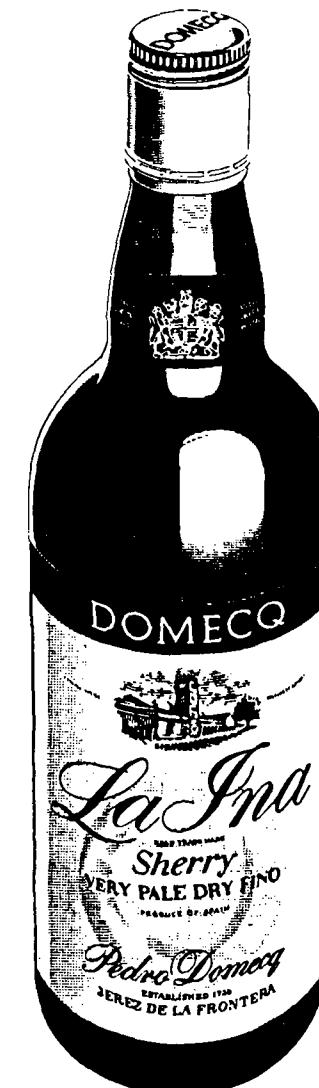
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allowance worth as much to a poor man as to a rich man. This will be done by paying out the worth of the allowance (line 4 of Table 1) automatically, and taxing everybody at 30 per cent even on the first pound of his income. Thus a single man earning over £600 a year would pay just the same as before. Say he is earning £1,000 a year. Under the 1973-74 system he will deduct the £600 allowance from his £1,000 income, and pay 30 per cent tax on £400 a year—ie, £120. Under the tax credit scheme he would normally have to pay 30 per cent on £1,000 (ie, £300), but the £180 credit would reduce this to £120 again.

But the single person earning £400 a year would gain from the tax credit scheme. Under the present system he is simply left with £400, as his income is below the taxable level. Under the tax credit system, his tax nominally due on the £400 will be £120; but his tax credit will be £180, so he will get £60 net credit from the Government to add to his £400. This is how tax credits will help the lower paid.

Families come dear

At present British families are helped by an illogical hotchpotch of tax allowances, family allowances and family incomes supplement (or Fis). Table 2 shows the amounts for children of different ages. The family allowance only applies to second and subsequent children, and is at a different rate for the second child (90p a week) than for subsequent ones (£1 a week). When Mr Wilson's government increased family allowances by 50p a week, it matched this by a "clawback": the reduction of the tax

allowances of the second and subsequent children by £42 (£54 after multiplying by 9/7 into earned income terms). So second and subsequent children have lower tax allowances. This could lead to the fear that they will get lower equivalent tax credits—line 6 of Table 2, compared with line 4 for the first child. Adding these tax credits to the family allowances would give the results shown in lines 9-11 of Table 2.

However, Mr Barber has already said that family allowances and clawback will be replaced under the tax credit scheme. This must mean that the credit is to be rounded up to the figure for third and subsequent children (the £95.80 or £104.80 or £113.80 shown in line 11), since he also said that the scheme would make Fis unnecessary "in almost all cases." Socially, this will be a good move: there is no reason for favoured treatment of later children. But it will cost some hundreds of million pounds a year.

Line 12 of the Table shows that supplementary benefit levels for children today are higher still, especially for older children. So if Fis is to be largely superseded, the tax credits will have to be nearer the figures in line 12. This would be very expensive. The extra credit would be unmatched by any extra tax yield, unless the rate of 30 per cent were to be specially raised in such cases until the extra credit had been "clawed back." In the section below on poverty surtax, we will argue that this problem will arise for all welfare benefits that are now means-tested.

One important question is: "who is to be paid the child credit?" Tax allowances have always been paid to the father, but family allowances to the mother. On social grounds, it would be better for the mother to get the credit; but this would be admin-



Milk and logic don't mix

istratively expensive. The Government should state how much in the Green Paper. Politically, it has never been popular to give benefits to the mother that are then taxed away from the father; but Mr Barber should not be deterred by this.

Pensions left out

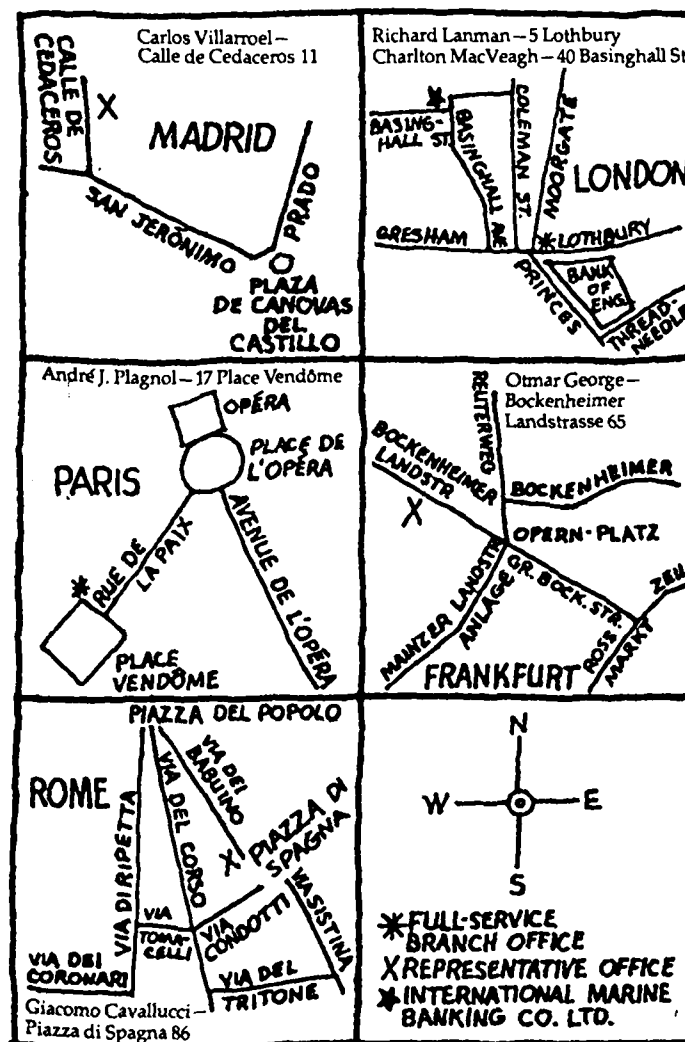
Until Mr Cockfield produced his brainwave last year, it had been assumed that pensions, unemployment and sickness benefits would have to be included in the tax credits; and that this would make the scheme impossible. For instance, the pension for a single person is about to go up to £6.75 a week, or £351 a year. If the tax credit were to be that large, while still leaving single people earning over £600 unaffected by the scheme, the tax rate on income between zero and £600 would have to be 58½ per cent (because 58½ per cent of £600 is £351). If this high tax rate were to be avoided by allowing some of the benefit from the high tax credit to spill over on to those earning above £600 a year, the cost to the revenue would be enormous. For instance, if the 30 per cent tax rate were combined with a single person's tax credit of £351, that would be equivalent under the present system to raising the single allowance by £570, to £1,170. As an increase of one third of this amount in the last budget cost over £1,000m a year, the dilemma between huge marginal income tax and vast expense has hitherto seemed insurmountable.

Mr Cockfield's scheme for the Government gets round this in admirably simple fashion by simply deciding not to include national insurance benefits in the tax credit. Instead, they will continue to be paid as usual, and will count as taxable income like income from any other source. The

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Table 2

	Under 11	Child: 11-15	16 and over
(1) Tax allowance at present	£155	£180	£205
(2) Value of allowance in earned income terms (1 x 9/7)	199	231	264
(3) Allowance assumed for next year	200	230	260
(4) Tax credit equivalent to 3 at 30%	60	69	78
(5) Value of allowance after clawback for family allowance (£54)	146	176	206
(6) Tax credit equivalent to 5	43.80	52.80	61.80
Value of family allowance to:			
(7) (i) second child	46.80	46.80	46.80
(8) (ii) each subsequent child	52	52	52
Tax credit plus family allowance for:			
(9) first child	60	69	78
(10) second child	90.60	99.60	108.60
(11) each subsequent child	95.80	104.80	113.80
(12) Supplementary benefit rate for child (from autumn)	107.90	159.90	267.50

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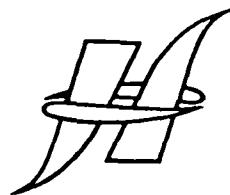
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	1972	1971
	£	£
TURNOVER	38,666,000	30,237,000
PROFIT BEFORE TAXATION	1,378,221	930,256
GEOGRAPHICAL ANALYSIS OF TURNOVER		
UNITED KINGDOM	13,137,000	13,290,000
NORTH AMERICA	17,161,000	9,630,000
AFRICA	2,747,000	2,407,000
AUSTRALASIA	1,910,000	2,424,000
EUROPE	2,956,000	2,108,000
OTHER	755,000	378,000
	38,666,000	30,237,000

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Government will actually gain revenue, since short-term national insurance benefits (unemployment and sickness pay) have been tax-free in the past; they were not tax-free when the social security scheme started soon after the war, but the administrative problem of taxing short-term benefits was found to be too difficult. In the tax credit scheme, it will be easy.

As well as raising £150m a year of revenue from taxing short-term benefits, the proposed treatment of national insurance could actually improve the value of these benefits in the weeks when they are received. At present, the £6.75 a week unemployment benefit is worth just that. Under the tax credit scheme the man would receive £6.75 less tax at 30 per cent from the labour exchange, which means £4.72. But he would also get his tax credit of £3.46 a week (£180 a year), making a total of £8.18 a week.

The Government's proposals for the national insurance scheme involve the replacement of the present mixture of flat rate and graduated contribution by a single graduated rate—at present intended to be 5½ per cent of earnings for the employee, to be collected under Paye. Given the revenue gains on the national insurance side from the tax credit scheme, the Government may feel able to cut this to 5 per cent, making a combined tax and contribution rate of 35 per cent.

At present, there are special tax allowances for the old, designed to exceed the normal personal allowances. They enable those who draw just the pension, plus rent under supplementary benefit, to avoid paying any income tax. The allowance for a single old person is £634, and for a married couple £929; ie, about £12 and £18 a week respectively. These allowances are generally increased each year with old age pensions, so we will round them to £650 and £950. The equivalent tax credits are £195 and £285, or £3.75 and £5.48 a week. The pension levels are £6.75 for a single person and £10.90 for a couple; these would be taxable to a net £4.72 and £7.63. Thus the total of tax credit plus pension would be £8.47 and £13.11 a week: improvements of £1.72 and £2.21 a week respectively over the value of the gross pension.

These improvements could either be removed by reducing the gross pension after the introduction of tax credits; or they could be regarded as a substitute for the amount of supplementary benefit that has to be paid to pensioners

at present. Most of the supplementary benefit is for rent, however, and the improvements of £1.72 for a single person and £2.21 for a married couple would not be enough to cover the rent in most cases. So supplementary benefit would still have to be paid; and better-off pensioners would be the only ones to benefit from the change to tax credits, since they would not suffer the reduced supplementary benefit. The best solution might therefore be to take the tough line on pensions (and unemployment and sickness benefits), and to take a generous line on rent supplements as part of the removal of the poverty surtax. The money saved on national insurance could be used to cut the contribution rate to 5 per cent (as suggested above), and reduce the Exchequer contribution rate—at present 18 per cent of the national insurance fund. The money released would then be available for more generous line on poverty surtax, helping the poorer pensioners.

Ending poverty surtax

The most important part of the whole scheme should be a major and more logical assault on poverty. At present, the combined withdrawal of various welfare benefits on a selective basis can create the absurd system of poverty surtax, which is also discussed on page 26: a rise in wages can sometimes actually lead to a fall in disposable income.

The tax credit scheme will lead to a reduced need for some of these means-tested benefits, in particular. Fis and rent subsidies. But without further modification there would still be need for help with rents, for those on national insurance benefits or low wages, and for families with children (because of the disparity between the child credit levels and the supplementary benefit levels which the Government has defined as the minimum income needed to support children).

This cannot logically be solved by adding the benefits on to the tax credits, and saying that, for example, even the richest parents should all get free school meals: especially as the benefits just added to the credit will be effectively given tax-free, since the tax yield is not altered.

The tax credit scheme should make possible a rational clawback of benefits that should be selective. This could be

done by a surcharge on the of 30 per cent (35 per national insurance contribut a surcharge could be at a 1 per cent, putting the com up to 45 per cent. This wo a higher rate than the norm but the Government shoul consider it.

36,500 fewer taxmen?

The tax credit scheme will much easier to administer present income tax. The can simply be stated withou for the present monstrous codes. Employers will then k all income at the standard r may be 35 per cent includir insurance contributions. If, introduction of the scheme, cellor adopts our proposal fo extra tax rate to claw bac that are at present withdra poverty surtax, the pos employers would become sli complicated, but not excessi is hard to see why Mr Bart to save only 15,000 civi through the reform of pay computerisation. In America a paye of the type that B be adopting, but no tax crec together with a self-assessm for the whole of income tax shows some comparisons of and assessments made.

Table 3

	Americ
(1) Total staff (1971)	68,977
(2) Total staff on in- come tax, corporation tax, surtax (approx)	56,000
(3) No. of assessments (000s)	80,432
(4) No. of assessments per employee	1,436

If it achieved American st efficiency, which would m over to the non-cumulative p that will become so easy credits and adopting self-asse other sorts of income tax, th should be able to reduce th line 2 of Table 3 from 55,000 —a saving of 36,500 civil Since 35,000 of the present employed on paye, most of would come there. The C figure of 15,000 seems far to suggests that the adoption assessment may have been This is regrettable.

BUSINESS

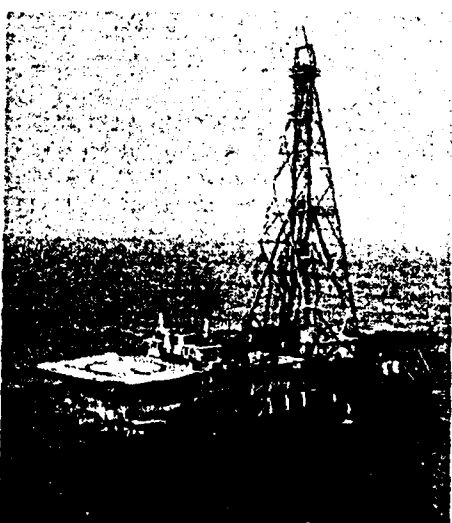
International

The price of North Sea licences is going up

The international oil companies may have let out a secret cheer this week when Norway voted against entry into the common market, and obliged its prime minister to resign. A new Norwegian government will mean that there is some possibility that Norway will change its policies towards exploration for oil and natural gas in the Norwegian sector of the North Sea. So far as the oil companies are concerned, any change will be for the better.

Not that the companies can hope for much. Any Norwegian government is likely to have the same general aim: to squeeze the highest possible revenues from the oil companies. Unlike Britain, which is eager to get as much North Sea oil as soon as possible to reduce its outflow of sterling to the Middle East oil-producing nations, the Norwegians are willing to sit back and wait for the oil, if necessary. Production from the Ekofisk field, the first major find to be made in the Norwegian sector, should easily surpass Norway's annual consumption of 8m tons of oil. And there is a lot more to come.

The more oil discoveries that are



Mobil struck it rich

made in the North Sea, the more valuable do the unlicensed areas become, especially those whose geology resembles that of the oil-bearing blocks. There are many attractive structures in the Norwegian sector of the North Sea, east of the Shetlands, that will soon come up for licensing. Shell/Esso recently announced major discoveries on nearby structures in the British sector. The companies stoutly maintain that they will refuse to bid for even the most attractive structures if the Norwegians attempt to squeeze too much from them—by way of royalties, taxes, participation by the recently formed Norwegian state oil company, and every other form of bear hug. But there is a hollow ring to the companies' assertions. They want the concessions more than the Norwegians want to assign them, so the advantages in bargaining must lie with the Norwegians.

The British Government is likely to stiffen its terms too: not only for the North Sea but for offshore British concessions generally. This summer's marvellous crop of discoveries, culminating this week in an announcement from Mobil which suggests that there is a major field in a block northeast of the Orkneys, has more than justified Britain's past North Sea policy: which was designed to stimulate oil exploration as much as possible in waters where only a short time ago many oil companies were reluctant to go. But the success of the policy makes it likely that changes will be made for future allocations, at least for blocks in promising areas. The present policy, or something close to it, is likely to be retained for areas with bleaker prospects.

The British Government has not yet decided how it will go about extracting more money from the oil companies, but it is known to be seriously considering holding more auctions. The first

one was held in June, 1971, on an experimental basis, and yielded £37m. The thought of further auctions makes the oil companies wince. They say that auctions siphon off money that could be better spent on exploration itself. They would prefer increased royalties, production bonuses or any one of a dozen schemes whereby they would pay out only as the oil actually flows in. But the Government is known to like immediate payments as much as the companies hate them. They are simpler than any other method, and they give the Government something dramatic to announce.

The companies console themselves with the argument that there may not be many attractive blocks left unlicensed in the British sector of the North Sea. But this is probably going to change in the next year or two, as increased geological knowledge unveils hidden assets. At any rate, there are some choice blocks still left. The risk element in their exploration should be smaller than it is anywhere else outside the Middle East.

The next round of British allocations is unlikely to be in the North Sea, but in the western approaches and Channel waters off southern Britain. The opening of these waters depends on an agreement with France, which should be signed very soon. If the French start drilling in their waters next year, as is expected, Britain will probably want to do the same, at least to a limited extent. The oil companies are known to be very interested in some of these areas, so Britain may decide to make them pay through the nose for concessions there.

EEC regions

Agreeing to disagree

Brussels

At least one group of Eurocrats is secretly relieved at Norway's decision not to join the EEC. These are the officials responsible for farm policy and

regional development in the EEC commission who have spent the past six months trying to work out ways of dealing with the problems of agriculture in Norway's far north.

The result of the Norwegian referendum reached Brussels just as the ministers of the Six had agreed to disagree on the proposed regional development fund, which has now been pushed on to the summit. Last March the Six committed themselves to a decision by October 1st as the price of Italian acceptance of the first stage of monetary union. It was obvious before the meeting began that the French had no intention of making any concessions in advance of the Paris summit next month, at which regional policy is already one of the main points on the agenda.

The commission has put forward two proposals for channelling money to the less-developed regions of the community. The first, which was approved in principle last March, is to spend \$50m a year out of the agricultural fund on specially-designated rural areas where unemployment is acute. The second is for a regional development fund which would grant interest rebates on investment in roads and other services as well as in industry. The French have insisted that the money should be channelled through the European Investment Bank, or at the very least through a government-designated body in each country, as suggested by the Germans.

Behind this apparently technical point lies a more fundamental disagreement over whether the community should have a regional development policy as such. The French representative, M. André Bettencourt, declared that France did not want the community interfering in something which it considered the responsibility of member states. The commissioner responsible, M. Albert Borschette, said the community's efforts on regional development would always be complementary to national policies, but the commission has, in fact, proposed to set up a standing committee on regional development composed of senior officials for the express purpose of co-ordinating national policies, which will become more urgent than ever in a monetary union.

The British, though determined to push for community action to deal with Europe's depressed regions, were not unduly upset by the decision to postpone the debate until the summit, since this will give them a chance to insist that the regional development

fund should concern itself with unemployment caused by the decline of traditional industries and by industrial rationalisation; hitherto the community has been inclined to think exclusively in terms of backward rural areas.

Japan-China trade

800 million customers

Tokyo

In Japan's ever-hungry business community the establishment of formal relations between Tokyo and Peking is being read to mean the opening of a vast market; one which will accept the Japanese exports and money that are meeting such resistance in the United States, Europe and even elsewhere in Asia. Some Japanese businessmen even believe that they will be allowed to invest in China's heavy industries and social infrastructure projects, as well as reaping the profits of greater trade.

A stream of Japanese economic missions have already visited China. Japan's equivalent of Britain's CBI has proposed the extension of a \$5 billion five-year, low-interest loan to China. Optimists say that the trade between the two countries may grow from \$1 billion a year today to perhaps \$5 billion in 1977, and to more than \$11 billion by 1982. Chinese industrial survey teams in Japan have shown interest in Japanese know-how in oil exploration and development, steel, petrochemicals, cars and shipbuilding, as well as in road construction and rail and subway systems. There is even a suspicion that the Chinese might like to improve their military equipment; Peking has invited Mitsubishi to send a delegation to China but not Mitsui, which is inferior to Mitsubishi only in armaments.

Much of the talk is more heady than

realistic. The Chinese have always been hard-headed about their trade relations: political considerations have been allowed to tip purchasing decisions only when the economic choices have been finely balanced. France has gained no stunning trade dividends from its diplomatic relations with Peking, and Germany has not lost much by its lack of them.

Forklift trucks

Japan's next trick

Forklift trucks may be the next source of friction between Japan and Europe. There are 20-30 manufacturers of various sizes selling in Europe, but in five years three Japanese companies, Toyota, Toyo Umpanki (TCM) and Komatsu, have taken more than 40 per cent of the market in smaller countries like Denmark, Holland and Belgium, and are now concentrating on Germany. The Germans buy something like 10,000-12,000 forklift trucks a year (no figures are published), and the Japanese have already got for themselves something like 15 per cent of the market.

So far the Japanese have concentrated on trucks in the popular ranges, selling for between £1,600 and £4,365 and defined as having a lifting capacity of up to 8,000 lb. They have not shown much interest in the bigger ranges, where capacities go up to 60,000 lb. But within their chosen market their prices are 25 per cent below European ones. Inevitably, the Europeans have argued that their trucks are stronger, last longer, and have a higher trade-in value at the end of their working life, but the dispassionate opinion of the biggest manufacturers in Britain is that there is nothing wrong with Japanese quality.

The Japanese had not made much of a drive in the past in France, Italy or Britain, and the British industry

Key indicators: world commodity prices

Jumping bean
American soyabean looks like reaching a record price of \$3.30 a bushel. The large surplus that forced down prices three years ago has gone. If exports reach their predicted record of 450m bushels, the soyabean will earn the United States \$1.5 billion, mainly from Japan and the EEC. The bean is used in animal food, margarine and as a cooking oil.

	Index 1963=100		Percentage change on	
	Sept 20	Sept 27	one month	one year
All items	142.5	143.6*	+ 3.5	+26.0
Food	160.4	162.6*	+ 4.5	+30.9
Fibres	114.5	114.7*	+ 6.0	+34.2
Metals	184.8	184.6	- 1.7	+ 7.9
Misc	121.5	122.5*	+ 0.6	+23.6

*provisional

Japanese forklift trucks exported to:

	1967	1968	1969	1970	1971
Belgium and Holland	118	194	627	917	1005
Britain	58	122	233	321	442
Denmark	21	26	151	415	536
France	—	—	1	20	46
Germany	28	152	384	1,124	1,568
Italy	—	—	6	36	101
Sweden	1	10	16	58	155

believed that this was because Japanese trucks are mainly diesel or gas-driven and the British preference is for battery-electrics. But now Japanese imports into Britain have begun to boom. Toyota entered the British market 18 months ago and Japanese manufacturers sold altogether 442 trucks in Britain last year. In the first eight months of this year Toyota alone sold 240 and its British agents are stepping up the import of battery-electrics in direct competition with established British manufacturers. They may try to undercut by as much as a third. Some of the world's biggest manufacturers of forklift trucks are based in Britain, including Lansing Bagnall, which claims to be the biggest manufacturer in Europe. They have reason to be worried.

Oceans

Red tide retreats

A sudden plague of microscopic but highly poisonous algae has been sweeping down the north-east coast of the United States; sometimes in a sufficient concentration to turn the sea red. Most of the catch of New England shellfish has had to be suspended, and the industry claims that it is losing more than \$1m a week. The loss will be far greater if the large east coast scallop harvest is also affected. The algae are eaten by many types of shellfish and their poison is absorbed into the meat. More than 30 people suffered partial paralysis from eating poisoned fish before sales were banned. Now that the plague has raged for nearly two weeks, some shellfish have been found with levels of poison 100 times the lethal concentration.

Although the plague is now said to be on the retreat, many New England fishermen are frightened that it will take years to rebuild the public's confidence in clams, mussels and crabs—or even in lobsters, which were not affected by the algae but are being spurned by shoppers. Swordfish meat, whose sale was banned two years ago when mercury was found, has never recovered.

What caused the sudden plague? Environmentalists have been eager to blame man-made causes. The breeding ground of the algae has been pinned down to a site where there were large-scale dredging operations, which may have stirred up unusual quantities of food for the algae to thrive. The plague conditions may also have been helped by heavy rains which lowered the sea water's salinity. Such a plague had not appeared off New England before, although the algae had been known farther south.

The speed with which the authorities banned all shellfish sales contrasts strongly with the inaction in Japan, where sales of fish known to contain

high levels of industrial poison still continue. This week it was confirmed in Japan that poisoning from mercury and industrial chemicals was known to have harmed 15,000 people, but little official action to halt the identifiable sources of pollution has been taken.

Last week in Britain sales were banned of all oysters and molluscs farmed in those parts of the Thames estuary under the Port of London's jurisdiction because of an unacceptably high level of disease-carrying bacteria there. Sales are only permitted if the oysters remain in special tanks of clean water for 36 hours. The dangerous level of pollution has been caused by sewage from new towns.

No corn in porn

Copenhagen

The Danes don't need Lord Longford. Copenhagen's sin business has been in recession for more than a year. Recently the police have been closing down "live shows," the authentically obscene sexual exhibitions where admission costs £3-£8. More than 60 live-show joints have been closed, and the police hope to get the rest shortly.

The nominal excuse is that the clubs are not licensed for variety entertainment but the real reason is not their obscenity but their suspected links with drug peddling and other underworld activities. Some club owners have bewailed the damage this could do to the Danish balance of payments, likely to need more help than ever if Denmark follows Norway out of the EEC. A party of 4,000 Americans are

only a few of the many who have supposedly cancelled trips to Copenhagen because, says the industry, the live entertainment is not what it was. But the tourist organisations suspect that some holidaymakers avoided Denmark just because of its reputation.

Printed porn is also in decline, after a brief boom when censorship ended in Denmark in July, 1969. Where dozens of publishers once flourished, there are now only a handful, and competition has squeezed prices and profits. Color Climax, believed to be the largest porn producer, saw profits drop from £275,000 to £85,000 last year, on a £1m turnover only just maintained. A Swiss national producing porn in Denmark went bankrupt, was found to have omitted to pay his income tax and went to jail. Color Climax bought up his considerable stock, but only to prevent it from being dumped on the market at distress prices. Danish porn sales are now almost entirely for export, either to foreign tourists or through foreign wholesalers. After a brief surge in 1969 the home market all but vanished.

Sales of unillustrated books have dropped almost to zero. The backbone of the business is now lavish four-colour magazines, expensive to photograph and print. Color Climax integrated backwards from the retail end of the business, when this was still theoretically illegal, to its present porn empire of photographic studios, film-processing lab, world-wide mail order and part-ownership of a printing firm. Probably no one could build a similar empire now because profits are too slim.

The business is getting increasingly capital intensive, with emphasis shifting to 8mm colour films. If other countries lift censorship, this will bring in new competition. Germany will probably be the first to do so.



English spoken

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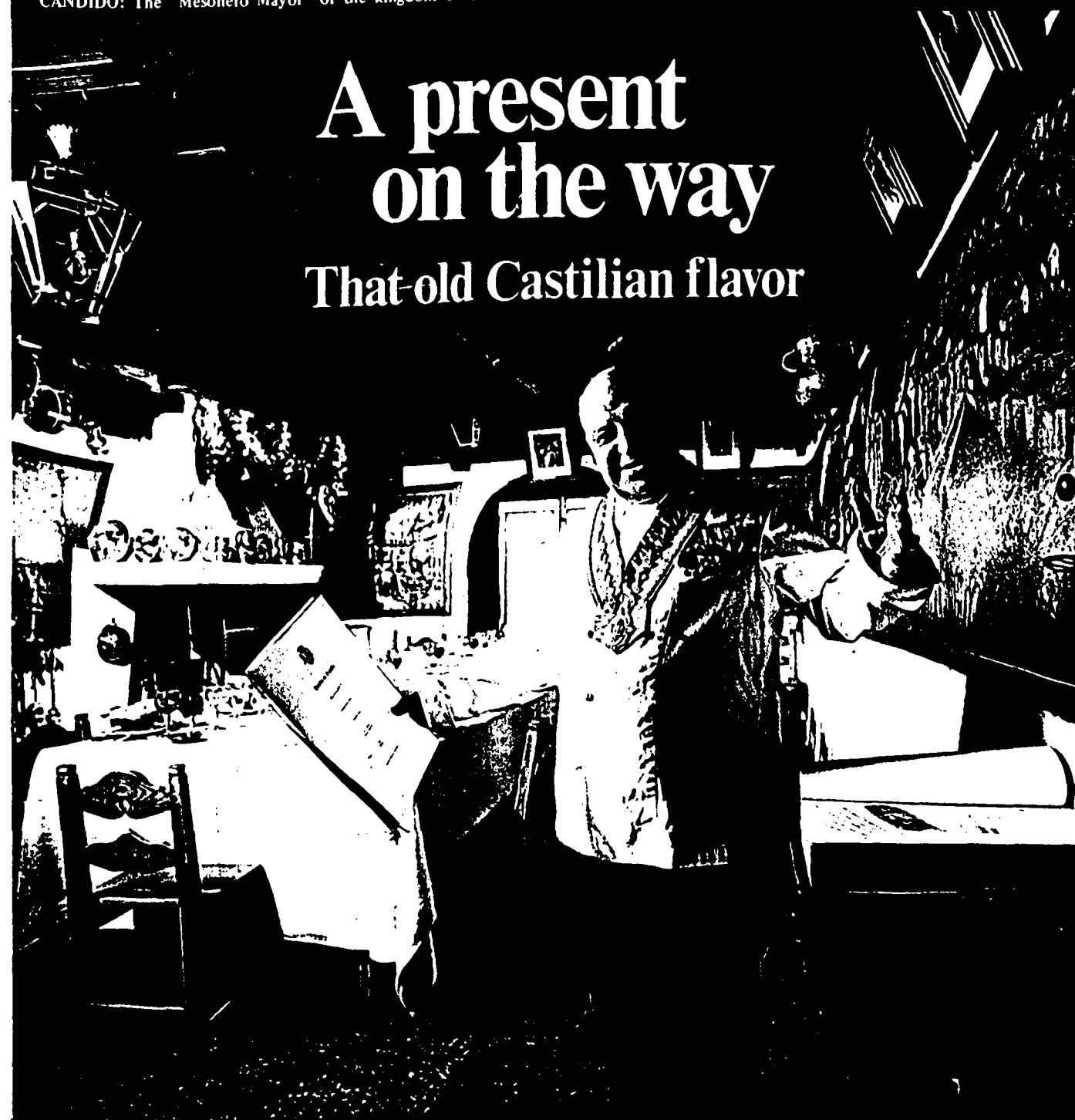
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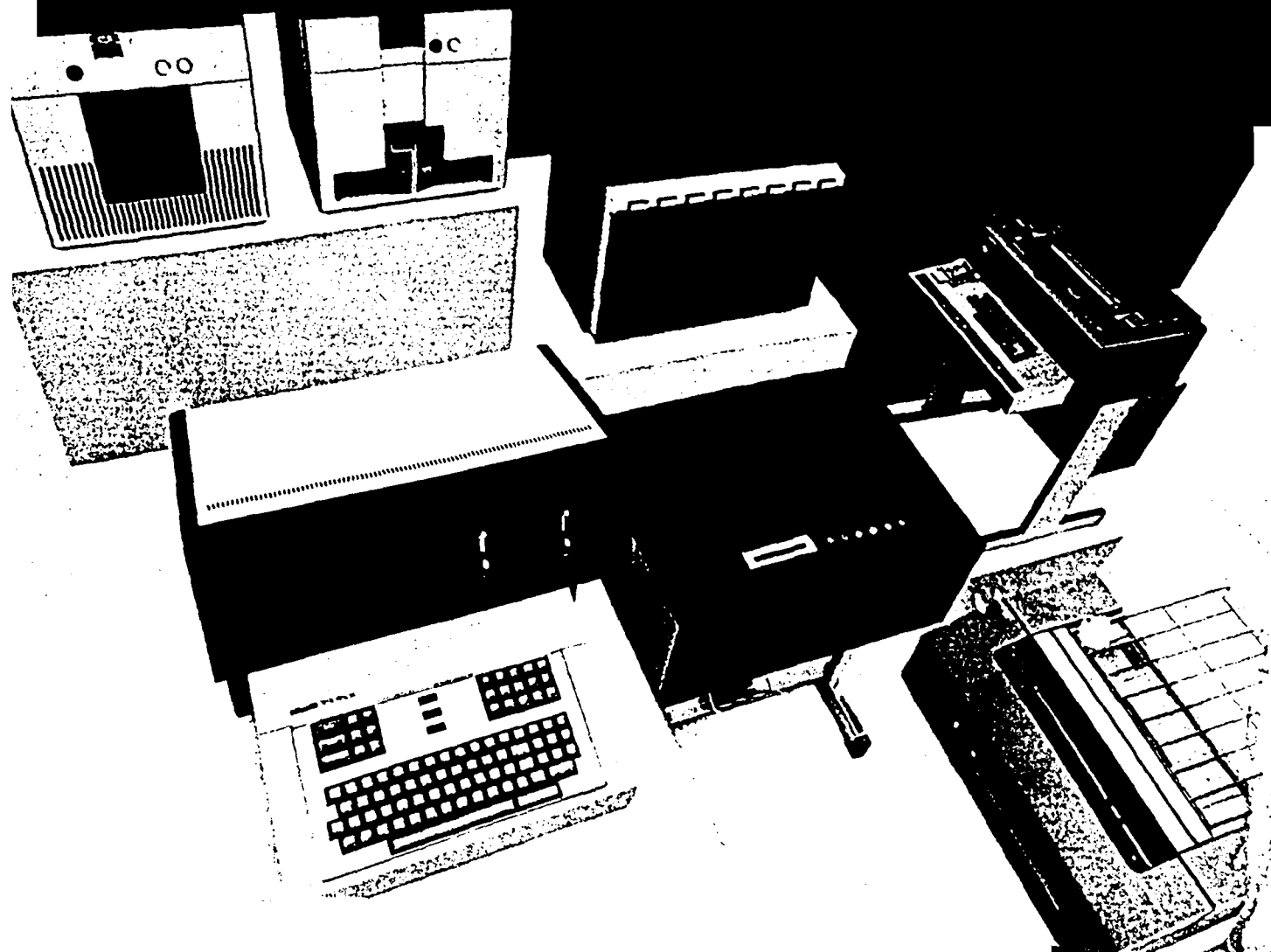
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THE ECONOMIST SEPTEMBER 30, 1972

BUSINESS: INTERNATIONAL

95



Leiding's got problems

Volkswagen

It's German wages

Wolfsburg

When the chairman of Volkswagen is driven to comment on the better discipline of Japanese workers, as Herr Leiding did in the course of a press conference on Monday, things must be bad. Volkswagen plainly needs a best-seller to supplement the Beetle, which is now being priced out of some of its best export markets like the United States, but that is the least of its difficulties. They can be enumerated: dollar devaluation, President Nixon's protective measures, the fact that both General Motors and Ford have at last learned how to make small cars like the Vega and the Pinto both stylishly and cheaply, German wage inflation.

But if Volkswagen has trouble keeping the Beetle cheap, after having built 16m cars and outsold even the Model T, what chance has it of making its new models competitive? Capital investment in the Beetle has been written off over a vast output running at 5,800 cars a day. Wolfsburg is the largest factory of its kind in the world, with 125 miles of overhead conveyors, and the chances of achieving the old cost-spreading on whatever models replace the Beetle cannot be good.

The serious competitor is coming, once again, from Japan. Japanese factories have now achieved a mechanisation that is regarded as unattainable in Europe and America. Nor is Japan the only country that can now undercut the west. Before he became chairman of the main company a year ago, Herr Leiding did a stint as head of Volkswagen's Brazilian operation. Brazil, with an output of 1,500 cars a

day, can now export Beetles to Germany for less than the German-built price.

Volkswagen therefore plans to fight not on price but on variety. Herr Leiding says he intends to introduce a new model every year and, because of the urgency, will not allow the usual five years for development either. The first of his restyling operations has just been completed; the engineers thought that they were doing well to compress their original timetable for the job into 18 months, but, with a bit of prodding, they reduced this to seven. British Leyland, under the same pressure to produce a new car or go under, showed a similar turn of speed in launching the Marina, but it is generally accepted throughout the industry that this sort of hustle has its risks.

The Beetle is one of perhaps three cars in the world, the other two being Rolls-Royce and Volvo, that sell on reliability, and Volkswagen's reputation for it took a knock from Mr Ralph Nader's report in America. Mr Nader has his critics too, and much of what he said of the Beetle has since been contradicted. But it would take Volkswagen a long time to recover from the impact of one really bad—in quality terms—car. Herr Leiding is not allowing himself much margin.

World Bank

McNamara's masses

Washington

It was bad luck on the World Bank that it had to share yet another joint annual meeting at which its partner, the International Monetary Fund, hogged all the limelight. A thoughtful speech by its president, Mr Robert McNamara, got the scantest attention.

There was nothing new in the way he censured the rich nations for providing only half the targeted 0.7 per cent of their combined gross national outputs in official development assistance; or in the fact that he is starting almost immediately to try to raise the next dollop of funds, needed by mid-1974, for his soft-loan agency, the International Development Association (last Friday evening, 15 months late, the United States conceded the funds supposed to be due from it to IDA in mid-1971). More unexpectedly, Mr McNamara assailed the maldistribution of wealth in the developing countries. His main worry is not about the impoverished regions that can be pin-

pointed and therefore probably helped—such as the southern part of Yugoslavia, the north-east of Brazil, or the north-east of Thailand. His complaint is that, in the developing nations' pursuit of rapid economic growth, something like 40 per cent of their populations are being left behind and becoming utterly degraded. It is up to the governments of these countries, he believes, to give greater priority to nutrition, housing, health, literacy and employment, even if this is at the expense of some loss of advance for the privileged in these societies. Mr McNamara's world socialism will not be to everyone's liking, which makes him a braver man in asking for it.

Flexible working

Late rush on hours

Many European firms have long been enjoying better productivity, recording less absenteeism and employing happier office staff simply by allowing them to choose when they start and finish work. In Germany, more than 1,000 firms and 1m workers—including unions that originally opposed it—operate a system of flexible working hours.

In the past two or three months more British firms have begun to adopt flexible systems. On Monday, London and Manchester Assurance announced that it is introducing a scheme which could give its 450 office staff a four-day week. Wiggins Teape is one of the few British companies to have introduced such a scheme fully. The firm had a three-month trial last winter, and now about 800 staff work flexible hours. Even the British civil service is investigating its possibilities. Hengstler Flextime Ltd, which supplied most of the time-recording equipment in Germany, knows of 400 companies undertaking trials.

Systems vary from firm to firm; but generally all that is required is that staff complete a certain number of hours each week—possibly building up overtime to get more free time later—and that they be at work during peak morning and afternoon periods.

German workers regard such schemes as a job incentive. Those caught cheating, by leaving an identity key plugged in when not there, are not usually sacked, but put back on the dreary nine-to-five routine. The schemes do not always catch on. At Unilever in Holland, 1,140 workers could use the system if they wanted, but only 54 per cent now do so.

BUSINESS

Investment

The market doesn't believe that peace is breaking out

The London market greeted Mr Heath's policy for incomes with a sigh, and the rejection of it by the unions with a whimper. On Wednesday the Financial Times index of industrial shares slumped by 10.6 points to 470.4, the low point for the year. On Thursday the slump went remorselessly on. Sellers stayed away from the market, knowing there were precious few buyers around, and the index went down another 8.8 points to 461.6.

If there is any chance that Mr Heath's arithmetic will work out right, this sort of reaction must be very silly. His assumption is that the value of gross national product will rise by 10% over the next year (5% in real production, and 5% in cost inflation), while wages and salaries take about the same proportion of gnp as now. That would imply a rise in total company profits by considerably over 10% (see page 77). With the p/e ratio on the FT-Actuaries index already down to 16.85, a rise in profits by 10-15% might normally put equity prices up by more than that. But the market's refusal to cheer at Chequers is another sign of the present lack of confidence

which is the smell of a bear market. Attention is diverted away from the bread and butter job of assessing the changes in earnings that individual companies and sectors are expected to turn in towards the broader issues of how the country is being governed, whether anarchy is breaking out, whether the social fabric will be unstitched by continuing inflation and industrial unrest, and gloomy talk of that sort.

In the two weeks since *The Economist* announced that the great bull market was over, the market has fallen by nearly 10%. We were reluctant to say that the bear market had begun, because the strong undercurrent of company profits looked as if it would buoy the market up against the bearish tide, and keep the index bobbing around. But sentiment has got worse. Many brokers and chartists are now looking down to as low as 420 before the institutions come back to the market in force to pick up what will, on p/e terms, look like bargains. However, it would be quite wise to sell off stocks which are well over the market average in p/e terms, as these

are the ones the bargain hunters might spurn.

The only thing now that will put the market back on a bullish course is a prices and incomes policy that would work. There are no frissons at the thought of dividend restraint. As the chart shows, the last bull market overlapped with the last dividend freeze. But there is great pessimism in the City that any statutory policy would in fact work.

Australian market Pommies go home

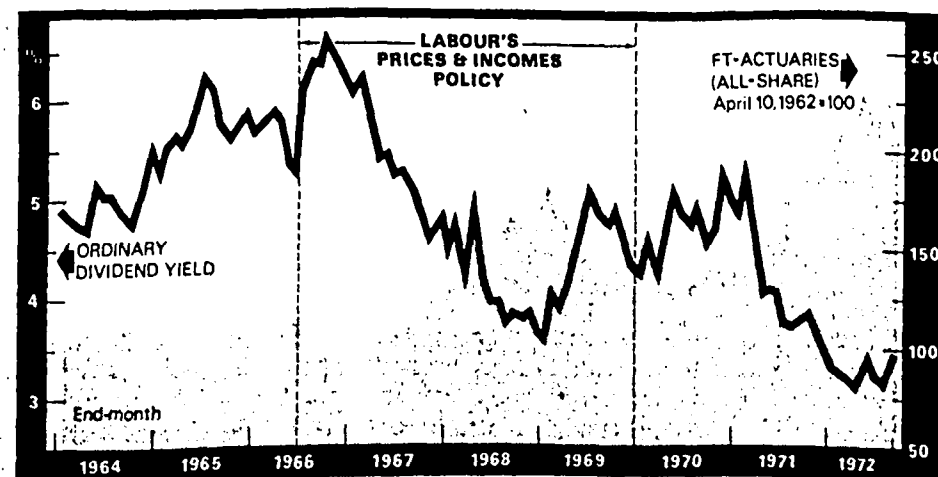
Sydney

Mr Billy McMahon, prime minister of Australia, is fighting for his political life. This week's multiple therapy, which ought to have hit the Sydney market but left it strangely unmoved, is intended to take the sting out of two threatening issues in one massive application. Australia is to fight against foreign takeovers and also against short-term capital inflows. They have almost nothing to do with each other but Australia persists in treating them as a single disease.

On takeovers the government has uncharacteristically wrapped itself in the Australian flag. According to Mr McMahon, times have changed and the country

can afford now to trade off some of the benefits of overseas capital for a greater Australian share of our industry and resources.

If any foreign group makes a formal takeover bid, or acquires 15% of the equity of any Australian company with assets of over \$A1m, or if more than 40% of the equity passes into foreign hands (however dispersed the holding), then the government will be allowed to move in. For the time being, it intends merely to keep a watching brief over most such companies, but it is seeking power to ban takeovers where the victim is "an economically strategic industry leader" or so large that it will make a difference to the "balance" of the



ACROW

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QUEEN'S AWARD FOR EXPORT ACHIEVEMENT

A statement by Mr. W. A. de Vigier,
Chairman of the Acrow Group



Accounts

From the accounts you will note that the consolidated trading profits amounted to £3,171,359, an increase of £325,721 on the previous year. A final dividend of 10 per cent is recommended by your Directors, making a total of 19 per cent for the year compared with an equivalent total of 17.27 per cent for the previous year. The above results were achieved by reason of a considerable improvement in the Construction Industry, the excellent results of our Materials Handling Division, the profitable growth of our Container Division and the steady improvement on the agricultural side.

Queen's Award

During the year under review your company received the Queen's Award to Industry for export achievement.

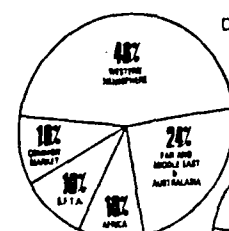
Steel Group

In June of this year we acquired The Steel Group Ltd. - Coles Cranes and Priestman Excavators - at a time when they were experiencing a con-

siderable downturn in business. Both Coles and Priestman are now introducing a new generation of cranes and excavators which should greatly help their sales in the years to come.

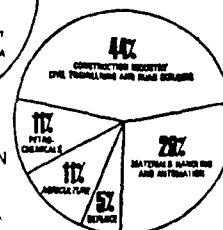
Overseas

Your associated overseas companies, with the exception of Germany, are all doing well. In New Zealand a new company has been formed called Acrow-Carpenter Ltd. where we are planning to build a new manufacturing unit.



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OF EXPORTS

DISTRIBUTION
OF PRODUCTS



Prospects

The present financial year started with an excellent order book, but our first half year results may be affected for reasons beyond our control - the strike in the Construction Industry, and the dock strike. In view of these circumstances it is difficult to forecast the results for the year. I am, however, quietly optimistic that we shall achieve another record year and pay at least the same dividend as at present.

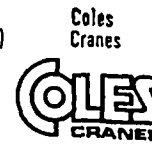
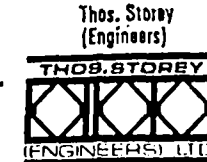
Staff

We are constantly striving to improve human relations in our Group of Companies. My thanks goes to all Acrovians for their loyalty and efforts and for giving me the opportunity of leading such a great and profit orientated team.



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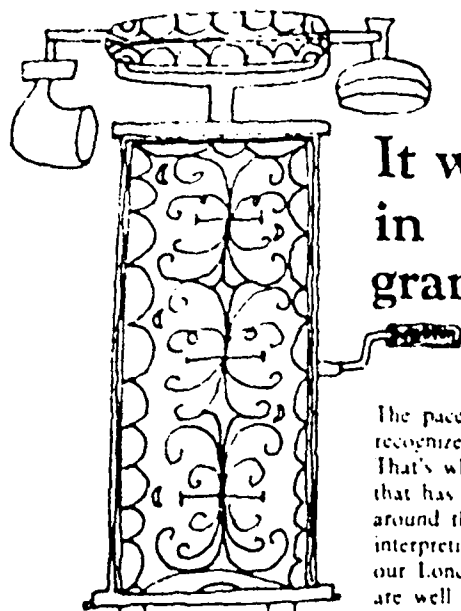
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(Chairman)

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C. R. Reeves **T. C. Tilden-Smith**

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It was all very well
in
grandpa's day

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Safra: not parting

sets the price, and London's stock market will follow it. The managers may also effect transactions "with a view to stabilising or maintaining the market price of the shares at levels above those which might otherwise obtain in the open market." In other words, the managers have the power to massage the market. Since the new shares will make up only 16% of the issued capital, there is an overhang of 84% which could, in theory, be dribbled on to the market. But Mr Edmond Safra, whose family has been in banking for a century, has no intention of parting with his 64%; he reckons that the holders of the other 20% will also be unwilling sellers at any price.

The attractions of a London quote are twofold. The glittering price/earnings ratios commanded by banks in London are being reflected in the issuing p/e of 15 at a price of \$16.50 (plus the premium for British residents); this compares with p/es of under 10 for banks on continental bourses. And the hoops that companies have to go through to obtain a quotation help to bridge the credibility gap for what, to many of the new stockholders, will be a hitherto almost unknown banking group. The preliminary prospectus (the issue will not be until October 10th) contains a full accountant's report prepared by a well-known British firm of accountants. Without it, this batch of banks in Geneva, Paris and Panama—supplemented by the 51%-owned Republic National Bank of New York—would have been met with a certain scepticism. With it, the astonishing growth record of the group should ensure success for the issue. Profits,

after tax and minorities, have zoomed from \$1.3m in 1967 to a forecast of \$14.7m for the current year; this is probably a conservative forecast, because it is double the results for the half year to June. Total deposits already approach \$1 billion, and the new money will effectively double the group's capital base.

P&O/Bovis

Are those cargo tanks full of ballast?

Shareholders in the Peninsular and Oriental Steam Navigation are navigating in a dark and foggy sea without a sextant or a chart. The most puzzling phenomenon about their company's bid for Bovis is the discrepancy in the assessment of P&O's worth between Mr Ford Geddes, the chairman, and the dissidents, especially Mr Sandy Marshall, head of the bulk shipping side where most of the £200m investment programme in ships lies. According to the dissidents, Mr Geddes is selling out on the cheap, and virtually admitting his own incompetence to earn sufficient profits from the company's huge investments. Mr Marshall reckons there are good profits to come from the new fleet, but scepticism is always needed when looking at forecasts for shipping profits.

Most of P&O's investment programme has been made against charters or similar arrangements likely to guarantee a revenue from the ships—but this also limits the chances for the revenue to rise to take advantage of a sudden boom in freight rates or to compensate for massive escalations in insurance, bunkering, and labour costs, such as took place last year. Unfortunately, the rate of return on the new ships, originally estimated at 10 per cent before this inflation, and none of it chartered during the height of the boom in freight rates, is subject to downward fluctuations rather than upward. The company's older liner fleet may also suffer a drop in earnings. It normally takes six months for cost inflation in this sector to be recouped in negotiated freight rate increases, because of the sensitivity of governments on the routes concerned.

A forecast of maximum earnings on the 170-ship fleet should therefore not be too hard to make. And it is essential for the takeover panel to unbend and allow a long-term forecast to be made. The panel insists that a profit forecast

should be backed by accountants, who shy away from forecasts of more than two years ahead. But that was designed as a safeguard against chairmen overrating their companies. Nobody is accusing Mr Geddes of doing that; his critics accuse him of doing the opposite. Maybe the forecast would be tentative, but it would at least give investors some figures to argue about.

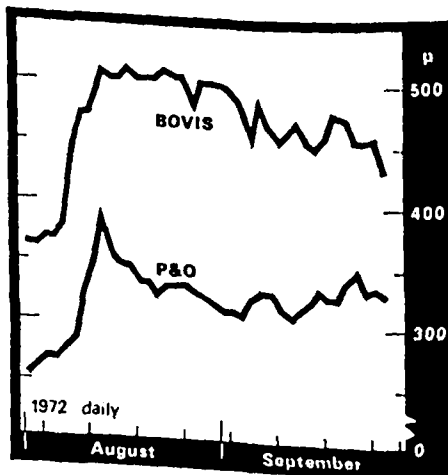
Eurobonds

Communists need capital

Amsterdam

For the second time in just over a year, Hungary is tapping the long-term international capital market for funds. The National Bank of Hungary, its central bank, plans to raise \$50m for a maximum of 15 years. The borrower may not be able to keep the money for the full term because the bondholders have the option of redeeming the bonds, without penalty, after only seven years; their decision will obviously depend on the level of interest rates in 1979, the state of the dollar, and political feeling about whether communist countries then look a good risk. The indicated coupon of 8½% makes some allowance for political risk. A triple A name like the European Investment Bank is raising a similar amount for the same period at just 7½%.

Since it raised \$25m for 10 years at 8½% in May last year, the National Bank of Hungary, somewhat surprisingly, has not been followed by other Soviet block borrowers on long term. The Comecon bank has raised medium-term loans, but its recently formed International Investment Bank, though strongly tipped as a Eurobond issuer, has still to appear on the market. Its reticence may be only temporary.



Compagnie Lambert

A slight snag

The Belgians do not like contested takeover bids, and on Wednesday night the prime minister himself, M. Gaston Eyskens, told a very few select members of the financial community that he did not want one to start. The ramblings are over the plans of the Compagnie Lambert pour la Finance et l'Industrie to merge with holding companies controlled by the de Launoit family, Cofinundus and Brufina (*The Economist*, last week). Cobepa, a holding company half-owned by the aggressive French merchant bank, Banque de Paris et des Pays-Bas, also has an undisclosed share of Cofinundus and the Brussels financial community reckoned Paribas was going to launch a counter-bid; the shares of Cofinundus zoomed up to FrB5,900, but have now fallen back to FrB4,400. Paribas denied that it had any such intentions, or that it had been buying at such extortionate prices well above the most optimistic estimate of Cofinundus assets per share, of FrB4,400. But it is clear the Paribas thinks that the industrial interests of Cofinundus would fit into the Cobepa stable much better than they would in the Lambert one. Since the votes of 75% of the registered shares will be needed for the merger to go through, and a tiny minority of shareholders register, Paribas is probably in quite a good bargaining position for a deal.

Builders

After the strike

Building shares have plunged lower than most sectors in recent months. They have been hit by the 11-week building strike, and the increasing worry that the tightening of mortgages will produce a downturn in private housing in 1973.

Results from John Laing on Monday indicated that the strike had cost nearly £1m, but half-year profits still doubled to £3.1m. The prospectus for Newarthill, the name given to the Sir Robert McAlpine group which went public this week, also had to scale down the profit forecast by £0.8m, mainly because of the strike. But these figures greatly exaggerate the strike's effect. Both companies only enter profits from contracts when they are completed. Much of the loss during the building strike should be recovered later, as the prospectus for Newarthill

makes clear.

The worry of a downturn in housing is not supported by the figures published by the Department of the Environment on Wednesday. They indicate that new orders for housing are still increasing, so housebuilders' profits should still be rising for at least another year. In any case most of the major companies are now less dependent than they were on housing, and nearly all have big stakes in property. Without its property interests, John Laing at 144½p is on a p/e ratio of only 11; Newarthill is on one of nearer nine at its offered price of 210p. Other shares, like Taylor Woodrow, also look pretty attractive on this basis.

George Wimpey, the biggest builder in the business, published its results on Thursday. They showed a good rise in pre-tax profits. But the real question is what Wimpey is going to do with the £32m in cash it got for its stake in Mr Harry Hyams's Oldham Estates. At the moment the shares still look overvalued, on a prospective trading p/e of about 14.

Canadian markets

Bourse libre

Toronto

Progress towards a centralised securities market in Canada has taken one step backwards. The Bouchard committee, set up by the prime minister of Quebec, Mr Robert Bourassa, to take a look at the securities industry, has obligingly recommended some ways that Quebec can get a larger slice of the business. Or so it seems to think.

The committee comes down firmly in favour of publicly-quoted brokerage houses, but recommends that a minimum of 25% of the votes be held by residents of Quebec, with no one group holding more than 10%. This would pose problems for the many foreign securities firms operating in the province, and hit hard at the Ontario-based ones. Some of them are already reported to be restructuring their operations or acquiring Montreal firms to qualify; but others might pull out altogether.

Giving Europe a Lyons share

Amsterdam

J. Lyons has led the City in a new way of spreading an equity base throughout Europe. It has lodged 2.25m cumulative preference shares with the Amsterdam Depositary Company, which will now issue continental depositary receipts (CDRs) against them to European investors. These receipts will be traded on the Amsterdam bourse as equities, giving J. Lyons the international shareholding that it wants to finance its expansion in Europe. Other British companies are likely to catch on to this idea of CDRs in the next few months.

Depositary receipts merely represent a number of shares deposited in a custodian bank, and therefore have considerable advantages for the European investor. They are anonymous and in bearer form. They avoid the delay of sending share certificates from one country to another. Since the dividends are paid directly by the bank which holds the receipts, payment is prompt and safe. The receipts are easily traded in the secondary market. J. Lyons's offer is broken down into units worth £100. This should attract the small investor. In the past, attempts by companies to drum up an international equity backing have failed because their shares have always enjoyed a slight premium on their national exchanges. But CDRs for Lyons represent preference shares, so

it is unlikely that the equity will merely filter straight back to the London home market.

Dutch investors have traded in depositary receipts of American shares for over 100 years. There are about 40 depositary companies in Holland; and 300 receipts are quoted on the bourse, mostly of American companies. The bottom was temporarily knocked out of the market when the Dutch government put a 2% stamp duty on all receipts brought into the country. The only way around this was for the receipts to be issued in Curacao. But now the duty has been abolished; and the Amsterdam Depositary Company, formed this year by four leading Dutch banks, has been making issues for Japanese companies. More British issues are in the pipeline.

Morgan Guaranty Trust has introduced its own type of receipts, called International Depositary Receipts (IDRs). Since the first issue in 1970, the bank has created IDRs for 311 companies in 11 countries; they are interchangeable with Morgan's American Depositary Receipts, which enable American investors to buy or sell shares in non-American companies, and collect dividends, with no need for stock certificates, coupons or other papers to pass back and forth between countries.

CHAIRMEN'S STATEMENTS

EDBRO (Holdings) LIMITED

(Hydraulic Engineers)

The following are extracts from the circulated review of the Chairman, Mr. Eric W. Tonge, and from the directors' report:

The accounts for the year show sales of £8,197,000 (£7,655,000) and a trading profit of £1,169,745 (£987,065). Profit after tax is £697,511 against £592,232. The directors recommend a final dividend of 4p per share making a total of 5.875p per share (5.625p). A substantial part of the group profit accrued from our recent acquisition, Edbro Europa BV.

In common with most concerns supplying capital equipment to industry, we experienced a considerable falling-off in home market demand for most of our products throughout the year, although export demand showed some increase. I am glad to report a distinct improvement in orders from the home market in the current year, and the present indications are that this will continue throughout 1972/73. The directors' confidence in the longer term is such that we have recently begun work on building further extensions at Bolton which will cost nearly £250,000.

The acquisition of Edbro Europa BV, in which we already had a 50% stake, considerably strengthens our position in Europe, now our largest single export market and likely to continue to be so for a good many years to come. Generally the export order position continues to be good.

Addressing the meeting, the Chairman said:

As I reported in my Chairman's Review, there has been a distinct improvement in the order position since the beginning of the current year. This improvement is still being maintained, both from Home and Export Markets.

In spite of the improvement in the order position, profits for the first 6 months of the year will be substantially below the comparable period of last year. This is a direct result of the go-slow which we experienced in Bolton arising from the National Engineers' wage claim and coinciding with the necessity of building up from short time working which had to take place.

It is difficult to forecast what results will be achieved during the remainder of the year but in the absence of further disruptions they should improve on those of the second six months of 1971/72.

Our present view however is that the profits for the year will remain somewhat below those of 1971/72 taken as a whole.

S. Hoffnung & Co. Limited

Points from the report of the Chairman, Mr Roland Bourne

* Results, as warned, were affected by the deflationary Australian Budget in August 1971, low prices for primary products, a building recession in New South Wales and the warehouse move from Sydney to Alexandria.

* The 1972 Budget was designed to stimulate the economy but it will take time for the effect to be felt. Although it is more difficult than usual to forecast results for the current year, I will be disappointed if I am unable to report renewed progress next year.

	Year to 31st March	
	1971	1972
Group profit before taxation	£1,308,944	£1,303,689
Group profit after minority interests and taxation	£699,522	£650,553
Ordinary dividend	£416,190 (36%)	£427,751 (37%)
Retained in the business out of the year's profit	£266,520	£214,490
Net shareholders' funds	£8,333,566	£8,397,830

For further announcements
see pages 5, 7, 103 to 108

VOKES GROUP LIMITED

Manufacturers of Filtration Equipment, Specialist Engineering Products and Orthopaedic Appliances, etc.

	1972	1971
Turnover	£15,741	£14,290
Profit before Tax	1,072	1,091
Profit after Tax	682	745
Dividend	24%	29%

The following is a summary of the main points of the Statement of the Chairman, Sir Charles Hardie, for the year ended 31st March, 1972.

The year has been a difficult one in the Engineering Industry because of rising costs and the absence of any up-surge in capital investment. The Engineering Companies in the Group have continued to suffer from the recession in their specialised fields but the effect has been almost entirely off-set by increased profits from the Orthopaedic Appliance and Hospital Equipment Companies so that the Group profit is approximately as last year. The reorganisation of BDR Machines Limited is almost complete against a background of depressed demand for its products. As regards the present year, there are, as yet, no signs of an up-turn in the engineering fields in which the Group is involved and in the absence of a sharp recovery in the economy, it would be unwise to forecast increased profits.

For tax reasons, payment of the final dividend has been deferred until 3rd April, 1973. The Board's present intention is to declare an interim dividend of 11% in respect of 1972/73 and as a consequence of deferring payment, a further special dividend of 5%, both payable on 3rd April, 1973.

Classified Advertisement Rates

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Display £10.00 per s.c.l.

Management Appointments Page
(salary over £7,000 p.a.)
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pro-rata

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—4 page minimum £440 per page
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STUDENTSHIP

St John's College
Cambridge

The Norman Laski Senior
Studentship

St John's College invites
applications for a Norman
Laski Senior Studentship for
advanced study or research in
some branch of Economics,
Land Economy, Engineering,
Mathematics, or related fields
of study, preference being
given to study or research
related to Business or Manage-
ment.

Candidates must at the time
of election be male graduates
of not less than 23 years of
age.

The emoluments of the
Studentship will not exceed
£1,700 per annum.

Full details may be obtained
from the Master, to whom
applications must be sent not
later than 1 February 1973.

APPOINTMENTS

Marketing
Economist

Masson Scott Thrissell
Engineering Limited, one of
the world's leading manufac-
turers of machinery for the
packaging, printing and paper
handling industries, require a
young graduate economist for
their Sales and Marketing
function to work on sales pro-
jections and associated prob-
lems. This is an excellent
opening for a young graduate
who is keen to make a career
in capital goods marketing.
The post is situated at Bristol
with excellent working condi-
tions and would probably
involve some travelling.

Application forms can be
obtained from:

The Company Personnel
Manager,
MASSON SCOTT THRISSELL
ENGINEERING LIMITED,
Easton Road, Bristol BS5 0HE.

La Trobe
University

MELBOURNE, AUSTRALIA
Lecturer/Senior Lecturer
in Economic Theory

Applications are invited from
suitably qualified persons for
two positions in the
Department of Economics in
the following areas: a) Inter-
national trade; b) Microecono-
mics. There will be considerable
scope for lecturing to relatively
small classes at third and
fourth year honours level.

Salaries: Lecturer \$4697-
\$4926 per annum. Senior
Lecturer \$4940-\$411,130 p.a.

Further information and Appli-
cation forms are available from
the Association of Common-
wealth Universities, (Appl),
35 Gordon Square, London
WC1H 0PP (Tel: 01-387 8572),
or from the Registrar, La
Trobe University, Victoria, 3083,
Australia.

Applications close on 23
October 1972.

Government of
The North West
State of Nigeria

Applications are invited for the
following vacancy:

STATISTICIAN

Qualifications: Degree plus at
least two years' experience.

Age limit for all above posts:
52 years at time of application.
Salary credits are given for
relevant additional qualifica-
tions and/or years of experi-
ence.

Attractive salaries and fringe
benefits.

Further information may be
obtained at time of interview
with Recruitment Team in late
October.

Application forms may be
obtained from:

The Recruitment Attache,
Nigeria High Commission,
9 Northumberland Avenue,
London WC2N 5BX.
before 7th October.

Wye College

(UNIVERSITY OF LONDON)

Research Post in
Agricultural Economics

Applications are invited for a
research post tenable for three
years at Wye College. The
project is designed to explore
the business aspects of dairy
herd expansion in England and
Wales and to indicate
implications for policy and for
the future structure of the
industry.

Qualifications should include a
first degree in agricultural
economics or economics and
relevant experience since
graduation. Some competence in
linear programming is expected,
together with an aptitude to
develop further quantitative
skills. Preference will be given
to applicants with some
knowledge of accountancy and
dairy farming.

The post offers plenty of scope
for personal initiative and an
opportunity to work for a
higher degree.

The starting salary will be up
to £1,750 per annum, accord-
ing to qualifications and
experience, rising by annual
increments with superannuation
under P.S.S.U.

Further particulars may be
obtained from the Secretary,
(E) Wye College, Near Ashford,
Kent, to whom applications
should be submitted by 14th
October, 1972.

CHAIRMAN'S STATEMENT

KIER

PROFIT UP 60%

FOUR YEAR RECORD

	Years ended 31st March			
	1969	1970	1971	1972
	£000	£000	£000	£000
Turnover	19,200	21,100	23,300	32,600
Profit before Taxation	725	1,034	1,252	2,042
Profit after Taxation	387	561	769	1,213
Earnings per Ordinary Share	7.0p	10.4p	14.6p	23.0p
Dividends (Gross) per Share	4.4p	5.6p	6.3p	7.5p

Salient points from the review of the year to 31st March 1972, made by the Chairman, Mr. Olaf Kier, C.B.E.

The Interim Statement for the year under review indicated Group Profit (before tax) in excess of £1,450,000. The marked increase in Group Profit to £2,042,000 is explained by the fact that certain contracts which were expected to rank as work-in-progress at 31st March 1972, in the event fell to be treated as completed at that date.

This emphasises my contention that, because of the long-term nature of many of our contracts, the progress of the company should be judged over a number of years, rather than on the result of one year.

However, although the Group Profit for the year

under review was increased as a result of the early completion of some contracts, I am confident that profit for the current year should at least be maintained.

A scrip issue of one new Ordinary Share for every five Ordinary Shares held at the close of business on 29th September 1972 is proposed.

A Final Dividend of 15 per cent in respect of the year ended 31st March 1972 is recommended and it is proposed that, having regard to the bridging provisions arising from the changeover to the Imputation system of taxation in 1973, payment of this dividend be deferred until 3rd April 1973. To compensate shareholders for the delay in receipt of the dividend, it is proposed that the new shares will rank *pari passu* with the existing Ordinary Shares, for this Final Dividend.

Copies of the Accounts and Chairman's Statement can be obtained from the Secretary

J. L. Kier & Company, Limited

TEMPSFORD HALL, SANDY, BEDFORDSHIRE

APPOINTMENTS



Social Policy Co-ordinator

SCOTLAND

The Social and Regional Policy Department advises on the social and regional implications of The British Steel Corporation's rationalisation and development, helps to develop, co-ordinate and monitor the implementation of policies designed to assist employees and communities affected by such measures and seeks to promote good relationships between the Corporation and local communities.

The person appointed to the vacancy for a Co-ordinator, Scotland, will be required to carry on the work previously undertaken by an equivalent General Steels appointee in ensuring that BSC social and regional policies are implemented in the various Product Divisions, works groups and works in Scotland to the maximum effect. To this end he will maintain liaison with and advise line and functional managers, including senior divisional and works personnel, concerned in supervising rationalisation measures, will develop and maintain close liaison with outside governmental, regional and local organisations concerned with the consequences of steel rationalisation and will attempt to ensure that the Corporation takes initiatives and manages such situations so as to facilitate and support the work of these official agencies in attracting alternative employment and mitigating the social problems attendant upon industrial rationalisation.

The appointment, being responsible to Head Office, will be at manager level and is likely to be offered to a person with considerable experience in the steel industry (although not necessarily in a personnel capacity), a close knowledge of BSC activities in Scotland and an interest in general social and economic problems in the area. He is likely to be over 40 years of age but applications from somewhat younger candidates will be given serious consideration.

The post will be based in Glasgow, but will entail regular visiting to BSC plants throughout the area, government bodies based in Glasgow and Edinburgh and BSC Head Office in London.

Those interested should write (quoting reference H.O.48) to:-

Personnel Manager (Head Office),
BRITISH STEEL CORPORATION,
P.O. Box No. 403, Grosvenor Place,
London SW1X 7JG.

PROFESSORSHIP

University of Reading

Professorship of Economics

Applications are invited for a Professorship of Economics which will become vacant when Professor J. H. Dunning takes over a Professorship of International Investment and Business Studies. There is no restriction on the field of interest of the candidate, although other things being equal it would be desirable for applicants to have interests in the general area of public sector/environmental economics.

Further particulars may be obtained from the Registrar, (Room 208, Whiteknights House), The University, Whiteknights, Reading, RG6 2AH, by whom applications should be received not later than October 31, 1972.

Universiti Sains Malaysia

PENANG, MALAYSIA

Academic Appointments

SCHOOL OF HUMANITIES

Post of Professor:

The University is looking for a candidate to fill the post of Professor in the School of Humanities. A candidate aspiring to apply for this post should be an established scholar whose qualification is no less than a Ph.D. with extensive experience in a University level scholarship research and teaching and with interest in inter-disciplinary programme.

The School of Humanities at the moment offers courses in:-

Communications
Fine Arts
Geography
History
Literature
Performing Arts
Philosophy

Senior Lecturers/Lecturers:

In addition to the post of Professor, the University is also looking for teaching staff at Senior Lecturers and Lecturers level. For the appointment of Senior Lecturer an applicant should possess a Ph.D. in any of the following fields:

Communications
Fine Arts
Geography
History
Literature
Performing Arts
Philosophy

He should have several years of teaching and research in a University institution together with publications and research papers of academic standing.

An applicant for the Lecturer's post should have at least a Masters Degree (preference to candidates with doctorates) with suitable teaching and research experience in the fields of communications, Fine Arts, Geography, History, Literature, Performing Arts and Philosophy.

SCHOOL OF COMPARATIVE SOCIAL SCIENCES

Post of Senior Lecturers/Lecturers

Senior Lecturers/Lecturers in the following fields:-

ECONOMICS (International Economics, Regional Economics, Mathematical Economics/Econometrics/Economic Statistics, Monetary and Fiscal Economics, Development Planning, Intermediate Economic Theory, Business Administration)

SOCIOLOGY/SOCIAL PSYCHOLOGY (Sociological Theory, Race Relations, Rural Sociology, Industrial Sociology, Sociology of Complex Organisations, Sociology of Professions, Deviance, Urban Sociology, Social Psychology, Industrial Psychology)

SOCIAL ANTHROPOLOGY (Economic Anthropology, Cultural Ecology, Applied Anthropology, Race Relations, Peasantry, Southeast Asian and/or East Asian Ethnography)

POLITICAL SCIENCE (Political Development, Comparative Public Administration, Public Enterprises, Local Government and Urban Politics, Southeast Asian Politics, Asian Political Thought, Politics in Multi-ethnic Societies, Quantitative Political Analysis, Political Parties and Interest Groups)

Those applying for Senior Lectureships must normally possess Ph.D. in the fields mentioned above together with suitable post-doctorate teaching and research experience while those applying for Lectureships must normally have completed their Ph.D.

CENTRE FOR EDUCATIONAL SERVICES

Post of Senior Lecturers/Lecturers in the following fields:-

Educational Methods in teaching Physics, Mathematics
Educational Technology
Curriculum Development
Educational Philosophy (Eastern)
Evaluation (Educational)
Educational Guidance and Counselling
Comparative Education
Educational Administration
Principles and Practice of Education

Those applying for the appointment of Senior Lecturer should possess at least a Ph.D. in fields mentioned together with several years of post-doctorate teaching and research experience for a reputable institution of higher learning while those applying for Lectureships must at least possess a Masters degree in the relevant fields (preference to candidates with doctorates) together with teaching and research experience.

Emoluments:

The appointment of Professor is a very senior academic appointment in the University and as such a candidate appointed would command a salary within the range of \$27,120 (\$3972) to \$38,000 (\$5292) per annum. The point of entry is dependent on the candidate's experience, qualifications and family circumstances.

A Senior Lecturer when appointed should command a salary within the range of \$22,380 (\$3276) to \$30,120 (\$4404) per annum, and a Lecturer within the range of \$18,600 (\$2480) to \$26,580 (\$3888) per annum. The point of entry is dependent on the candidate's experience, qualifications and family circumstances.

Other Benefits:

Provident Fund and free medical.

Initial Appointment:

Successful applicants may be given a three year initial appointment; thereafter, subject to satisfactory service, his appointment may be extended for another three years.

Further information including advice regarding the method of application and on further particulars about terms and conditions of service should be obtained from: The Registrar, Universiti Sains, Malaysia, Minden, Pulau Pinang, Malaysia.

The closing date of receipt of application is on 28th October 1972. The University reserves the right to make appointments by invitation.

Registry.

APPOINTMENTS

Australian National University

Lecturer in Political Science

Applications are invited from suitably qualified persons to take up a three-year appointment as Lecturer in the Department of Political Science. The vacancy has arisen because of the secondment of Mr. I. F. H. Wilson to Nanyang University, Singapore. The appointee will be required to take up duty after 1 January 1973, but not later than 1 June 1973.

The Department's first priority is to recruit a person to present a course to senior undergraduate students on Politics in Contemporary China; it would also be interested in receiving enquiries from people qualified to present a course on Politics in Indonesia.

Salary on appointment will be in accordance with qualifications and experience within the range \$A6804 x \$359-\$9387 per annum.

The University will provide reasonable travel and repatriation expenses. Assistance with housing will be provided for an appointee from outside Canberra. Superannuation is on the PSJU pattern with supplementary benefits.

Further information and the forms which should accompany an application may be obtained from the Association of Commonwealth Universities (Appal), 36 Gordon Square, London WC1H 0PF (Tel: 01-347 8572).

Applications close on 6 November 1972.

Massey University

PALMERSTON NORTH, NEW ZEALAND

Senior Market Research Officer/Market Research Officer

Applications are invited for the position of Senior Market Research Officer or Market Research Officer in the Market Research Centre. An appointment may be made at one of the following levels depending on qualifications and experience.

Senior Market Research Officer \$NZ7,278-9,358
Market Research Officer \$NZ5,880-7,149

Applicants who have had considerable experience in developing and administering research projects are particularly sought.

Applicants should have a University degree. An advanced training in agricultural economics, economics, marketing, business administration, statistics or operations research would be an advantage. Applicants for the senior position should have had practical research experience in at least one of the following areas—commodity projections, international trade, project evaluation and capital budgeting or consumer-oriented market research.

The general conditions of employment and particulars of the University are available from the Secretary-General, Association of Commonwealth Universities (Appal), 36 Gordon Square, London WC1H 0PF (Tel: 01-347 8572).

Applications close for both positions on 30 October 1972.

THE EUROPEAN INVESTMENT BANK

a public institution, founded by the Treaty establishing the European Economic Community, with its headquarters in Luxembourg and constantly expanding its activities is now seeking to recruit staff from the new Member States in view of the impending enlargement of the Common Market.

Applicants should have a perfect command of English, thorough knowledge of French and, if possible, of another Community language.

The Bank offers interesting work and a congenial working atmosphere. It also offers attractive remuneration. The starting salaries given below represent the sterling equivalent of annual net earnings, paid in Belgian francs, for an unmarried member of staff and are based on an exchange rate of 107.5 Belgian francs = £1 sterling. There are family allowances and a good Social Security Scheme with Pension and Health Insurance Funds.

Applicants for the appointments listed below should possess a degree or equivalent professional experience:

1 Manager of the Research Department to advise the Management Committee on the various aspects of the Bank's activity, particularly in the sphere of development financing and aid to overseas countries and territories. He will represent the Bank at various committees and meetings. The Research Department includes the Bank's Documentation Centre and Library. The successful candidate should have had at least 10 years' experience in the field of economic problems. He will have had one or more high-level position with managerial or consulting responsibilities in policy-making in the public or private sector, dealing with the financial aspects of development problems.

Age : 35 to 55.

Approx. Salary: £10,060-£11,555.

2 An Economist with a First or Second Class Honours Degree or a higher degree that includes the study of quantitative economic analysis. He will deal, in particular, with the overall problems connected with the Bank's regional activity in the Community and the United Kingdom. The successful candidate will have had at least 8 years' experience of regional policy problems.

Age : 35 to 45.

Approx. Salary: £8,025-£9,500.

3 An Economist for studies of financial problems of interest to the Bank, capital markets, and general economic problems. He will have had at least 8 years' professional experience, preferably in the research department of a bank, and a sound knowledge of national accounting practices.

Age : 30 to 45.

Approx. Salary: £7,010-£9,500.

4 An Assistant Finance Manager to help with portfolio placing and management. He will have had at least 10 years' experience of banking, with several years as senior staff member in the Treasury Department of a merchant bank or a bank operating in the international field, e.g., as Assistant Euro-currency Banking Manager; long experience in placing and arbitration operations; and preferably good experience in modern treasury management and planning methods, together with an adequate knowledge of banking law and political economy.

Age : 35 to 55.

Approx. Salary: £8,025-£9,500.

5 Financial Advisers or Assistant Financial Advisers, for recruitment at different grades, whose tasks will be to review and to help appraise financing projects. They will have had at least 8 or 3 years' banking experience respectively, preferably in the sphere of medium or long-term credit.

Age : 28 to 45.

Approx. Salary: £4,265-£9,500.

6 An Economist for studies of the African Associated States, their financial and economic position, markets, and appraisal of investment projects. He will have had 5-10 years' experience of African economics and development problems.

Age : 30 to 40.

Approx. Salary: £5,785-£8,370.

7 An Economist, with knowledge of quantitative economic analysis, to take charge of structural and regional studies. He will have had at least 5 years' relevant experience.

Age : 30 to 35.

Approx. Salary: £5,785-£8,370.

8 An Economist to collect and analyse information concerning the capital markets of the enlarged Community. He will have had at least 5 years' professional experience.

Age : 28 to 35.

Approx. Salary: £4,265-£5,025.

9 An Investment Assistant to help with portfolio placing and management and to keep abreast of developments in various money markets. He will have had at least 5 years' experience of banking as a dealer.

Age : 28 to 40.

Approx. Salary: £4,265-£7,000.

Applications, quoting the number of the relevant post and including recent photograph, detailed curriculum vitae and names and addresses of at least two referees, should be sent to:

Head of Personnel Department,
European Investment Bank,
P.O. Box 2005,
LUXEMBOURG.

All applications will be treated in strict confidence.

APPOINTMENTS

CJA RECRUITMENT CONSULTANTS
35 New Broad Street, London, E.C.2. Tel. 01-588 3588

CJA CITY BANKER £4,000 — £6,000

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An exceptional opportunity due to expansion for a candidate aged between 26 and 35 who has the necessary knowledge, experience and personality to accept managerial responsibility and lead a team of young executives on the Banking side. He will be experienced in credit analysis and have handled short and medium term loans and acceptance credits. He will be able to undertake the responsibility for developing and servicing client business and be experienced in negotiating and drafting the necessary documentation related to large commercial loans. The appointment will suit a person who sees rapid progress to the top level in his present position blocked and who has the authority and confidence to make his mark in a highly professional banking field. Initial salary negotiable £4,000-£6,000; contributory pension scheme; free health cover; housing facilities; assistance with removal expenses if necessary. Applications in strict confidence under reference B3268/E to the Managing Director:

CAMPBELL-JOHNSTON ASSOCIATES
(MANAGEMENT RECRUITMENT CONSULTANTS) LTD.
35 NEW BROAD STREET, LONDON EC2M 1NH. Tel: 01-588 3588 or 01-638 0553

SOCIAL SCIENCE RESEARCH COUNCIL
Committee Secretaries

The Social Science Research Council makes grants to universities, colleges and independent institutes for research and provides post-graduate studentships and bursaries.

Applications are invited for the following posts:
(1) Secretary to the Economics Committee
(2) Secretary to the Political Science & International Relations Committee

The successful candidates will be expected to make themselves familiar with current developments in research; be able to discuss plans and projects with research workers; and help the Committees in their evaluation of applications for research grants, for post-graduate support and other more general aspects of Council business.

Candidates should be at least 26 years of age and for post (1) have an honours degree in economics and for post (2) an honours degree in political science or international relations. Experience of social science research work would be an advantage.

Salary scale £2,639-£3,658. Starting salary may be above the minimum. Superannuation arrangements under FSSU. A proposal for a period of secondment to SSRC will be considered.

Applications stating age, qualifications and experience, and giving names and addresses of three referees should be sent to the Establishment Officer (SSO/E/1) SSRC, Room 1135, State House, High Holborn, London WC1 not later than 13 October 1972.

University of
Dar Es Salaam
TANZANIA

Applications are invited for LECTURER IN AGRICULTURAL ECONOMICS/POLITICAL ECONOMY. Appointees should have a post-graduate degree, preferably a PhD in Political Economy, Agricultural Economics. He will be expected to teach and conduct tutorials to under-graduates, and will also be expected to undertake research in his teaching field. Salary Scale: £EA1,898-£EA2,318 pa (£EA6-£7 Sterling). The British Government may supplement salary in range £612-£744 pa (Sterling) normally free of all tax, and provide children's education allowances and holiday visit passages. F.S.S.U. Family passages: biennial overseas leave. Detailed applications (2 copies) naming 3 referees should be forwarded by air mail not later than 31st October, 1972, to the Chief Academic Officer, University of Dar Es Salaam, P.O. Box 35091, Dar Es Salaam, Tanzania. Applicants resident in U.K. should also send one copy to Inter-University Council 90/91 Tottenham Court Road, London, W1P 0DT. Further particulars may be obtained from either address.

London School of
EconomicsECONOMICS RESEARCH
DIVISION

Research Assistants required to join group who assist staff members of the Economics Department with research projects. BSc or MSc with specialisation in Economics and knowledge of econometrics and/or computing methods an advantage.

Salary in range £1347 to £2040.

Apply Dr M. Desai, LSE, Houghton, Street, London, WC2A 2AE, 01-405 7686.

GKN Ltd,
Group Economics &
Marketing Services
Department

The Department maintains an economic forecasting and advisory service to the GKN Group, world-wide. We are seeking a replacement for our Research Economist who

- (a) conducts appropriate research for the countries and markets in which GKN operates; and
- (b) is responsible for preparing a series of reports, in which economics is translated into hard business terms.

This is an exacting task, with much scope for personal initiative and professional development. The successful applicant will probably be about 30; be professionally qualified; have developed enthusiasm for this type of work during similar experience in business or commerce; and be able to show skills both in technique and in lucid presentation.

Location will be primarily at GKN Ltd, Head Office, Smithwick, Works.

Salary and working conditions will be discussed at interview. Please write, giving full career details, to B. J. P. Woods at the above address, reference RE/IE.

RESTAURANT

CHEZ
SOLANGE

Restaurant Francaise
OPEN FOR LUNCH
from noon until 4 p.m.
DINNER 5.30 p.m. to 2 a.m.
(last orders at 12.15 p.m.)
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with Salvo Messina
at the piano
Fully Licensed Air Conditioned
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next to Underground Station
Tel: 01-836 0542/5886

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in southeastern outskirts of Paris

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marquetry-veneers

28,000 sq. ft. (2,600 sq. metres)—in full operation.

—Very well situated on 2 streets.

—Proposed price: F.Frs. 1,500,000 (£123,000 approx.).

—Inspection can be arranged.

Write in French in the first instance to:
No E. 9.602 CONTESSE Publicité
20 Avenue de l'Opéra, Paris—1er

EDUCATION

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Wolsey Hall
Oxford, OX2 6PR.

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and other external degrees of the University of London. Specially prepared courses for the Federation of Stock Exchanges, for Accountancy, Company Secretaryship, Law, Costing, Banking, Insurance Marketing, GCE. Also many thoroughly useful (non-exam) courses in Business Subjects. Write today for details or advice, stating subjects in which interested. Metropolitan College (Dept. G92), St. Albans, or call at 30 Queen Victoria Street, London, EC4. Tel. 01-248 6874. (Founded 1910.) Accredited by the Council for the Accreditation of Correspondence Colleges.

BUSINESS & PERSONAL

SMALL SINGAPORE
SHIPPING COMPANY

with area-wide offices and associates, is diversifying and seeks

AGENCIES OR
REPRESENTATION

preferably but not essentially in marine or general engineering field. Interested also in joint-venture possibilities for local manufacture. Well-qualified technical and management staff under Chinese/British management. Any enquiries welcomed; discussions later this year in United Kingdom.

Please reply to:

The Managing Director,
P.O. Box
3017,
Singapore 1.

Escorts/Hostesses

To entertain your clients in London. 723 8591.

For further appointments
see pages 5, 7, 102 to 108

WILL THE COMPETITION
MOVE IN
IF I MOVE OUT?

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DIVIDEND NOTICE

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COMPANY

(N. V. Koninklijke Nederlandsche
Petroleum Maatschappij)
Established at the Hague,
The Netherlands.

INTERIM DIVIDEND 1972

With reference to the announcement dated 20th September 1972 regarding the INTERIM DIVIDEND for the year 1972 on the shares of N.Fls.20 registered in the U.K. Section of the Amsterdam Register, Royal Dutch Petroleum Company announce that the rate of exchange fixed for the payment of the dividend is N.Fls. 7.8455=£1. The gross amount of the dividend will be 44.612p per share and the amount of the 25% Netherlands Dividend Tax will be 11.153p per share: the net amount payable will therefore be 33.459p per share.

28th September, 1972 ROYAL DUTCH PETROLEUM COMPANY

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LECTURESHIP IN ECONOMICS

This post is tenable from 1st January 1973 or such other date as may be arranged. The appointment may be subject to a period of probation of up to three years in duration. Initial placing, which will depend on qualifications and experience, will be made at one of the first three points on the Lecturers' scale £1,641 to £1,447 (2)-£1,935 rising to £3,852 (extended to £3,999 from 1st October 1973) (salary scale under review). Applications should be received by 16th October 1972. Further particulars may be obtained from The Senior Assistant Secretary (Personnel), The Queen's University of Belfast, BT7 1NN, Northern Ireland. (Please quote Ref. 72/E.)

COURSE

A SYSTEMS APPROACH TO MANAGEMENT

6-10 November 1972 in WINDERMERE
and
22-26 January 1973 in AMSTERDAM

The courses are intended to give senior management an insight into the application of systems thinking to problem solving in industry, commerce, local and national government. They will draw on the cumulative experience of the Department of Systems Engineering and ISCOL who have conducted over 100 consultancy projects in outside organisations.

The courses are organised by ISCOL in conjunction with the Department of Systems Engineering in the University of Lancaster. The course fee will be £90 at Windermere and £95 in Amsterdam. Details of these and other courses from F. A. Godfrey, ISCOL (Ref. M/1), University of Lancaster, Bailrigg, Lancaster. (Lancaster 65201 extension 4659).

APPOINTMENTS

Housing
Executive

Financial Planning Manager

£5,106 — £5,805

The Northern Ireland Housing Executive is the central Housing Authority for Northern Ireland with a building programme involving an annual capital expenditure of £40 million and an existing housing stock of approximately 140,000 dwellings.

It is intended that the organisation will develop and operate a comprehensive system of financial planning and control which will link up with the Executive's Corporate Planning Department on all aspects of the overall capital and revenue programme.

The Financial Planning Manager will be responsible to the Director of Finance for the development and maintenance of this system and will be expected to deputise for the Director in his absence.

The post requires a professionally qualified accountant with first class experience at a senior level in modern financial planning and management accounting techniques in their widest sense. This will be backed by a sound knowledge of computer applications in this field.

A knowledge of the operation of Planned Programme Budgeting would be an advantage.

Application forms may be obtained from the Personnel Manager, 1 College Square East, Belfast, BT1 6BQ.

Closing date for receipt of applications
11th October, 1972.

Please mark envelope 38/414.

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Prices, 1972				Prices, 1972				Eurobonds				Last week's prices				This week's prices				Yield to maturity %								
High		Low		Price, Sept. 27, 1972		Change on week		Yield Sept. 27		Price, Sept. 27, 1972		Change on week		Yield Sept. 27		Price, Sept. 27, 1972		Change on week		Yield Sept. 27		Price, Sept. 27, 1972		Change on week		Yield Sept. 27		
98 1/4	97 1/4	British Electric 3 1/2%	1968-73	98 1/4	98 1/4	4-115	6-855	1	Anglo-American 7 1/2%	1987	98 1/4-9 1/4	99-100	7-36	98 1/4	97 1/4	British Electric 3 1/2%	1968-73	98 1/4	98 1/4	4-115	6-855	1	Anglo-American 7 1/2%	1987	98 1/4-9 1/4	99-100	7-36	
89 1/4	75 1/4	British Electric 3 1/2%	1976-79	76 1/4	77 1/4	6-235	7-985	1	Amoco (L) 8 1/2%	1987	93 1/4-4 1/4	94 1/4-5 1/4	8-37	89 1/4	75 1/4	British Electric 3 1/2%	1976-79	76 1/4	77 1/4	6-235	7-985	1	Amoco (L) 8 1/2%	1987	93 1/4-4 1/4	94 1/4-5 1/4	8-37	
109	96	Treasury 8 1/2%	1980-82	98 1/4	100	5-240	8-770	1	General American Trans. 8 1/2%	1987	101 1/4-2 1/4	102-3	7-75	109	96	Treasury 8 1/2%	1980-82	98 1/4	100	5-240	8-770	1	General American Trans. 8 1/2%	1987	101 1/4-2 1/4	102-3	7-75	
108 1/4	94 1/4	Treasury 8 1/2%	1984-86	95 1/4	97 1/4	5-475	9-055	1	General Cable 8 1/2%	1987	101 1/4-2 1/4	101-2	7-81	108 1/4	94 1/4	Treasury 8 1/2%	1984-86	95 1/4	97 1/4	5-475	9-055	1	General Cable 8 1/2%	1987	101 1/4-2 1/4	101-2	7-81	
96 1/4	80 1/4	Funding 6 1/2%	1985-87	82 1/4	80 1/4	5-845	8-805	1	International Utilities 8 1/2%	1982	100-1	101-2	7-86	96 1/4	80 1/4	Funding 6 1/2%	1985-87	82 1/4	80 1/4	5-845	8-805	1	International Utilities 8 1/2%	1982	100-1	101-2	7-86	
66 1/4	54 1/4	British Transport 3%	1978-88	54 1/4	55 1/4	6-340	8-125	1	Kleinwort Benson 8 1/2%	1987	102 1/4-3 1/4	103-4	7-64	66 1/4	54 1/4	British Transport 3%	1978-88	54 1/4	55 1/4	6-340	8-125	1	Kleinwort Benson 8 1/2%	1987	102 1/4-3 1/4	103-4	7-64	
86 1/4	69 1/4	Funding 6%	1993	70 1/4	71 1/4	5-985	9-040	1	Motorola 8 1/2%	1987	101 1/4-2 1/4	102-3	7-41	86 1/4	69 1/4	Funding 6%	1993	70 1/4	71 1/4	5-985	9-040	1	Motorola 8 1/2%	1987	101 1/4-2 1/4	102-3	7-41	
111 1/4	94 1/4	Treasury 6 1/2%	1994	96 1/4	98 1/4	5-665	9-505	1	N. American Rockwell 8 1/2%	1987	101 1/4-2 1/4	102-3	7-75	111 1/4	94 1/4	Treasury 6 1/2%	1994	96 1/4	98 1/4	5-665	9-505	1	N. American Rockwell 8 1/2%	1987	101 1/4-2 1/4	102-3	7-75	
58	46 1/4	British Gas 3%	1990-95	47 1/4	47 1/4	6-135	8-105	1	Pennwalt 8%	1987	101 1/4-2 1/4	102-3	7-52	58	46 1/4	British Gas 3%	1990-95	47 1/4	47 1/4	6-135	8-105	1	Pennwalt 8%	1987	101 1/4-2 1/4	102-3	7-52	
89 1/4	75	Treasury 6 1/2%	1995-98	76 1/4	74 1/4	5-970	9-310	1	Queensland Alumina 8 1/2%	1987	100 1/4-1 1/4	101-2	7-86	89 1/4	75	Treasury 6 1/2%	1995-98	76 1/4	74 1/4	5-970	9-310	1	Queensland Alumina 8 1/2%	1987	100 1/4-1 1/4	101-2	7-86	
73 1/4	58 1/4	Treasury 5 1/2%	2008-12	59 1/4	60 1/4	5-905	9-320	1	Wallcome 8 1/2%	1987	101 1/4-2 1/4	102-3	7-75	73 1/4	58 1/4	Treasury 5 1/2%	2008-12	59 1/4	60 1/4	5-905	9-320	1	Wallcome 8 1/2%	1987	101 1/4-2 1/4	102-3	7-75	
43 1/4	36 1/4	War Loan 3 1/2%	after 1952	37 1/4	37 1/4	5-665	9-565	1	Williams and Glynn 8 1/2%	1987	101 1/4-2 1/4	103-4	7-64	43 1/4	36 1/4	War Loan 3 1/2%	after 1952	37 1/4	37 1/4	5-665	9-565	1	Williams and Glynn 8 1/2%	1987	101 1/4-2 1/4	103-4	7-64	
30 1/4	25 1/4	Consols 2 1/2%		26 1/4	26 1/4	5-735	9-555	1	Inter-American Devel. Bank (DM) 6 1/2%	1987	101-2	99 1/4-100 1/4	6-62	30 1/4	25 1/4	Consols 2 1/2%		26 1/4	26 1/4	5-735	9-555	1	Inter-American Devel. Bank (DM) 6 1/2%	1987	101-2	99 1/4-100 1/4	6-62	
									Malaysia (DM) 7 1/2%	1987	98 1/4-9 1/4	97 1/4-8 1/4	7-04											98 1/4-9 1/4	97 1/4-8 1/4	7-04		
									Slater Walker (LDM) 7 1/2%	1987	101-2	101-2	7-02												101-2	101-2	7-02	

Prices, 1972				Prices, 1972				Prices, 1972				Prices, 1972																							
High		Low		Price, Sept. 27, 1972		Change on week		Yield Sept. 27		High		Low		Price, Sept. 27, 1972		Change on week		Yield Sept. 27		High		Low		Price, Sept. 27, 1972		Change on week		Yield Sept. 27							
138 1/4	126 1/4	Algemeine Bank	Fr 356 1/4	-1 1/4	4-8	118	89	Breweries, etc.	94 1/2p	-2 1/2	3-6	74-9	58-7	Hoesch	DM 65-3	+2	4-6	138 1/4	126 1/4	Algemeine Bank	Fr 356 1/4	-1 1/4	4-8	118	89	Breweries, etc.	94 1/2p	-2 1/2	3-6						
84	57-8	Amsterdamsche Rot	Fr 71-8	-2-2	4-7	69	55	Allied Breweries	94 1/2p	-2 1/2	3-6	79-7	60-9	Hoogoven	Fr 74-2	-0-6	5-4	84	57-8	Amsterdamsche Rot	Fr 71-8	-2-2	4-7	69	55	Allied Breweries	94 1/2p	-2 1/2	3-6						
370	257	Aust & NZ Bank	315p	-20	3-2	194	148	Anheuser-Busch	5 1/2p	-3 1/2	0-9	220-3	145	Mannesmann	DM 201-8	+8-3	4-9	370	257	Aust & NZ Bank	315p	-20	3-2	194	148	Anheuser-Busch	5 1/2p	-3 1/2	0-9						
48	37 1/4	Bank of America	447 1/2	-1 1/2	2-3	165	132-8	Barr, Charrington	157p	...	3-2	89	52	Nippon Steel	Y84	...	6-0	48	37 1/4	Bank of America	447 1/2	-1 1/2	2-3	165	132-8	Barr, Charrington	157p	...	3-2						
500	370	B of Ireland	450p	-10	3-4	217	106	Bols NV	Fr 144 1/2	-1 1/2	2-5	104-8	65-2	Rhein Stahl	DM 84 1/2	...	6-0	500	370	B of Ireland	450p	-10	3-4	217	106	Bols NV	Fr 144 1/2	-1 1/2	2-5						
11 1/4	8 1/4	B of Montreal	410 1/2	-1 1/2	3-1	212	153	Courage	195p	-8	2-2	85-8	68	Thyssen Huetten	DM 77-3	+2-2	4-5	11 1/4	8 1/4	B of Montreal	410 1/2	-1 1/2	3-1	212	153	Courage	195p	-8	2-2						
116 1/4	84	B of Mexico	P 87	...	8-5	41 1/4	33 1/4	Distillers	166 1/2p	-2	4-1	34 1/4	28 1/4	US Steel	82 1/2p	...	4-5	116 1/4	84	B of Mexico	P 87	...	8-5	41 1/4	33 1/4	Distillers	166 1/2p	-2	4-1						
470	298	B of NS Wales	425p	-10	3-2	470	420	Distill Seagrams	83 1/2p	+1 1/2	1-8	117-1	85-9	Usinor	Fr 112	-2-8	8-0	470	298	B of NS Wales	425p	-10	3-2	470	420	Distill Seagrams	83 1/2p	+1 1/2	1-8						
740	525	B of Scotland	645p	+10	3-2	244	182	Dortmund Union	DM 434	-3	2-3	52-2	40	Wandel-Sideler	Fr 45-2	+0-2	10-8	740	525	B of Scotland	645p	+10	3-2	244	182	Dortmund Union	DM 434	-3	2-3						
2835	2310	B Bruxelles	Fr 2830	+155	4-4	349-9	238 1/2	Guinness	186p	-1 1/2	1-2									2835	2310	B Bruxelles	Fr 2830	+155	4-4	349-9	238 1/2	Guinness	186p	-1 1/2	1-2				
238-6	183-3	B de Paris Pays Bas	Fr 220-9	+1-4	5-1	319	234	Heineken	Fr 207	-1 1/2	2-4									238-6	183-3	B de Paris Pays Bas	Fr 220-9	+1-4	5-1	319	234	Heineken	Fr 207	-1 1/2	2-4				
64 1/4	53 1/4	Bankers Trust	461 1/2	-1 1/2	4-6	20 1/4	15 1/4	Kirin Brewery	Y 207	-1 1/2	5-2									64 1/4	53 1/4	Bankers Trust	461 1/2	-1 1/2	4-6	20 1/4	15 1/4	Kirin Brewery	Y 207	-1 1/2	5-2				
492	298	Barclays	408p	-2	2-3	127	88 1/2	Nat Distillers	107 1/2p	-1 1/2	3-1									492	298	Barclays	408p	-2	2-3	127	88 1/2	Nat Distillers	107 1/2p	-1 1/2	3-1				
15 1/4	11 1/4	Can Imp Com	414 1/2	+1 1/2	1-9	103 1/2	79	Scottish & Newc	104p	-1 1/2	3-2									15 1/4	11 1/4	Can Imp Com	414 1/2	+1 1/2	1-9	103 1/2	79	Scottish & Newc	104p	-1 1/2	3-2				
121 1/4	78	Charterhouse Group	103p	...	3-1	114 1/4	84 1/4	Sch African Br	103p	+5	3-6									121 1/4	78	Charterhouse Group	103p	...	3-1	114 1/4	84 1/4	Sch African Br	103p	+5	3-6				
66	52	Chase Manhattan	863 1/2	+1 1/2	5-6																	66	52	Chase Manhattan	863 1/2	+1 1/2	5-6								
59 1/4	48 1/4	Chemical Bank NY	851 1/2	+1 1/2	3-7																	59 1/4	48 1/4	Chemical Bank NY	851 1/2	+1 1/2	3-7								
257	225-2	Commerzbank	DM 232 1/2	+2	4-8	346 1/4	247	Building, building materials	251p	+2	3-7									257	225-2	Commerzbank	DM 232 1/2	+2	4-8	346 1/4	247	Building, building materials	251p	+2	3-7				
182	148 1/2	Credit Commercial	Fr 173 1/2	+1 1/2	4-8	246	170	Assoc Portland	160p	-4	4-4									182	148 1/2	Credit Commercial	Fr 173 1/2	+1 1/2	4-8	246	170	Assoc Portland	160p	-4	4-4				
450	370	Credit Foncier	Fr 431 1/2	-3 1/2	5-2	20 1/4	9 1/4	BPB Industries	89 1/2p	-1 1/2	2-5									450	370	Credit Foncier	Fr 431 1/2	-3 1/2	5-2	20 1/4	9 1/4	BPB Industries	89 1/2p	-1 1/2	2-5				
4530	3695	Credit Suisse	Fr 5 4220	+40	1-9	514	252	Boise Cascade	432p	-40	1-4									4530	3695	Credit Suisse	Fr 5 4220	+40	1-9	514	252	Boise Cascade	432p	-40	1-4				
350	310	Deutsche Bank	DM 332 1/2	+1 1/2	2-7	276	195	Bovis Ltd	Fr 253	-7	5-5									350	310	Deutsche Bank	DM 332 1/2	+1 1/2	2-7	276	195	Bovis Ltd	Fr 253	-7	5-5				
289	255	Dresdner Bank	DM 273	+3	3-3	2795	2100	Ciments Lafarge	Fr 2675	+50	4-8									289	255	Dresdner Bank	DM 273	+3	3-3	2795	2100	Ciments Lafarge	Fr 2675	+50	4-8				
68	43 1/4	First Nat City	568 1/2	+2 1/2	1-9	320	155 1/2	Cimenterie Brq	248p	-20	3-0									68	43 1/4	First Nat City	568 1/2	+2 1/2	1-9	320	155 1/2	Cimenterie Brq	248p	-20	3-0				
652	355	Fuji	Y 637	...	0-9	143	105	Costain	115p	-4	2-3									652	355	Fuji	Y 637	...	0-9	143	105	Costain	115p	-4	2-3				
490	335	Hambros	410p	...	2-1	26450	19050	Eng China Clays	L 25290	-1205	1-9									490	335	Hambros	410p	...	2-1	26450	19050	Eng China Clays	L 25290	-1205	1-9				
208	142	Hill, Samuel	153p	+1	2-9	191 1/4	149 1/4	Isacment	152p	-1 1/2	1-6									208	142	Hill, Samuel	153p	+1	2-9	191 1/4	149 1/4	Isacment	152p	-1 1/2	1-6				
1 1/4	1	IOS Mgmt	81	...	...	121 1/4	76 1/4	Laing 'A'	152p	-1 1/2	4-2									1 1/4	1	IOS Mgmt	81	...	...	121 1/4	76 1/4	Laing 'A'	152p	-1 1/2	4-2				
21 1/4	13 1/4	Hongkong & Sh	120 1/2	+1 1/2	1-8	139	95	London Brick	101p	-1 1/2	4-3									21 1/4	13 1/4	Hongkong & Sh	120 1/2	+1 1/2	1-8	139	95	London Brick	101p	-1 1/2	4-3				
209	130	Kleinwort & Son	142p	-4	2-7	375	303	Marley	320p	+2	3-3									209	130	Kleinwort & Son	142p	-4	2-7	375	303	Marley	320p	+2	3-3				
7420	5830	Kreditbank	Fr 7300	-1	2-7	170	124	Pilkington Bros	135p	-3	2-9									7420	5830	Kreditbank	Fr 7300	-1	2-7	170	124	Pilkington Bros	135p	-3	2-9				
410	330	Kundenkredit	DM 406	+6	2-4	182	131	Radland	133p	-5	2-8									410	330	Kundenkredit	DM 406	+6	2-4	182	131	Radland							

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A week is a long time in politics

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October 7, 1972



Long week

Labour's conference at Blackpool has left Mr Wilson still safely in the leadership of his party, but it has also left Britain with an incredible alternative government, page 11. Our special correspondents report, page 23.

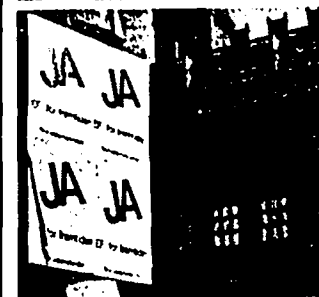


Revolutionary Heath

The Prime Minister's proposed incomes policy would involve a total change in the traditional machinery of economic government in this country, and this is one of its great attractions, page 12. He can give away about £1 billion a year more in order to sweeten the deal for the trade unions, and there are some cunning alternative ways he might do it, page 77.

No secrets

Britain's official secrets act is in a fortunately ludicrous mess, and there is a danger that the tidying proposed by the Franks committee might make it more restrictive by mistake, page 15.



Nine and North

Denmark's referendum has established a European community of the Nine. Norway's rejection leaves Scandinavia with sticky problems on both the political plane, page 14, and the economic, page 74.



Head start

Poor areas need more nursery schools, page 18.



First stop

Nearly 8,000 Asians have been airlifted so far from Uganda. How Britain is dealing with the refugees at the camps, page 28.

Steel's future

The world's steel industry is about to discuss a capacity-limiting agreement, but it will hope that its national anti-monopoly authorities are not listening, page 78.

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Letters

Liberal party

SIR—According to your reporter, "the Liberals do not attract really serious politicians" (September 23rd). Perhaps he means "career politicians"?

I joined the Liberal party as an undergraduate nearly 40 years ago because: (1) I believe in the political philosophy of liberalism; (2) I was acutely conscious of the need for economic, social and political change based on liberal ideas; (3) I did not see any likelihood of any such change coming from the Conservative party; (4) I rejected the doctrine of the public ownership of the means of production, distribution and exchange, a cardinal belief of the Labour party; (5) while strongly supporting trade unionism, I thought a political party should not be dominated by one powerfully organised interest group.

Experience has confirmed, not changed, these views. You may well complain that all this is a bit solemn, but it is the attitude of many Liberals and could scarcely be more serious.—Yours faithfully,
House of Lords, SW1 SEEAR

SIR—I beg to disagree with your special correspondent at the Liberal Assembly who states (September 23rd) that "the Liberals do not attract really serious politicians."

There is ample evidence that the Liberal party has attracted "really serious politicians." Men such as Jo Grimond, Jeremy Thorpe and Lord Avebury—as well as local Liberal leaders such as Cyril Carr and Trevor Jones in Liverpool or the late Wallace Lawler in Birmingham—must be judged as dedicated and serious men (to name but a few). Just because they have chosen not to be the captives of two large established conservative parties does not make them any less serious. Each of the individuals I have cited has made a lasting contribution to our society, all of them at local levels and some at national level. They have promoted liberal values, fought for numerous reforms and sought a new role for the politician in the community. All of these things they can best do as Liberals without being restricted by the resistance to change exhibited by other parties. The fact that they have not joined the Tories or Labour is indeed additional evidence of their political seriousness; they have chosen to advance liberalism in politics, not themselves. Your correspondent freely admits some of their recent achievements in relation to "the common market, the problems of the low-paid, devaluation and the floating of the pound, the environ-

ment" Need I say more?—Yours faithfully,
ALAN BUTT PHILIP
London, N5

SIR—There is nothing quite like a holiday abroad to sharpen one's view of one's homeland. Viewed from the serenity of a Norwegian fjord, Britain's industrial relations seem both desperate and ludicrous—a view, I might say, which is shared by our Norwegian friends, especially those who seek to trade with us.

Liberals would say that the law must be obeyed, but it must also be generally acceptable, and that as the Industrial Relations Act in its present form will continue to lead to frustration, bitterness and absurdity, it must be drastically amended.

The Liberal party is the party of partnership, as opposed to those of capital and labour, and is urging that statutory works councils should be introduced, that company law should be changed to give employees the same rights as shareholders, and that tax concessions to encourage profit-sharing should be granted. At the same time, we believe that wage settlements should be made referable to the Restrictive Practices Court to curb union monopoly power and that a new basic standard contract is required for all workers.

Is it not absolutely clear that the old methods are becoming increasingly disastrous as the arteries of industrial dispute continue to harden and that the electorate must turn away from the Conservative and Labour parties if their all-too-familiar problems are ever to be solved?

Incidentally, Norway, like most Scandinavian countries, is expensive. I could have paid 60p for a dozen eggs, 50p for a pint of lager and 40p for a pound of tomatoes. Norway is a country which has remained outside the common market—and there is enormous pressure for it to continue to do so. I have no doubt that our food prices would soon have looked similar even should Britain have not grasped the final opportunity to join the EEC.—Yours faithfully,
PETER SMOUT
Daventry

Private flying

SIR—The only thing absolute in air accident statistics is the number of fatalities (September 2nd). Our Federal Aviation Administration can at best only guess at the number of aircraft operated, number of hours flown and number of flights. Therefore, the fatality rate per 100,000 miles for private flying is a rough estimate. There are indications that the miles and hours could be in error by as much as 50 per cent. Further, the general aviation accident statistics include suicides as well as known hazardous flight activities.

Regarding the report that one-third of the fatal accidents involved pilots who had been drinking alcoholic beverages, this is one of the most misinterpreted statistics to be related to private flying. Dr Stanley Mohler, the medical specialist of the FAA

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who made the report, issued many cautions regarding its interpretation. However, these cautions have never been followed by the news media.

First, the study was based upon autopsies performed on only a portion of the pilots involved in fatal accidents. This was not a scientific sampling of the total. Among this small group, one-third showed evidence of alcohol in the blood system. An FAA physician cautioned, however, that this figure was not to be taken as an indication that all these people had been drinking. Unless an autopsy is performed within a certain time following death, blood sugar in the system can ferment, resulting in a reading of alcohol which can be misinterpreted as coming from drinking.

The National Transportation Safety Board reports that about six per cent of the fatal accidents can be attributed to pilot intoxication.—Yours faithfully,

CHARLES SPENCE
Vice President, Public Relations,
Aircraft Owners and Pilots Association
Washington, DC

Mining

SIR—In the review (September 16th) of the report of the Commission on Mining and the Environment, you state that all of the recommendations which the commission makes "about updating the planning system seem aimed at easing the mining companies' problems," and illustrate your point by suggesting that the commission considers "that it is unnecessary for the existence of exploration drilling to be made public." This is not so.

Under existing law, the minister may give directions to a local planning authority requiring that authority to consult with the authorities, persons or bodies named in such directions before determining any application for planning permission. This proviso underlies all of the commission's recommendations on planning procedures, as they affect exploration drilling, which are: (1) that planning permission should be granted automatically (by deemed planning consent) under a general development order, (2) that drilling should be carried out in accordance with a code of practice approved by ministers, and (3) that the local planning authority should be empowered, following consultation with the appropriate authorities and individuals, to impose additional conditions in particularly sensitive areas.

Amongst the safeguards which the commission suggests should be written into the code of practice are: (i) a requirement that the mineral prospector should give 42 days' notice in writing to the local planning authority before work begins, (ii) that the written notice should include the necessary plans and drawings to describe the proposed drilling programme and identify the area in question, (iii) that the mineral prospector should notify the occupiers and the owner of the land, and (iv)

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For further management appointments see page 7

that copies of all the relevant documents should be made available in the locality. These recommendations, if adopted, will strengthen existing controls, and ensure that the public has access to the facts about individual cases.—Yours faithfully,

P. J. NELSON

Secretary to the Commission
London, SW1

SIR—Your note (September 16th) on the self-styled Commission on Mining and the Environment, set up and paid for by Rio Tinto-Zinc and the other big mining companies, says that the argument for mining in this country is that it takes the pressure off the balance of payments by saving foreign currency spending and at the same time creates new jobs.

This has been the key rationalisation of both Rio Tinto and the government to support plonking great open-cast mines down in our national parks. Against it two points need making.

First, once the construction period for these schemes is over the capital intensive nature of the final enterprise means that the number of jobs created is usually very small. Secondly, the two recent major oil strikes, in the North Sea, together with those already made and new strikes which are envisaged, should provide at least 75 per cent of our domestic fuel requirements by the early 1980s. This means that it will simply no longer be necessary to despoil mountains, national parks and other designated areas of natural beauty in order to save foreign currency. The oil finds alone will achieve this comfortably—not, of course, without their own special environmental risks. In other words the government's rationale for allowing large scale mining in Britain and for paying a large part of the costs of exploration out of the taxpayers' pockets now simply disappears.

International Tourism Quarterly

The latest issue of ITQ continues the series of national reports with a study on tourism in ISRAEL, while a report on the BAHAMAS AND COMMON-WEALTH CARIBBEAN ISLANDS surveys an important tourist area.

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You do not mention this in your report on the Zuckerman commission and it is a safe bet that Sir Solly and Co did not either. But that's no reason for letting them get away with it.—Yours faithfully,
London, NW3

ANDREW MACK

Bank charges

SIR—The most serious failure of the banks is their continued clamminess over charges—the words come from your excellent article of September 23rd. However hard done the British client may feel, you should perhaps be aware of an astounding attitude taken towards foreign residents concerning charges made for keeping share certificates. The clearing banks have decided to charge 1 per cent of the value of a share certificate received by them for custody and a further 1 per cent for every certificate despatched to the client's stockbroker. This effectively doubles the cost of switching equity stock and bears no relation to the small charge made to British residents for this minor service, nor indeed to the work required.

While my bank has explained that I can avoid this charge by making my purchases through them (to the detriment of my stockbroker on whose advice I act) or by removing the certificates (which I have done), they have flatly refused to explain any reason whatsoever why one class of client should be subjected to such outrageous charges while others are not. After all, there must be very few people who are prepared to add yet another 2 per cent in charges to their stock exchange dealings; so one is left with the view that, on the verge of moving into Europe, the banks are embarking upon a strategy designed to discourage foreign residents from becoming their clients. This particular one is removing his account to the London branch of a continental bank. If others do the same the cold winds of competition within the EEC may yet cause British banks to improve their client relationships.—Yours faithfully,
Brussels

A. L. KING-HARMAN

Uxbridge by-election

SIR—Your note about the pending by-election in Uxbridge (September 23rd) is interesting but when reference is made to the disadvantageous effect of a possible Labour victory at the GLC election upon Conservative chances you are using a generalisation that is not particularly relevant to this constituency.

Uxbridge is among the seats that will be won at the next GLC election. The Conservatives can win Uxbridge and not win the GLC (although this would be a sad day). If reference is made to the statistics on London borough elections (May 13, 1971) compiled under the direction of the GLC, it will be seen that the vote at those elections of electors within the parliamentary constituency of Uxbridge, which is also the GLC consti-

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tuency in 1973, divided equally between Conservative and Labour. At that time (May, 1971) there was a 12 per cent swing in London to Labour from June, 1970. Things have improved since then and will continue to do so.

No, sir, the GLC election in Uxbridge will be a boost for the Conservatives, particularly if the by-election has not taken place by then.—Yours faithfully,

JAMES LEMKIN
Prospective Conservative
GLC candidate for
Uxbridge

Uxbridge, Middx

Inflation

SIR—The Government has been accused recently from various sources of increasing the money supply by too much and hence of stimulating inflation.

It seems to have been forgotten that the object of increasing the money supply is to increase aggregate demand and thus to lower unemployment and that unless a money supply increase raises demand to such a level that suppliers find it hard to keep pace, the money supply increase cannot be inflationary. And demand has not increased much recently, ergo the current money supply increase is not inflationary.

The argument can be illustrated by a hypothetical example: the Government can print as many extra billion pound notes as it likes and give them all to me, but so long as I fail to spend them, there will be no effect on demand or inflation.—Yours faithfully,
Pity Me, Durham

R. S. MUSGRAVE

Iran

SIR—I would like to take this opportunity to thank you for having published my letter (August 26th). I nevertheless very much regret that the last half-sentence of the letter had been omitted.

May I therefore restate what I said in my previous letter, that the advocacy of violence and armed insurrection as proper means to an end contradicts Mr Jabbari's argument regarding democracy and encourages so-called intellectuals to disregard law and order and to live by the law of the jungle.—Yours faithfully,

A. M. SHAPURIAN
Press attaché, Imperial Iranian Embassy
London, SW7

Caravelle

SIR—It is rather unfair of you to describe the Caravelle as "an object lesson in how the French threw away a golden opportunity by incompetent marketing" (September 23rd).

As shown by the accounts of a score of airlines, the Caravelle was never a "golden opportunity" for the simple reason that it was never able to match the seat-mile costs of aircraft which took advantage of more modern technology. Its

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MANAGEMENT APPOINTMENTS

£7000 PA AND OVER

Director of Planning

A post of Director of Planning in the Department of Planning and Transportation has been created following a re-casting of the top management structure of the Greater London Council.

Under the Controller of Planning and Transportation, the Director of Planning will share with the Director of Development and Traffic Commissioner the responsibility for the executive management of the department. His sphere will be the social and economic planning of London at the strategic level. Within that broad context he will deal with the strategic aspects of housing, transportation and employment, and their relation to plans whether formulated for Greater London or for the surrounding region.

He will have close relations therefore with the planning organisations in the London Boroughs, the Department of the Environment, the trans-

port authorities, and with the regional planning machinery, and experience in such relationships will clearly be an advantage.

The post calls for administrative ability of a high order, the capacity for creative thought, skill in the interpretation and presentation of complex issues, and a personality capable of making a direct, understanding and responsive approach to the many interests, both inside and outside the Council, involved in strategic planning.

The normal salary on appointment is £10,383. Progression can be expected to the job maximum of £11,535 with possible further progression on exceptional merit beyond this figure.

Application forms, returnable by 23rd October, 1972, obtainable from Director General (C/JAC/293/—) The County Hall, London, SE1 7PB.

GLC GREATER LONDON COUNCIL

Chief Planner (Strategy)

This is a key post in relation to the Council's role as the strategic planning authority for Greater London, and calls for an ability to make a major contribution to the formulation of long-term strategic policies on a regional scale.

The person appointed will head the Strategy Branch of the Department of Planning and Transportation and have a major and personal part to play in carrying out research into the social, economic and physical needs of the metropolis and formulating and advising the Council's Committees on comprehensive policy options for meeting them. He will be responsible for advising on further development of the strategic policies of the Greater London Development Plan and for monitoring their implementation.

The successful candidate must be able to guide and inspire the work of highly qualified and specialised staff. He should have a marked aptitude in

communication, with an ability to identify essentials and present complex issues concisely and clearly.

The position is intellectually stimulating and demanding, and the establishment provides strong academic, Professional and managerial support accordingly. The Branch has three professional Divisions, each headed by a senior and experienced officer, and dealing respectively with social strategy, economic strategy and policy integration. An application for an engagement on a contract basis could be considered if desired.

The normal salary on appointment is £8,016. Progression can be expected to the job maximum of £8,904 with possible further progression on exceptional merit beyond this figure.

Application forms returnable by 23 October are obtainable from the Director-General (C/JAC/469/) The County Hall, London SE1 7PB.

GLC GREATER LONDON COUNCIL

For further management appointments see page 5

performance was also slightly inferior in most respects. But because of its relatively low capital costs it continued to sell in small quantities until recently.

If the Caravelle is an object lesson, it is in French flair at continuing to market successfully a product which had become technologically obsolete.—Yours faithfully,
London, SW13 JOHN SEEKINGS

Ugandan Asians

SIR—As an Asian from East Africa, I offer my heartiest congratulations and support to *The Economist*, and the liberals of the United Kingdom, on your article "The true voice of Britain?" (September 16th), and at the same time sympathise with you in having to absorb 30,000 victims of naked racism and brutal dictatorship in Uganda.

Uganda's politics of contradiction and the silence of the so-called African intellectuals in Uganda and other independent African countries have left Asians all over East Africa baffled and bewildered. The Ugandan incident has exposed the double standards of African intellectuals and nationalists.

Britain has once more shown itself as the land of fair play and justice, and also magnanimous in alleviating human suffering anywhere in the world. We Asians understand the problems of the British people at this moment, with the high rate of unemployment, housing and schools shortage, increasing population density etc, and we shall try not to be a burden on the British taxpayers.

It will benefit all Ugandan Asians if most of them with substantial capital decide to begin a fresh life in India.

Incidentally, the Ugandan episode also reveals the hypocrisy of the Indian government in not providing any moral and

material support to its own kith and kin while speaking hours unending for Palestinians in the United Nations.—Yours faithfully,
Nairobi VIPINCHANDRA D. SHAH

SIR—Being a Ugandan Asian, I was very much distressed reading the letter written by Mr A. W. Randall (September 23rd).

Mr Randall's point about General Amin being "eminently sane" is debatable. General Amin is the man who has expelled the Israelis, now the Asians, and practically every week a British diplomat, and who further adds that he receives messages from God. I leave you to draw your own conclusions.

As for Mr Randall's point about the Asians filling all the market squares in this country, this is hardly likely. And he gives no evidence to support his statement that the Asians were anti-British and that their hatred for the British will take years to eradicate.

Having lived in India for many years, Mr Randall likes the Asians there "but there they should stay." Why? They were given British passports by the British; why not come here? They are Britain's citizens.

Mr Randall's theory of a half caste population in this country is far-fetched. Admittedly there will be some half castes, but surely this will curb racial problems? He hopes the Asians will not integrate. Why not? If Asians do not integrate, people say this is unsocial; if they do, people like Mr Randall cry out that the country will have a population of half castes.

I suppose it takes all sorts to make the world. It is a comforting thought that not all of Britain's population have the same views.—Yours faithfully,
Ashford, Middlesex A. JAFFER

SIR—I must take issue with Mr R. I. Mackenzie (Letters, September 16th) when he compares the South African racial situation so favourably with that of Uganda under General Amin. When he states that Africans are not being "expelled from South Africa" he conveniently does not reveal that they are continually being expelled from the "white," ie, developed, areas of the country (where they can hope to find employment) into so-called "homelands" which are almost totally undeveloped, desperately overcrowded and which, in any case, under the present government's policy are intended shortly to become foreign states, no longer part of the Republic. Already Africans are given "ethnic" identity documents intended to make them foreigners in the land of their birth. The South African government does not act with quite the crude impetuosity of General Amin: but its racism is as appalling and the ultimate effects of its policies of forced removals of populations no different.

It must not be forgotten that the National party came to power in 1948 on the slogan "Kaffir in sê plek en koelie uit die land" ("the kaffir in his place and the coolie [a common derogatory term for Asians] out of the country"). It has proved impracticable to implement the latter half of this charming philosophy, due chiefly to the infinitely greater number of Asians (all, incidentally, of South African nationality) in the country compared with that in a country like Uganda: but every effort is continually made to force "kaffirs" into their place against all laws of economic necessity and social morality. There is no "progress through evolution" in this country, as Mr Mackenzie, like so many English-speaking and supposedly anti-government South Africans, has apparently been duped into believing by Nationalist propaganda. There is only an increase in the already vast gap in the standard of living between white and black, and an official policy of naked racism hidden, as General Amin's is not, behind a cardboard façade called "separate development," which is in fact designed to perpetuate white domination as far into the future as anybody can see. The chief opposition party in parliament is as firmly committed to this dominance as the Nationalists; only its methods differ. And although an increasing number of white voters are rejecting the two main parties' "baaskap" policies, this number is still less than 4 per cent of the electorate. (Such political voices as are allowed to Africans, Asians and Coloureds are of course irrelevant to decisions made in the white parliament).

The promotion of inter-racial harmony in a country which is probably in greater need of it than any other is scarcely improved by these white political attitudes, and Mr Mackenzie's offensive language, in which he lumps all Africans (including, presumably, the Zulu prime minister Chief Buthelezi, the Transkei's Chief Matanzima and the late Nobel prize-winner Albert Luthuli) together as "children" is not calculated to improve it either.—Yours faithfully,
Johannesburg D. R. S. BOOTH

Terrorists

SIR—You say (September 16th) that "... the international community has no way at present of punishing a country that provides a haven for hijackers."

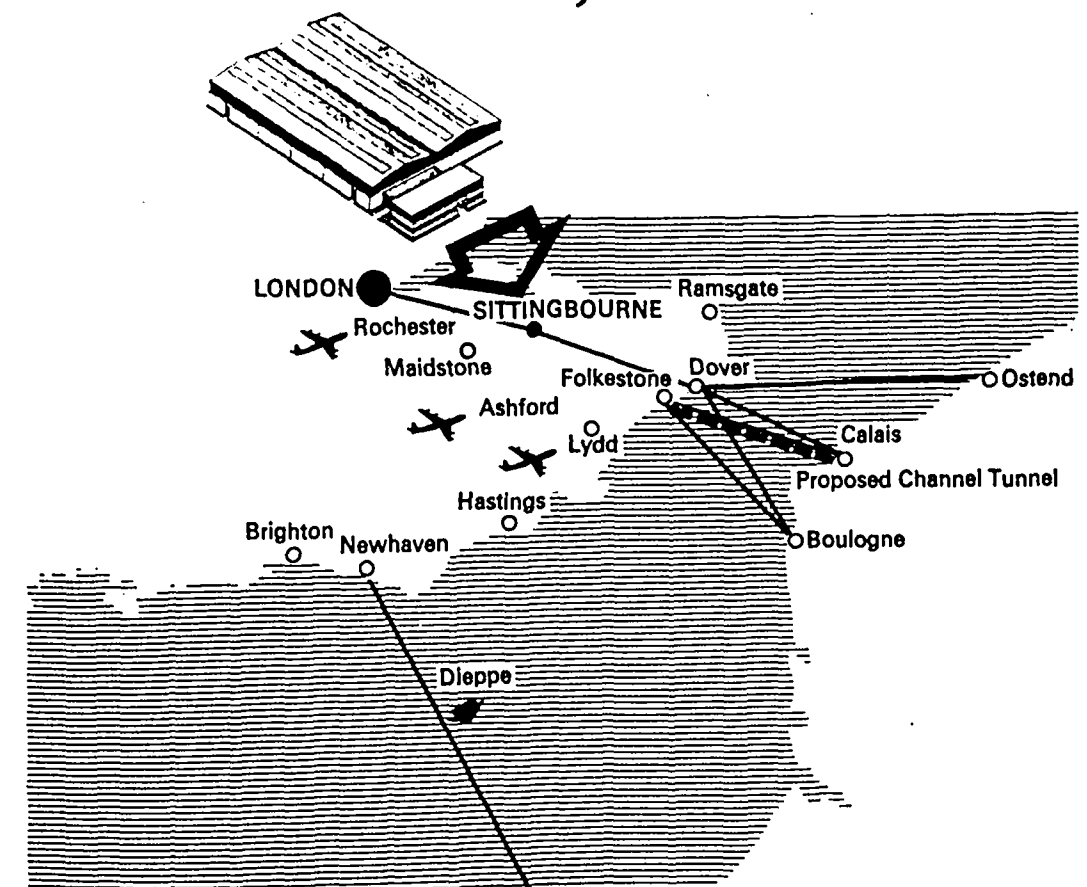
This seems very odd.

Surely the international community can brand a country as being a harbourer? And then no aircraft of the community will fly to that country? And also no airport of the community will entertain that country's aircraft?

Wouldn't that be possible, and enough too?—Yours faithfully, LINDSAY VERRIER
Suva, Fiji

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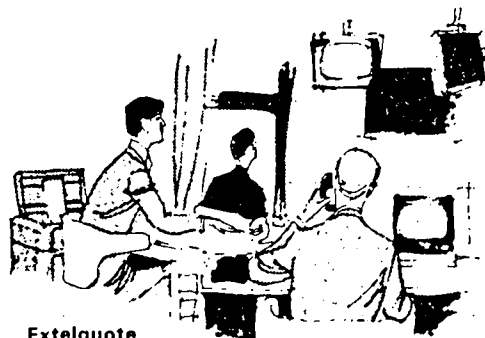
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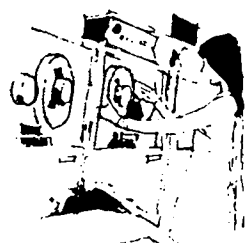
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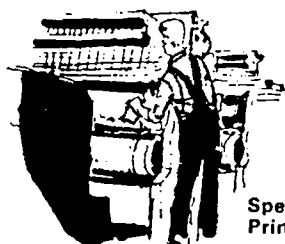


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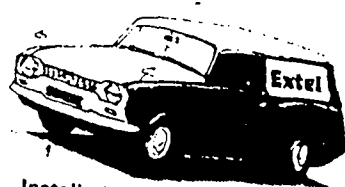
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The Economist

October 7, 1972



Long week in politics

Mr Wilson has lived through one of his more interminable weeks; but at least he will leave Blackpool at the end of his annual party conference on Friday afternoon as undisputedly the leader of the Labour party as he was when he arrived. That is not, to be sure, saying a great deal; but such is the state of Labour politics these days that even the smallest mercies tend to be hailed as the most saving graces. The Labour party has come through its conference looking rather more absurd than at any time in its history. Its temporary salvation is that it is an absurdity which the pro-marketeters can just live with. That may not, and probably will not, mean much in the long run; but for the moment it means that no serious Labour politician will now challenge Mr Wilson for the leadership when parliament returns, and even the silliest among them will think twice about standing against him.

Whether that is any great advance for either the Labour party or British politics generally is another matter. By persuading the conference to defeat the crucial attempt to commit Labour to opposition to the market in principle, even if it was by the slenderest of majorities after a recount (see page 23), Mr Wilson has enabled Labour's marketeters to pretend for a while longer that their cause is not entirely lost. But it can only be a pretence.

Credibility will be needed some day

Certainly, it is true that the conference passed, by a comfortable majority, the executive committee's statement which limits the next Labour government to renegotiating the Brussels treaties over a whole range of issues, the results of which will be put to the British public by referendum or general election. Few people believe that such renegotiation is possible; fewer still believe it possible to reach the terms which the conference, through the resolution from the Boilermakers' Union, regarded as acceptable. If that were merely conference semantics, as some marketeters are kidding themselves, it would not greatly matter. But it is not as easy

as that. The central fact is that there is a rapidly disappearing dividing line between what Mr Wilson says would be acceptable to a future Labour government and straightforward rejection of joining the market altogether.

As the out-and-out anti-marketeters made clear in Wednesday's debate—and Mr Michael Foot got a far more enthusiastic reception than anything accorded Mr Wilson during the week—the common market battle inside the Labour party is very far from over. Mr Wilson only just saved the day, and then at a cost which very many other politicians would have regarded as a loss of their self respect. It was a desperate speech in many ways; and whatever else may be said about Mr Wilson the humiliation which he has now so often demonstrated he is prepared to undergo to preserve some pretence of unity in the Labour party must provoke grudging, even if at times shuddering, admiration. Yet he, too, is faced with a dilemma. The anti-marketeters will not let go, either through conviction or through determination to destroy Mr Roy Jenkins and his friends. But the more Mr Jenkins and his friends, quite properly in the Labour tradition, say they will stay within the party to fight their corner, the more the anti-market Left will be tempted to push them into that corner. At some time the centre and right of the parliamentary Labour party are going to have to stand up and fight for credible policies, and the longer they delay it the more likely they are to hand the next election to Mr Heath on a plate.

Of course, good reasons can always be advanced by politicians why they should not fight, particularly within their own party. Mr Jenkins did not, for example, speak in what was by any calculation a crucial debate on Europe; it was left to two less significant figures, Mr Jack Peel and Mr Willie Hamilton, to put the pro-market case with both skill and courage. The arguments Mr Jenkins's friends used against him taking part were, to some extent, understandable: had the vote at the end gone completely sour he might very well have been blamed for it. The Labour party is not unfamiliar with

the accusation of leaders hawking their consciences around from conference to conference.

But the point that is in danger of getting lost is that individual, sensible Labour MPs, who still make up the majority of the parliamentary party, cannot be expected to stick their necks out while their seniors are so concerned to keep their heads down. That is equally true in the trade unions. There is a political crisis in the Labour party which no one would deny. A tiny minority of left-wing militants control the most powerful unions; and they in turn usually control the party conference—although, as this week has shown, they do not entirely control it when some form of leadership is given. Because there rarely is such leadership, the consequence is a Labour party outside Parliament which is all too ready to adopt total nonsenses, from mass nationalisation with minimum compensation to workers' control and a completely free hand for the unions. That is the sort of rubbish which Mr Benn asks the next Labour government to take seriously; if the country took it seriously, there would never be another Labour government.

The sensible and shamefaced

At the same time, there is a parliamentary Labour party which is inherently sensible, however shamefaced it may be over its shifted stance against the common market. It is that parliamentary party which provides Labour with its respectable lead in the opinion polls. It is a party, moreover, which is still generally accepted as possessing rather more political talent than the Conservative party. But it is also a party which has reached a crisis of confidence in itself.

Only the minority of left-wing MPs believe in what the Labour party as a whole is now doing and saying. The vast majority of the rest are just drifting along. It is arguable whether that is through apathy or demoralisation, but the root cause is clear enough. The party, as it has been represented at the last two annual conferences, is acting as if the last Labour government was in power 20 years ago. Actually, it was in power just over two years ago. The majority of Labour MPs, although they recognise the need to rethink some aspects of party policy, cannot swallow the acceptance of policies which such recent experience has shown to be either patently absurd

or incapable of implementation. Labour's retreat from the realities of government has now gone across the board. Its MPs know that most of it is nonsense, but they are rendered impotent by the fact that the retreat has been led, for a mixture of motives, not simply by Mr Wilson, but by most of the men on the next rung of the ladder who believe that they might have a chance of succeeding him. These men still remember that Mr Wilson let it be known that he would have retired by now if Labour had won the last election.

There was no evidence at Blackpool this week that the Labour party is capable of breaking out of its descending spiral under its present leadership. Mr Wilson did his turn on Tuesday, and his long speech was no better and no worse than in previous years. As usual, he was able to establish some form of fleeting unity by ignoring all the issues which divide the party, and concentrating instead on the common enemy, Mr Heath. Some of his jokes were really rather good.

But there were two points about that knockabout act which deserve attention. The first is that, for all his nine or ten points on what Mr Heath should do to fight inflation, it is quite incredible that the former prime minister of this country felt unable to give a definite judgment on Mr Heath's wages-prices package before the union leaders themselves had delivered their verdict. The second is that, for all the speech's superficial success, it was very difficult indeed to find anyone who believed that it would attract a single person to join the Labour party.

But Mr Wilson is safe for some while yet. It was very clear at the conference that there is no other man of standing with the will or the power to risk splitting the party by challenging him. The Tories will regard that as good news. But they should beware of complacency. All the signs are that the Labour party will grind itself into further trouble in the coming year, but the Tories will not profit by it if they think it is enough simply to sit back and enjoy it. Some of the troubles that sensible Labour men are in stem from Tory failures; there is nothing that enhances the authority of moderate mem-policies. Mr Heath should reflect that when men most like himself are in trouble with the Labour party, so may he be with the electorate.



The silent revolutionary Heath

The prime minister is trying to carry through a total reconstruction of Britain's traditional system of economic management

The Government does not believe that either Labour's blarney at Blackpool or the Trade Union Congress's protestations at Preston have made the next tripartite meeting on incomes at Chequers on October 16th into any sort of a waste of time. What has so far emerged from the Preston meeting of the TUC's economic committee may even be given a cautious welcome. The TUC was bound to indulge in some gazumping and ask for more than the Government could or should concede. The gap

between the three sides to Mr Heath's intended social contract is not yet so wide that it cannot be jumped without someone falling flat on his face.

The result is that when the Conservative party conference gathers at Blackpool next week, breathing fire against the rudenesses uttered in the same hall this week, they are liable to find their prime minister expounding augustly on the theme of one nation. As they trumpet the cry from the Tory grassroots that the trade unions

should be told where they get off, Mr Heath will be self-confidently asking the trade unions to come aboard instead.

It is important to realise that the prime minister is asking the trade unions to come aboard a genuine revolution in the economic management of this country. It may not prove to be the right revolution, but after a decade and a half when Britain has had the worst economic record of any major industrial country, under five prime ministers, it is right to give great latitude of support to any revolution that looks as though it just might come off. The slogan of Mr Heath's economic revolution is to go for 5 per cent annual economic growth, and the necessary condition for his coup d'état is that absolute control over economic policy has already slipped away from the computer-mounted knights of Great George Street, with their endless charges against the dragon of excess demand. A scientific autopsy has revealed that this poor, dreaded and often mythical monster died quietly of old age during the descent into 11m of unemployment in 1968-71, in one of the few postwar periods when he was not even supposed to be under attack; moreover a search of the unpleasant cave from which he barred us has confirmed the oft-suspected truth that it never did contain the lovely maiden of stable prices anyway. It is conceivable that Britain's greatest postwar economic disadvantage has been what was once supposed to be Britain's greatest postwar governmental advantage: namely, the fact that our Mother of Parliaments, created seven centuries ago to vet and delay budgets presented by authoritarian monarchs, is now too antediluvian to vet and delay budgets presented by authoritarian bureaucrats, so that Britain has been the only industrial country where instant policies of demand disinflation have been enforceable every spring (or summer, or autumn) budget-time. This disinflation has enabled us to deal constantly with the shadow of inflation, instead of its substance; at best, it has sometimes made things temporarily better by making them permanently worse.

A social contract in a national plan

The essence of Mr Heath's revolution is that Britain should now adopt the sorts of policy which have been forced by circumstance on lucky countries like France: where weak governments have not been able to introduce instant disinflationary budgets, so the poor fellows have had to go for regular 5 per cent growth, and where some of the lush fruits of this high growth have been wasted in ways of which Treasury knights would never approve, but as part of a social contract that is supposed to help to hold down inflation by permitting just a few extra economic nonsenses in the name of social cohesion.

There are obvious problems in the way of this policy—such as that growth can bring balance of payments troubles (but Mr Heath is ready to meet that by flexible exchange rates, and has said that sterling will return to a fixed parity only "at the appropriate time and at the appropriate rate") and that growth requires some confidence and vision by industrial investors (but Mr Heath

thinks entry into Europe will provide that). The biggest problem is how to make the social contract against inflation stick. In France the task is rather eased by the fact that only about one in four workers is a seriously paid-up member of a trade union.

The social contract at which Mr Heath is aiming takes the form of bringing the unions and Confederation of British Industry into a joint task of economic model-building. The two parties are being told: "This is the increase in money gnp which can be expected with 5 per cent growth and 5 per cent price inflation. How do you propose we should distribute it?" This is a public showing of a national plan of much more dramatic meaning than Mr Selwyn Lloyd's still-life in 1961-62 ("The National Economic Development Council") and Lord George-Brown's two abstracts ("The Statement of Intent" and "The National Plan, circa 1964-70"). But what are the chances of the new Heath national plan not being stopped in its tracks either by a right-wing Conservative party revolt when right-wing Conservatives recognise what sort of national planning is being attempted, or by quiet resistance by establishment forces in Whitehall when they recognise how much power is being taken away from them, or (most obviously) by blunt refusal to co-operate on the part of the trade unions?

Prime ministerial command

The danger of a revolt by the Conservative party is not very great. As Mr Wilson never fails to observe, this Heath Government has already established its right wing credentials with its own supporters in the reform of the tax system and the Industrial Relations Act. Mr Wilson never went so far towards satisfying his own supporters when he was in office. The Conservative Government therefore can afford, politically, to dish out a certain proportion of a growing national income in aiding lame ducks, if that is what the trade unions want; it can offend against the Tory (and Shavian) principle that an Englishman never feels he is being moral except when he is uncomfortable. Moreover, contrary to popular belief, this lack of abrasiveness suits the Prime Minister's temperament. While radical by nature, his time horizon is surprisingly long. He understands that even justified change can be vindictive in human terms if pushed too far too fast. The stowaway has no right to be aboard a ship, but when he is discovered he cannot simply be thrown overboard and told to swim home.

At first sight, the danger of resistance by establishment forces in Whitehall might seem more serious. There is no doubt that Mr Heath's new national plan means that the Treasury, as guardian of the budget and lord of demand management, is to lose its paramount role in the determination of economic policy. This is a change which Lord George-Brown and others vainly sought to achieve by cosmetic changes in the structure of government and so consistently failed. But, in a sense, it was the failure of wage and price inflation to respond to rising unemployment in the late 1960s which broke the Treasury's monopoly, and created a void in Whitehall. We have been ruled by that void ever since, and

there has been great interest in seeing who would eventually fill it.

It has fallen upon the prime minister to take a grip on events, which he has now done in no uncertain manner. In so doing his role has been strengthened far more than could ever have been achieved by any number of think-tanks or special advisers or businessmen. Changes in the machinery of government have their *raison d'être* in changes in responsibility and power within the system, and not vice versa. Events have forced a change in the pattern of government which is likely to endure. From it will develop a new, less blinkered machinery—whether within Whitehall, in the form of a Prime Minister's department, or outside in a bigger role for the National Economic Development Office. And this machinery will have to be effective. It is one thing for the Prime Minister to assume responsibility for an area of policy, and quite another to expect him to deal, unaided, with all the details. It is a measure of Mr Heath that in setting the tripartite system going he recognises its broader implications, sees in it the makings of a radical reform, and will try to implement it with new mechanisms.

And so to the unions

Naturally, the biggest question is whether the unions will wear it. Ministers still seem optimistic. They do not see this as a manoeuvre to wrong-foot the unions with public opinion. They make no threats. They think that the TUC must gradually come to see that for the first time it is being offered a constructive influence over the formulation of economic strategy. This is a big prize, which the unions should not lightly reject. Mr Heath genuinely wants the tripartite arrangements to succeed

and become a permanent instrument for the strategic management of the economy. He can give a lot—up to another £1 billion in tax cuts or their equivalent (see page 77)—to get an agreement. Once a collective approach has been established under a Conservative government, the unions' ability to influence any subsequent Labour government will be vastly enhanced. Future governments would have to be much more open about their thinking on the economy than in the past. No longer could policy be handed down from on high, with a haughty "like it or leave it" attitude, riding roughshod over the wishes of both sides of industry.

If the talks do break down, presumably the Government will have to resort to a statutory policy for a time. Phase one of this statutory policy would not be a complete freeze like Mr Nixon's phase one, but the statutory enforcement of Mr Heath's formula of not more than an extra £2 a week all round. It is also now fairly easy to guess what phase two would be likely to be. All the time during unilateral statutory control, the Government would be saying to the TUC and CBI: "an extra £1 a week for everybody costs about £1 billion a year; we think that the amount that should become available for rises in wages and salaries, as a result of next year's expected rise in money gnp, is £2 billion or £2½ billion or £3 billion. Say approximately how you think that this should be divided, or tell us why you think the £2½ billion figure is wrong." The assumption is that the TUC and CBI could not go on refusing for ever to participate. It is true that both TUC and CBI at present lack teeth, even although that has never stopped them from barking and snapping at successive governments. But they might eventually be fitted with dentures.



The Nine and the North

Mr Krag has quit politics after leading Denmark into a European community that can now hope for other Scandinavian recruits

So, in the end, only one into Ten would not go. Just a week after Norway's "no" to joining the European community, the referendum in Denmark produced an unexpectedly resounding "yes." An opinion poll taken only a month earlier had indicated that, if the Norwegians decided not to join, the Danes would be left evenly divided about entry; but on Monday, when nearly 90 per cent of the electorate turned out despite the fact that it was a working day, the vote was almost two to one in favour of EEC membership. So the enlarged community is to be the Nine.

It will include only one of the Scandinavian countries. This will irk many tidy-minded people, whether they are concerned about the look of the community or that of the Nordic region. But it is a valuable kind of untidiness. If the Danes had let themselves be swayed by qualms about becoming the common market's only Scandinavian member, a deplorably sharp dividing line would have been drawn between western and northern

Europe. Fortunately, the Danes saw which side of the line their butter must be spread on. Their entry into the community will prevent it from developing a habit of regarding all the Scandinavians as remote, irrelevant and even antagonistic aliens. And, with Denmark in, serving as "a door towards Norway and Sweden" in Dr Mansholt's words, the question of eventual Norwegian and even Swedish membership can remain a live one. It should be an objective of all good Europeans to stir it up from time to time.

Denmark's entry will certainly not mean the severing of the ties that now link the five members of the Nordic Council, including Iceland and Finland. Their economies have been drawn closer together by free trade during the Efta years, by free movement of labour under Nordic agreements, and by various other forms of integration (see page 74). They have developed a practice of consultation that includes regular meetings of their heads of government (the next such meeting is due on November

20th, when there will be no lack of material for discussion). Denmark will now be regarded by the other members of the group as the representative of Nordic interests within the EEC. In particular, it will be expected to help with the unscrambling of the mess in which Norway's relations with the common market have been left. The more one looks at that mess, the more one feels that here at last is an area which seems to have wiser politicians than many of its people, fooling themselves with northern myths, deserve. Even if the Danes had said no to the common market on Monday, there would have been no real prospect of a revival of the Nordek plan that the Finns scuppered in 1970. Scandinavian politicians are quite capable of feeling unhappy about some aspects of the EEC's nature and yet accepting its enlargement as a compelling reality. Their Nordic loyalties do not blind them to the inadequacy of their own region as an exclusive economic grouping. Adjustment to the new European scheme of things is now the primary challenge that faces them all.

Why Krag went

Mr Krag's resignation the day after his triumph in Monday's referendum was a reminder that even in Denmark, always the most pro-market of the Nordic states, the reconciling of European policies with domestic politics has called for some skilful and hard accommodations. Once the EEC issue was settled the three non-socialist parties, whose former coalition was only narrowly ousted in last year's elections, were expected to demand fresh elections, in which they could exploit the open rift between the Social Democrats and their anti-market allies of the left-wing Socialist People's party (SF). The new Social Democratic leader chosen on Tuesday, Mr Joergensen, may be better placed than Mr Krag to keep the SF in line and prevent it winning over anti-market dissidents from his own party. But, whatever the outcome of the new party battles, external policy will scarcely be affected. Mr Joergensen is as much of a pro-market, and pro-Nato, man as the likeliest leaders of any new centre-right coalition would be.

Norway, having reined in on the brink of EEC entry, which is still favoured by a strong majority in a parliament that cannot be dissolved until next September, must now teeter on with stopgap governments and stopgap trading arrangements while its friends do what they can to draw it out of this limbo. Sweden, with an acceptable trade agreement with Brussels already under its belt, is not likely in the new circumstances to lose any of its visible interest in acquiring more intimate links with the common market. The Finns have at last got a coalition government capable of signing their agreement with the EEC; their opinion polls indicate strong support for this move; and their communists signally failed, in this week's local elections, to gain ground by opposing it. Iceland, as usual the Nordic group's oddest man out, has hitherto barred itself from accepting a deal with the common market by pursuing its cod war with Britain and west Germany, but the terms offered to it can be netted whenever the fishy dispute is settled.

The shaping of the new relationship between the community and the Nordic states is going to be complicated. There is much laborious work to be done on the job, and exasperated impatience with it will at times resound within the EEC as loudly as the cries of apprehension among anti-market Scandinavians. But Denmark's decision on Monday meant that the job can be pushed ahead without a corroding delay—and that those who might, privately, prefer to see it abandoned have been deprived of an argument for abandoning it. What the Danes' yes did not mean, however, was that Europe could afford to forget why the Norwegians had said no. Norway's present plight may be an object lesson in the perils of indecision for other Scandinavians, but Norway's warning to all Europeans remains clear and vivid. Even in Denmark it is sobering to compare this week's not-quite-two-to-one vote for joining with the nine-week's not-quite-two-to-one vote for joining with the nine-to-one majorities in public opinion polls at the end of the 1960s. The community must learn not to let centralised power ride roughshod over all sectional sensibilities if it is to endure, let alone attract peripheral groups like the Scandinavians.



Messing about with a mess

Britain's present Official Secrets Act is too absurd to do much real damage, and the tidying recommended by the Franks committee could make it more restrictive by mistake

At a time when over one-third of paid activity in Britain takes place in the government sector, it is nominally a criminal offence under section 2 of the 1911 Official Secrets Act to say or hear almost anything about it, down to revealing or knowing the colour of a civil servant's wallpaper. The result is that prosecutions under this section 2 are rarely made, and the act matters much less than newspapers like to pretend.

Since 1945, only 23 prosecutions have been brought under this section 2, and most for offences (eg policemen tipping off criminals) that really do need stopping. Looking

through the record, the only punishments which seem a bit hard have been for petty espionage on defence matters for communist countries, and most of these people would probably have been prosecuted under tougher statutes if section 2 had not existed. But in 1970-71 there was a prosecution against the Sunday Telegraph which had published a secret report by a British diplomat in Lagos, saying how awful and corrupt the Nigerians were; the Foreign Office did not like the Nigerians to know how awful some British diplomats thought they were, but the Sunday Telegraph defendants were acquitted. Neverthe-

less, the cries of "press persecution" rang out to the departmental committee which has been looking into section 2, under the chairmanship of Lord Franks; and have probably influenced the committee towards making the wrong recommendation.

On balance, the best course might well be to leave the present logically indefensible, but therefore rarely used, section 2 much as now; but to introduce a new defence if those accused claim to have acted in (or even not positively against) the public interest. However, and almost inevitably, the Franks committee has been tidy-minded enough to call section 2 a "mess," so the Government will probably push forward to one of the two possible "reforms."

The reform that Franks has rightly rejected is the one that many newspapers wanted: abolish section 2 altogether, undertake criminal prosecutions only for definite espionage, and sack any civil servants who leak to the newspapers in the same way as business would sack inconveniently leaking executives. The newspapers' argument is that the threat of criminal prosecutions terrifies some civil servants into unnecessary secrecy. Civil servants reply with the rather good answer that any damage to the public interest from this is less than the damage which would be done if every British diplomat reporting from Lagos felt that he could only express to the Foreign Office views about the Nigerians that would look unembarrassing in the Sunday newspapers and with the stuffy argument (implicitly supported by Franks) that the nation must be able to punish blabbermouths who damage it even if they have had no malevolent intention. But the strong probability is that both sides are barking up the wrong trees. Our guess is that, diametrically contrary to most newspapers' beliefs, this abolition of section 2 would actually lead to less open government. In practice, it is at present much easier for newspapers to find out and print what is going on in Whitehall departments than in individual businesses, because business executives are frightened of losing preferment (for saying things that civil servants know that no government would be silly enough to prosecute them for). This form of business discipline would be tightened in the civil service if section 2 went.

Open to the public

There remains, therefore, the reform which Franks has recommended: that section 2 should be "replaced by narrower and more specific provisions." By far the best way of doing this would be to give the public a specific right to look at certain changing types of official documents, as in a more liberal version of the Swedish system (which British journalists think allows Swedish journalists to examine all official working papers, but actually makes large and probably too rigid exceptions). It would be good to have a standing committee of press and civil service and welfare organisations in Britain, establishing changing rules about which documents should be absolutely open to public inspection: for example, consumer organisations should certainly be able to look at government experience with different types of mass pur-

chases, and a lot more private Nader-type investigations of particular government agencies are desirable.

Instead, Franks has rather stiffly said that the Swedish system would not fit with the British constitution. It proposes that section 2 should be narrowed so that criminal prosecutions should henceforth be possible only for leakages of official information which relate to defence or internal security, or foreign relations, or sterling's exchange rate and the currency reserves, or law enforcement, or Cabinet documents, or are of information that had been entrusted to the government by a private individual or concern. Franks argues that this narrowing of the scope of section 2 would lead to much more open government. It would be more likely to do the reverse.

More specific means worse?

The trouble is that any narrowing of the scope of the present admittedly absurd section 2 is likely to make government assume that it is less absurd to wield the big stick at matters kept within the reformed section's ambit. But nobody can tell what matters should be removed from secrecy rules in future, and some bans proposed by Franks are surely already wrong. As two examples:

(1) The official figures published for Britain's currency reserves are often lies, and great harm has sometimes been done to the nation by officialdom telling these lies in an effort temporarily to keep up the sterling exchange rate (and thus also to keep up unemployment) above the level that the market was showing to be right. It is usually greatly in the interest of the country if newspapers can pierce this official subterfuge, and it would be regrettable if a libertarian "narrowing" of section 2 made their editors more likely to go to prison for doing so.

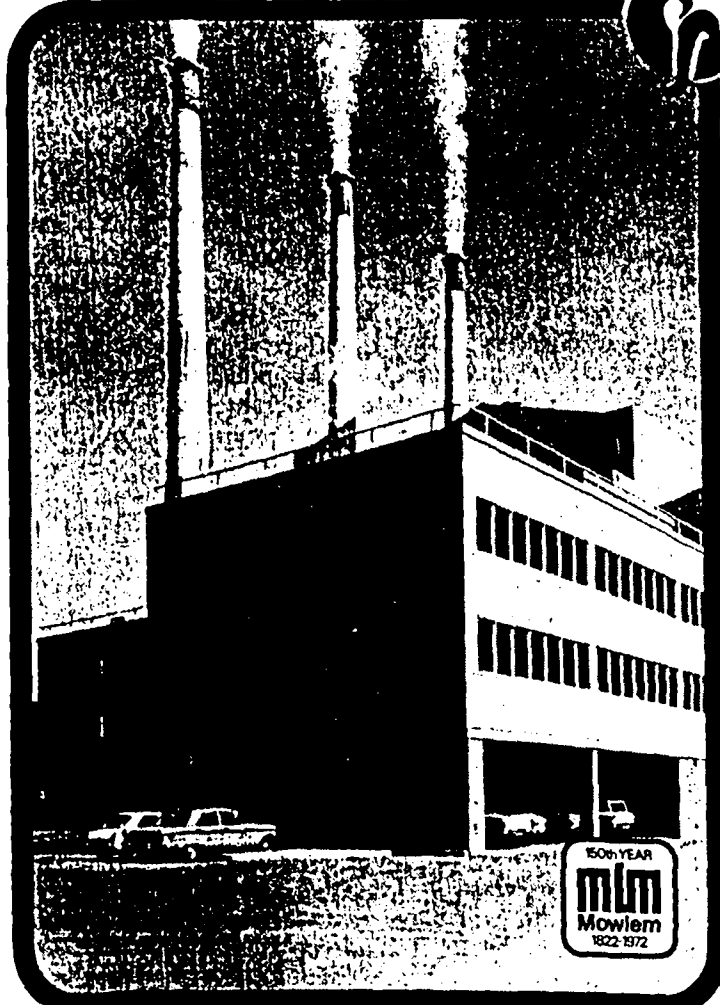
(2) Suppose that a drug manufacturing company told the government that there was an outside chance that its newest wonder drug might make a strictly limited number of unborn babies into misshapen monsters, but please don't reveal this as the drug was a good export. At present, some public servants and the press would see that publicity made it impossible for that sort of horror to be kept secret; just conceivably, a new section 2 specifically protecting all "information entrusted to the government by a private individual or concern" might make public servants more chary of doing so.

In practice, pressure would not be pushed to these extremes. The editor of *The Economist* would be unlikely to go to prison after each monthly business note on the gold reserves, and officialdom would not risk maiming babies. But there are gradations in these matters, and Franks's narrowing of section 2 could have bad results at some point somewhere back along them. The two reforms that should be supported are the establishment of a positive right of public inspection of a changing assortment of official documents, chosen by a standing committee; and a new legal defence that any breaching of official secrets was undertaken on behalf of (or was not against) the public interest. If the Government will not legislate on these points, it would do best to initiate a rambling debate over the Franks report, and then quietly forget it.

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Nursery schools for some

The best places for any new schools for the under-fives are in the worst areas

The first report by Dr A. H. Halsey on government-sponsored "action-research" in educational priority areas in England was published this week. It has further increased the onus on Mrs Thatcher to say something ambitious about nursery schooling in the catch-all education policy white paper expected from her this autumn. Dr Halsey's is not the only document in her in-tray. Lord James's report on the training of teachers, with his proposals for a two-year higher education course, is undoubtedly the most pressing; there is also the little matter of the universities' programme for the new quinquennium. But Dr Halsey's report adds to the demands of those who most want nursery schooling the claims of those who most need it. He endorses preschooling as the most effective form of "positive discrimination" towards children in deprived areas.

The aim, or creed, of positive discrimination was launched in Britain with the Plowden report on primary education in 1966. The slogan of the 1940s and 1950s—equality of opportunity—had been tarnished by the realisation that poor housing, overlarge families and the cumulative deprivation of city slum life made opportunity a misleading word before children even entered school. Research suggested that the gap between the fortunate and the unfortunate, irrespective of ability, had only widened by the time they left. The slogan that has taken its place—equality of achievement—has an equally beguiling and dangerous simplicity. At its most crass, it becomes an argument for concentrating resources on any group just because it is performing less well than any other group. (Mr Edward Short uses it as a demonstration of class privilege.) At its best, as in the Plowden report, it is a prescription for trying to reduce the under-achievement of children whose home circumstances handicap them at school, in the interests both of social justice and—old-fashioned as this argument now sounds—national progress.

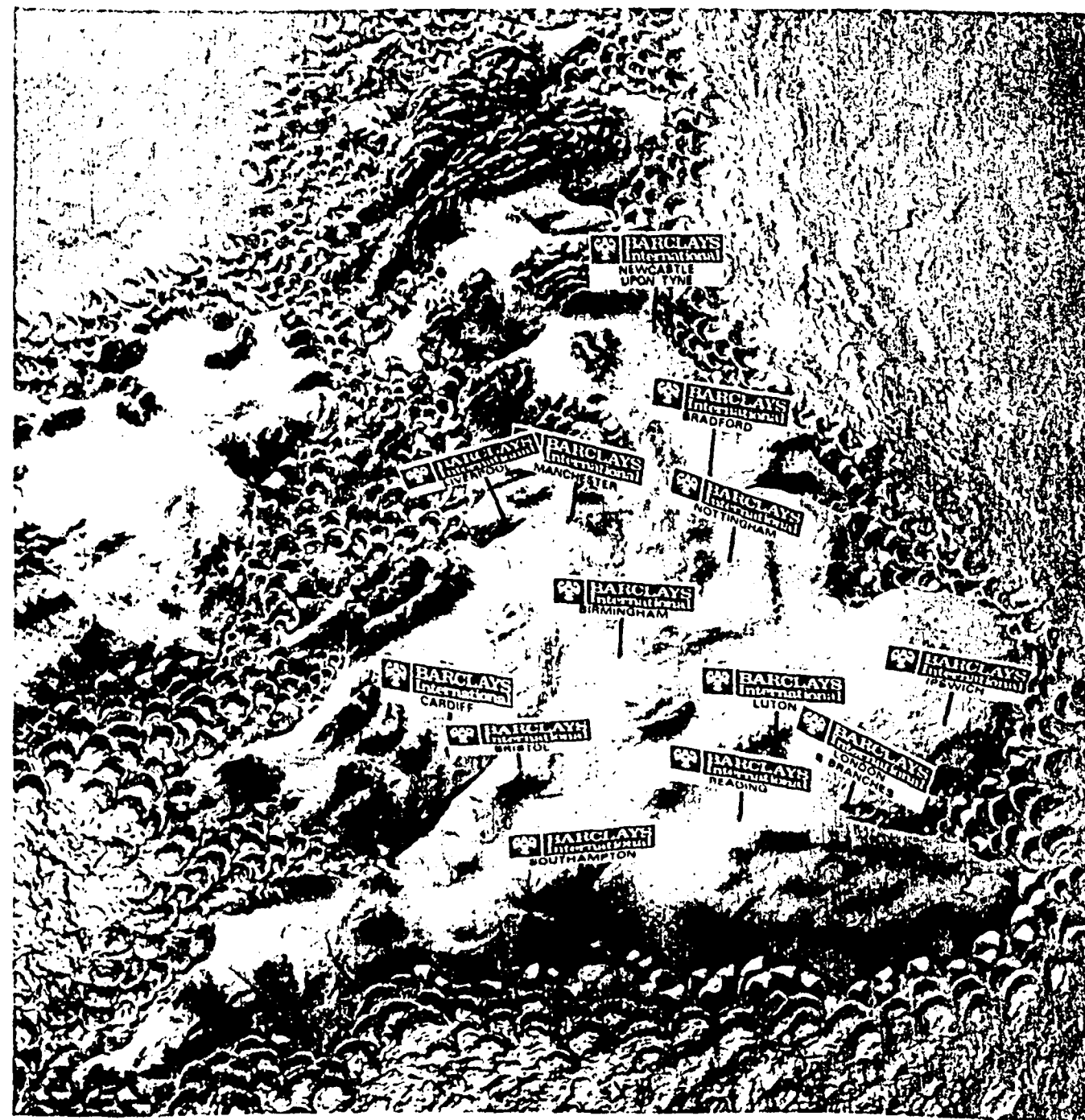
After Plowden

The Labour government's efforts at positive discrimination were the urban programme, the special payments to teachers in certain city centre schools and the special building programme for educational priority areas—all of them launched in the wake of the Plowden report, and then extended by the Tories. By 1976 the present urban programme will have consumed something like £65m. But not all of it is directed towards education (even if the somewhat arbitrary distinction between nurseries and nursery schools is ignored). The results are well short of the Plowden proposals. Some 4 per cent of British children are in schools benefiting from the building programmes and boosts to teachers' salaries (which roughly coincide); the Plowden target was 10 per cent by 1972. Some 18,000 new nursery class places have been created; the Plowden target

was 500,000, admittedly only by 1975. There is nothing that could be graced by the title of a discrimination policy; nothing as precise as a series of priority districts, though the schemes obviously overlap and voluntary societies have been concentrating their efforts in the same urban wildernesses. But four precisely defined districts—in Liverpool, Deptford, Birmingham and the West Riding of Yorkshire—have been made the subject of action-research projects financed by the Government and co-ordinated by Dr Halsey. These were to experiment, discover and provide patterns of special help.

Dr Halsey's teams were beset by the obvious dilemma—not to say in-fighting—implicit in action-research. He indicates, in the slightly prim language of sociology, how much the four teams went their separate ways, and indeed how unlike their different areas turned out to be. He still believes that, despite the difficulties in defining educational priority areas and priority schools, the "epa" provides the best unit for positive discrimination, which inevitably has to be linked to the average of deprivation rather than to individual children. He is sceptical, like almost everyone else, about the value of the blanket, inflexible increase in teachers' salaries, drawing on a London study that showed how this had signally failed to achieve its purpose: there has been no reduction in the depressingly high turnover of teachers in epa schools. He can hardly say clearly enough that the present emphasis on posh building programmes in miserable areas, instead of on getting more teachers into them, may lead to brand new slum schools as it has led to brand new slum housing. But he rightly returns to the criticism in the Plowden report: that too little nursery schooling is provided at too great expense. He outlines schemes for halfway houses between nursery schools and play-groups, which he calls nursery centres. And, though he expends a lot of time and imaginative energy on the ideal of the community school and home involvement (which is less fanciful than it sounds, because one most important indicator of a child's achievement is the parents' interest in its schooling), he is firmest of all on the value of nursery schooling. Against American experience, he argues that the headstart given to deprived children by preschooling is maintained.

One's hope after reading this report is that Mrs Thatcher's new programme will not fall into the politically popular trap of trying to spread a thin layer of state nursery schooling all over the country, but will concentrate new nursery schools in priority areas. It is nonsense to suppose that there is a greater universal need for preschooling than for post-schooling; to be fair, it is not a nonsense that Mrs Thatcher has so far shown signs of believing. What she must, however, show signs of believing are the claims of epa children to an extra helping of social justice, given before the age of five.



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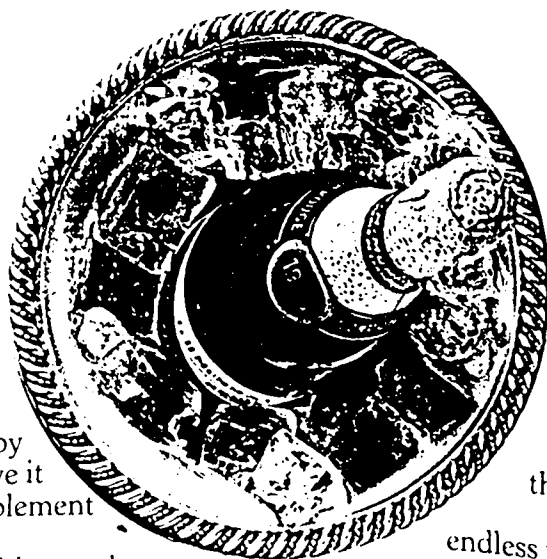
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Europe? It's merely a matter of words

FROM OUR SPECIAL CORRESPONDENTS AT BLACKPOOL

Mr Wilson had his way on Europe by 118,000 votes on Wednesday. What that way is, exactly, remains in doubt, although the verbal price he had to pay for his victory seemed to put his own entry into the common market several light years farther off than it was. Mr Wilson will deny this: much of his speech, nervously and rapidly delivered, made out that, with all the conditions that he had apparently always attached to the exercise, his approach to Europe had never been anything more than an exercise. Since the only terms he was likely to get from this Labour conference were prohibitive terms, Mr Wilson's conviction grew ever firmer that they were the only ones he had ever contemplated. Indeed, he now went so far as to declare that the very possibility of Spain being attached to the market would have meant the deal was off.

That this got a bigger hand from the conference than many other of Mr

Wilson's explanations—the monetary union, regional policies, commonwealth produce—was a measure of the task he had in hand. He understood it well. Labour, he declared, would never be dictated to by an international civil servant like Dr Sicco Mansholt. The Prime Minister's declaration that Britain never broke its treaties had come merely from "the chief whip of Suez." If the press would only print 635 vital words from Hansard there would never have been any doubt about where he had always stood. (This devastating revelation apparently meant that the initial Wilson negotiating position was the last Wilson negotiating position: it says something about the Wilson renegotiating position.) No appeal was left unplumbed; no political debt was left uncashed. And so he got his victory.

It is one that is open to every interpretation under the sun. Market-makers like Mr Willie Hamilton and Mr Jack

Peel said they would take the national executive's recital of impossible conditions as a basis for party unity. The anti-market-makers preferred the boiler-makers' recital, which was also passed. This actually required the complete abandonment of the common agricultural policy and value-added tax; the executive's was not quite so unreal. The chief boiler-maker, Mr Danny McGarvey, whose stentorian voice seemed to be trying to address an Upper Clyde shipbuilder at a distance, admitted that these provisos were such that "some of you may not think very probable" of acceptance. For a clear majority of delegates any words would do that helped Britain to join Norway and stay out of the "European super-club of elite capitalist states" or the "second-rate empire which the Tories instinctively yearn for."

But Labour MPs insisted afterwards that it might have been worse. After all, Mr Hugh Scanlon's attempt to pull out altogether was beaten; Mr Wilson could now move crabwise towards making his peace with Europe; Mr Shore and his friends were in a minority and would remain so as the general election got closer; and the pro-market resolution, proposed by Clackmannanshire, had actually got 14m votes, a quarter of the conference. The market-makers particularly enjoyed Mr Hamilton's paying-off of scores. He had the neck to declare that he had been converted to Europe by none other than Mr Wilson and Mr Benn, and he remained unapologetically in favour of going in. He even said Labour should start selecting the 17 MPs to represent it there.

Mr Michael Foot paused only to say that he wished Mr Hamilton had been as considerate of him in the past as he was ready to be of Mr Hamilton now. His chief concern was to reiterate that the fight against the market would not end on January 1st, for that was when the British public would start paying for the Government's policies. He was a root-and-branch man; the national executive's words he thought "either superfluous or confused." For this incorruptibility, rather than for

any coherent argument, he got a loud and prolonged ovation. Mr Foot is the leader of the decent left; since the left controlled the conference it was fitting that he should get the most genuine cheers of all. But he did not exactly help Mr Wilson then or, it may be thought, in the future.

There followed a desultory debate on defence, with the usual run of left-wing nostrums: Mr Joe Gormley, the miners' leader, replying for the executive, was sufficiently stung by the demands for an early closure to declare: "If you can't spend 10 minutes on the defence of Britain, what else can you spend 10 minutes on?" Through tedium as much as anything, the conference decided not to go unilateralist and withdraw from Nato; there was not even a call for a card vote. It was, however, against American nuclear bases here. To some that may seem a perfect compromise. To others it had a different ring. But Labour had not really met this year to worry about things like that.

What steam the party had on economic policy ran out with Mr Wilson: the party was uncomfortably aware that the TUC meant to take the decisions, and that the little meeting of the TUC General Council down the road at Preston was vastly more important than anything said in the Winter Gardens on Thursday. Mr Norman Atkinson, the left wing's answer to Mr Callaghan, wanted to fix prices and free wages; the exact way of doing this remained obscure, but Mr Atkinson was confident it could be done, and sold to the public, "because we are sufficiently talented as a movement."

Two union leaders, Mr Ray Buckton of the train drivers and Mr Clive

Jenkins, wanted no deal with the Tories at all. Mr Buckton insisted that skills and responsibility had to be recognised in any wages policy; Mr Jenkins flatly believed that any prices and incomes policy in a capitalist society was "a mythical beast" and "an economic illiteracy." Mr Denis Healey sat stolidly through all of this and much more of the same. He had no trouble dealing with it in a bluff, Healey-like way when his turn came. He could reflect that he would have to work much harder when and if he had to speak as a Labour chancellor.

The comrades needed courage

A Labour conference is a very human affair, and nothing gives delegates more simple pleasure than watching the spectacular discomfiture of their friends. They had two choice examples on the opening day. In the morning, Mr Tony Benn, formerly known as Mr Anthony Wedgwood Benn, rose to make his chairman's address. It was innocuous stuff, although Mr Wilson was puffing pretty furiously at his pipe when Mr Benn concluded his usual genuflection to the unions with the thought that if the party (ie, Mr Wilson) had not fallen out with the unions Labour (ie, Mr Wilson) might not have lost the 1970 election.

Mr Benn reinterpreted his interpretation of the relationship between conference and the parliamentary party which had upset many of his colleagues the week before. Of course, he said, conference did not want to dictate to a Labour government, but it did expect Labour governments to take conference decisions seriously and not deliberately reverse or ignore them. He got quite roused on the subject of a referendum on the common market, but it all fell flat at the end. He had had his chairman's massive armchair moved back in order to stand and make his speech, and the only way he could indicate that he had concluded his remarks was sort of to bend double. Some delegates thought he had done himself a fearful injury, others that he had lost the last page of his speech, and there was a perceptible hiatus before everyone realised that it was the signal for terminal applause.

With the exception of Miss Joan Lester, who made a fine speech on the Ugandan Asians, Mr Benn was followed by as undistinguished a flow of oratory from the platform as has ever ground its way through a party day. Mr Ron



Jim: poor programme-seller

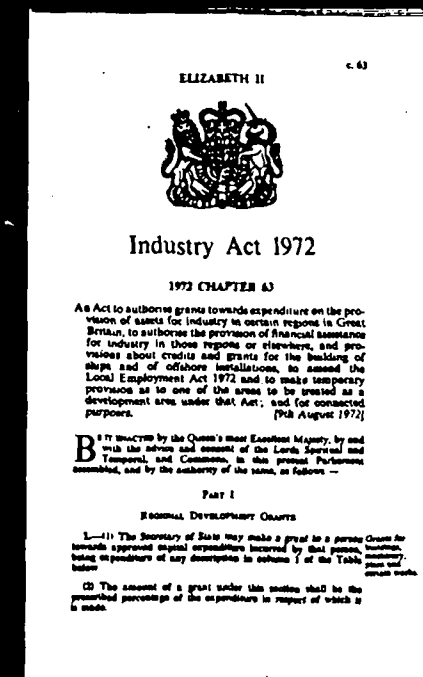
Hayward was unveiled as the new general secretary, but few felt they had witnessed the rise of a new political star. He was followed by Mr Jim Callaghan. Mr Callaghan was introducing "Labour's Programme for Britain" and his speech was of a length and tedium commensurate with the document itself. It was the sort of speech that Mr Maudling used to make to Tory conferences when he was at his most offhand, and one can hardly say worse than that.

Still, Mr Callaghan was a suitable curtain-raiser for a tepid, inevitable and familiar little debate on industrial democracy, relations and retraining. The Labour party, surprise, surprise, is now in favour of letting the trade unions do what they like, although it jibs at agreeing that workers' councils should be set up "in all enterprises" to control the management (they wouldn't dare do that in Transport House, for example). Lord Cooper, drawing upon some of his old reserves of courage and commonsense at his last party conference, did inject the home-truth that the attitude of the unions contributed to Labour's last defeat and could do so again.

But nothing gave so much genuine pleasure to so many people as Mr Frank Allaun's winding-up speech on housing in the afternoon. Over the years, the Labour executive has refined a particular form of torture for those of its members whose left-wing pretensions are most irritating: it offers them an opportunity to make a splash by winding up a debate (which they cannot bring themselves to refuse), but only if they urge the rejection of the silliest views which are most dear to them. Poor Mr Allaun: there must have been times on Monday when he wished he had never put himself forward as an expert on housing and had stuck to defence instead.

Mr Allaun's first task was to get the

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Don't breathe

Serious politicians, being professionals, are always prepared to learn from anybody. All English-speaking politicians will therefore take note of a new hazard discovered by Mr Roy Jenkins, during an otherwise impressive speech to a Labour Committee for Europe meeting on Sunday evening. Mr Jenkins chose to open a new paragraph of his speech with the phrase: "I do not believe, myself"—and then injudiciously drew breath. This enabled a particularly alert anti-market heckler to interject: "Neither do I."

At the same meeting, incidentally, Mrs Shirley Williams made the most formidable speech that has been heard from a woman in any party for very many years.



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conference to reject a composite resolution of total incredibility because it included the demand for 1m new homes a year; even at a Labour conference that was easy enough. Where he ran into difficulties was with the engineers' resolution which included, as its first aim, the promise of retrospective relief for any councillor who suffers any penalty as a result of refusing to implement the new housing act. As everyone knew, Mr Allaun believes passionately that that is exactly what the next Labour government should do, but he had to tell them, on behalf of the national executive, that Labour would not promise any such thing and that those "courageous comrades" were on their own. For a while it looked as if Mr Allaun had got away with persuading the conference to accept the resolution with that reservation. But the boys objected, and asked Mr Tony Benn who the hell the bosses thought they were, tampering with their resolutions. Mr Anthony Wedgwood Benn said he would rule next day. Mr Tony Benn did, and gave them a card vote first thing on Tuesday morning. That vote was carried by a ratio of 4:1—which cleared up everything except what the courageous comrades, if any, could expect from a future Labour government.

Tuesday morning saw a higher class of turn from the platform altogether:

Mr Harold Wilson. It was not Mr Wilson's top of the bill act—that was for the common market—but it was as competent a performance as he has produced most years. Unfortunately, it is beginning to wear a bit thin among MPs, who hear it rather more often than the other conference delegates, and it was noticeable at the end that those who sat unenthused ranged from the extreme left to the extreme right. Admittedly they were in a minority, but the speech as a whole did not go down well with the ex-officio section of MPs, peers and parliamentary candidates. Mr Roy Jenkins, who was sitting in the front row, dutifully followed Mr Michael Stewart's lead and stood at the end; but if he was applauding it was not with such vigour that it was discernible to anyone sitting or standing behind him.

Mr Wilson's speech for once preceded the results of the elections to the national executive. The delay was explained when the results of the constituency section were announced. Mr Michael Foot, returning to the fray, easily outran all other candidates, polling 554 votes—the thousands are meaningless—against Mr Benn's 339. But Mr Foot's intervention knocked his fellow Tribunate, Mr Tom Driberg, off the executive. After three recounts it was decided that Mr Denis Healey had won the last place by three votes

over Mr Driberg, with Mr Eric Heffer, another Tribunate, only one vote farther away. The rest of the results, including Lady White's defeat in the women's section, were not particularly noteworthy.

It had been an extremely tame opening to a Labour conference: it was almost as if most delegates simply were not much interested in talking politics. On Tuesday morning, for example, when conference had before it the delightful prospect of demanding the implementation of Clause Four in full and the nationalisation of "the commanding heights of the economy with minimum compensation" for new sufferers (and no compensation at all for anything hived off by Mr Heath), the hall was so empty that Mr Benn appealed through television for the delegates to return from the bars, coffee and elsewhere.

He appealed in vain, as did Mr Ian Mikardo when he asked the conference, on behalf of the NEC, to accept "with reservations" a resolution which, among much else, called for the public ownership of land, the building industry and finance houses, as well as "the democratic control of industry through workers' control and management." Although conference had jibbed at the latter on Monday, it gaily passed it by a majority of more than 1m on Tuesday. It also demanded the nationalisation of the oil industry as well, but that was such an uncontroversial issue that it went through on a show of hands. The phrase about how those the gods would destroy they first make mad was much on the lips of moderate Labour MPs well before the end of the week.

Chairman Benn

Mr Tony Benn did not have a happy week. He faced one considerable difficulty. It is all very well to be in favour of full participation and argue for only selective acceptance of the rule of law: but it makes life a little troublesome if one is also running a major political conference. As the left soon found out to its joy, Mr Benn's past pronouncements made him particularly sensitive to any suggestion that he was riding roughshod over delegates' wishes.

But Mr Benn's greatest failure was his opening address. For weeks his friends had been soliciting advice on what he should say. And at Tiverton last month it seemed that he had finally made up his mind: he was going to demand the political crucifixion of the Jenkinsites. If the conference came out against the principle of membership of the EEC, Mr Benn said, that decision had to be accepted by everyone, including the parliamentary party.

Why did Mr Benn decide to switch his line and make a conference speech that was less than memorable? Almost certainly for just one reason: he got



Benn: the plot that failed

cold feet. He had infuriated the moderate majority of Labour MPs. Fearful threats were being made about what was going to be done to Mr Benn in the shadow cabinet elections. Mr Benn had new thoughts. After the defeat of the ultras on Sunday, he seems to have begun to put into his speech a series of political clichés that could not possibly offend anyone.

Adoption

Children first

Two years ago the departmental committee on the adoption of children published a working paper outlining the proposals it was considering. This week it has published its report (Cmd 5107). It has retained its most far-reaching proposals but has modified some. The committee recommends that a mother should be able to relinquish her child to an adoption agency for adoption in general before specific adoptive parents have been selected. Her consent would be irrevocable, and the procedure would prevent the uncertainty that adoptive parents now have that she may change her mind and claim her child back before

an adoption order is made. But it was pointed out to the committee that many mothers might be reluctant to agree to adoption unless they knew that a particular couple had already been chosen for their child and wanted to have it. So relinquishment would be an alternative procedure. Mothers considering adoption would be asked to choose between it and the existing procedure.

If relinquishment were to become popular it would reduce the number of cases where the court has to decide whether a natural parent is unreasonably withholding consent to her child's adoption by a prospective couple. A House of Lords decision last year clarified the conflict of previous decisions and established that the welfare of the child is to be taken into account in deciding whether a mother is being unreasonable. The committee recommends that this principle should be embodied in statute law and worded more strongly.

Other "tug-of-war" cases have arisen between foster parents wanting to adopt foster children and natural parents. Here, too, the committee has modified its original proposal, which tilted the balance strongly in favour of the foster parents, because of the danger that natural parents would be reluctant to allow their children to be fostered if they felt their rights to reclaim them might be jeopardised. These rights will not, under the committee's new proposals, be affected unless their children have been at least five years with the foster parents who want to adopt them.

It also thinks that guardianship is more suitable than adoption for relatives wanting to give a permanent home to a child. In fact, the committee disapproves of concealment about adoption and calls for more openness about an adopted child's natural parents. Rescinding its earlier view, it now recommends that, as in Scotland, on growing up a child in England and Wales should be entitled to a copy of his original birth certificate. It also suggests that, in giving it, the General Register Office should offer advice on where he might obtain other information which might help to resolve his problems of identity.

Ugandan Asians

A short stay?

By Wednesday this week, nearly 8,000 Asians had arrived in Britain in the airlift from Uganda. About half of

these have gone in the first place to one or other of the five disused forces' camps (and one ex-barracks in Kensington) hastily opened by the Uganda Resettlement Board. The first camp, Stradishall in west Suffolk, was uncomfortably crowded for a while when it reached a peak of over 2,000 refugees, but 600 men, women and children have now moved out, nearly all to join relatives and friends. Very few indeed have yet been found both jobs and homes by the official machine, but this seems to be getting into gear after less than two weeks' experience of continuous airlift. Offers of council houses are now coming through and, with private offers, are now being used as the main basis for job placement. The board has learned the obvious lesson that it is no use finding jobs for the refugees where there are no houses.

As camps go, in the autumn sunshine Stradishall is not a bad place—red-brick married quarters, neat grass, regulation birch trees to shade the throngs of sari-clad ladies chatting in Gujarati. Most people have decent mod cons and privacy. (At some of the other camps they are a lot less lucky.) For tired, distressed and anxious people a spell of enforced idleness in the country may be not unwelcome—provided it is only a short spell. They meet kindness and willingness from busy officials and volunteers, which probably makes up for a degree of chaos in the makeshift administration.

Many inmates are anxiously awaiting news of relatives left behind, and have tales of humiliation and robbery to tell: sometimes worse. One man learned on Tuesday that his brother, left to wind up the family business, had been shot dead in Kampala the night before. He had been due to arrive in Britain a week later. Another brother lay badly wounded in hospital,



The flight was only the first step

leaving no one to care for the widowed, pregnant sister-in-law and the aged father. Three young brothers are safe, settled for the past three years in north London, where two are still at school. The third keeps them and his own family on his wages at a neon sign factory. To this brother's neat little house in Neasden the man and his wife have gone, adding two other names to the "departure" list at Stradishall.

Once at the camp the men draw pocket money from social security and register with the local labour exchange, which has set up shop there and which seems to have risen well to an occasion far outside the usual run in Bury St Edmunds. Jobs can, of course, be tapped from the nationwide Department of Employment network, but for obvious reasons the early successes are likely to be within fairly easy reach. (Free travel vouchers can be had for interviews.) Thetford, Norwich, Bedford and Southend have all provided jobs and homes for Asians leaving Stradishall, and so has Peterborough, which set a good example from the beginning.

One reason why the camps are fuller than the board expected or hoped seems to be the result of its own propaganda. The political desire to prevent the refugees going to the places which have been saying they are too full to want any more Asian immigrants (which extends sometimes as far as refusing free travel vouchers to these so called "red areas") cuts them off from the quickest route to real settlement. Visitors to the camp may be asked wistfully by an Indian how far away Leicester is, or shown an address in Wembley, as though the man were shy of raising the matter with an official.

It is too soon to pass judgment on the resettlement operation, but everyone recognises that its success will be measured by the speed at which it empties the camps. That is still a long way off. Another six military camps may yet be opened; holiday camps might also be called into service. There is no worry really about the most enterprising and best qualified refugees who will soon be creamed off, like the economics graduate at Stradishall who has been interviewed already by the visiting New Zealand representative. But what about large families, or less capable, less literate or not so healthy people? Self-sufficient as most of the newcomers are, there will clearly be a hardcore problem and rural Suffolk is not the place to absorb it.

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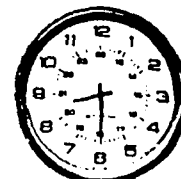
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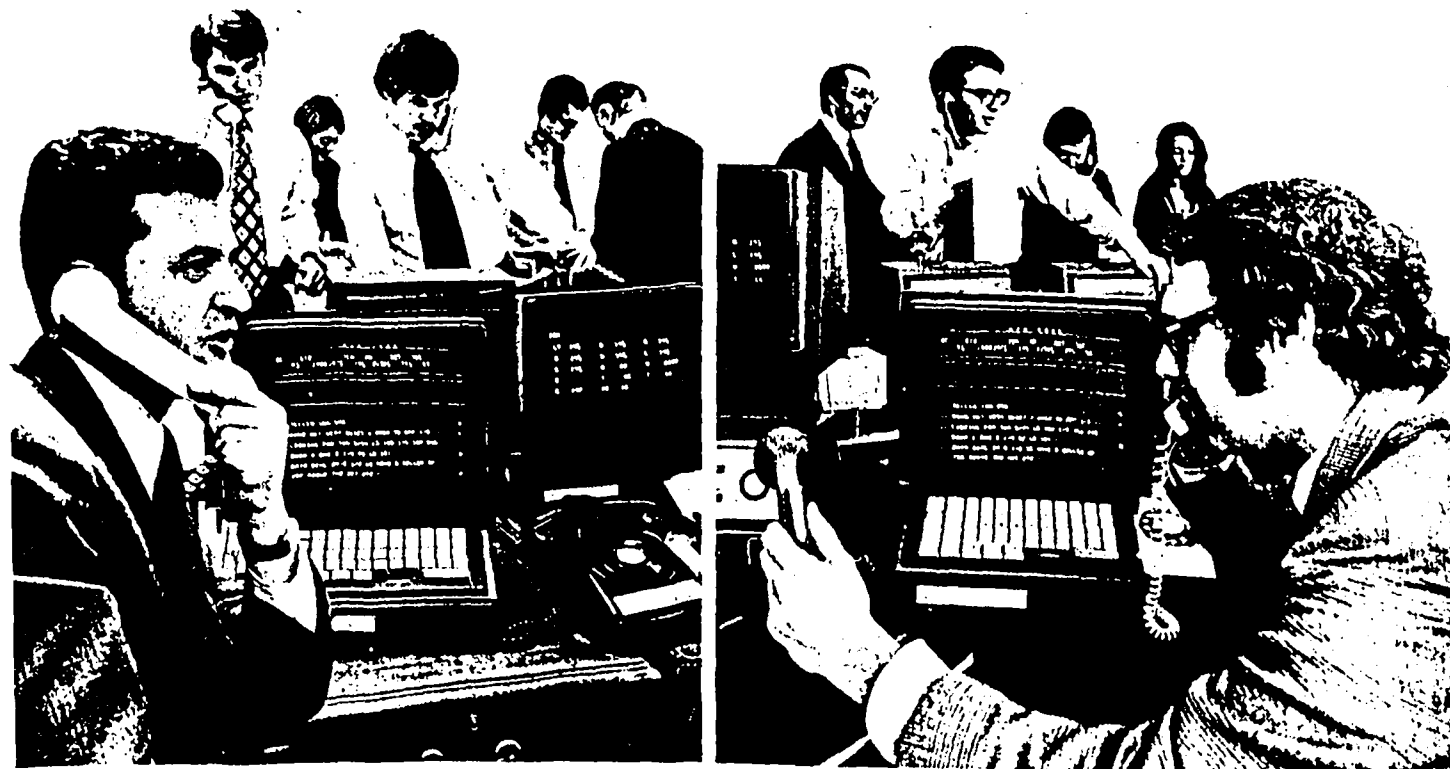


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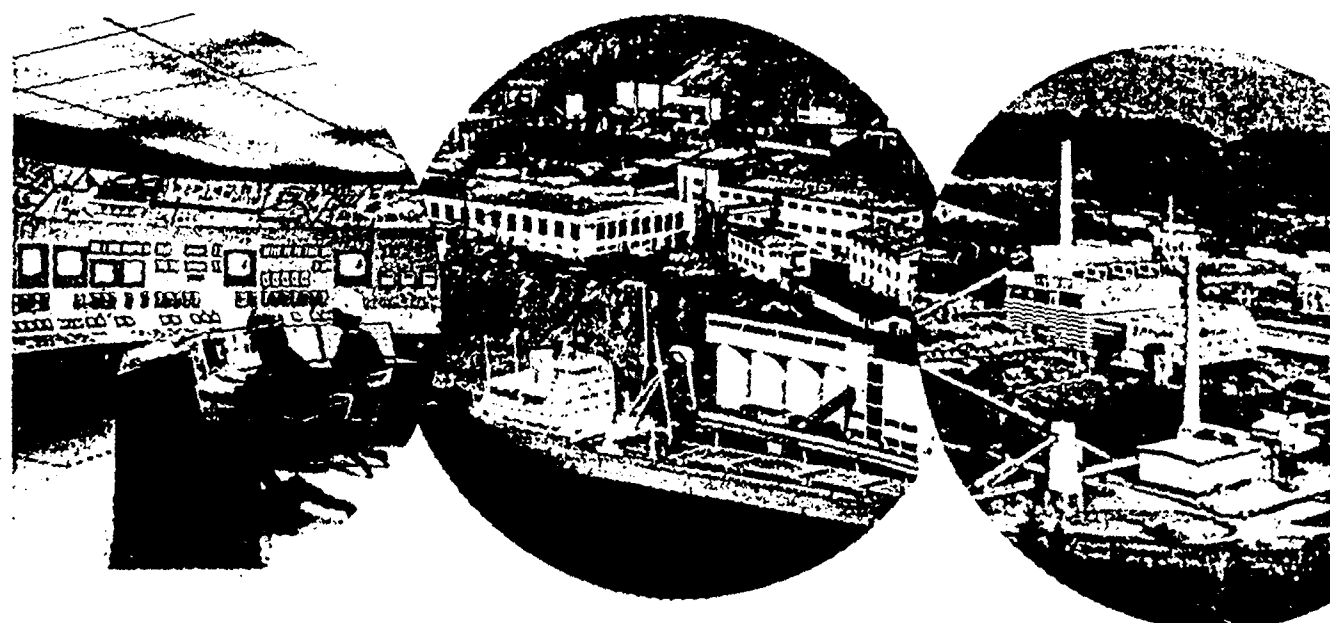
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THE WORLD

International Report

Names may change, but Amin's deadline doesn't

In London, New York, Kampala and Mogadishu anxious diplomats have this week been trying to unscramble the international omelette made by Uganda's President Amin during the past two months. But by Thursday there was little to show for their efforts. The foreign minister of Zaïre (formerly Congo-Kinshasa), Mr Nguza Karl I'Bond, had left London in a huff, ostensibly because of a muddle over his hotel accommodation, and his president, General Mobutu, who spent Tuesday in Kampala talking to General Amin, returned to Zaïre with only one trophy: an agreement to change the names of Lake Edward and Lake Albert to Lake Idi Amin Dada and Lake Mobutu Sese Seko.

President Mobutu had gone to Uganda with a view to persuading General Amin to extend the November 8th deadline that he had set for the expulsion of all non-citizen Asians. It was this move that had persuaded Sir

Alec Douglas-Home not to press his call for a debate in the United Nations assembly last week. The British explained that they had wanted a debate only to exert pressure on Uganda to reconsider its deadline and to stop stripping the Asians of all their property. But, although first reports from Zaïre suggested that President Mobutu had won some concessions, on Wednesday General Amin repeated that the deadline was unchanged. On hearing this, President Mobutu declared himself highly indignant.

The diplomatic incident involving Mr Nguza in London on Sunday may have been linked to his president's mission in Kampala. Mr Nguza's visit had been arranged for some weeks, whereas President Mobutu's was a last-minute affair. Possibly General Mobutu felt that his position would be compromised in his talks with General Amin if his foreign minister was junketing in London with the British. The

mix-up at the Carlton Tower hotel which was interpreted by Mr Nguza as a rebuff to his dignity may thus have owed as much to his government's diplomacy as to its hypersensitivity.

On Uganda's other diplomatic front events have moved even more slowly and with equally little effect. The Tanzanian foreign minister, who had been languishing in the Somali capital of Mogadishu since September 27th, was not joined by his Ugandan counterpart (who is General Amin's brother-in-law) until Tuesday, and talks did not begin until Wednesday. The details of the five-point peace plan that had brought the two sides together, after the hostilities unleashed by the invasion of Uganda by rebels coming from Tanzania on September 17th, have not yet been released. But the plan is known to be merely a basis for negotiation, and there are many issues that have yet to be resolved.

This task will not have been made any easier by General Amin's continued insistence that there is still a plan to invade Uganda hatched by Britain, Tanzania, Rwanda, India, Zambia and two other countries. To counter this plan he announced that he had taken over direct control of the armed forces.

But the Ugandans have made no claims of new fighting on the Tanzanian border for a week or more, so there seems to be less cause for concern over the possibility of an outbreak of war between the two countries. The real worry that still remains is the slow rate of departure of the Asians from Uganda: some of the special flights have left this week only half full, and others have been cancelled for want of bookings. Asians living outside Kampala may still be frightened of making the journey to the capital; others may have been hoping for an extension of the deadline. Bookings picked up again on Wednesday when the failure of President Mobutu's mission became clear. General Amin did say then that he would not "maltreat or otherwise oppress any non-resident Asians" who may fail to meet the deadline.



Amin and Mobutu: adamant and indignant

Rhodesia

The twain meet

The talks between the government and some of the leaders of the African National Council (ANC) that took place in Rhodesia during the past 10 days were important for two reasons. First, they have shown that, despite Mr Ian Smith's protestations that the ANC is irresponsible and not to be dealt with, the Rhodesian government is prepared to talk to it if this will improve the chances of reaching a settlement with Britain. Second, they have shown that, despite the British Government's promises last year that if the November, 1971, proposals were rejected there would be no possibility of trying again, it does look as though all hopes of a settlement have not been abandoned.

Britain's decision to use its veto three times in the UN Security Council on September 29th, on resolutions stipulating no independence before majority rule, points to this. So does the presence in Salisbury last week of Mr Jacob Hutter, a member of the Monday Club and the Anglo-Rhodesian Society. Although he is certainly not acting officially for the British Government, he is keeping the Foreign Office informed of his activities. It seems to have been Mr Hutter who brought the ANC and the Rhodesian minister of internal affairs together.

The Rhodesian government would certainly like to be able to tell Britain that Rhodesia's blacks, who earlier this year categorically rejected last November's proposals, have now changed their minds. The settlement would then, presumably, be implemented. But there is no evidence of such a change of heart, and on all important issues—except that of agreeing to talk to each other—the two sides seem as far apart as ever.

Iran

Encircled Shah

FROM OUR TEHRAN CORRESPONDENT

The Shah goes to Moscow on October 10th to make his own assessment of how far Russian policy involves the dangerous encirclement of Iran. He has never doubted the Soviet Union's long-term hostility to his regime. But his refusal, 10 years ago, to allow the construction of American missile bases in Iran paved the way for better relations with Russia. Since these included such vast economic deals as the con-



Farah went east

struction of the Russian-made steel mill in Isfahan in part-exchange for the sale of Iranian natural gas, the Shah assumed that the Russians saw their immediate interests lay in being on the best of terms with Iran. But in the past year or so, all the Shah's old suspicions have been revived by the pace of Russia's advance towards the Indian Ocean and the Persian Gulf.

As the Iranians see it, the milestones on the route have been the Russian treaty of friendship with India, the break-up of Pakistan and the further Russian treaty of friendship with their hostile neighbour Iraq. On his eastern flank the Shah now fears that the Russians, already well established in Afghanistan, might try to take advantage of any further disintegration of Pakistan. On his western flank he fears that the Russians might try to use their position in Iraq as a launching pad from which to exploit instability in the Gulf. And since Turkey was shaken by student violence the Shah has been sufficiently apprehensive of its political future to abandon his former interest in persuading western oil companies to construct a pipeline from southern Iran to the Turkish Mediterranean port of Iskenderun.

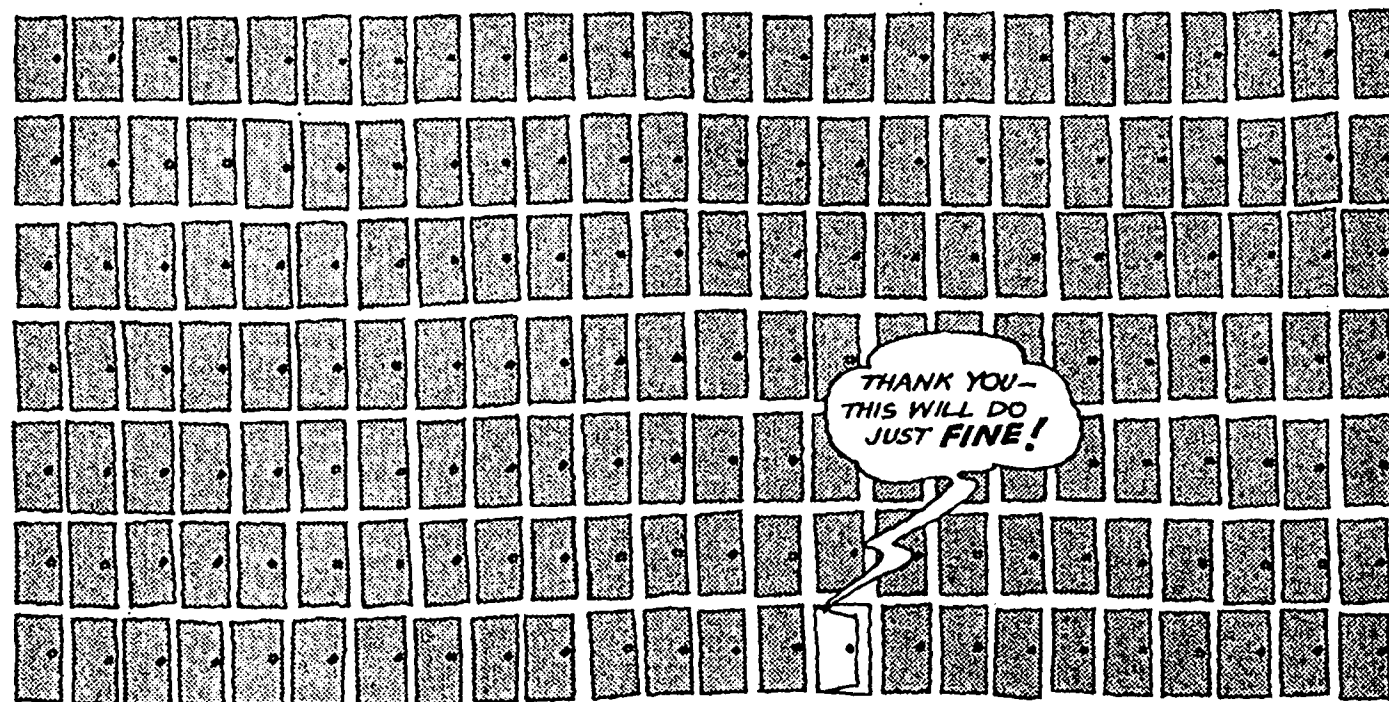
The Shah's remarks, both in public and private, have increasingly reflected an uneasy sense of isolation and of enemies lurking round his borders. Characteristic of his new mood, and of a new nationalism, was a speech the Shah made to the Iranian defence academy on September 22nd. His theme was that Iran would die rather than surrender and that, short of nuclear weapons, the armed forces would have the most sophisticated equipment available. His sense of foreboding may also have been heightened by the trouble he has been having with his own guerrilla opposition.

In practical terms the Shah's apprehensions have been most conspicuously translated into an acceleration of arms purchases and into closer ties with the

west. One indication of this came in the communiqué issued after President Nixon's visit last May. Instead of insisting, as Iran used to, that the security of the Gulf was the "sole" responsibility of the littoral powers, the communiqué spoke of a "primary" responsibility, thus leaving the door open to possible American participation in regional security arrangements. Since the Russians established port facilities at Umm Qasr on the Iraqi shore, the Shah has dropped his earlier objections to the Americans doing the same at Bahrain. He let it be known that if the Russians extend the military facilities allowed them in the Iraqi treaty into bases, he would not be averse to the Americans following suit in the Gulf; as a bargaining counter, this was not likely to be effective, since the Americans are unlikely to do any such thing. But it is not only to the west that the Shah has been looking to counter Soviet influence. Empress Farah's visit last month to China was equally meant as a warning to the Russians.

Most western observers, while accepting the Shah's assessment of Russia's long-term ambitions, believe that he is over-dramatising the present threat. They fear that he could damage his position by appearing too much as a stooge of the west. And his present stance is doing nothing to remove the friction between Iranian and Arab nationalism, made worse by Iran's occupation of the Gulf islands last year.

At the same time the Russians themselves seem to feel that they have gone too far in alienating Iran, their second largest commercial partner in the Middle East, without gaining sufficient compensation in the Arab world. In pressing the Shah to go to Moscow they no doubt hope to allay his fears. The visit could result in a new economic agreement. The Iranians are anxious to get a better price for the gas now being pumped from Ahvaz to Astara on the Russian border and they would also like the Russians to participate in exploiting the giant natural gas field at Sarakhs. But the Shah is likely to remain sceptical of Russian reassurances of friendship.



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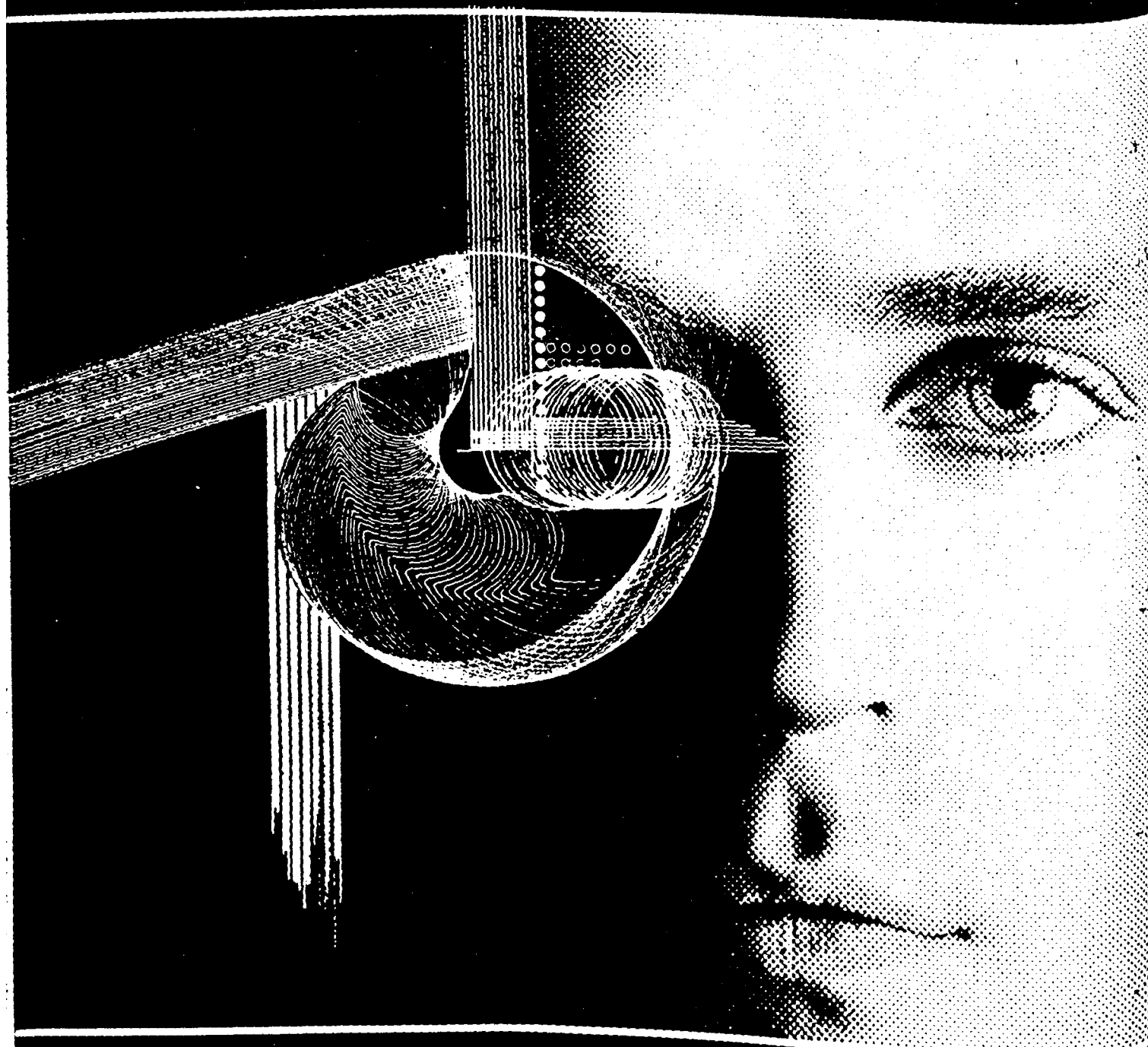
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Egypt and Russia Please, Sir

FROM OUR CAIRO CORRESPONDENT

There is no inconsistency, say Egyptian officials, in their present attempt to improve relations with the Soviet Union. Did not President Sadat, when he announced the expulsion of Soviet advisers in July, call for a meeting to determine a new working relationship between Russia and Egypt? This, they say, is why the prime minister, Mr Aziz Sidki, is going to Moscow on October 16th and why both governments are talking about the possibility of a summit meeting in the near future.

Well, yes. There are other reasons too. The most urgent, and indeed predictable, is the need for spare parts for Egypt's Russian-built aircraft and weapons. In an effort to find alternative sources, Egypt has approached the Indians and this week its war minister, General Sadek, has been visiting Belgrade and Prague. Clearly an agreement with Russia would make life easier. And while there is no suggestion that Egypt wants the Soviet advisers back, or, indeed, that Russia would be willing to send them, Egypt's continuing need for help in military training and maintenance could lead to the return of a few specialists.

Egypt also wants to ensure, if it can, that Russian economic investment will continue as before. There is no evidence that the Russians have tightened the screws on Egypt since July either through trade or economic aid. But the Egyptians had been banking on a major west German commitment to the five-year plan that starts next year, and this was torpedoed by the Palestinian terrorists at Munich and the quarrel between Cairo and Bonn that followed.

Egyptian policy, from July onwards, seems more than ever based in wishful thinking. The Americans did not rush in to replace the Russians—and, given the timing, nobody could have seriously expected that they would. The concept that Mr Sadat can now recover lost ground with Moscow in time to strengthen himself for some problematical, but deeply desired, negotiating table on a political solution with Israel is equally sanguine. So, too, was President Sadat's proposal last week that the Palestinians should form a government-in-exile. His reasons were understandable: he wanted an amenable Palestinian body should negotiations start; he wanted to undermine King Hussein's claim to speak for the Pales-

tinians; and he wanted to free Egypt from the embarrassment of being linked with extremist organisations, particularly Black September. The Palestinian resistance movement, again to nobody's surprise, turned the idea down.

Syria and Russia Pink balloon

FROM OUR LEVANT CORRESPONDENT

A small pink balloon called "Odessa-Damascus arms lift" has been conjured into a great red airship. The Russians, obviously in a hurry to plug some particular gap in Syria's defences against the possibility of another punitive attack from Israel, used four Antonov transport planes a fortnight ago to fly in equipment and experts for three consecutive days. Then the mighty "airbridge," first heralded in a pro-western Beirut newspaper, stopped. But, to the satisfaction of both Russia and Syria, the Americans and Israelis had set the alarm bells ringing.

Mr Melvin Laird, the American Secretary of Defence, claimed that this new move increased tension in the area: a useful point to make when fending off senators trying to reduce America's defence budget. Mr Yigal Allon, Israel's deputy prime minister, said that it pushed the possibility of peace even farther back. True, Russia is supplying Syria with arms, some of them modern, and with instructors—as it has been doing for several years. But this does not amount to a defence treaty or to Russian bases in Syria. And if the much larger quantities of Russian arms in Egypt did not lead that country to take the offensive against Israel why should the effect on Syria be otherwise? Syria is very unlikely to get involved



Assad (left) smoothed Sadat's way

in an attack on Israel unless it gives the Palestinian commandos a much freer hand than it has shown any signs of doing as yet.

But for Russia the contrived alarm was a splendid publicity boost: once more it could be seen to be the Arabs' friend in time of need. Syria, for its part, had new-found importance, and not only as the recipient of sophisticated weaponry; as Russia's confidant it could claim the part of mediator between Cairo and Moscow. And, indeed, in his two-day visit to Moscow at the end of last month, Syria's President Assad probably did try to smooth over Russian-Egyptian differences and so can take some credit for the Egyptian prime minister's forthcoming pilgrimage.

Syria needs Egypt as a counterpoise to Iraq, into whose arms Russia is trying to push it. For although Russia will doubtless go on slowly building up its position in Syria and Iraq to replace its lost outposts in Egypt, working with these two competitive Baathist neighbours presents its problems. When the Russians, attempting mediation, asked the Syrians and Iraqis to state their preconditions for better co-operation, each side promptly asked for the removal of the top two leaders on the other side.

The Yemens

You started it

It would be an exaggeration to describe the fighting between the North and South Yemeni forces as war, but over the past week the border clashes have assumed more serious proportions. So confused and contradictory are the reports of the fighting that it is impossible to know for certain how or why the latest outbreak of hostilities began. Naturally each government has accused the other of being responsible and each has claimed that its territory has been invaded by the other side.

The Yemen Arab Republic (North Yemen) has claimed that the People's Democratic Republic of Yemen (South Yemen) has used tanks and fighter aircraft to attack its frontier towns. The South Yemenis have countered with accusations that the north has refused to respond to their call for a ceasefire. In this atmosphere there is little prospect of the Arab League five-nation conciliation team or the Iraqi mediators in the two capitals making any headway. There is little chance of the Arab team itself reaching agreement since it contains a Libyan representa-



It's something of a tribal war

tive and Colonel Qaddafi has made no secret of his dislike of South Yemen's marxist regime.

Much of the trouble has its roots in traditional tribal feuds. But since 1967, when Britain left Aden and the marxist National Liberation Front beat the Front for the Liberation of Occupied South Yemen in its bid for power, the feuds have tended to assume more political importance. The South Yemeni regime is understandably nervous that its enemies within and outside the country are planning its overthrow. King Faisal of Saudi Arabia and Sultan Qabus of Oman would breathe easier if it disappeared, and there are several thousand exiled southerners in North Yemen dedicated to the same cause.

Although South Yemen has no close supporter among the Arab states the North Yemeni government has forfeited Egypt's sympathy by restoring diplomatic relations with America last July. It now looks as if the North Yemenis may take a leaf out of President Sadat's book by asking their Russian military advisers to leave. The prime minister has alleged that foreign pilots were engaged in this week's air attacks and although he named no names it is obvious whom he had in mind.

China

Nice view, nasty Russians

The Chinese had reason to be pleased with the view as they looked out on the world on October 1st, the communist regime's anniversary day. Mohammeds everywhere (including the empress of Mohammedan Iran) were coming to their mountain. The

Japanese prime minister had just left China after establishing diplomatic relations on Peking's terms, and west Germany, Japan's main competitor in the China trade, had just agreed to do the same. When Herr Scheel visits China next week, his will be the 76th government to recognise Peking, 16 of them since the dramatic day a year ago when Peking replaced Taiwan in the United Nations. Having wooed and won just about every major capitalist citadel, the Chinese are now courting Australia, by dangling the carrot of wheat purchases (a \$60m sale was concluded last week) after three years of applying the stick by buying their wheat from Canada.

Peking claims that other world trends are also going its way. The expulsion of the Russians from Egypt and the enlargement of the common market were both cited by the People's Daily in its anniversary editorial as evidence that "it has become the common demand of the people of various countries to oppose . . . the hegemony of the superpowers." China's deputy foreign minister expanded on this theme at the United Nations assembly on Tuesday.

And China is clearly not letting up on its own struggle against one of the two superpowers. The anniversary editorial was more explicit than ever before in branding Russia as China's enemy number one: "The Soviet revisionist renegade clique . . . is even more deceitful than the old-line imperialist countries, and therefore more dangerous." Moscow's chilly national day message to Peking indicated that the bitter feeling is mutual and this week Russian officials, denying that the Sino-Soviet negotiations over the border and other disputes had produced a settlement, implied that they had virtually broken down.

Despite Peking's confident tone, there was no return to the traditional practice of staging a big anniversary parade (last year's was cancelled because of the Lin Piao affair), so the China-watchers were denied their annual chance to analyse the leadership line-up in the Tienanmen Square. Although there is no major crisis to disguise as there was last year, there may still be some lively tussling for positions at the top.

In the past week, Mrs Mao has been shifted from her former place, next to Chou En-lai, to one place farther down the ladder, below the highest ranking soldier, Marshal Yeh Chien-ying, and then back again. The China watchers are still watching.

France

The centre regroups

FROM OUR PARIS CORRESPONDENT

While the opposition parties, not to add its Independent Republican coalition partners, are already fighting over the inheritance, France's ruling Union des Démocrates pour la République (UDR) this week demonstrated that it is a corpse that refuses to lie down. It took the first steps toward the internal clean-up which recent scandals had made unavoidable: one member of the national assembly named in the Aranda scandal is "voluntarily" abandoning the party label, another not so named but involved in a major commercial bankruptcy has been told he may be thrown out. And on Tuesday the prime minister, M. Pierre Messmer, delivering France's "speech from the throne," announced a programme which is quite frankly electoral, and none the worse for that.

Among M. Messmer's proposals are the creation of a form of ombudsman, help for young people looking for their first job, a non-voting seat for middle management on the boards of large companies, a committee to study, and propose experiments in, working conditions, and the requirement that employers firing workers must give their reason for doing so. Just what this will mean in practice remains to be seen. But it must have both real and electoral value in a society whose most frequent complaint is the disregard shown by those at the top for those at the bottom.

Meanwhile the "reformists" of the centre have been parading their readiness to profit from the massive loss of UDR seats that M. Messmer hopes to avoid. The "reformists" means the alliance of M. Jean Lecanuet's Centre Démocrate and M. Jean-Jacques Servan-Schreiber's Radical party. Although M. Servan-Schreiber is still vigorously critical of the UDR, his approach earlier this year to the Socialists was rejected. He has therefore had to accept the tactic spelled out by his more conservative ally at a joint press conference last week. Provided President Pompidou was ready to consider the necessary reforms, declared M. Lecanuet, the reformists would be ready to take part in *la grande discussion*. In other words, he would be prepared to bargain their support, for the life of the legislature, against acceptance of their ideas, and



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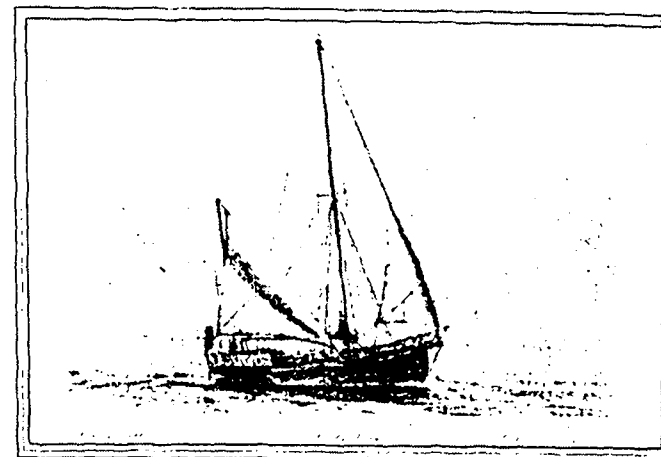
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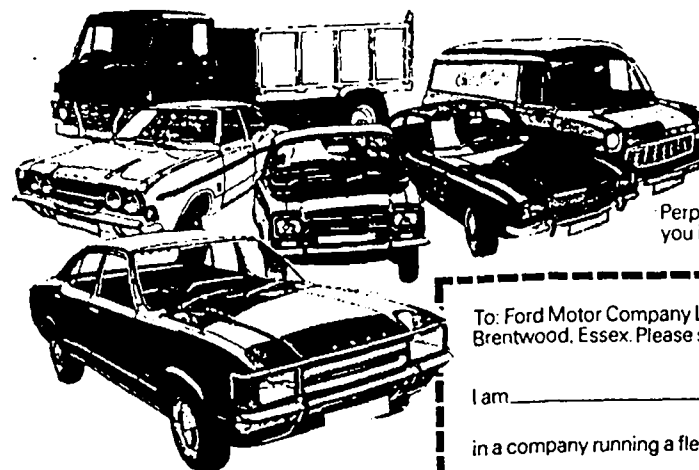
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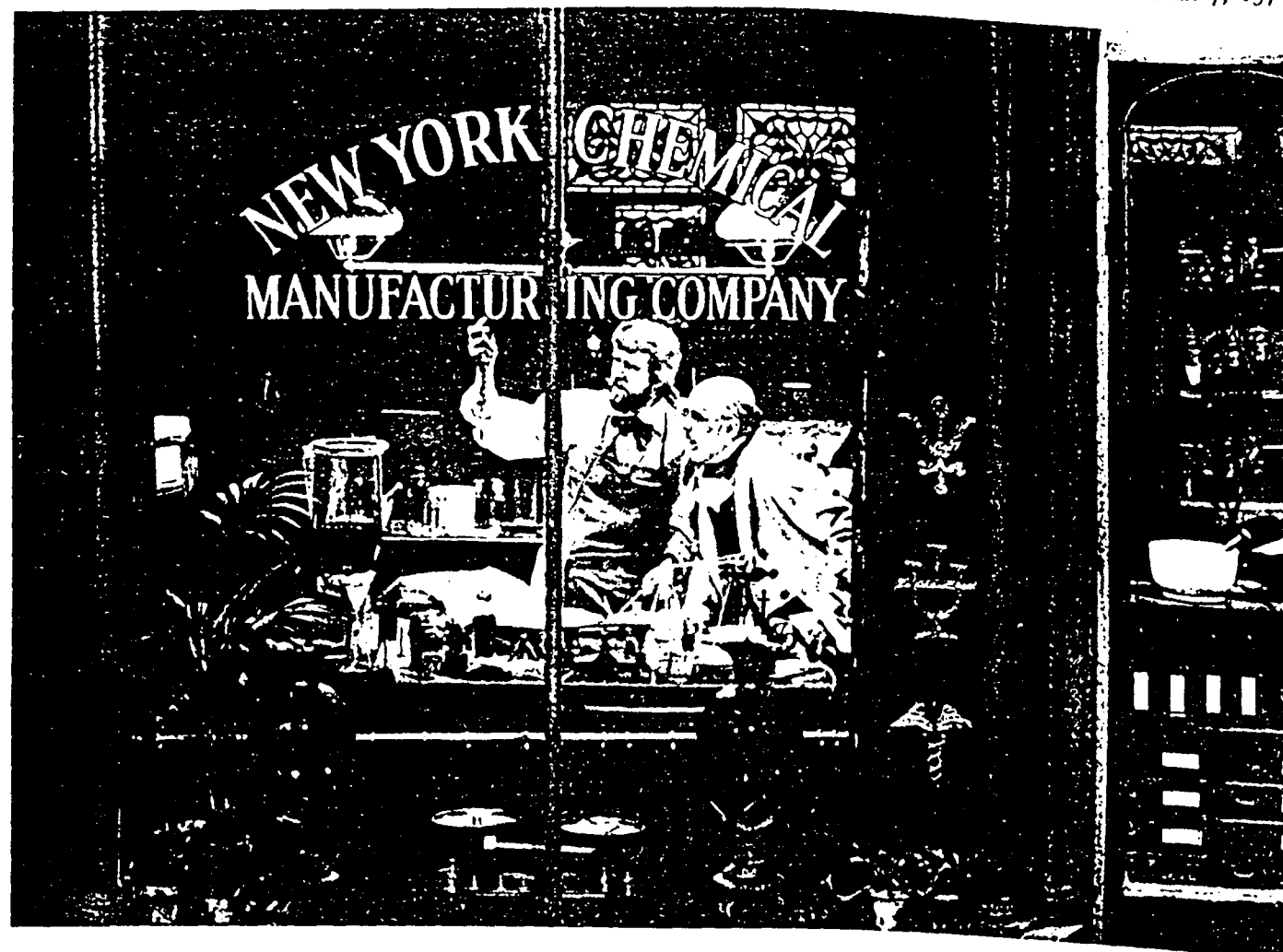
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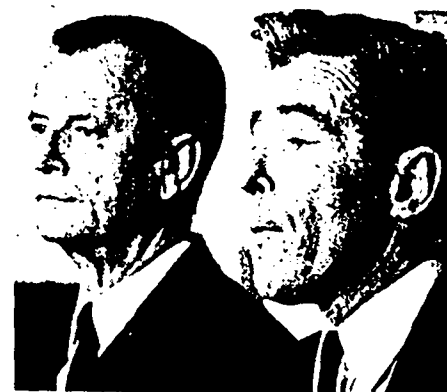
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Lecanuet and Schreiber: shaping up

presumably of their leaders too, although he did not say so, within a reshaped ruling coalition. This offer was promptly welcomed by representatives of M. Giscard d'Estaing's Independent Republicans. But it was notable, albeit natural, given the various views concerned, that their welcome went to M. Lecanuet and his friends. Of M. Servan-Schreiber, not a word.

The centre-right alliance thus shaping could very well prove to be the shape of France's next government. The UDR appears, today, certain to lose its present absolute parliamentary majority. It will therefore certainly need the help of the Giscardiens, and might well choose, or indeed need, to stretch farther out into the centre. The Socialists and Communists may well feel that if they make massive gains, they should be the first people invited to form a government. There is just one obstacle: President Pompidou made it as clear as he could without actually saying so, at his recent press conference, that he emphatically does not agree.

Sauter pour pis reculer

Paris

There is an unhappy feeling in Paris (and a correspondingly happier one in some other European capitals) that the force of French diplomacy may be waning. In the past month France has seen the collapse of its case against holding preliminary east-west talks on force reductions in Europe. The French have been struggling in vain against the American tactic of playing off these talks against the European security conference which France has helped Russia to promote. And a summer of bluff within the European community has ended with President Pompidou allowing the community's summit to be arranged after all for October

19th, not because France has got all it wanted in preparing for the summit (it has not), but because calling it off was, as one Frenchman involved candidly admits, "never credible."

France might, earlier, have withdrawn its invitations to Paris without creating a community crisis that would have had French farmers and industrialists up in arms, but the last time it could have done so was in July, before Europe went on holiday. Instead the French let this moment slip by without gaining any concessions. They were hoping for support for their plan to place a new diplomatic secretariat for the community in Paris, but this subject has simply been dropped. They wanted also to create a new European fund with enough credit from other members to finance future French payments deficits piled up in the pursuit of growth; in the event, a "fund" is nominally to be set up, but without any money. The French can claim that they would not have got even this much without M. Pompidou's menaces, that otherwise the summit would have been used by France's partners to strengthen those community institutions in Brussels and the so-called parliament in Strasbourg which France wishes to keep in check. All this may be true, but the price France must pay for this modest gain in terms of its ability to bluff people in future has been immense.

The demands France was voicing a year ago for a fairly brutal European confrontation with America have also been scaled down, but for the very different reason that President Pompidou has changed his mind. Although he will not say so until the French parliamentary elections next spring have cut gaullism down to size, the monetary events of the last year have clearly shown M. Pompidou the virtues of more flexible, or at least more easily altered, exchange rates, of a diminished role for gold, and of a relatively open system of trade.

French diplomacy now seems to aim at having it both ways, as the prodigal son courted both by the Atlantic community and by the communist one. This week France's foreign minister, M. Schumann, was welcomed fulsomely by President Nixon, while the first secretary of Poland's communist party, Mr Gierek, was received royally in Paris. But what worries many Frenchmen is that M. Pompidou is winning only the residual respect which President de Gaulle earned for France by so often saying "No" and at the likely cost of meeting future defeats.

Germany

The smell but not the substance

FROM OUR BONN CORRESPONDENT

The smell in the air down by the Bundestag building in Bonn is not only of sour caustic soda from the polluted Rhine. It is the smell of ears burning, anger smouldering, political reputations rotting, muck being flung about and the sweat of bodies politic jostling for position before the mid-November elections.

This week has been "corruption" week in Bonn, and it was the chancellor, Herr Willy Brandt, who first made it so by using the word. Although the Bundestag is dissolved the memory of the handful of deputies who provoked the dissolution and the premature election by defecting to the opposition lingers on. A bitterness wells up in the Brandt breast every time the defectors are mentioned. Asked by a weekly magazine whether corruption was involved in the defections, the chancellor replied, "For me there can be no doubt about that." "By whom?" he was asked. "That will all come out in time" was Herr Brandt's response.

The hullabaloo that followed could be heard throughout Germany. An open letter was written to the chancellor by one defecting deputy; others were said to be toying with writs. Herr Brandt qualified his remarks as "subjective," made it clear that he was referring not only to "financial" but also to "moral" corruption, and then referred to "evidence." At this the opposition called upon the chancellor to provide the evidence or to retract his accusations. The Bundestag president, Herr Kai-Uwe von Hassel, now campaigning as a member of the opposition, wrote letters to the chancellor, invoking the reputation of the Bundestag. And, as a result of the two meetings between Herr von Hassel and the chancellor that followed, the Bundestag president felt himself able to state that the accusations were "baseless," but added that the chancellor was prepared neither to substantiate nor to withdraw them. This was a blow to Herr Brandt, who had provided names of deputies who he said were willing to back up his accusations.

So "corruption" week has ended in an impasse, but its casualties are two. First, the chancellor. The opposition is already pointing out that he has



One of the week's casualties

been caught with his political trousers down and accuses him of "reprehensible" behaviour. It is a misjudgment for an experienced politician to be unable or unwilling to make public accusations stick. This failure will be made much of by the opposition in the weeks to come. The second casualty may be the traditional and informal "fair play" agreement between the parties at election time. This agreement says, among other things, that there should be no personal insults or mean invective during the campaign. The opposition has been withholding its signature until the chancellor retracts his accusations.

If this week has been "corruption" week, it needs to be said that a week is a long time in febrile German electoral politics. Next week both major parties, the Social Democrats and the Christian Democrats, have their party conferences. In Dortmund and in Wiesbaden we shall actually get down to the issues.

Ireland

Green light

One of the four expressions of human liberties (along with Magna Carta and the French and American declarations) that adorn the Human Rights Building in Strasbourg is the address of welcome presented to William of Orange at the Glorious Revolution of 1688. The hero of Ulster's Protestants must be turning in his grave at the ruling given on October 1st by the European human rights commission on the Irish government's complaint against the operation of internment and the treatment and interrogation of internees in Northern Ireland. So far, the case has only been

declared admissible: but this, for Dublin, is the major triumph. The main difficulty about invoking the European human rights convention was that the domestic law provided the internees with a domestic remedy, of which some have availed themselves; the complainants had therefore to show that the treatment in question was sanctioned as an "administrative practice." The Irish attorney-general, Mr Condon, was unable to establish that the Londonderry deaths on "Bloody Sunday" last January ranked as such; but he succeeded in persuading the commission that the treatment of internees did.

The Dublin government itself had been hauled before the commission in the 1950s for its own policy of internment of IRA suspects, but it then won its case. Although it now appears that it could make out a strong case on the interrogation procedures, it is unlikely that this case will ever come to court. The complainants are not seeking damages, and the Irish government would obviously prefer to settle the matter without pressing for a ruling on the substance of the case, if it can extract some major concession from London instead. The decision about admissibility was greeted with triumph in Dublin, where it is clearly believed that it will lead to an end to internment or, more importantly, to a seat for Mr Lynch at any new conference table that may be set up by Mr Whitelaw.

Spain

Autumn storms

FROM OUR SPAIN CORRESPONDENT

This is not Spain's happiest autumn. It began with days of torrential rains and now the country is faced with storms on the labour front and in the universities. The soaring cost of living—up 3 per cent in the last quarter—is responsible for most of the current labour unrest but the slightest incident is apt to be politicised by the taurine reflexes of the officials concerned with industrial relations and internal security.

During the past fortnight at Vigo in Galicia up to 20,000 workers have been on strike and crowds of demonstrators, including women and children, have clashed with riot police. This was the outcome of what ought to have been an insignificant dispute over hours of work at the Spanish subsidiary of Citroën. Citroën (España) has even less talent for togetherness than Citroën

(France) but it was the archaic rigidity of "the system," as Spaniards call it, that played into the hands of the few left-wing militants involved and ensured the spread of the dispute to other factories and to the shipyards.

Demands are now being heard in engineering industries in Madrid and Barcelona for a shorter working week. Workers say this is important to them not only because Spanish hours of work are so long (a 10-hour workday is still considered normal, even for women, by most government labour inspectors), but also because they want to be able to keep abreast of rising prices by working overtime or taking additional jobs. If the authorities' only response is yet again to send in the riot police there could be trouble.

"To govern is to see ahead," said an official, unexpectedly, the other day. But he was referring to the universities. He added, "Nothing is more certain to send up the generals' blood pressure and set them talking about the need for another crusade than the sight of students waving red flags." So throughout the summer the government has been looking ahead to this month's reopening of the universities.

It has suspended the statutes of the two Madrid universities, enabling the minister of education to make appointments, impose disciplinary measures and close faculties at will. And in these and other universities loyalty tests are being imposed on teachers and students. On the advice of the secret police the authorities have deprived some 250 teachers of their posts and refused admission to about 200 students. Three rectors, four deans and several teachers and administrators have resigned and the main professional organisation of Spanish university teachers has protested after calling a secret—because illegal—meeting. But the government appears adamant. It has given the Madrid universities new rectors, and it has ordered the police to "impose order" in every faculty.

Chile

The army waits

Chile's marxist president, Sr Allende, has again overruled congress. At the end of last week he vetoed two opposition bills. One of them contained a plan for raising the price of electricity in order to provide finance to subsidise the independent press and broadcasting networks; these have fallen on hard times since the economic crisis and the extension of state control over the

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private sector have dried up advertising revenue. The other bill was originally proposed back in April and should have come into effect on September 29th, but Sr Allende has rejected it, pending "amendments". Designed to curb the paramilitary groups that have sprung up at both political extremes in Chile, it would have given the army the responsibility for control of firearms. Anyone who wanted to keep a gun would have been required to register with the garrison commander in his district, and persons found carrying weapons illegally would have been tried before military tribunals.

It is easy to see why Sr Carlos Altamirano, the secretary-general of Sr Allende's own Socialist party, was so evidently opposed to this bill. It would have brought the army into direct confrontation with the Socialist militias and with extremist groups like the Movement of the Revolutionary Left as well as with right-wing militants like the members of Patria y Libertad. Sr Altamirano's view won out.

It is the influence of this aristocrat-turned-radical over the president—who is always frightened of splitting his party and becoming too dependent on the more cautious Communist party—that largely explains the steady leftward drift of government policy. By his veto, Sr Allende has angered many senior officers who are disturbed by the rising political violence. They are still brooding over the sacking of General Canales Marques a fortnight ago, for allegedly plotting to overthrow the government. Like other wage-earners the soldiers are worried by the rate of inflation, which was up to 63 per cent during the first eight months of the year. The payments deficit will sting even more when the army puts in its request for spare parts for its American equipment early next year.

Canada

Bridging the widest river

FROM OUR CANADA CORRESPONDENT

Mr Trudeau predicted several months ago that his government's language policy would be one of the hot issues in the campaign for the general elections to be held on October 30th. In July some English-speaking Canadians had raised an outcry because, at the Canada Day concert on Parliament Hill, a series of songs had been introduced only in French. Mr Trudeau

made a lengthy apology in parliament about the incident, and announced that the minister in charge of cultural affairs, his old friend Mr Gérard Pelletier, would be moved to another job after the elections. Such uncharacteristic abasement seemed to reflect the prime minister's fear that an anglophone backlash might be translated into opposition votes in the key provinces of Ontario and British Columbia.

There are certainly signs of a backlash against the Liberal government's emphasis on bilingualism. It is most noticeable in Ottawa West, the home of many English-speaking civil servants who fear that their chances of promotion are suffering because they cannot master French. The Conservative candidate there is making the most of this issue; last week Mr Paul Hellyer, the former Liberal defence minister now turned Tory, complained that the government was wasting money trying to teach middle-aged officials a second language when the emphasis should be on teaching schoolchildren; and the New Democratic party leader, Mr David Lewis, has also joined the chorus of complaint about "discrimination."

No doubt some civil servants have missed promotion because they are not bilingual. Under the government's language training system there are four levels of skill, and it may take a student 15 weeks of immersion courses to pass through each level. An official is ordinarily allowed to spend nine weeks a year attending language school; so it can take seven years for a beginner in French to gain his bilingual label. The slow pace of results among anglophones was reflected in last year's public service appointments: of 6,000 posts that were classified as bilingual, 4,900 were filled by people whose mother tongue was French.

Yet, out of 66,000 appointments and promotions in the federal service last year, almost 80 per cent went to people proficient only in English. Complaints may be more legitimate on the other side. French Canadians, who make up 27 per cent of Canada's population, still hold only 18 per cent of the jobs in the federal civil service. Mr Trudeau and Mr Pelletier, who came to power convinced that the federal capital had to become a far more attractive place for young Québécois to work in if they were to be won away from separatism, must feel they have only partially succeeded. Their cabinet colleague, Mr Jean Marchand, has never recanted his



Trudeau wards off the backlash

bitter comment that "the best thing about Ottawa is the train back to Montreal."

Nevertheless, Ottawa has changed after four years of Mr Trudeau. The 18,000 people who have started on immersion courses in French, and particularly the 2,500 who have already graduated, seem to have had more in mind than promotion; many students are awakening to the richness of French Canadian culture. Hull, the capital's poor sister across the Ottawa River, is growing into a more handsome place. An \$80m redevelopment project for it was announced last week. The federal government is locating several of its departments on this Quebec shore, and a new bridge is being built across what the bilingualism and biculturalism commission once called "the widest river in Canada."

But if Hull and Ottawa are closing the linguistic gap, progress elsewhere is slower. Another year's delay is likely before there is any action on Mr Pelletier's proposal to designate 37 areas, including the whole of Quebec and New Brunswick, as bilingual districts where federal services must be provided in both languages. The 1971 census apparently invalidated many assumptions about which districts had a 10 per cent minority language group and should thus be designated as bilingual. While the government delays on this measure, the pressure for unilingualism mounts in parts of Quebec. The language issue may look hot now, but it is feared that it will be still more heated in years to come.

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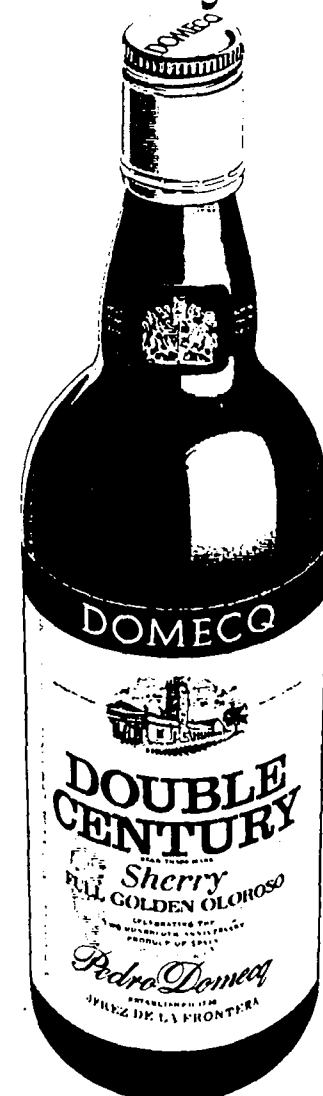
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Flanigan fixes things

There is a third reason why the role of Ciep will rarely be that of economic arbiter under this or future presidents. If he is to influence a president in the broad, non-economic ranges of foreign policy, a man like Mr Kissinger needs to monitor only three streams of information as they reach the White House—those from the Departments of Defence and of State, plus the intelligence agencies. In international economic policy on the other hand, many more agencies have to be involved; the Treasury, the economic and European sides of the State Department, the Departments of Agriculture and Commerce, the Offices of the Budget and of the Representative for Trade Negotiations, the Federal Reserve Board, plus the Department of Justice and the many regulatory agencies whose domestic actions often have international impact. There is also the rather welcome influence of the President's long-standing think-tank, the Council of Economic Advisers.

The future of Ciep is thus thickly involved in a discussion which dominates speculation about a second Nixon term. Ciep has so far been less than its originators wanted, but in the last decisive months at least it has started the job of making coherent a foreign economic policy whose distinguishing mark was most often total incoherence in the days when the United States ran a large trade surplus and so did not have to bother. Ciep has done this, however, more by the procedural method of calling meetings inside the Administration, and feeding the presidential point of view into various inter-agency study groups, than by providing the distinct direction on policy which characterises the National Security Council under Mr Kissinger. Ciep could, in short, be easily brushed aside by any of the several possible changes which Mr Nixon may make in his next Administration.

If, for instance, Mr Nixon carries out his intention of concentrating more on economic relations with his allies during a second term, this would bring Mr Kissinger more regularly into economic discussions. Or, a subject of great preoccupation in Washington, Mr Kissinger might transfer to the State Department to carry out the policies which he has started. Alternatively it is still possible that Mr Connally will be appointed to the State Department rather than Mr Kissinger or either of the favourites, Governor Nelson Rockefeller and Mr Elliot Richardson. In that case all bets about the future influence of Ciep, of Mr

Kissinger or of anybody else would be off. But for the moment, at least, as a slightly sour observer in the State Department itself put it some weeks before the IMF meeting, Ciep represents the pulling together of "powerful men in motion rather than any constructive activity; but the motion produces friction, which produces heat, which may in turn one day produce some light." It did.

PoW politics

Neither the North Vietnamese, the leaders of the anti-war movement in America, or the American Administration can take much credit for the treatment meted out to the three prisoners of war who were released from captivity in Hanoi in the middle of September. The North Vietnamese chose to hand over two naval pilots, Lieutenant Mark Gartley and Lieutenant Norris Charles, and an air force pilot, Major Edward Elias, to their families on September 16th—only Major Elias's family decided to stay away—and their escorts from the American anti-war movement who had been summoned to Hanoi specially for the occasion. But the return journey to America did not start for another 10 days—not until the Hanoi hosts had shown off examples of American war damage and the anti-war leaders had arranged a route home which would keep the prisoners out of the hands of the military authorities for as long as possible. Other prisoners (in all 12 have now been released) have been whisked away from the public eye at great speed only to emerge later

making speeches in favour of the Administration's conduct of the war.

In order to allow Hanoi and the anti-war group, led by Mrs Cora Weiss, to make as much as possible of the occasion the prisoners were flown first to Peking, then to Moscow, where the American authorities tried unsuccessfully to persuade them to return home on a military aircraft, then on to Copenhagen and eventually to New York where they arrived almost two weeks after they were first freed. Their escorts insisted that they travel in civilian aircraft and in their own clothes; while the three did not seem too happy about the arrangement—Major Elias wants to continue his career in the air force—they went along with the plan for fear that if they did not they might displease the North Vietnamese and so jeopardise the release of more prisoners. But when they finally touched down in New York they were wearing their official uniforms and, after emotional scenes with their families, they went off to military hospitals as requested.

Nothing about the affair has pleased the Administration and for a period it looked as though the Department of Defence was heading for a clash with the anti-war leaders and the prisoners. It was pointed out that the prisoners were still members of the armed forces and that unless they fulfilled their duty and reported as soon as they were able to the military authorities they could be subject to court martial. Critics of the Administration claim that it is afraid that the prisoners will make anti-war speeches. But there is more than this at stake.

There are about 500 prisoners still in captivity. The three who arrived



On the way home: Charles, Elias and Gartley

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home last week—two of whom had been in detention for less than a year—seem well and fit and have handled the stormy return to normal life competently; but others who come after them, some who have been held for eight years, may not react so well. Whatever information the ex-PoWs can give now may be invaluable to the future treatment of those who come after them.

Back to Court

FROM A SPECIAL CORRESPONDENT

The Supreme Court's insistence on racial integration in schools and its past deference to government regulators will be put to severe tests in a new term which opened this week with a docket of 99 cases already set for argument and decision by June. The general philosophical bent of the court is obvious: Nixonian. In a month voters will decide whether the man now in the White House will be granted the prospect of being able to expand his judicial foursome; two more vacancies seem likely in the nine-man court before long.

With four proponents of "judicial restraint" already put on the high bench by Mr Nixon, there is even now a strong possibility that the court will check its once-unanimous thrust towards closer racial integration in education, or even reverse it. The challenge will come immediately in a case from Denver, Colorado, the first from outside the south to receive intensive consideration. This mile-high western city has no background of racial laws; the segregation in some of its schools is largely a reflection of racially separated residential neighbourhoods. The hard question here is whether school segregation is just as official and as constitutionally objectionable as that established by law when it arises only because a board of education has failed to select construction sites for new schools and to draw district boundaries in ways that will ensure racial mixing. If the Justices settle on a narrow interpretation of de jure segregation, white suburbanites will sigh with relief, southerners who have insisted that the north and west would never accept restraints on where their children go to school will say "we told you so" and blacks and hardcore liberals will be deeply affronted.

Matching the Denver case in significance, and also to be heard in the coming week, is an appeal from San Antonio, Texas, in which the issue is

the quality of education poor children are to receive in contrast to that enjoyed by the middle class and well-to-do. Although Washington and the state legislatures provide supplementary funds, the amount of money spent on schools in a particular district depends to a great extent on how much can be raised in local property taxes. A federal court in San Antonio, like courts in a half-dozen other states, declared the system unconstitutional in that it produces an inferior education for children living in poor districts.

The regulatory agencies, long accustomed to their judgments being endorsed by the Court, are bracing themselves meanwhile for the disposition of a number of thorny cases affecting business, labour and consumers. At the top is one testing the authority of the Federal Reserve Board to compel creditors to supply installment purchasers with detailed pricing information. Another concerns strict clean-up obligations imposed by the State of Florida upon people who pollute navigable waters with oil. A third challenges the power of trade unions to fine members who quit during strikes and return to their jobs through picket lines.

Other questions to be decided are whether a private electricity company in Minnesota can be forced to sell power to municipal systems; whether computer programmes are patentable and whether the state of California may prosecute pirates of copyrighted musical recordings. Coming up are two cases in which the Justice Department is attempting to extend the anti-trust laws by challenging mergers that stifle potential competition. Along the way, the Justices are also likely to frame a new definition of obscenity and to decide what kinds of books, magazines and films may be suppressed by federal, state and municipal officials.



McGovern's happier days: at a UAW picnic.

ELECTION '72

Labour's all right

1. No solidarity in Detroit

FROM A CORRESPONDENT IN MICHIGAN

The nature of the audience of about 2,000 people that gathered at the airport in Flint, some 50 miles from Detroit, for a recent speech by Senator McGovern reveals the political convulsion taking place in Michigan. Flint is a General Motors company-town, economically dominated by the Chevrolet production plants and politically dominated by the Democratic-voting automobile workers. Accordingly, for many years, Democratic political rallies in Flint have been filled with automobile workers and their families. But Mr McGovern's airport rally was attended mainly by young people, most of them students, with barely 200 to 300 automobile workers present out of the 70,000 employed by the General Motors Corporation in Flint.

Many of the same workers who refuse to attend McGovern rallies will refuse to vote for him in spite of admonitions from the leaders of their trade union. The United Auto Workers, the most progressive and politically sophisticated trade union in America, is unstinting in its support for Mr McGovern. But the UAW's rank-and-file simply will not follow its leaders this time, opting instead either to vote for Mr Nixon or not to vote at all.

Such defections by working men in this heavily industrialised state have produced a political outlook scarcely imaginable three months ago. At that time, Mr Nixon's own political managers regarded Michigan as, from their point of view, the weakest among the

seven most populous states. Today's polls show Mr Nixon leading in Michigan by 15 percentage points, more than in New York or California. Indeed, by any reasonable measurement, Michigan is lost to Mr McGovern.

Mr McGovern's catastrophe in Michigan has special roots. The white factory workers who live in Detroit's suburbs have been frightened out of their wits by an order from a federal district court that would require their children to be taken by bus to slum schools in Detroit's black ghetto to achieve racial integration; this has outraged even white working-class families who are not directly affected. Mr McGovern, correctly considered

by these workers to be a longtime supporter of busing, tried to blur this impression by declaring in Detroit that this was a matter for the courts, out of his and Mr Nixon's control. But he could not approach Mr Nixon's unequivocal stand against busing. To obscure this issue, the UAW's shop stewards are flooding the assembly lines with campaign literature arguing that four more years of Mr Nixon in alliance with big business would ruin the workers economically. But the present resurgence in the motor industry means that there is plenty of work for union members. Thanks to lush wage contracts negotiated by their union, these factory hands own handsome

suburban homes and weekend cottages at the lake and many have accumulated a substantial net worth. To protect their present status from the spectre of forced racial integration, they are ignoring the advice of their leaders and turning to Mr Nixon.

Having virtually resigned itself to Mr Nixon carrying Michigan, the UAW is concentrating on the campaign of Mr Frank Kelley, the state Attorney General, against Senator Robert Griffin, Republican whip of the Senate. The union's leaders would have preferred the more liberal Mr Jerome Cavanagh, former Mayor of Detroit, as the Democratic candidate for the Senate seat, but they acquiesced in Mr

Courting the barrios

A new political party was born in El Paso, Texas, at the beginning of September: La Raza Unida. The United People are the repressed and impoverished, but increasingly militant and even chauvinistic, Mexican-Americans of the south-west. The party, which was launched on a tiny scale in 1969, was holding its first convention. It is on the ballot in Texas, where it is putting forward candidates for governor, lieutenant-governor, the state legislature and for local offices, in which it already has a foothold. It also plans to run candidates for governor in Kansas and for Congress in California. But if Senator McGovern hoped for an endorsement in the presidential race (in the past most Americans of Spanish descent have voted Democratic) he was disappointed. The more radical leaders of the chicanos, as Mexican-Americans are called, feel that there is nothing to choose between the two presidential candidates and are asking all people with Spanish names to abstain from voting in the national election.

The United People may be a misnomer. A notable absentee at the convention was Mr Cesar Chavez, the chicanos' best-known spokesman, who has been fighting for better working conditions for them. His crime was to have endorsed Senator McGovern back in May; he is also accused of taking too little interest in the new party. But chicano disunity will not worry President Nixon, as long as the creation of La Raza means that fewer Mexican-Americans vote for Senator McGovern. This will help Mr Nixon to carry Texas and California, two key states politically which contain over 4m chicanos. In all, there are about 9m people of Spanish descent in the United States including Cubans (mainly in Florida) and Puerto Ricans (chiefly in New York, New Jersey and Illinois).

Four years ago the President won only about 10 per cent of their votes.

Ever since then and most recently last month when he visited Texas, Mr Nixon has been wooing the Spanish minority, which is second in size only to the blacks. He has appointed 28 people with Spanish names to the high government posts which used to be virtually closed to Spanish Americans and where they are particularly visible. They have been paraded ostentatiously through Texas and California to good effect, although in Los Angeles the group was picketed by poor Mexican-American farm workers who denounced its members as "los vendidos"—the sold-out. Mr Nixon has also been putting pressure on government agencies to

hire more Spanish-speaking people, to give them a larger share of the anti-poverty money and to expand federal requirements and funds for bilingual teaching. Recently federal agencies are said to have been pouring subsidies into chicano projects and both parties have special divisions to look after Spanish-Americans.

But the Democrats have done little for a minority which until recently was overlooked in the country's preoccupation with black grievances. A census study reported last autumn that people of Spanish origin were slightly higher in the income scale than blacks (partly because fewer families are headed by women) but they lag far beyond other whites and share most of the blacks' grievances such as poor schools, bad housing and discrimination in jobs.



Nixon on the Rio Grande



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Kelley, whose commitment to liberal causes is sometimes cloudy, only because their members obviously preferred him. Since then, he has switched his position on school busing from ambivalent approval to clear opposition. But to Michigan's working men, Mr Griffin's role as leader of the anti-busing block in the Senate eclipses the anti-trade union record which he has built during 16 years in Congress.

Michigan's incumbent Democratic Congressmen, liberals all, reflect what is happening here. To survive, they have openly declared war on busing and tacitly abandoned Mr McGovern's faltering presidential candidacy. The formula for victory among Michigan's Democrats, today and into the foreseeable future, is wholly alien to the progressive ideology at Solidarity House, the UAW's headquarters.

2. Shaky Keystone

FROM A CORRESPONDENT WITH THE CANDIDATE
Pennsylvania, third largest state in the union, is in reality two states. East of the Appalachian mountain chain is farming country, with business and financial centres dominated by Philadelphia. West of the low mountains is the eastern edge of a coal and steel empire that extends through Ohio and even into Indiana and Illinois, reaching almost to the Mississippi river. Politically, eastern Pennsylvania leans right, towards the Republicans, while in the west Pittsburgh and Allegheny County, which surrounds it, have for years, indeed, decades, been mines of Democratic strength.

But for Senator McGovern this political ore is proving hard to dig. One in three voters is Roman Catholic—a statistic which would be meaningless except that the mass of Pennsylvania Catholics are the second- and third-generation descendants of immigrants and are socially and financially conservative. Wherever Mr McGovern has gone, in his frequent visits to Pennsylvania, he has run into questions from trade union leaders and party officials about his disagreements with the American Legion, the highly conservative organisation of ex-servicemen, over his policy of giving amnesty to those who have fled from the United States to avoid being conscripted for service in Vietnam. There are also questions about what are known as "codeword issues." There is "busing," enforced transportation of children away from local schools to obtain a better racial mix, which has overtones of colour prejudice and frustration over poor education and high taxes. There

is "welfare," which means to many voters higher taxes and black militancy, "something for nothing" and the stereotype of the lazy black man.

Unemployment is serious in Pennsylvania—7 per cent for the state as a whole and as high as 15 per cent in some areas and some industries. But, as one Philadelphian put it, "people are not so badly off that they have to vote the pocketbook issue yet. They can still vote for the social issue." In the Keystone State, this is the political heritage of a recession which was not quite a depression.

President Nixon's Committee to Re-Elect the President (which is coming to be known by the unflattering acronym Creep) is fat and happy here. Its leaders, such as Mr Arlen Specter, the former prosecutor for the city of Philadelphia, believe that the foreign-stock "ethnics"—termed "heritage groups" in the new Republican lexicon—are moving solidly in the President's direction. Mr Specter and his associates also believe that Mr Nixon has managed to project himself as a legitimate leader, a solid middle-of-the-road pragmatist and "The President." Mr McGovern, on the other hand, they say, is viewed by voters as a man who would bring higher taxes and radical social reforms.

Mr Specter, however, worries about over-confidence. His own polls show a picture far less flattering than some others for Mr Nixon. The President's lead in this vital state is only about 15 per cent and Mr McGovern's aides consider that margin "manageable at this stage of the game," for their own candidates.

What we have to stress is McGovern's commitment to the working people. That's the core Democratic vote. We've got to get it back or we lose. . .

This from Mr McGovern's state coordinator, who says that the basic issue is "What's your wife paying for chopped beef? What was she paying when Nixon came into office?" In an ordinary year, this would attract Democrats in sufficient numbers to ensure an easy victory for Mr McGovern in Pennsylvania. But 1972, as everyone is becoming increasingly convinced, is far from an ordinary year.

Congress raided

Mr Ralph Nader is embarked on a crusade to revive and reform Congress, the greatest and most controversial enterprise ever attempted by the man who is known as the consumers'



Nader calls on Congress

advocate. He wants to restore to Congress the powers which it has lost to the White House, to special interests and to its own powerful chairmen of committees, to modernise its procedures, and to make it responsive to the needs of ordinary Americans. On Tuesday, before a crowded press conference and a battery of television cameras, he asked Congress to call a special session for late next year—a non-election year. This would have no business to deal with except what Mr Nader alleges is a grave constitutional crisis, the break-down of the separation of powers which (in his view) makes Congress almost impotent, although it is the branch of government which should be closest to the people.

Mr Nader—spare, intense and hollow-eyed from 20-hour days spent on a project which he is financing himself from his earnings as a lecturer—thinks that there is wide support in Congress for reform but that action will come only if public opinion is aroused and informed. This week saw his first blast, a racy, readable paperback, "Who Runs Congress?" by three of Mr Nader's associates,* dealing, in a fairly jaundiced familiar way, with the failings of Congress: its abdication to an almost monarchical presidential establishment; its susceptibility to special interests; its members' dependence on campaign contributions from private contacts; its archaic procedures (Congress has one full-time computer compared with 4,000 in the executive branch); its black-balling of nonconformists.

What members of Congress await with more fear are the profiles of 485 incumbents, which are due to appear on October 16th, just three weeks before the election; Senators and Representatives who are retiring are omitted. These profiles will contain facts about individual members which

*Mark Green, James Fallows, David Zwick. Bantam Books. \$1.95.

many of them might rather not have known: names of their chief supporters, their personal shareholdings and business interests, their votes on controversial issues in committee (quite often different from their public votes on the floor). Many members objected bitterly to the time-consuming questionnaires that they were asked to fill out and argued that it was unjust not to subject their opponents to the same ordeal. But all but a handful co-operated, in the fear that a refusal would suggest that they had something to hide.

Mr Nader has many good ideas. One is for a congressional ombudsman to handle the problems of individual constituents, which take up an inordinate amount of a Congressman's time and trivialise his work; but this service pays political dividends. There is, however, grumbling even in the Nader ranks themselves about what has been a rush job. "Who Runs Congress?" was a hastily produced afterthought which does not reflect the conclusions (not yet published) of teams probing more deeply into problems such as lobbying and campaign financing. The profiles, some hold, have diverted resources and attention from this more important work. If errors of fact have crept in and amateurish methods have been used, Mr Nader now has plenty of critics who will be glad to point them out; the press is much less friendly to him than it used to be.

Bump on Bart

FROM A CORRESPONDENT IN SAN FRANCISCO

The Bay Area Rapid Transit System's first accident last Monday does not seem to have shaken confidence in the computer-run railway that began to serve the San Francisco region three weeks earlier. A flood of travellers have been riding out to the end of the 28-mile line—all that is finished so far—to see where a new carriage ran off the track; five people were injured, but none seriously. "The public seems to understand that a transit system this novel is going to have some problems," says Bart's general manager.

Just what caused the 70-foot long aluminium railcar to speed up as it approached the station, instead of slowing down, is being examined in three different investigations, by the federal government's National Transportation Safety Board, by California's Public Utilities Commission and by Bart itself. The driver of the train, who usually does nothing except monitor how the system is responding to the

computers, can override their operations by manual controls. In this instance the experienced driver, who had been with Bart for two years, is said to have tried to stop the train by every means at his command, including turning off the electric system.

The train was nearing Fremont, the last station on the line at present, at a normal approach speed of 27 mph when the carriage began to accelerate, reaching an estimated 40 mph by the time it ploughed into the mound of sand covering the raw end of the tracks and tipped to the ground beyond at an angle of 35 degrees. Each stub end of track in this partially completed system is protected by a similar embankment of sand and the shaken passengers said that, if the barrier had been concrete or steel, there would have been more injuries.

The carriage was brand new, completing its second run on its first day of service. However, Bart has been plagued by shortages of carriages, as a result of strikes at the plant which makes them, and the company has been rushing out three new carriages a week. These are tested and their dual brake systems are tried thoroughly before they are put on scheduled runs. Whether the fault lay in the carriage itself, its braking system, its electric controls, its reception of signals from the computers along the way or in the master control is what the investigators will be trying to find out. This sophisticated system is obviously still somewhat experimental.

Meanwhile a steadily increasing number of commuters are using Bart to get to work in downtown Oakland and far more sight-seeing journeys are being made than expected. The average number of passengers is now 80,000 a week. Among them recently were President Nixon and his wife; he said that Bart gave him "the smoothest ride I've ever had" and marked his appreciation of the first new rapid transit system that America has had in 30 years by giving Bart an extra \$38 million in federal funds to buy more carriages.

A & P cuts up

The price war in America's supermarkets, which has spread farther and gone on longer than any of its many predecessors, could not have come at a better time for the American housewife. But, while she may be able to offset the soaring cost of beef by paying less for dry groceries and tinned goods, the supermarket industry is not finding it easy to balance its books. Almost

all the major companies, with the exception of Safeway Stores Inc, have seen their profits shrink this year. The worst hit has been the country's largest and oldest chain of food shops, the Great Atlantic and Pacific Tea Company, usually known as the A&P. But it has little cause to complain, although its shareholders may, since it was A&P that started the price war last autumn.

That was when the company realised that, unless it showed more aggressiveness than it had for the past 10 years, it was in danger of losing its lead in the national market to Safeway, long dominant on the west coast. Since then A&P has been following a deliberate but risky policy aimed at increasing the volume of sales by lowering prices. (Last year the company's sales were worth \$5.5 billion and it had 5.8 per cent of the total market compared with 7.5 per cent in 1967.) The method chosen to get ahead of its more up-to-date rivals was to convert its 4,200 supermarkets to new streamlined discount shops, a changeover which is being completed this month. The new WEOs (where economy originates) involve cuts in the number of products that the shops carry, the elimination of frills such as display racks, wrapping service and trading stamps, heavy advertising campaigns to lure customers away from rivals and drastic reductions in prices.

The volume of sales has certainly gone up, by 15 per cent in the second quarter of the firm's year, to a record level of \$1.6 billion. If the situation develops as the management predicts, there will be a smaller loss during the current quarter and a profit during the last three months of the financial year. Some people are afraid, however, that with the lower margins not even a larger share of the market will add up to higher profits. But luckily for A&P it is in a stronger position to carry losses than are most other food retailers. It has no long-term debt and has cash reserves to fall back on.

Its smaller competitors are afraid that A&P will continue to accept losses until it has driven others with less lavish resources out of the market. A&P has already forced them to lower their prices by more than they can afford and to resort to costly innovations such as longer shopping hours. One company is threatening to take the supermarket giant to court for violation of the Robinson-Patman Act, forbidding larger companies from taking actions designed to force smaller competitors out of business.

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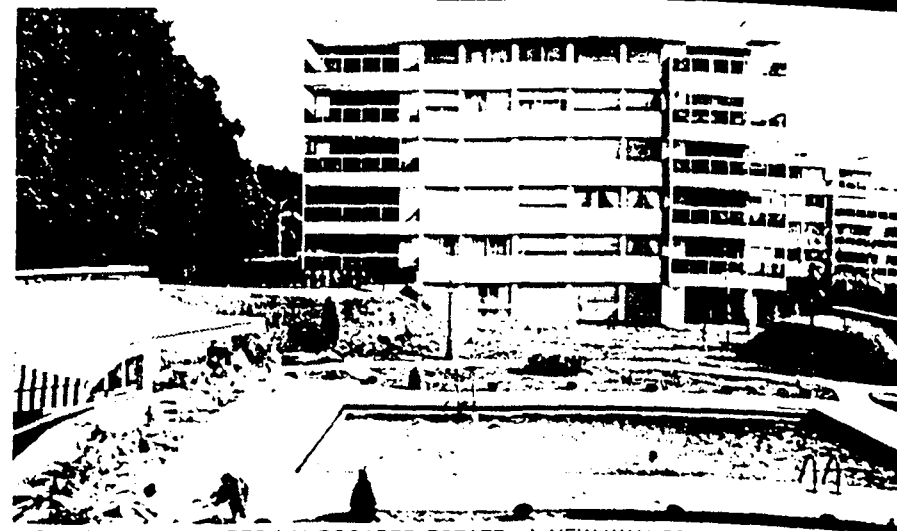
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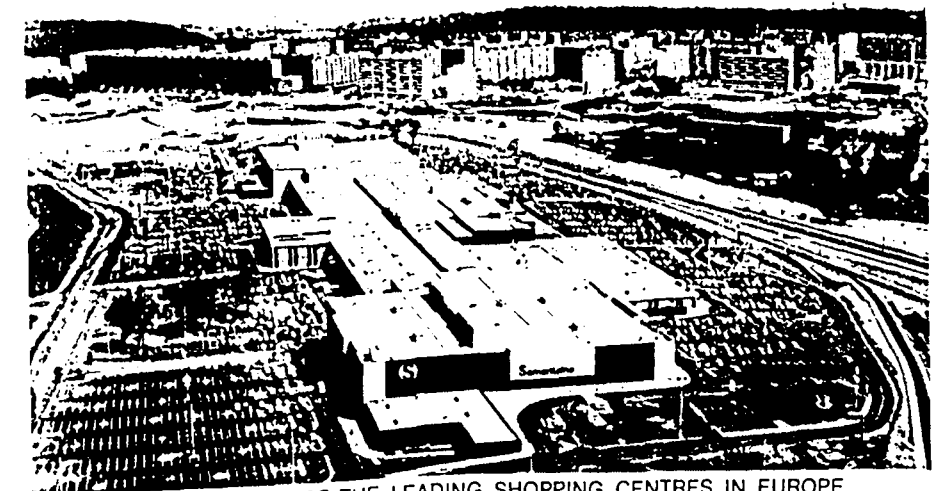


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Books

Emotional transactions

QUEEN VICTORIA: HER LIFE AND
TIMES, VOLUME I, 1819-61
By Cecil Woodham-Smith.
Hamish Hamilton. 486 pages. £4.50.

Queen Victoria is an unusually formidable subject for a biographer to confront. She was a political figure of first-class importance in an era when the traditional dispensations of church and state were giving way to modern democracy. She was a sovereign who reigned for more than 60 years of important constitutional evolution. On top of this she was a dynast connected inextricably with nearly all the Protestant courts of Europe and some of the non-Protestant ones as well. And finally she was a woman whose life and interests were as much concerned with childbirths, marriages, and family affairs as with cabinets and policy.

A perfectly adequate and definitive biography would have to deal faithfully with all these dimensions. To say, therefore, that Mrs Woodham-Smith's book is unevenly meritorious on these various aspects is no more than to acknowledge that a uniformly high level of achievement is hardly to be expected. Mrs Woodham-Smith is best on the family side; good on the dynastic—especially the Coburg ramifications—aspect; rather weak on politics and constitutional development and foreign policy. It is minor evidence of a lack of sureness of touch to have Lord Palmerston born 10 years too late; it is rather more worrying to come across the opinion that Germany needed the Kiel canal to get access to the Atlantic. And it is completely confusing to find such judgments as that the Queen and Prince Albert "supported Schleswig in the Schleswig-Holstein dispute." Mrs Woodham-Smith is altogether too dependent on such outmoded and unreliable authorities as the "Cambridge History of British Foreign Policy" and the works of H. A. L. Fisher.

The most welcome contribution of this book is to enlarge our knowledge of the circumstances of Queen Victoria's private and even intimate life. The peculiar problems surrounding her lonely girlhood, her difficult

relationship with her widowed mother, the Duchess of Kent, and her mother's recurrent tendency to fall under the influence of unscrupulous and ambitious men such as Sir John Conroy are for the first time accorded full and authoritative treatment. This is true also of the fascinatingly rich and complex relationship between Victoria and Albert. The Queen was increasingly prone to nervous hysterical crises, usually associated with the dreaded and increasingly resented onset of pregnancy (she bore nine children between 1840 and 1857). It is difficult, on the evidence offered by Mrs Woodham-Smith, to avoid the conclusion that in the emotional transactions between Victoria and Albert Victoria built up a large surplus balance at Albert's expense. This is not in the least to suggest anything of the "vampire theme" or even of Henry James's novel "The Sacred Fount"; but unquestionably Albert's increasing emotional debility, his sense of being drained until ultimately he quite openly acknowledged a complete lack of any will to resist illness and fight for life, was in itself an integral and central constituent of the very "success" of their marriage.

Victoria's worship and adoration of Albert had about it an insistent intensity and paradoxical demanding-



1861: Victoria in Albert's last year

ness. And Albert, as it happened, was formed by the nature of his character and personality, as well as by the ambiguous situation of his being consort to a Queen regnant, to supply the demand without having the means of replacing the supply. From the moment of his birth in 1819 (three months after Victoria's) he was shaped for the vocation of being Victoria's husband.

It is essentially in this respect that Mrs Woodham-Smith's version of Victoria is superior to Lady Longford's, published in 1964, which provides inevitably an obvious source of comparison. Lady Longford's is superior in the general evenness of its texture and its surer grasp of the public aspect of things. A good measure of the special superiorities of Mrs Woodham-Smith's scale of treatment is that whereas Lady Longford gives the letter written by Prince Albert to the Prince of Wales on November 16, 1861, about his son's errant behaviour at the Curragh, a mere 20 words, in this book it gets 50 lines; and that depth of treatment certainly justifies itself in the illumination it throws on the very curious psychological state of the Prince Consort shortly before his death.

This volume, and its concluding successor to come, will establish themselves in the canon of serious and worthwhile studies of Queen Victoria. Its shortcomings remind one of the difficulties of such an undertaking. Lytton Strachey was certainly well advised not to venture out beyond the limits of his suggestive and impressionistic sketch.

Light relief

DIDEROT
By Arthur M. Wilson.
Oxford University Press. 935 pages.
£11.25.

DIDEROT'S LETTERS TO SOPHIE
VOLLAND: A SELECTION
Translated by Peter France.
Oxford University Press. 218 pages.
£3.40.

In 1767 the Russian ambassador in Paris, Prince Galitzin, was ordered to leave his post. He was certainly sorry to do so, not only because this meant moving from Paris, but more particularly because it also meant leaving his mistress, a Mademoiselle Dornet. However, almost immediately after his departure he became attached to a Prussian countess and married her. He then felt that he should recover from Mademoiselle Dornet two portraits of himself, and asked his friend, the



Diderot: a taste for farce

eminent "philosopher" Diderot, to help him. Diderot devised a farcical scheme whereby a friend of his would assume the disguise of a famous Turkish physician, make the acquaintance of Mademoiselle Dornet, and persuade her that the two portraits of Galitzin were having a malign influence on her health. Diderot would then appear and offer to take them from her. The plan worked well for some time, but then collapsed.

There is a lot to be learned about Diderot from this story. It shows him to be a man with his share of gaiety, in some ways the most attractive of the *philosophes*. Diderot wrote an account of this deception in dialogue form, and it is typical that it was never published during his lifetime but only discovered a few years ago. Significantly, the realisation that Diderot could play such practical jokes caused some critics to change their minds about him. Even today, Dr Wilson finds it necessary to point out that, even if the plan had been successful, it would not have done Mademoiselle Dornet any harm.

After a certain amount of neglect, Diderot has come to attract both attention and admiration. He was, more than anyone else, responsible for the "Encyclopédie"; he was the author of novels, plays and philosophical dialogues which seem to us to be remarkably modern; as a talker, essayist, letter-writer and personality he is a rich and impressive character. In this realisation of Diderot's true value, the work of Dr Wilson has been most important. He wrote an account of Diderot's early years some time ago; it is now reprinted as part of the completed biography. This is massive, masterly, replete with knowledge and filled with interest. It is skilfully written, the narrative moves briskly, and there is a harmonious division of

attention between the life-story and the writings. Both the specialist and the more general reader will enjoy this book.

English readers may be irritated by Dr Wilson's American analogies. When, for example, he mentions Sophie Volland, to whom Diderot wrote hundreds of magnificent and moving letters, he refers to Dorothy Parker's remark about girls who wear glasses. Is this either apt or clear? At all events Mr Peter France has now produced, for the first time, a translation of some of these letters. This is to be recommended even to those who prefer to read their French literature in French.

Significant tribute

ESSAYS IN HONOUR OF LORD ROBBINS

Edited by Maurice Peston and Bernard Corry.

Weidenfeld and Nicolson. 414 pages. £4.50.

Nineteen prominent British and North American economists, most of them at one time associated with his beloved London School of Economics, present scholarly but intelligible essays to this volume in honour of Lionel Robbins's seventieth birthday: in visible affection for a friend and teacher who has done so much to pass on to so many of today's leading economists a spirit of scientific inquiry, a sense of wide cultural heritage, a tradition of tolerant passion in controversy, and even sometimes the example of his own unusual gifts of organisational competence.

Part one of the volume contains six papers on economic theory and methodology, which will be of main interest to teachers of economics: perhaps particularly Professor Lipsey's argument that Keynes himself might now have recognised at least seven errors in the



Robbins: birthday honour

theory of national income which has been largely inherited from him, but that most of the main elementary and intermediate macro textbooks (including the great Samuelson) cause most economic teachers to go on perpetrating many of them.

Part two contains four essays on the history of economic thought, but seems the least satisfactory part because fashions in this have become too twee. It is nowadays a better service to clear thinking for economic historians to recognise how badly, albeit understandably, even first class nineteenth-century thinkers like Ricardo (let alone poor Marx) often got so many things so wrong, than it is for them to extend today's over-respectful habit of striving to find ever more sophisticated explanations of how they nearly got many things right.

Part three contains nine papers on economic policy and applied studies. Professor Baumol of Princeton is frighteningly convincing in his essay on the dynamics of urban problems, where he shows that in a cumulative deterioration process any short-term anti-market solution (eg, subsidies to urban transportation or to what we in Britain would call other nationalised industries, policies for urban renewal that bring the middle classes back to the cities) may not achieve beneficial long-term results, however large their scale, but may just alter time paths while decay actually accelerates. He is doubtful whether preservation of a city "is an appropriate objective if this can be achieved only at the expense of its inhabitants."

Honourable lady

NANCY: THE LIFE OF LADY ASTOR

By Christopher Sykes.

Collins. 544 pages. £3.95.

Mr Sykes quotes, almost apologetically, the most famous piece of Winston-Nancy backchat of all:

N.A.: Winston, if I was married to you I'd put poison in your coffee.
W.C.: Nancy, if I was married to you, I'd drink it.

In one way it is typical of "Astorisms": it sounds, as Mr Sykes says, like invention, a just-too-perfect expression of the notorious antipathy between Churchill and Nancy, Viscountess Astor, the first woman to take her seat in the British House of Commons. And yet, says Mr Sykes, it is well authenticated. This caution is typical of his admirable biography. He knew her in the late 1950s, when she was old enough to have returned to the role of enfant terrible; he remembers



Nancy, electioneering

being scared (but not mauled, "she was probably on the lookout for bigger game") by her in earlier years. But he stands neither in awe or in protection of his subject; only occasionally does he succumb to chivalry. She "was not monumental"; but she was more than a joke.

In one way the coffee crosstalk was less than typical: in most of the anecdotes Nancy had the punchline. True, these were often of occasions when she crossed swords with lesser men than Churchill; hecklers at election meetings, reporters, the more ponderous of honourable members. But at repartee she scored—though, as Mr Sykes fairly makes plain, it was too often a less than admirable cover for abysmal ignorance. Asked at an election meeting about pensions, by a lady of 66, Nancy replied: "You're much too young and pretty to think about things like that."

But if some of her remarks were tasteless—more so by today's standards—her detractors' behaviour was scarcely more attractive. There was Horatio Bottomley with John Bull, and Clifford Sharp of the New Statesman, running smear stories on the divorce Nancy had obtained in America from Robert Shaw, after she had, with typical courage and misguidedness, opposed one particular plan for reform of the English divorce law. She was quite unabashed by the ordeal of taking her seat in the Commons—a scene Mr Sykes recreates extremely well, and which typically has a good deal of farce in it: Lloyd George and Arthur Balfour, who introduced her, had not rehearsed and were comically out of step. But even the politest male letters of congratulations (such as Salisbury's) were heavy with condescension; the speeches of her political colleagues drip with archness.

Cliveden, and the Astor wealth, was a far cry from the post-civil-war Virginian poverty of Nancy's parents' early married life. Even by the time she was born, on exactly the same day as Waldorf Astor, the Langhorns were over the worst. Nancy's elder, even more beautiful, sister Irene, the original Gibson girl, achieved her own social status. But Mr Sykes quotes the remark by Nancy's old nurse, when shown a picture of Cliveden: "Oh, Miss Nancy, youse sho' done outmarried yo'self." It was a story, typically, that Nancy Astor loved to tell herself.

She undoubtedly also outstayed her welcome in politics; her husband, who remains a shadowy figure, comes sharply into focus in 1945, when he had to persuade her not to stand again. In the 1940s and even the 1930s she did not display to advantage. Mr Sykes treats the Cliveden set without whitewash but with a certain scepticism. But he does not attempt to disguise her by now obsessive prejudices (against Jews, fostered first by Hilaire Belloc, and then—rough justice?—against Roman Catholics) or her dreadful, rambling speeches; Harold Nicolson likened one parliamentary debate with her, in 1943, to "playing squash with a dish of scrambled egg." It is perhaps fortunate, after all, that Mr Sykes knew her even in her last years; then, her prejudices had faded away, her repetitiveness was merely sad, she could no longer hurt even her family and only her wit was left remarkable.

Queer ship?

CAPTAIN BLIGH AND MR CHRISTIAN

By Richard Hough.

Hutchinson. 320 pages. £4.

Even without that extraordinary performance by Charles Laughton in the 1936 film, what happened on the *Bounty* in 1789 would still hold its place in the popular imagination. After all, as Mr Hough puts it in the last sentence of his book, it is "the most celebrated mutiny of all time." But had Laughton not created a new myth about Captain Bligh as a sadistic tyrant, would Mr Hough, the best of the popular naval historians of the present day, have devoted so much care and thought to this curious episode?

Mr Hough has gathered all the evidence together with his usual assiduity—though there is an untypical slip early in the book where in one paragraph one of the seamen, Lamb, is put among the initial group of muti-

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neers and then a few lines later is said to have been standing apart from that group. His narrative then runs as strongly and smoothly to its conclusion as a fine ship before a fair wind.

That conclusion, while in tune with contemporary fashion, is banal. It is that Bligh and Christian had enjoyed a homosexual relationship since their first voyage in 1785 and that it was Christian's refusal to renew the relationship after tasting the heterosexual delights of Tahiti that led to the conflict between the two men and hence to the mutiny. That, as Mr Hough admits, is pure surmise. It is possible. But the evidence is by no means strong enough to make such an explanation probable. It passes lightly over the fact that throughout his career Bligh carried trouble with him, like an albatross slung round his neck.

Brilliant navigator and seaman though he was, Bligh—unlike his mentor, Cook—was a bad commander. In the course of his book, Mr Hough makes that amply plain. He quotes with approval an earlier judgment that Bligh was a nagger, incapable of putting a stop to his own foul tongue. Bligh was not a sadist, as Pigot of the *Hermione*, that other infamous ship of mutiny, was. But he was a bully. In adversity he could drive men, fearful of their own lives, to obedience. In fairer weather, he failed to lead them. The combination of such a commander and an ill-picked crew, who had seen their own paradise lost, is surely explanation enough for the mutiny.



Bligh: bully but not sadist

Obeying the conventions

HUMAN RIGHTS IN THE WORLD

By A. H. Robertson.

Manchester University Press. 288 pages. £3.60.

PROHIBITIONS AND RESTRAINTS IN WAR

By Sydney D. Bailey.

Oxford University Press for Chatham House. 207 pages. £3 cloth, £1 paperbound.

Since the second world war, and partially as a consequence of its excesses, several conventions have come into existence protecting human rights through international organisations: the United Nations Covenants, the American Convention on Human Rights and the European Convention on Human Rights. At present attempts are being made to establish similar conventions in Africa and in the Arab world. Mr Robertson, who is the head of the directorate of human rights of the Council of Europe, has written a lucid account of all these developments. It is some achievement that he has managed to deal with his subject with brevity but not without originality.

Far the most influential international human rights instrument is the European Convention on Human Rights. It provides for an appeal over the heads of the domestic courts on issues which range from the right to liberty and the negative and more precise right not to be tortured to more marginal rights such as freedom of association and the right to property. Britain has been arraigned before the Commission on Human Rights for the non-admission of the Kenya Asians and the complaint of the Irish government in respect of the operation of internment and the treatment of internees in Ulster has just been declared admissible. It is not certain that the delicate task of weighing individual rights against public interest is best performed by a bench of international judges, without democratic mandate, nor even first-hand knowledge of the conditions of the countries concerned. But any forces redressing the balance in favour of individual rights must serve some useful purpose.

Long before the human rights movement was conceived on a supra-national scale, the conduct of combatants in time of war was regulated by a series of international conventions. The most recent were the Geneva Conventions of 1949. These constitute what is called humanitarian law, and Mr

Bailey's book provides a useful summary of its provisions and current proposals for its extension. He examines the background, the evolution of the concept of the just war in Christian ethics and international law. This survey, as well as Mr Robertson's treatment of the subject, emphasises the feebleness of the enforcement machinery. There is no international judicial body charged with implementing humanitarian law, even though it is far less dubious material for international regulation than human rights generally.

Acquaintance and audience

SAMUEL JOHNSON: HIS FRIENDS AND ENEMIES

By Peter Quennell.

Weidenfeld and Nicolson. 272 pages. £3.50.

SAMUEL JOHNSON AND THE LIFE OF WRITING

By Paul Fussell.

Chatto and Windus. 317 pages. £2.50.

These books complement one another. The first can confidently be expected to outsell the second, but it is not intrinsically more valuable. Because Johnson the man is a legendary figure, and Johnson the writer is seldom read, Mr Quennell starts with an immense advantage in terms of a reading public. As might be expected, he provides a series of delightful conversation pieces. Johnson in the bosom of the Thrale family; Johnson as a member of The Club, associating with Reynolds, Goldsmith, Garrick and Burke; Johnson with Fanny Burney and her father; Johnson and his household of pathetic dependants—none of the pictures is unfamiliar. Hume, Sterne and Gibbon are portrayed among those whom Johnson disliked; Horace Walpole as one who voiced a sharp dislike of Johnson. Boswell is accorded less attention than he might have desired, for it is Mrs Thrale whose presence dominates this book. Mr Quennell has drawn copiously on the records she kept of Dr Johnson's participation in the life at Streatham Place. She was a more intimate friend of the melancholy, uncouth, learned sage than James Boswell ever was. Seen in relation to her, her husband, her mother and her children, Johnson seems more life-sized and less the Grand Panjandrum than the figure we meet in Boswell's biography. Mr Quennell writes with practised ease, and the illustrations make the book doubly attractive.



Johnson at Sir Joshua's, with Boswell behind and Burke on his right

Comparatively little attention is paid, in this survey of Johnson's friendships and enmities, to the work he did as a professional man of letters. It is this aspect of his life that occupies Mr Fussell, and he has produced an exceptionally interesting study of Johnson's literary achievements. His versatility is rightly emphasised. Until the romantics established the notion that the need for self-expression is the one valid reason for writing, a man with literary talent could exercise himself in a great variety of genres, and pride himself on the competence with which he could produce a verse satire, a prose fable, a biography, or indeed a periodical essay. Dr Johnson expended his gifts in a remarkable number of literary "kinds," quite apart from his astonishing lexicographical labours. This book underlines the sheer toil entailed in writing for a living. In Johnson's case, the grind was made the more painful by his congenital slothfulness, that melancholy inertia known to churchmen as *accidie*. This engendered a haunting fear lest he should be found an unfaithful servant at the last, who had failed to employ properly the talents entrusted to him. Samuel Johnson certainly comes to life in Mr Fussell's pages, though the reader's attention is focused on what the man of letters actually accomplished. The author's interests range far beyond the eighteenth century, and he does not lose sight of the perennial problems of a writer's motivations. He has an engagingly lively style, and knows what he is talking about.

Europe short list

The guides that will no doubt begin to multiply in English on Eurolaw have been set a high standard of brevity and coverage by Pierre Mathijsen, a professor with experience both of teach-

ing community law and of the European Commission. *A Guide to European Community Law* (Sweet and Maxwell, £2.50 cloth, £1.50 paperbound) is a remarkably comprehensive and professional little book, covering treaties, institutions, the existence and the application of community law, complete with a table of the cases decided by the European court in Luxembourg. The law stated is as it exists now; one can hope there will be further editions on the accession of new member states.

Steven Warnecke is one of the early crop of American academics whose interest has been to follow Europe's halting attempts to integrate. He edits a sympathetic book on the growing problems which Europe will face as Britain joins the common market and as the identity of European interest with America become less clear. The essays contained in *The European Community in the 1970s* (Pall Mall, £6.25) are uneven in quality, but they range wide and at their best—Mr Warnecke himself on Europe's institutions, Mr Andrew Pierre on the challenge of a pentagonal world, Dr Ralf Dahrendorf on possible European foreign policies—they are very good.

The most tangible dispute between the United States and the newly enlarged common market is over tariffs and other barriers to trade. John Evans writes soundly and from long experience on the subject of *The Kennedy Round in American Trade Policy: The twilight of Gatt?* (Oxford University Press, £6.75). His is not a scintillating book, nor is the more concise and analytical work on the same subject, *The Kennedy Round and the Future of American Trade* (Pall Mall, £7.25) by Thomas Curtis and John Vastine. But the world of Gatt is perhaps not a scintillating subject. These two books complement each

other well on a subject which is essential reading for serious students of what the developing battle over free trade in a time of affluence and attempted full employment is all about.

The decline of the old special relationship between Britain and America is one casualty (or cause) of British entry. And the days are probably gone when America responded, in John Foster Dulles's phrase, "like a barometer" to Europe's concerns. Max Silberschmidt has produced an attractive and handy (which means short) summary in *The United States and Europe: Rivals and partners* (Thames and Hudson, £2.25 cloth, £1.25 paperbound), while R. B. Manderson-Jones has a useful little study in *Anglo-American Relations and Western European Unity, 1947-56* (Weidenfeld and Nicolson, £3.25).

Into Europe: The Structure and Development of the Common Market by A. E. Walsh and John Paxton (Hutchinson, £4) is another useful text book on how the whole thing works. *The European Community in the World* edited by P. P. Everts (Rotterdam University Press, Dfl38) is a group of essays from that prolific source of European studies, more for specialists than the general reader.

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Business Brief

Nordic disunion

Denmark's solid "yes" to the common market on Monday will make it the only Scandinavian country to enter the community, leaving its four Nordic partners—Sweden, Finland, Norway, Iceland—outside in varying degrees of cold. On November 20th the Scandinavian prime ministers are holding a summit meeting to discuss Nordic co-operation. But all five know that the economic and political balance between Scandinavia's 22m people has been upset.

Since the war the Nordic countries have been building up a small but successful common market between themselves. It had achieved free movement of both labour and capital long before the EEC has done. Large numbers of Finns work in Sweden. Swedish money has been flowing into Denmark, anxious to get a foothold in the common market. Trade between the five Nordic countries has leapt in the past decade by 170%, compared with a 110% growth within the European Free Trade Association—although Efta membership has helped with this.

Some of the unity has been only skin-deep, and the debate over membership of the EEC has thrown the differences wide open. Each country has been resolutely following its own foreign policy; the five have

been united largely in their shared xenophobia. It took Iceland 10 years to screw up enough courage to join so inoffensive an organisation as Efta. All five countries restrict inward foreign investment. In Denmark foreign investment in shares or in property is tightly controlled. The shares of even the largest Swedish companies are still not readily negotiable by European investors. Anti-EEC campaigns in both Norway and Denmark drummed up fears of an invading flood of foreign capital and foreign influence. Yet Scandinavia's wealth is based largely on successful international trade. With less than 1% of the world's population, the area contributes 5% of the world's trade and a massive 15% of its shipping. As more than three quarters of this trade goes to western Europe, the Norwegian-Swedish swing towards Nordic isolation and against a political stake in the EEC has been less than rational.

Denmark's relief

The Danes did not imitate it. The decisive factor for them was the massive economic advantage of joining the EEC. Almost all their industries are competitive enough to benefit from free trade, which Norway's agriculture and fishing are not. If the referendum had rejected entry, the intention had been

to devalue the krone by perhaps 25% this week. Instead, the foreign exchange markets reopened happily on Tuesday; Danish bank rate was cut; and the prime minister announced that he was going to resign.

Denmark's agriculture will now benefit from higher export prices to Britain, its best customer (which takes nearly half of its total farm exports), and will regain access to rich European markets from which it has been cut off during the past decade. Denmark used to be a large bacon and butter exporter to west Germany, a natural market for its products. But since it was excluded from the EEC markets by repeated French vetoes on British entry—which automatically kept Denmark out too—the Danish economy has been held back.

With a substantial trade deficit year after year, which had mounted to \$500m by 1971, Denmark had run up a foreign debt equal to 15% of its gnp. It was unable to afford much of a foreign policy and its defence spending ran down. Its exports were inextricably tied to Britain with its sluggish economic performance. Monday's referendum will loosen that drag.

Although Denmark's agriculture is probably the most efficient in Europe, it has—like everybody else—been steadily reducing its dependence on farming. Its industry, which has been chronically short of capital and entrepreneurship, should now receive a large investment boost from EEC membership.

Sweden's isolation

How long will Sweden maintain its self-imposed neutrality and isolation from EEC? A growing part of Swedish industry is

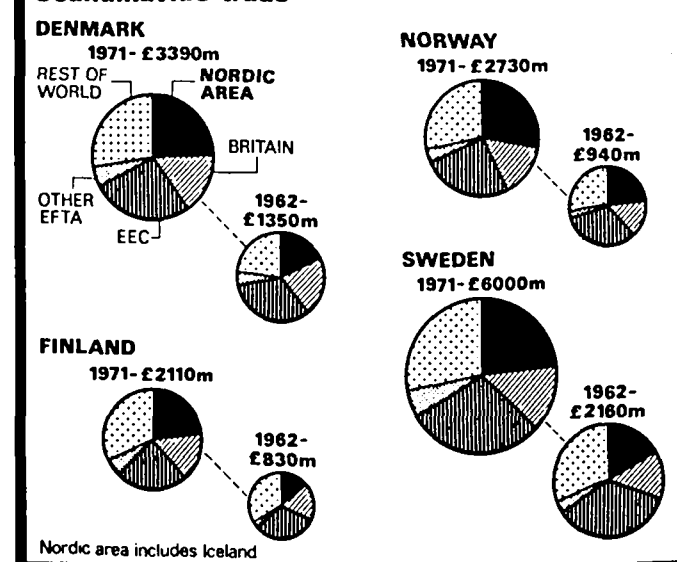
pressing for membership. Few Swedish politicians relish the idea of having to use Copenhagen as its spokesman in Brussels from now on; especially on issues such as trade negotiations and monetary union, on which Sweden has always in the past had quite a loud world voice of its own. The European community has made it clear that Sweden, although the largest non-applicant country in western Europe, can expect neither consultations nor influence on EEC decisions without a full membership.

With the highest food prices in the world, Sweden would not have Britain's economic and social and political problems in accepting common market farm prices. As 40% of its exports are from engineering and metal industries, the industrial policy that will be forged in Brussels over the next few years will concern Sweden vitally. Mr Olof Palme's government now has only a year left in power, until the next elections. Faced with increasing prices and unemployment, it may yet reverse its policy.

Norway's plight

The Norwegian decision last week not to join the EEC was met with politely disguised relief in most of the nine countries who were to have been its partners. Norway's application for membership was studded with special pleading. Its farmers, the highest paid and most heavily subsidised in Europe, would have needed exemption from the common agricultural policy; its fishermen, who earn about 8% of the country's exports, refused to accept a common fisheries policy. Any future EEC

Scandinavia's trade



regional policy would have had to spend huge sums on the 10% of the Norwegian population who live in the northern half of the country.

As Norway's elderly farmers and young environmentalists celebrated the decision to reject EEC last week, the country's businessmen, who pay the farm subsidies, were in despair. A new treaty for Norway's trade with the EEC must now be worked out. Norway trusts that the terms will be the same as for other non-applicant Efta countries: free industrial trade by the time Britain, Denmark and Ireland become fully fledged members in 1978. But for Norway the deal might not be so straightforward. The country's two main exports, apart from fish, are aluminium and paper. Both are sensitive products within the enlarged EEC. The nine are insisting on long transition periods before they are given tariff-free access to the community. Meanwhile Norwegian industry is on tenterhooks, suspended between a defunct Efta treaty and a doubtful one with EEC.

Norway's main industrial attraction is its cheap hydro-electric power, which has enabled it to build up the largest aluminium smelters in Europe. But there is a world glut of aluminium: largely because new and inefficient smelters are coming on stream in the EEC and Britain. European industry may now seize the chance to build up protectionist walls against Norway.

An even glummer fear in Oslo is that Norway might not now be able to use its massive oil finds in the north sea to establish its own petrochemical industry. Crude oil is not subject to EEC tariffs, but manufactured products are. Norway will also be badly placed when the EEC starts its common energy policy moving; it will seek to get a special clause written into its trade treaty, as Sweden did, providing for consultations.

Access for Norway's fish catch to Europe's markets is also open to question, and will probably only be solved in the wider context of fishing limits. There is a danger that the blow to Norway's prosperity after the referendum might make Norway decide to extend its territorial waters, as Iceland has done.

Iceland's free trade treaty with the community is being held up in Brussels by the British and the Germans until the problems of fishing limits

are solved. The British should not bully Iceland by keeping it out of EEC markets; but its fish exports could be curtailed if the cod war persists. There is no question of Iceland's tiny 200,000 population ever seeking anything approaching full membership.

Finland's paper war

Most Finnish businessmen—like their Swedish, Danish and Norwegian colleagues—would like to join the EEC. Finland's experience with Efta has proved much more successful than even the most optimistic Finns had predicted. Since 1967, when Finland devalued its currency and introduced what became (at least temporarily) Europe's most successful prices and incomes policy, the country has enjoyed an average annual growth of 5.3% in real gnp, mostly thanks to an export-led boom.

Although Finland is now less dependent on Russia than it used to be, 20% of its trade still goes through the iron curtain, and Russia is keeping a powerful brake on any Finnish desire to enter the EEC. The recent EEC offer of free trade with Finland had only been initialled by the last prime minister, just before his resignation this summer. Finland is particularly disappointed at the long transition period on which EEC is insisting before it removes its tariffs on timber products and paper. The new Finnish government is still canvassing public opinion on the agreement. In all probability, it will be ratified.

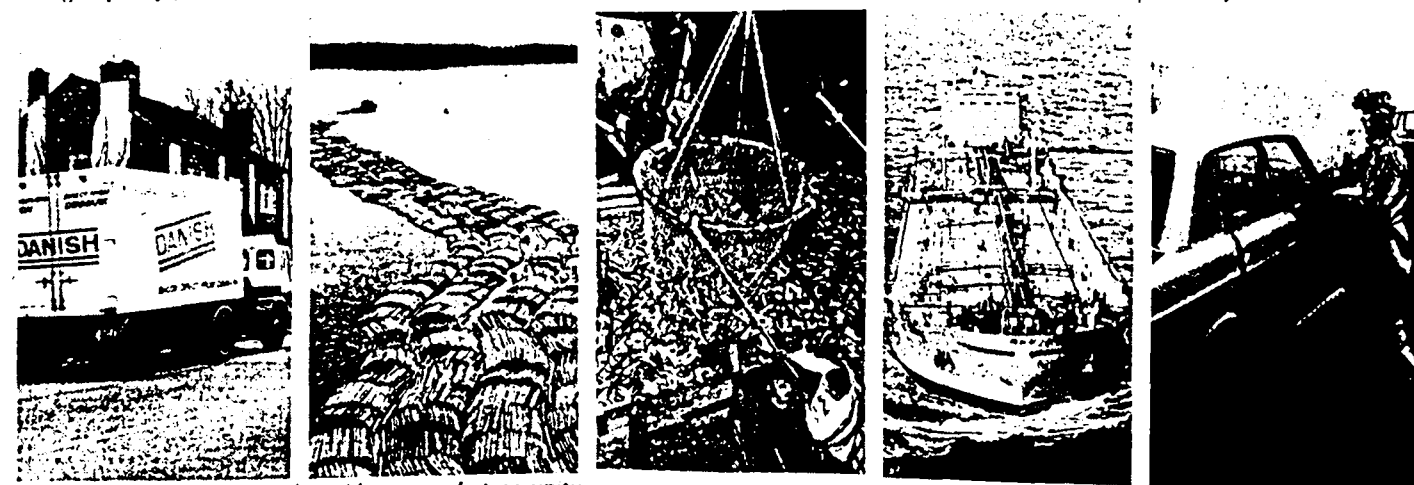
Trees provide half of Finland's exports; the proportion would be higher still had the EEC not raised protective tariff walls against paper and timber. Britain, Finland's

largest single market, is already making use of its new EEC membership to hide behind these barriers, protecting its own paper industry which had been feeling the edge of competition as Finnish paper flooded cheaply into Britain under Efta agreements.

This paper war has already caused much resentment between Britain and Scandinavia. Now Britain is directly to flout the rules of the General Agreement on Tariffs and Trade and reintroduce an 8% tariff against Scandinavian paper, to fall into line with the rest of the EEC. There will be extensive duty-free quotas; but Finland, Sweden and now Norway will have to wait until 1982 before they get free access to the British market again.

Although these new economic pressures will not isolate Scandinavia from the rest of Europe, Brussels does intend them to hurt enough to keep the incentive alive in Sweden and Norway to reapply for entry some time in the next 10 years. The political need for Finland to stay neutral is accepted. Finland is the one Scandinavian country with a large communist party, and its ties with Russia have kept it from contributing towards Nordic union. In 1970 Finland had to back out of Nordek, the treaty establishing Nordic economic co-operation.

But the same problems of neutrality do not apply to Norway, which is an enthusiastic member of Nato; nor to Iceland, also a Nato member; nor to Sweden which, although having steered clear of political alliances, has a higher defence budget than strict Swedish neutrality might appear to justify. Political and economic involvement in Europe may become tasty fruit in time.



We've got bacon, timber, fish, ships, cars, but no unity

The Nordic economies

	Denmark	Finland	Iceland	Norway	Sweden	Britain	EEC
Population 1971m.	5.0	4.7	0.2	3.9	8.1	55.6	190.6
Gnp 1971 est. \$ billion	18.8	11.3	0.5	12.8	35.5	136.8	536.6
\$ per head	3,850	2,400	2,650	3,280	4,380	2,460	2,800
Average growth 1966-71, %	4.5	4.8	1.7	4.5	3.4	2.1	5.1
Employment 1970 in:							
Agriculture & fishing %	11.4	22.7	19.0	13.9	8.1	2.8	12.8
Industry %	37.4	35.5	36.7	37.3	38.4	46.8	44.8
Services %	51.2	41.8	44.3	48.8	53.5	50.6	42.6
Inflation, current annual rate %	6½	7½	9½	8	7	6½	6
Reserves \$ billion, end-July 1972	0.77	0.85	0.07	1.39	1.40	7.23	50.10



- •••••
- On the contrary — it's the shortest way.
- •••••
- Yes, I thought so too. But then somebody made me look at a globe — that's the only true picture of the world, as you know. The straight line from here to your place happens to run smack through Copenhagen, and not the way the maps show it.
- •••••
- You're right, it does sound crazy to set out north when I'm going southeast. But you can't quarrel with the globe. And I'll save over a thousand kilometers by going that way.

This long-distance call was from some place in Europe to somewhere in the East. Of places where "the straight line from here to your place happens to run smack through Copenhagen", there are several pairs to choose from. Such as:

Paris and Tokyo
Glasgow and Bangkok
London and Hong Kong

But regardless of where it came from, here is the essence of the talk: The shortest way between western and central Europe and Japan/Southeast Asia/Australia is via Copenhagen. (And to Australia, it is more than that: it's the only way with next-day arrival in Sydney.) Take our word for it, or look at a globe!

FAR EAST — FAR WEST
NOT SO FAR BY SAS

SAS
SCANDINAVIAN AIRLINES
General Agent for Thai International

BUSINESS

What's Ted got to trade off?

The TUC is not going to accept the Government's prices-and-incomes package just like that on October 16th, not without some extra sweeteners. Mr Heath can probably afford £1 billion of them. Which to choose?

The Chancellor of the Exchequer cut short his Washington trip and was back in London by Monday to start calculating what more the Government could offer to the unions without wrecking its entire incomes package. Not surprisingly, the TUC economic committee showed no inclination to do Mr Barber's work for him and the outcome of its meeting in Preston on Wednesday was the preparation of the sort of counter-claims that horse traders customarily make before sitting down to do a deal. The table sets out the sorts of suggestion that have been going round since the Government's policy was announced on the Tuesday of last week, classified according to whether they are wrecking, helpful or merely cosmetic. £2 a week really must be a sticking point for the

Government. It makes nonsense of the package to go higher. Another £1.50 would add an extra 6½ per cent to the wage and salary bill, giving an increase larger than is at present forecast without the package. With no increase in output, it would also add some 3¼-4½ per cent to costs; either taking the price ceiling up to 8¼-9½ per cent, or crippling company profits to cause the grandfather of all shake-outs. The TUC can, of course, argue that the Government should be aiming at 6 per cent growth and the larger the cake the larger the slices. Perhaps the economy could stand 6 per cent; who today would claim that forecasts are so exact that one can be sure 5 per cent is on but 6 per cent is too much? But surely the unlamented 1965 National

What they might do

Potentially wrecking

£3.50 per week. Averages are tricky things; if some part-timers get less than £2.60 extra a week, some full-timers can get more. The TUC can reasonably comment on the shareout but not put up the total wage bill by this back door.

6 per cent growth target. A nice thought, but like the football pools, don't spend your winnings before you post your coupon.

£2 a week on pensions. Another nice thought, so long as we know who is willing to pay the bill. An extra £2 a week would cost £780m.

In the normal course of events employers' and employees' contributions would each increase to meet 41 per cent of the bill with the Government paying the remaining 18 per cent. Are the unions offering to lose 18-25p out of their extra £2.60 per week in higher contributions, and the same again through higher prices? Or is this the way they would like to see the economy reffated? "Yes" to either question,

and you cease to be a wrecker. Move to "helpful" section.

Potentially helpful

Subsidise basic foods. The common agricultural policy limits our scope, but a ½p subsidy on a pound of potatoes and a pint of milk would reduce the rise in the retail price index by ½ per cent at a cost of £100m.

Postpone local authority rent increases. Would reduce the rise in the retail price index by nearly ¾ per cent, at a cost to the ratepayer or taxpayer of £150m-£200m.

7½ per cent Vat. Would reduce the rise in the retail price index by nearly 1 per cent at a cost to the revenue of £375m.

Better threshold agreements, 30p for every 1 per cent above 5 per cent rise in the retail price index would contribute to curbing inflation if it made the rest of the packet acceptable. But if you say 30p for every 1 per cent over 1 per cent—move smartly to "wrecking."

All prices and charges limited to 5 per cent. Increases in public sector charges could be held back. Steel prices must rise by 15 per cent when we go into Europe. Unemployment jumps in labour intensive service industries, otherwise OK.

Stricter price surveillance. Machinery can be established, but probably not quickly enough.

Cosmetic and political

Repeal Industrial Relations Act. Not a hope.

Dividend restraint. Virtually conceded already.

Reintroduce consumer councils. Why not?

Penal taxation of excessive capital gains. Insignificant in terms of income distribution but a real psychological stumbling block. Hardly worth the administrative work and anyway not directly caused by inflation per se, but it might be possible to do something.

Penal rates on empty offices. See above.

Expand local authorities' house-building. Good.

Plan of Lord George-Brown has taught the danger of consuming hypothetical cake.

The poverty trap is another good reason for not putting the £2 any higher, and an argument for reducing it. The number of people actually caught in the trap has been grossly exaggerated, not that this makes it personally any less painful. At present it is estimated that out of 6m couples with children only 160,000 are likely in theory to be hit by an effective "tax rate" on marginal earnings of over 50 per cent, with another 40,000 suffering a marginal rate exceeding 100 per cent. In practice the numbers actually caught are likely to be smaller; most benefits are not taken away until after a time lag of six months by which time eligibility limits can have been raised. But even if the numbers are small, these unfortunates would gain less from raising the £2 than they lose from the consequent higher prices.

Pensions are going to be increased so that the pensioner shares in the real growth of the community. If the unions want more for the pensioner they must recognise that their members will have to meet the bill through national insurance contributions, prices or taxes. Alternatively the unions can accept the £2 and agree that nearly all the Government's room for manoeuvre should be used to increase pensions.

Direct tax cuts. If, however, the unions are adamant that they must have more for their members, there is one way they might have it without wage costs or prices being increased. The Chancellor could repeat last year's budget almost exactly, giving another £1 a week to all. This would cost £1 billion a year, leaving no room for any other concessions.

Measures which help reduce prices are easier. An improved threshold agreement, within reason; a 7½ per cent value-added tax, or conceivably lower; and arrangements for keeping a watch at least on wholesale prices, present little difficulty. The Government is naturally reluctant to defer increases in council house rents, which would need legislation. It believes the Fair Rent Act gives help where it is most needed. Just the same, if this were all that remained to clinch a deal, the Government would be ill-advised to let it cause a breakdown.

Political cosmetics. Dividend restraint has already been virtually conceded, but, as Mr Wilson and others are quick to point out, this can be meaningless without some limitation on profits. Labour's half-baked scheme for a National Workers' Capital Fund does not yet deserve mention as a concrete proposal but in principle an element of profit-sharing could be conceded. It would certainly be in keeping with the new collective approach. What the Government could do is accept this as a longer term aim which can be examined after the main package has been worked out.

The remaining issues, with the exception of the repeal of the Industrial Relations Act, may be worth examining and could all be the subject of some horse-trading. But they are peripheral to the main issue—how to share out the available resources in a less inflationary way.

The question therefore is: how much room for manoeuvre has the Government got? It has proposed a 5 per cent per annum growth target for the next two years. The

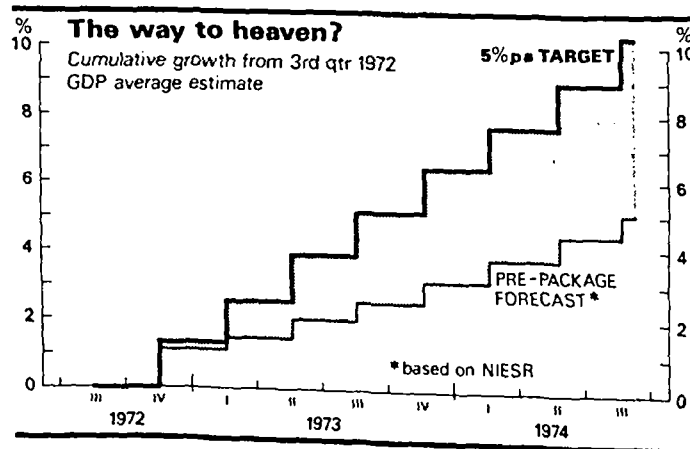


chart shows the gaps between this target and the sorts of figure you get if you project the latest National Institute of Economic and Social Research forecast to the autumn of 1974. It shows the economy as only half-way there. But this ignores the effects of the present proposals which imply a somewhat larger cut-back on prices than on wages, adding perhaps 1 per cent to the growth of demand during the period. Indirectly too, an agreement could be worth quite a lot for faster growth if it produced a turn-around in confidence. Investment, stockbuilding and consumers' spending are all currently lower than would normally be expected given the levels of output and income in the economy. Some manufacturers are holding back expansion plans because of inflation, and there seems to be some precautionary saving by the personal sector. It is also no secret that the Government's forecasters are more optimistic than the institute about the rate at which the economy is now growing. The Treasury maintain that the Chancellor's budget target, also for 5 per cent growth but only to the first half of 1973, is still within reach. De-stocking by manufacturers in the second quarter, when consumers' demand accelerated, has so far held back output. A turn around is inevitable; though its size will depend on how far the drop was involuntary and how far a deliberate shake-out.

For all these reasons the gap which remains is more likely to be put at about half the size shown on the chart. But this is still an awful lot of gravy—worth in crude terms something of the order of £1 billion in tax cuts or their equivalent. Next April, when the present growth surge is running out of steam, would be the time to act.

The choice comes down to this: the I'm-all-right-Jack option is £1 a week off income tax for all. But that leaves nothing for the pensioner, for Vat cuts, food subsidies or anything else. It would be pandering to the greed of the unions, but would not be inflationary. The fairer-shares-for-all option is a bit off Vat, a bit on pensions, a better threshold agreement and some fiddling with rents. The saintly option is to give the pensioners another £2 without putting up contributions; this would put paid to all the other options except, possibly, a Vat cut. If the Government puts these three alternatives before the TUC on October 16th, it will have conceded all that it decently can.

Star [Great Britain] Holdings Limited

Interim Results

Interim unaudited results for the 6 months to 30 April 1972

Net Revenue before Taxation	£ 3,669,057
Taxation	857,467
	2,811,590
Minority Shareholders Interests	622,238
Net Revenue attributable to Holding Company	£2,189,352

Note: Due to the change of accounting date no comparative figures are available.

Net Revenue attributable to the Holding Company for the 12 months to 31 March 1971 was £2,239,352.

Interim Dividend

An interim dividend of 9% will be paid on 1 November 1972 to those ordinary shareholders on the register on 29 September 1972.

Revaluation

A revaluation of the Group's property portfolio is at present in progress and it is hoped to publish the results of this revaluation early in 1973.

Star [Great Britain] Holdings Limited

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Authorised		Number		SHARE CAPITAL		Issued and Fully Paid		Number	
Fl.'000						Fl.'000			
48	48	priority shares of Fl.1,000	.. ..	.. ..	.. ..	48	48	48	48
30,000	30,000	cumulative preferred shares of Fl.1,000	.. ..	.. ..	.. ..	1,782	1,782	1,782	1,782
1,000,000	50,000,000	ordinary shares of Fl.20	.. ..	.. ..	.. ..	539,771	539,771	26,988,569	26,988,569
1,030,048						541,601			

Application has been made to the Council of The Stock Exchange, London, for permission to deal in and for quotation for the above-mentioned ordinary shares. Particulars relating to the Company will be available in the statistical services of the Exchange Telegraph

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Steel's choice

The world's steel leaders must either agree to match investment to demand or face a wild outbreak of protectionism

Officially, the attraction of next week's International Iron and Steel Institute's annual conference will be three days of sessions on market promotion and the latest technology. But that would scarcely be enough to get over 300 of the world's top steelmen to travel half way round the world to London, however swinging a place they may think it to be. What these steel barons are looking for is an opportunity to talk to their opposite numbers about the industry's real problems, in circumstances that will not raise the wrath of anti-trust legislators in Washington, Tokyo or Bonn. Any useful work on the ways to bring back to near balance the supply-demand equation, which has been severely distorted by the rapid growth of the Japanese industry, will take place in private huddles.

The steel industry has faced gluts before, but none as potentially dangerous as the present one. The new factor has been the incredible growth of the Japanese industry since 1960 on the back of massive investment in new, up-to-date plant. This has given the Japanese a considerable competitive advantage in an industry in which technical progress and economies of scale are still important. In the 10 years to 1970, Japan's annual production increased fourfold to 93m ingot tons, while its exports went up by no less than 10 times to the equivalent of 23m ingot tons, much of it to the United States. After many years' pressure, the American Administration finally agreed in 1969 to an arrangement where the Japanese "voluntarily" agreed to limit exports. By 1970, this had been extended into a complex three-way deal involving Europe. Europe's exports to America are controlled now and so are Japan's to Europe.

There are slightly unreal elements in these deals. They have been made, for example, by the American Administration directly with the steelmakers in the other countries over the heads of the local governments. Inevitably, they are accused of being international cartels. (Mr Nader's Consumers' Association is challenging the Administration on these very grounds.) But the American and European governments, including the European commission, have decided to tolerate them as the lesser of several evils, without actually approving them. The other choices most likely to emerge are either a free-for-all (leading to a complete disruption of world steel markets and a collapse of the European and American industries which could not then afford the necessary investment in new plant) or rigid protection through quotas (which would be worse).

In theory, the export deals provide a period of relative stability to allow a more satisfactory long-term scheme to be worked out. But in practice they are fragile and may not last long enough to generate the confidence that will allow the development to happen. Right from the start, the Japanese found ways round the first deal, which only specified tonnages. They therefore switched into

higher-value, higher-profit alloy steels. This has now been prevented, but the boat has been rocked again, this time by the Pentagon. In an effort to sweeten the defence budget, it proposed that all special alloy steels for defence contracts must come from American makers. The French are leading a protest that this amounts to extra protectionism which alters the original voluntary agreement.

Steelmen and governments alike are maintaining a confident front that the challenges to the arrangements will not succeed, especially in an American election year. But, even if the deal emerges unscathed, it will not solve the long term problem. It does not cover the secondary steel trading in ships or cars, for example, which has a considerable influence on steel demand in other countries and hence steel prices. And it does not attack the root of the problem, endemic in this kind of industry and such competitive situations. Periodic bursts of investment which push capacity way ahead of demand are inevitable where those who can't keep up with the latest techniques cannot compete. What is needed is some mechanism, acceptable to international anti-trust laws, that will prevent the enormous surges of investment.

Influence alone, even in the full glare of publicity, is not sufficient. It is in no one's interest to hold back when everyone else charges ahead. The European Coal and Steel Community has tried often and rarely succeeded in gaining anything more than a temporary staggering of investment. The latest examples are the two developments, including wide-strip mills, at Dunkirk and Ghent in Belgium, barely 60 miles apart. Then there is the ill-fated Fos development at Marseilles, which has just been rescued by the normally sensible Usinor. Inflation is a powerful agent working against attempts to smooth investment: it is much cheaper to invest now rather than four of five years hence.

An early move to match investment to demand would have serious implications for the British Steel Corporation (and the British Government which puts up the money). Britain has a backlog of modernisation to catch up with at just the wrong time. A large part, for example, of the major development proposed in BSC's investment options for a 6m tons a year plant at Teesside depends on there being a strip mill to consume that tonnage of steel. The small array of steel plants that an Italian oil consortium has proposed at Hunterston in Ayrshire is kids' stuff in this class; in any case it is added as a sweetener to the serious part of the consortium's plan, which is for an oil refinery that is likely to arouse considerable local opposition. The problem for Britain is the large number of strip mills that will be coming on stream elsewhere in the next five years when Teesside would be taking shape.

There is one hopeful sign. The Japanese government appears to have been taking a stronger line with its industrialists in recent months, mainly because of fears of a substantial revaluation of the yen being forced on it. The Japanese have quietly reduced the expected size of their steel industry in 1975 from 160m ingot tons to around 130m tons. There has coincidentally been an unprecedented turnover in the staffing of the heavy industry division of the Japanese trade ministry. The two events may not be unconnected.

Not to everyone's credit

A nasty little row about export credit is rumbling behind the scenes between Britain and the Six

The basis of the row is the dawning realisation that the EEC's council of ministers has issued a standard set of rules for export credits which could leave some British exporters a good deal worse off than they are now. Agitation has been rumbling inside the Confederation of British Industry for the Government to see that the council does not implement the rules before Britain becomes a member and gets its right to veto them. But since it has taken the commission 10 years to reach the degree of agreement that it has, it is appalled at the prospect of marking time for possibly another decade.

The amount that an exporter pays for a guarantee that a foreign importer will settle his debts is a material element in his costs. Different, but generally more-or-less official, bodies do the guaranteeing: the Export Credits Guarantee Department in Britain (a semi-independent branch of the Department of Trade and Industry), Coface in France, the privately owned Hermes in Germany. They charge premiums that vary from market to market in return for an undertaking to compensate the exporter if his buyer fails to pay up for any of a variety of specified reasons ranging from political intervention and exchange controls to simple welsching. The European commission has always wanted EEC members to move towards quoting common terms. At present, it says, exporters in some countries have an unfair advantage over those in others.

The ECGD in Britain happens to provide a generally better service to British exporters, often at lower premiums, than companies can get anywhere within the Six. It also operates on a much bigger scale, guaranteeing about 35 per cent of British exports, compared with the 7-15 per cent in other EEC countries. It was therefore to be expected that the ECGD's terms are on balance more comprehensive and cheaper than the compromise outline now agreed between the Six and that it does not want to come down to what amounts to the lowest common denominator.

Export credit guarantees fall into the broad categories of those that give less than two years' protection and those that give more. There is no problem over the first. Various private commercial insurance concerns do a good deal of this business (Trade Indemnity is the best known in Britain). The EEC is therefore not making any attempt to standardise short-term premium rates. Export sales with credits for two years and over can be divided between sales to public authorities and sales to private overseas buyers. The EEC plans to standardise premium rates and the amount of cover for both types of customers. Terms for public bodies would not be much different from those British firms pay now. However, for private buyers, they might be 2-4 times as much.

British exporters, particularly of capital goods, yelped when they discovered this, loud enough to prod the ECGD into protesting and digging in its heels. Their

hope is that the EEC will not implement the directives before next January; the new rules have been passed by the council of ministers, but implementation has been postponed because the members have since been quarrelling about premiums.

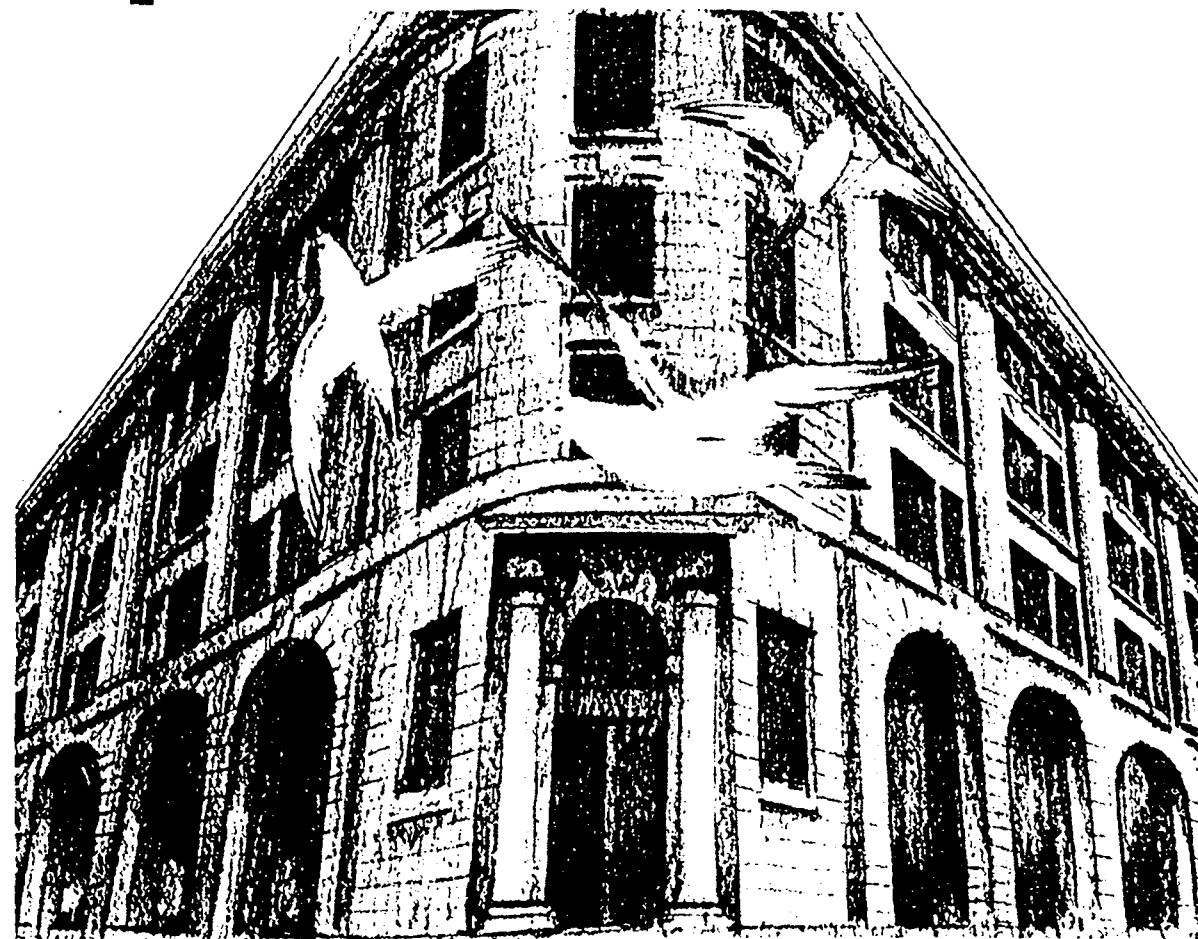
Much of industry in the Six is not happy about what it has seen of the package. The Italians now enjoy subsidised export credit guarantee rates, and have every reason to postpone the day when these subsidies will have to be dropped. The French are complaining that they would end up paying higher premiums for some classes of business. The Germans and Dutch would admittedly get cheaper premiums than now, but at the cost of switching over to a largely French system which could in many details mean that the cover they got would be less generous than it is now. There is therefore good ground for the fervent British hope that they will still be arguing in January.

Even if they are not, the immediate damage to British exports would not be huge. Guarantees for British contracts of more than two years represent only 7 per cent of ECGD business, or £300m at most. And many of these apply to government purchases anyway, for which there is no problem. What the British Government and British businessmen ought to be protesting about is something quite different. It is that the commission as usual has been far too keen to harmonise things for its own sake. In the process the EEC may chip away some of the better features of the British system when it should be thinking how to get the rest of the EEC to adopt them.

One reason why ECGD's rates are frequently lower now than those in the EEC is that it has a much more adventurous approach to underwriting. Faced with a relatively novel situation, credit guarantee organisations in the Six might react by demanding a high premium or even refuse to give cover at all. The ECGD, which has nannied exporters for years, would be more likely to send one of its men to assess the risk at first hand. There is the same difference of approach to buyers' credits, which were pioneered by the ECGD and are in effect given to banks that finance export sales. Continental institutions are five or more years behind the ECGD here.

The commission wants to iron out these differences on the grounds that they give rise to unfair competition. This is a bad warping of priorities. What Europe needs is an efficient, broadly unsubsidised and competitive system of export credit guarantees that will help its exporters to hold their own in the face of competition from America, Japan and elsewhere. The possibility that one European exporter might be getting his guarantee at marginally cheaper rates than another has no material significance. Flexibility is what counts, not uniformity. The commission could not have picked a worse time to try to force six relatively indifferent systems of export credit guarantee into a common, inflexible framework.

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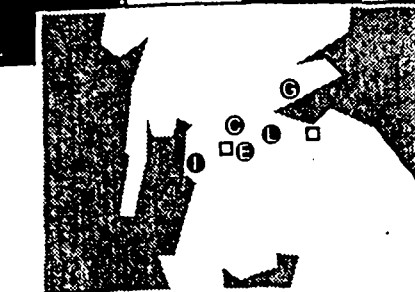
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Plessey '72

"I look to the future with increasing confidence"

— Sir John Clark

The time taken to move from recession to expansion and for the vigorous counter-inflationary measures we have taken to become effective, is reflected in the performance of the Company in the period covered by this review.

The trend has been one of progressive improvement from a first quarter's profit before tax 35% below that of the previous year to the final quarter showing a 29% increase on the similar period in 1971. This latter percentage does not fully reflect the trend because the fourth quarter was affected by retroactive adjustments.

The projected improvement through the second half of the year has, therefore, been realised and there are satisfactory signs that the improvement is continuing into the current financial year.

In 1971/72 sales were up by some 10% and profit before tax down by 3%. As I have said in my quarterly statements, prevailing conditions have had an adverse effect on a small number of our businesses, reducing what would otherwise have been a good year.

In the last quarter, loss makers were in four areas: computer memories, now well along the recovery path with an improved order book; numerical controls which, while not in profit, is running at a greatly reduced rate of loss and where there are definite signs of more orders; semi-conductors where our investment is essentially long term; and North America which continues to show a slow but steady rate of improvement. Significant contributions to profits continue to come from South Africa, Australia and Portugal.

At home, the strength and successes of our Telecommunications business continues to be acknowledged in City and business circles.

North America

In the two years or so since the acquisition of our U.S. investment we have taken some hard knocks—the effect on the Company's profits is evidence enough. However, we now have a more streamlined and tightly controlled organisation and we are introducing a widening span of traditional Plessey products, even though to date this has meant further investment in terms of start-up costs.

The formation of Rohr Plessey Corporation, in which the Company

has a 37½% interest, could mark the beginning of a major penetration of the postal mechanisation market. The semi-conductor, material and packaging business in the U.S. has improved in the last six months, but it has not yet recovered to the pre-1970 level.

International Computers (Holdings) Limited

IC(H) was born of a series of mergers, a process which is certainly time, effort and cost consuming and one that is frequently less productive than originally envisaged. It has only now emerged from this evolutionary stage to stand in its own right as a unified entity. If the last eighteen months had not seen a significant slump in the computer industry, the questionmarks over IC(H) would have been considerably fewer. It is inconceivable that a nation such as ours should opt out of this fundamental

The Common Market

In telecommunications, strong nationalistic preferences of the major countries continue to prevail and it will be some time before there is a significant opening up. We have been assiduous in searching out an expansion of our electronic interests and there have been several new and worthwhile marketing associations.

Industrial Relations

I am glad to be able to report that we continue to improve our good relations with employees and their trade union representatives. I would like to acknowledge warmly the contribution made by employees. I continue to believe that industrial relations are essentially a total management responsibility and not something to be left solely to the personnel department. In this context I believe the Industrial Relations Act must be given time and opportunity in which

Consolidated Profit and Loss Account

in thousands of pounds

	1972	1971
Turnover	283,511	258,071
Profit before Taxation	20,727	21,444
Profit after Taxation but before Extraordinary Items	12,376	12,557
Profit after Extraordinary Items	12,425	11,188
Dividends including proposed final	9,333	9,263
Earnings per share		
—Before Extraordinary Items	6.6p	6.8p
—After Extraordinary Items	6.7p	6.1p

technology and all that it means to our immediate and long-term future. The positive interest shown by H.M. Government is therefore most welcome.

I am convinced that for Plessey there are good strategic, tactical and technical reasons for maintaining our IC(H) investment. I believe that given proper and efficient direction IC(H) will eventually yield us a return commensurate with our investment.

A copy of the full Report and Accounts is available on request from the Registrar.



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This plant has liquefied and revaporized one billion cubic feet of natural gas per day for ten years with a 99.6% on-stream factor.

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Today, Kellogg can provide the full range of services to companies considering LNG as a practical solution to the energy shortage. Kellogg technology and experience can be applied to such areas as natural gas liquefaction plants, LNG receiving terminals, LNG vaporization plants and LNG storage facilities. And Kellogg's capability extends to preparation of economic feasibility studies, help in arranging financing, studies to optimize plant size... any LNG problem.

Kellogg has thoroughly studied and evaluated the

basic processes for natural gas liquefaction—cascade, expander and mixed refrigerant—and has developed the technology for optimization and integration of these processes to achieve reliable, economic designs for specific needs.

In the design of cryogenic plants, Kellogg utilizes its own special skills and experience in the selection and rating of heat transfer equipment. Kellogg pioneered in the design and application of aluminum core (plate-fin) heat exchangers, large spiral wound heat exchangers, the aluminum-stainless transition joint and large-scale cold boxes in liquefaction plants.

And through Kellgaz, a joint venture of Kellogg, Dyckerhoff and Widmann and American Technigaz, Kellogg can provide unmatched expertise in the design, engineering and construction of the safest LNG storage facility yet devised. Kellgaz tanks feature a waffled stainless steel inner membrane and a post-tensioned concrete outer tank.

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The M. W. Kellogg Company

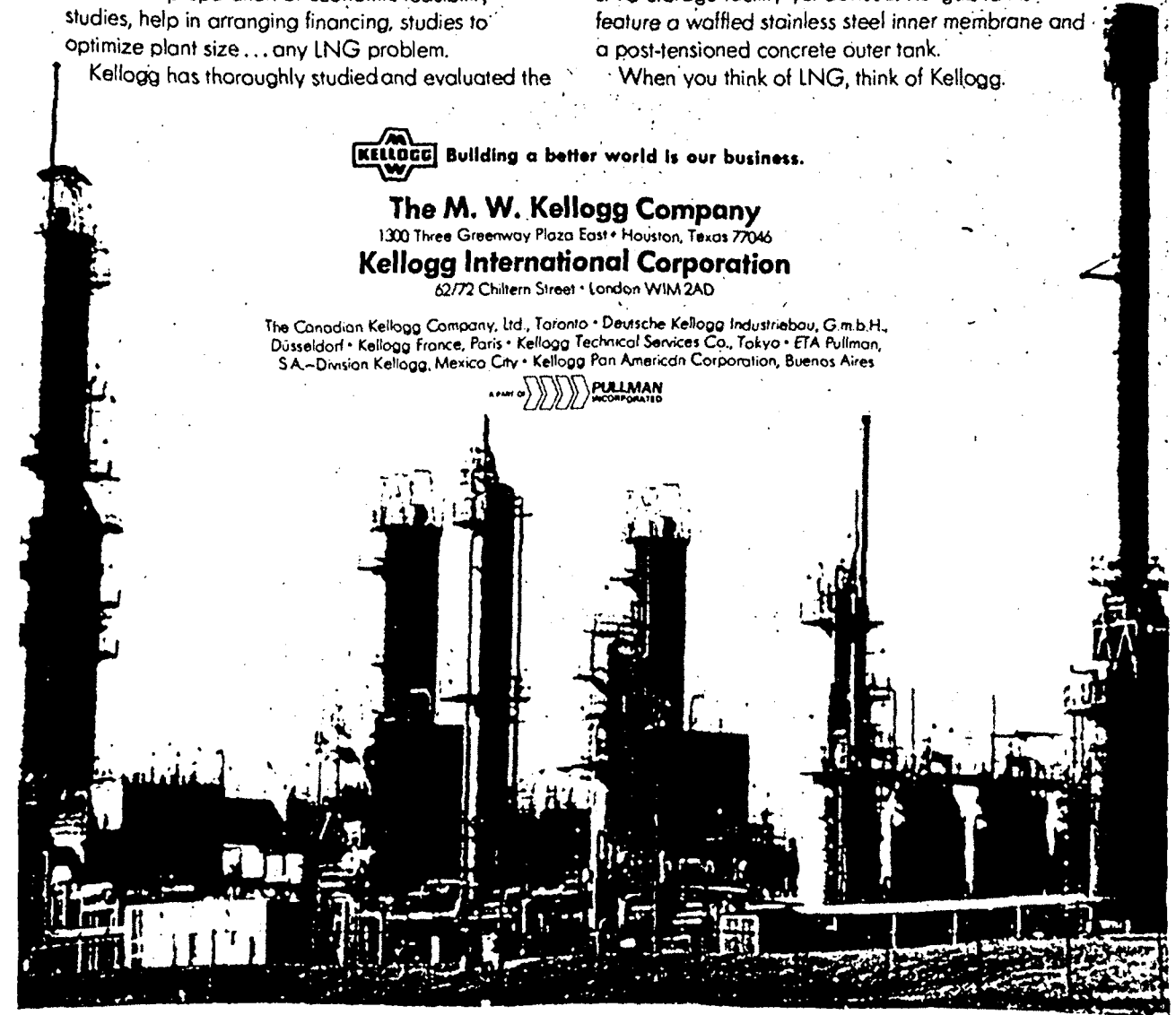
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BUSINESS

International

Learning to live with Yamani

Saudi Arabia proposed an oil deal to the United States last weekend whose reverberations are going to be felt for a long time. Saudi Arabia would guarantee a flow of oil to America in return for the lifting of duties on the oil and the right to invest its oil revenues in the American oil industry.

For the present, the main impact of the proposal may be on the negotiations now winding up in New York between the Arab oil-producing countries and the major international oil companies. The issue is participation, which means the gradual takeover by the Arabs of the oil facilities in their countries, something the companies have become resigned to. Apparently, the companies have now been pressured into giving further ground on what was the last remaining major question so far as the Arabs were concerned: the rate at which they would advance from the initial 20 per cent participation to the avowed goal of 51 per cent. The Arabs wanted majority ownership by the early 1980s while the companies had hoped to delay this until at least the late 1980s. Now, it is indeed to be the early 1980s, which means that the companies have given in on just about

everything in the negotiations.

One outstanding question remains, how firm will any agreement be? It was a wish to reassure the companies and the western governments behind them that led Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, to time his proposal for last weekend. Now he is saying that America—and by implication, other major oil-consuming countries—has no need to worry about the security of future supplies. If it will let Saudi Arabia make substantial investments in its oil industry, it will then have the necessary hostages to fortune.

It is a pretty good argument; and the American Administration is going to be more than willing to let Saudi Arabia invest what should soon be a huge surplus of funds (with oil revenues likely to double in the next few years) in the American oil industry and other American industrial activities as well. But it may not be enough to induce the Americans to become dependent on Middle East oil, which they would be by the 1980s on present trends. However, an alternative to Middle East oil can probably only be created by getting the American public and politi-

cians to accept higher prices and lower ecological standards. The difficulty of doing this is what has generated all the talk of America facing an energy crisis. The alternative is to learn to live with Sheikh Yamani.

Japanese payments

Export and pay

Tokyo

Two harsh reminders of what outsiders think of the disruptive strength of Japan's underlying balance of payments surplus have sent Mr Tanaka's planners back into another huddle to produce more measures to avert a further up-valuation of the yen. The first jolt was the American proposal at the International Monetary Fund meetings that countries should be free to levy a surcharge on imports from a chronic surplus country—a suggestion read as a direct threat to Japan. The second has been the renewed pressure on the yen in the exchange markets. While the dollar has strengthened across the board against European currencies (partly as a result of the performances of Messrs Nixon and Shultz at the IMF meetings, and partly as a result of technical factors), the yen has remained stubbornly pinned to its ceiling.

The oft-mooted plan for a Japanese export surtax may now be taken back off the shelf. Up to now it has been blocked by opposition from the Ministry of International Trade and Industry. Miti is not greatly worried

Key indicators: world economies

	Industrial production			Exports			Retail prices		
	1963=100	3 mths	1 year	1963=100	3 mths	1 year	1963=100	3 mths	1 year
United States	149†	+1	+8	225†	+7½	+14	137†	+1	+3
Japan	293	+1½	+7	529†	+10	+16	160†	nil	+4½
Germany	159*	nil	+1	316*	+6½	+17½	134†	+1	+5½
France	169*	+1	+7½	305	-3½	+16	148†	+2	+6
Britain	131	+3½	+4½	122†	-37	-34	160†	+2	+6½
Italy	150*	+1½	+3½	360*	+1	+37	141	+2	+5½
Benelux	173*	+½	+7	327	+5½	+25	152	+1½	+6½

Index numbers refer to July, 1972, except * (June) and † (August).

about the likely impact on industry of an export tax, which would be in effect a disguised upvaluation of the yen. But it is very worried at the idea of losing its exclusive control over trade. The desultory efforts to make exporters restrain their exports to America, Europe and elsewhere are the job of Miti, but an export tax would naturally be the job for the finance ministry.

Miti's position has been perceptibly weakened by the new shock the Japanese delegates got in Washington. The prime minister, Mr Tanaka, is now expected to make an early decision and plump for one or more of four possible measures: the export tax; more import liberalisation, extending to such things as integrated circuits; 20 per cent tariff cuts on industrial goods; or still more export restraints. Miti supports the last two.

Few people really believe that such measures, even if implemented, will be sufficient to cut back Japan's current account surplus to Mr Tanaka's target of 1 per cent of gross national product by 1975 (a surplus estimated at \$3 billion). The current surplus for 1972 is still forecast to be \$8 billion. Some day there is going to have to be another and substantial upvaluation of the yen. To this a section of the government and the Bank of Japan are now said to be resigned. While the yen is currently being quoted at Y301.10 to the dollar in spot transactions, in forward transactions it is being traded at around Y290. Some traders are even writing an exchange rate of Y280 into their contracts, which is an effective upvaluation of 10 per cent on the Smithsonian parity. It is not a coincidence that 10 per cent is also the figure being mooted for the proposed export tax.

Shopkeepers strike

Middle-class militant

Brussels

The paralysis that hit the centre of Belgium's cities on Monday and Tuesday of this week was caused by the first-ever strike of the middle class as a class, protesting against "la pollution administrative et fiscale," and particularly against value added tax. It was a strike of the self-employed: shopkeepers, café proprietors, garage owners, cab drivers, who put up their shutters and threatened to smash the windows of the supermarkets and big stores if they did not do the same. As Belgium has a higher proportion of small shop-



It makes a change, don't you know, from filling in Vat forms

keepers and independent businesses than any other European country at a comparable stage of development, this brought the towns to a standstill. It was impossible to buy meat, groceries, newspapers or petrol and difficult to find a hotel bed. The process of buying a drink could mean crouching in a candle-lit bar while the terrified proprietor fretted over whether his windows would be broken first or his bar closed by the police in the interests of public safety. Even households that had been stocking up with tins for days beforehand found that they had forgotten something, usually petrol for the car. The stock exchange, diamond markets and brothels shut too, which saved some a journey.

The Belgian government has made a dreadful mess of Vat. By introducing it at four separate rates to Britain's one, it turned what should have been a simple and equitable way of raising revenue into a form-filling, bureaucratic nightmare. The immediate cause of the strike was the government's decision to levy an advance payment of tax on shopkeepers this December in order to recover some of the revenue lost in January last year when

the changeover was taking place from the old turnover tax.

The small entrepreneurs have other complaints; they have, for example, no right to unemployment pay and they have been campaigning for better pensions and social security. The size of the problem is reflected in the fact that Belgium and Luxemburg are the only two European countries with a separate ministry for the middle classes. Their special type of small shopkeeper, working on low turnover and high margins, is being squeezed by the supermarkets. By 1980 probably 40 per cent of all today's food shops will be closed. For some, Belgium's eccentric version of Vat is the last straw.

EEC competition

Driving for cars

Brussels

Citroën and Peugeot are the latest targets of the EEC commission's drive for freer competition in European business. The commission has fought a long and successful battle against re-export bans. These are clauses manufacturers used to put into their dealership agreements to prevent, for example, their sole

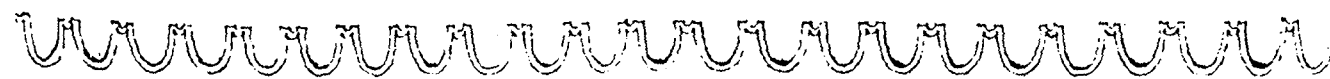
Key indicators: world commodity prices

Copper politics

As expected, the American copper company, Kennecott, is going to the courts to try to stop consumers from buying Chilean copper from its expropriated mines until compensation has been paid. News of a court injunction against a Chilean shipment to France sent copper up to £429 a ton. As consumer stocks are unusually low and industrial use is picking up, any disruption of supply could add another 5% to the price.

	Index 1963=100		Percentage change on	
	Sept 27	Oct 4	one month	one year
All items	146.3	146.9*	+ 4.4	+29.2
Food	162.9	163.6*	+ 3.5	+32.3
Fibres	123.0	123.5*	+14.0	+45.0
Metals	184.6	184.5	- 3.3	+ 7.6
Misc	126.6	128.4*	+ 4.9	+30.6

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dealer in Germany from re-exporting goods to other EEC markets, or back to the home market. These clauses have now disappeared for virtually all branches of European industry and dealers are free to sell goods where they like in the EEC. But they linger in one or two industries, cars being the most notable.

Citroën and Peugeot are refusing to take the re-export clause out of their dealers' sales contracts. They say the French government's price control policy means that they need them. Price controls at home allow only tiny price increases in the French market. So manufacturers re-coup themselves by charging much higher prices (5-20 per cent more) on other EEC markets, notably the German one. This works if German dealers can be prevented from short-circuiting it by buying direct from dealers in France. So French dealers are prevented from exporting, because otherwise, say the two companies, the French price control would be upset.

Brussels can hardly claim that re-export bans have prevented an expansion in trade in cars between members of the EEC. In France, other EEC suppliers increased their share of the market from 1 per cent to 16 per cent between 1958 and 1970; in Germany the figure rose from 7 to 25 per cent; for Italy 2 to 28 per cent and Belgium 14 to 49 per cent. Prices vary considerably from country to country, partly because of local taxes but also because of the pricing policies followed by the manufacturers. The commission naturally has no objection to manufacturers charging different prices in different markets. It argues, though, that these must not be sustained by artificial legal barriers like re-export bans.

Man-made fibres More trouble

The EEC commission's industrial division has also launched an inquiry into the European market for man-made fibres. At the same time, its competition department is studying a request that various companies should be allowed to talk about future investment plans.

The first study was started as a result of a plea by the Dutch government in July; Holland's fourth biggest company, Akzo, is in desperate trouble because of the way man-made fibre prices have plunged in the past year by 40 per cent and more. The second was at the request of the producers

themselves, four-fifths of whom made a formal approach to Brussels in August.

Both are aimed at ending the over-capacity that has grown to a point where there are heavy losses all round in spite of ever-increasing worldwide demand. The manufacturers are particularly anxious about the tough attitude of the competition department, and, in the event, are unlikely to get any joy.

The moves come at a time when, outwardly, things seem to be improving. Prices are moving up again, and some investment pundits are even talking about the shares as potential recovery situations. They are probably wrong.

The critical polyester sector has had recent price increases of 10-15 per cent. But these represent little real ground recovered, and even the small gains are due to factors which could easily disappear or be reversed in six months. In the past six or seven weeks, the Japanese have switched some polyester exports away from Europe to America in response to an upturn in the knitting industry there. But they had cut back on production by a quarter, and although Mr Heath and Mr Davies have been asking them, please, to stay away from Britain, will soon be back into Britain and the continent in strength.

Another recent aid was the seasonal change from manufacturing autumn to spring clothes and with it a comparative switch in emphasis from acrylics to polyester. Also, shops are now restocking in a hurry before prices rise too much. Furthermore, Akzo (which this week came to the London Stock Exchange to get a pre-common market entry quotation) has had to shelve plans to close three continental plants in the face of unexpectedly fierce union opposition. Courtaulds' Ulster plant at Carrickfergus, blown up in April, will be back on-stream by early next year. Courtaulds will then stop buying in, and will probably have some polyester left over to sell elsewhere.

Flick group

Dead hand

Hamburg

Two months before Herr Friedrich Flick died at the age of 89, he tried to rearrange the controlling power in his empire. Now, three months after his death, the family heirs are fighting for influence in the biggest family-owned industrial concern in west



Flick senior, children were a worry

Germany. The Flick empire embraces 300 companies, among them: a 40 per cent stake in Daimler Benz (cars), Feldmühle/Dynamit Nobel (paper and chemicals), Buderus (iron and steel), Krauss-Maffei (lorries), and Maxhütte (steel).

The old man was one of the most influential industrialists in Germany. He never really made anything: he just put companies together. Even in his last years he ruled his empire from his refuge on Lake Constance with iron control. However, one thing he did not seem able to control was his family. The elder of his two sons, Otto-Ernst, now 56, in 1962 challenged his father for control of a large block of shares in the family holding company. After protracted court fights, the son lost. He left the family business in 1966 with a good settlement but amid much bitterness. He was not among the mourners at the funeral. The rest of the inner family circle was: the younger son Friedrich Karl and grandsons Gert-Rudolf and Friedrich Christian Flick, both the sons of Otto-Ernst.

Friedrich Karl now has a two-thirds control of the family holding company, through his own personal stake and two family bequests. This gives him effective control over the company's dividend policy. But before his death the old man signed a legal document giving special voting rights to his two grandsons (nicknamed Mick and Muck). For management purposes voting control of the company is therefore now equally divided between Friedrich Karl and his two nephews.

Friedrich Karl is challenging the legality of the document. He has another problem. At the public reading

of the old man's will, all three heirs were astonished by a new codicil which demanded that Herr Eberhard von Brauchitsch be put into a top job in the holding company and so be able to arbitrate between competing family interests. Herr von Brauchitsch, at 45, now has a top job in the newspaper combine owned by his close associate, Axel Springer. Within 50 days he must decide whether to return to the Flick group, which he left two years ago after constant squabbles with Friedrich Karl.

Wool

Nothing like it

The price of wool is careering out of control. Australian wool prices started the auction season in August already 53 per cent up on last year's opening prices and then proceeded to rise nearly 35 per cent up to last weekend. Then suddenly at Brisbane on Wednesday and Thursday heady Japanese bidding burst the market at its seams and prices went up a further 10 per cent to the highest levels for 20 years, even though the Australian Wool Commission had announced beforehand that it was off-loading 70,000 bales of stock in an attempt to cool things.

The surging prices (now topping 100p a kilo of clean wool) are not being met with jubilation by sheep farmers who recognise in the hysterical buying all the same signs of oversensitivity that had kept prices depressed at unreal levels since 1967. During the past five lean years the industry has been only just breaking even; many farmers have gone under, most have got themselves deeply in debt, and the sheep population has dwindled.

Now the major concern is to bring some order to wool marketing. The twin aims are to reduce the huge price fluctuations, and to improve wool's competitiveness against synthetics by making it easier for buyers to buy larger quantities of wool of standard types and grades. But bitter disagreement centres on how to achieve these aims. In Australia the Australian Wool Commission, founded two years ago, has been supporting prices by buying at auctions. Australian farmers have traditionally disliked any form of intervention. But now the commission has suddenly become popular: its intervention policies have earned an estimated £50m for the industry and contributed to the present boom. So now farmers



Can't stop, got to catch the market

would like to see it buy up the whole wool clip every year and market it centrally. Canberra, however, foreseeing a future when wool prices might be far less buoyant than now, is not keen to be committed to any such thing.

In New Zealand the position is reversed. During the five lean years farming opinion came to favour the idea of a Wool Marketing Corporation to buy up the clip. This year the government therefore introduced legislation. But in the face of the wool boom, enthusiasm for the idea has turned into violent hostility, and the government, facing an election this autumn, has backtracked and emasculated the scheme. The corporation will be set up, but without the powers of compulsory purchase. Meanwhile wool farmers are flourishing again after a lean spell that culminated in subsidies of £22m from the government last year.

Whether or not centralised agencies are set up to buy up the wool clips in both countries, the traditional free market auction system for selling wool is slowly vanishing. Increasingly farmers are selling their clips directly to purchasers by tender. The present excesses on the auction floors will only hasten their demise.

Bougainville copper

It's ours, actually

Port Moresby

Rio Tinto-Zinc periodically congratulates itself for concentrating its mining operations in politically stable countries, but it looks like coming a cropper in Papua and New Guinea. Its massive £200m opencast copper mine has

attracted considerable criticism because of the way in which the deal was sewn up with the old Australian administration. Papua and New Guinea's first home-grown government, after five months in office, is showing signs of pressing for renegotiation of the Bougainville contract. With full self-government due in December next year, followed by independence in 1975 or 1976, RTZ and its partners could be in for trouble. It is already getting a foretaste that must worry it and its partners very considerably.

Australia's administration for Papua and New Guinea negotiated a deal where the PNG government would hold 20 per cent of the equity of the project, with 45 per cent to Conzinc Riotinto of Australia, 22 per cent to New Broken Hill Consolidated plus 13 per cent to some others. Since it came to power the PNG home government has been at pains to welcome foreign investors; but the about-turn in its thinking is believed to stem from an unpublished report on PNG by the United Nations Development Programme, which estimated the operating company's return on its investment at 22-33 per cent and must have made the home government think hard.

So last week the minister for mines, Mr Paul Lapun, who himself represents electors in south Bougainville, announced that the government would not consider itself bound by the existing deal. He complained that other copper-producing countries have better terms; and that two-thirds of the £103m the government should get from the deal would be eaten away by public services and infrastructure needed to support the mine. Other politicians go further and are calling for a 51 per cent state takeover, on the now-familiar model, with the state paying for its share out of whatever dividends it gets.

The chief minister so far has confined himself to confirming that all joint venture agreements with foreign firms should be reviewed as a matter of course as PNG approaches independence. That approach is not likely to be plain sailing. Not the least of PNG's problems is that there is strong (Katanga-style) secessionist feeling in the island of Bougainville itself, where the population is racially distinct from the rest of the territory, and where there are lingering hopes that the copper money could be kept for the island alone. None of this will encourage a kid-glove approach to the mining companies.

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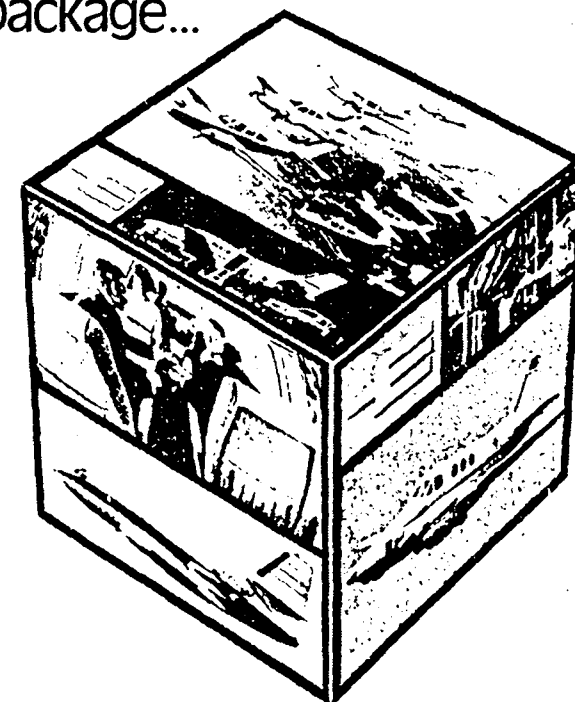
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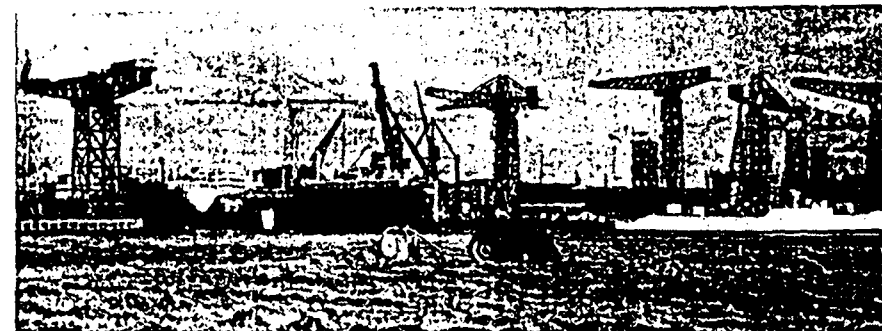
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BUSINESS

Britain



Wayne...



bought himself a prize packet at Clydebank, and the joker...



was Jimmy Reid

Clydebank: does Mr Harbin want out?

Mr Wayne Harbin, president of Marathon Manufacturing, the Texas firm that in August bought Clydebank from the liquidator of Upper Clyde Shipbuilders, has either made a strange slip, or he wants out. Why else would he be so tactless as to tell the press on Tuesday that he intended to withdraw from the yard, if the workers did not accede to his wishes, saying this before even going to see the workers' representatives? He also said he was disgusted by what was being said by the communist leaders of the yard. He is not alone in his distrust of them; but, since he happens to be the person who needs their co-operation, it was unwise to express it, especially as reports about what they have been saying are mixed anyway.

The trouble is that the antiquated Clydebank yard has to be reconstructed to suit the booming oil rig market Mr Harbin is after. During this interim period many of the 2,000 workforce will not be needed; they would actually be in the way. Mr Harbin repeatedly made his intentions plain, that initially only about a third of the men would be needed, and the agreement signed with the unions in August, which included a four-year no-strike clause, made no mention of the numbers to be employed. But the idea of having over 1,000 men unemployed at Christmas was one which clearly had not been accepted by the shop floor, and the shop stewards quickly reopened the issue.

Mr Harbin went some way to meet them. He agreed to employ another 200 men in the early stages, in return for an agreement on two-shift working, a concession other Clyde shipbuilders have vainly sought for years. The men, meanwhile, continued working, and in Mr Harbin's own words he has "been very impressed by their output." Though the shop stewards say the work-in has never stopped, this is merely rhetorical, since there are no redundancies so far.

The stewards have been preparing for the redundancies none the less, expected to begin at the end of next week, by trying to arrange for the brothers throughout the old UCS group each to pay a 50p a week levy towards the wages of the unemployed. It is interesting that the other shipyards at first turned their request down, indicating how much the communist hold has weakened. But on Monday the levy was finally agreed to. Whether the Clydebank shop stewards intend to deploy the redundant men so as to get in Mr Harbin's way, or simply send them home harmlessly with a pension, remains to be seen.

The expression "work-in" has figured pretty freely throughout, and this has frightened potential clients Mr Harbin hoped to bring to Clydebank. One customer recently switched an order from Scotland to Singapore, even though it means an 18-month delay in delivery. The shop stewards should have stopped the use of the word

work-in, especially as it had become meaningless, but Mr Harbin has added to the distrust of the workforce in making his own anger public.

The mantle of peacemaker once more falls on the union leader who flew to Texas and interested Mr Harbin in the project in the first place, Mr Dan McGarvey, the boiler-makers' general secretary. Both Mr Harbin and the shop stewards flew to the Labour party conference at Blackpool to consult him.

Engineering

What silver lining?

A warning that it is unjustified to expect engineering investment to pick up next year has come from the Engineering Employers' Federation. In its latest economic assessment, published this Friday, the EEF says that inflation at its present level, together with the large amount of unused capacity that still exists, will dampen industry's confidence to put money into new capital projects. It had been hoped that the consumer spending boom would keep going long enough at a high level, so that eventually it would filter through to machine tool makers and heavy engineering firms.

Industry has in any case been waiting to invest, partly to take full advantage of the higher rates of corporation tax expected next April. It has also been waiting to see what largesse was to be had from the new industry act.

This hesitation can be seen in the latest machine tool order figures. The decrease in home orders that had been apparent all last year has stopped, but in the first five months of this year there was no sign of any upturn. The amount of outstanding orders in

Britain's machine tool factories decreased by a third compared with the same period last year, leaving it with at best about four months' work. In machine tool production, that is starvation level.

The EEF believes there are other factors at work. Industry's doubts about the full effect of entry into the common market have been reinforced by the sharp jump in imports of manufactured goods over the past 18 months. A large part of the expansion of consumer spending has been met from abroad rather than by increased output from British factories. Export orders have also been depressed, which is bad news from Britain's largest exporting industry. Much of this can be attributed to the industry's declining international competitiveness.

Wages in the engineering industry have been going up at the rate of 11-12 per cent for the last three years. The 8 per cent improvement in productivity since 1970 is the once-only result of the massive shake-out in which 370,000 jobs have gone in 18 months.

Committee of 20

Jeremy's job

The tailpiece to last week's gigantic financial meeting of the International Monetary Fund in Washington was the election of the Bank of England's Mr Jeremy Morse to the key role of chairman of the committee charged with no less than world monetary reform. But it was not the best of omens that it took so long for the smoke signal to go up.

The new Committee of 20 had only one decision to make: between two candidates for chairmanship of the committee of deputies that will do the groundwork. It split down the middle—10 for Mr Morse, 10 for the Italians' Dr Rinaldo Ossola. It remained locked there until the end of a meeting which lasted into the small hours of Friday morning. It took another meeting, a secret ballot, and goodness knows what else finally to produce the 12 to 8 vote in favour of Mr Morse. One rumour was that the Italians agreed to withdraw support for their candidate if the Americans agreed to back him as successor to Mr Pierre-Paul Schweitzer at the International Monetary Fund.

Mr Morse's qualifications for the job were only one factor. Politics accounted for the rest. The French, as well as the Germans, wanted a British chairman, but this is a very doubtful com-



Jeremy moves on; Kit moves in

pliment. It is generally the economically unimportant countries which supply the acceptable chairmen.

The British voice in the Committee of 20 may even be weakened by holding the chair. Chairmen of international bodies do not act as representatives of their countries. Anyway Mr Morse has always advocated the need to guard against the bias of industrial countries to undervalue their exchange rates and this could sit uncomfortably with the British Government's repeated statements that it believes that strains on the economy should be taken up by the exchange rates, ie by floating sterling down. But tactics for sterling will now be more the concern of Mr Morse's successor at the Bank of England, Mr Christopher McMahon who earlier did so much to strengthen economic expertise at the Bank, when he came into it as a rising young academic economist in 1964. Mr Morse, on the committee, may be more concerned with the Germans. At Washington German bankers were more insistent than ever that the D-mark must not be upvalued. They were complaining that Herr Brandt now seems likely to win the German election; that Herr Schmidt will strengthen his position in the next German cabinet; and that his "left-wing socialism" will send money streaming out of Germany.

Air fares

£60 return

It is something new for British airlines to appear as the pioneers of cheaper fares, but there are signs that, collectively, they may have succeeded at the third attempt in pushing the going rate to New York down from £194 to something more like £60 return. They had seemed on the brink of doing this several times before, so the fact that the International Air Transport Association has unexpectedly adjourned its current session on air fares for three weeks, to give airlines time to consider the implications, does not necessarily signal victory. But it looks close.

The American Civil Aeronautics Board has at last been persuaded to go along with the British view that (a) charter passengers should be allowed to book blocks of empty seats in scheduled aircraft instead of having to have a special jet flight laid on for them; (b) anyone should be allowed to join a charter flight whether they have anything in common with the rest of the group or not, provided only that (c) they book two to three months ahead. Under conditions like these, the British Overseas Airways Corporation would be satisfied to charge around £30 between London and New York, £60 for the round trip.

It has taken time to bring the Americans round to this view. Now that they have accepted it, the American charter airlines, who stand to lose a great deal of traffic as a result, are challenging the Civil Aeronautics Board's decision in the courts. If it is possible to fly on a regular scheduled service for £60 return just by booking a few weeks ahead—finding a group to join is likely to be a mere formality taken care of by the airlines themselves—then there will have to be substantial price cuts to get passengers on to charter flights. Charter fares would have to come down to well below £50 return, which would take much of the gloss off the business.

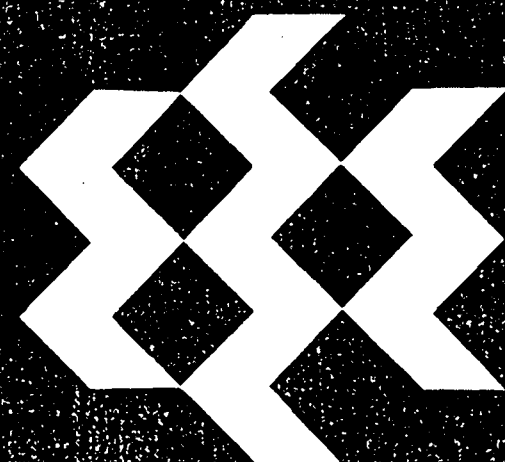
Against this background, the Civil Aviation Authority's decision to license Mr Freddie Laker to run no-booking flights to New York for £64-£74 return looks less of a breakthrough than it appeared when first announced last week. Mr Laker's proposal is the antithesis of the big airlines' schemes and introduces an element of choice too long missing from air travel. But it is one thing for the British and Americans to propose, and another to carry with them all the small airlines on the North Atlantic who view fare cuts with horror and have vetoed them for years. This is why the Iata meeting has adjourned. If the small airlines use their veto again, when some of them fly only once or twice a week on the Atlantic, then Iata's rules will have to be changed so that they no longer have a veto.

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September 26, 1972.

It is not original, but it is well presented and reasonably cheap.

The NFU, like others, begs one of the more interesting questions: will horses and dogs be zero-rated or not? The relevant provision zero-rates "live animals of a kind generally used as, or yielding or producing, food for human consumption." The difficulty surrounds the word "generally." First, does it apply only to this country? Horses and dogs are generally eaten by humans abroad. Does the word "generally" relate solely to "used as" or does it also apply to "yielding or producing"? If so, horses and dogs would be zero-rated on the grounds that they can in certain circumstances yield or produce food for human consumption. Lastly, how big does the market have to be in order to make usage general? These questions are no doubt being closely studied at Tattersalls, and may have to be settled by a court case. The NFU is probably right to do what it has and take the pessimistic line.

*Farmers' and Growers' guide to Value Added Tax.

Docks

Ask Mr Jones

Liverpool dockers are now probably about to end their six-month-old campaign of blacking the lorries of the hapless Heaton's Transport. But Heaton's will soon be returning to the National Industrial Relations Court to demand compensation for business lost during the summer while the pickets were on. Any bill will, presumably, land on the desk of Mr Jack Jones, leader of the Transport and General

Workers Union, since the House of Lords has ruled that he is responsible for his shop stewards.

Even if Mr Jones agrees to pay, he may soon face another suit. The picketing continues at Midland Cold Storage, the London container firm, which led to the jailing of five dockers in July. The firm has resisted the dockers' demands since May, and is said to have lost more than £50,000 as a result. It has written to Mr Jones to ask what action he plans, because the pickets at the gate now claim that they have the official support of the TGWU. If Mr Jones does nothing, Midland Cold Storage is prepared to return once more to the NIRC, presumably seeking an order directed at the union. In a very tough speech on Thursday, Lord Shawcross said that in his view a lot of recent picketing fell into the category of "unlawful conspiracy," and should have been jumped on by the Government much more firmly than it was.

Lame ducks

Queue up here

Mr Chris Chataway, the Minister of Industrial Development, published guidelines on Tuesday for dishing out aid under the new Industry Act. He has set up a series of regional industrial boards which will handle applications for selective help. Already about 100 firms have applied.

Mr Chataway has established two criteria: projects must either create new jobs or else maintain or safeguard existing employment. This means that the aid will not just be used to coax industry to the regions, but also to

prop up lame ducks already there. Naturally, he insists that all such projects must look salvageable at the outset. But since the Government considers Upper Clyde Shipbuilders to be one such, it is hard to see that the Government's definition of suitable cases for help has any meaning beyond "suitable for propping up."

Aid for projects creating new jobs may take various forms: cheap loans, interest rebates and removal grants. But aid to maintain jobs will only take the form of loans at "broadly commercial interest rates." That would hardly be aid; it must mean somewhat uncommercial interest rates.

Service projects will only qualify for aid if they are "mobile," that is to say have a real choice of location between a region and the rest of the country. This seems silly, since most services are not mobile in this sense, and since they are the one group of genuinely man-hungry industries. It is hard to see why the criteria for service industries should be tougher than for manufacturing, particularly since in recent years they have provided much faster growth in employment.

Mr Chataway must have been slightly embarrassed when he listened to a talk by M. Albert Borschette, the EEC Commissioner, at a conference in London on Tuesday organised by the Financial Times. M. Borschette warned that the new EEC Commission would look closely at the provisions of the Industry Act. He hinted that the commission objected to the opaqueness of the aid and its discretionary nature. He also argued that the regional employment premium might be a distortion, because it was something of a production subsidy.

Key indicators: British economy

Manufacturers' stocks

Revised figures for the second quarter show a much larger fall: this may have been involuntary as demand revived briskly, but could also reflect a stock shake-out.

Retail trade

High volume of sales in August, although slightly down from July's record level.

Consumer credit

Sharp increase in value of credit sales in August.

Reserves

Britain's official reserves fell £1m in September. Overseas sterling area reserves in sterling rose by £189m in the first half of this year.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	July	131.4	+1.2	+3.3	+4.5
employment*	July	88.7	nil	-0.1	-3.7
productivity*	July	148.1	+1.2	+3.4	+8.5
Export trade*†	August	96	-33	-33	-36
Retail trade*	August	118.4	-0.4	+3.8	+6.6
Unemployment*	September	161.7	+0.6	+1.8	+2.4
Average earnings*	July	206.4	+1.1	+2.9	+11.3
Retail prices	August	159.7	+0.8	+1.8	+6.6
Export prices	July	152	+1½	+1½	+7
Import prices	July	139	+1½	+2	+3½

Export trade, retail trade: in volume terms (value at constant prices).

Unemployment: wholly unemployed excluding school-leavers; latest rate 3.6 per cent. *Seasonally adjusted. †Provisional

The commission may be right to investigate the selective powers under the act, but the Rep is not a distortion; it merely amounts to a small local devaluation. The Government plans to end the Rep in 1974, but it could change its mind and there is a case for doing so, despite M. Borschett.

Reserves

Cheaper to float

Sensibly, the Bank of England seems to have allowed the flurry of pressure against sterling towards the end of last month to be taken almost entirely on the rate rather than the reserves. By the end of September, the pound touched a low of \$2.42, though it has recovered somewhat since.

To allow the market to set the exchange rate is, of course, the point of a float. And in Britain's present circumstances there is in any case everything to be said for securing the biggest effective devaluation. Protecting the reserves is another bonus. The Bank's holdings of gold and foreign exchange dipped a mere \$2m in September, to \$6,089m (or £2,516m at the end-month market rate). And that published figure was probably close to the truth—although a small amount of forward market swaps may have matured before the figure was struck.

Bank lending

Borrowing to buy

Nothing in the latest spate of statistics belies the argument that a consumer spending boom is well under way. The real volume of spending in the shops slipped back slightly in August from its July high, but the seasonally-adjusted index in the past three months taken together shows retail sales up by more than 3½ per cent compared with March to May. Nobody can expect this rate of increase—equivalent to 14 per cent a year—to persist. It reflects the once-for-all impact of larger pay packets resulting from the budget's tax cuts. The figures on instalment credit for August were more buoyant still; new credit extended by finance houses and retailers rose a whopping 14½ per cent to a record £229m after seasonal adjustment.

In September, admittedly, credit sales of cars dropped sharply, but the timing of purchases of new cars at this time of the year is distorted by the demand for the 1972-73 registra-

tion plate. Moreover, hire purchase houses have been losing an increasing amount of their traditional business of lending on cars (especially on used cars) to the banks. In the five weeks to September 20th, domestic lending by the London clearing banks picked up again after its previous month's pause; when the figures are adjusted to exclude seasonal factors and the banks' "wholesale" business, the increase was of the order of £125m. This is less than half the tearaway rate of expansion in June and July,

but quite fast enough for a consumer boom. Lending to the penalised property companies and financial borrowers was down, which should please the government. Lending to the personal sector was not quite so buoyant as earlier in the year, which should not disturb it. That lending to industry should again show only a modest, if fairly widespread, rise is more disappointing. Mr Heath's problem remains to find the key that will translate a consumer spending boom into an investment recovery.

Players pleased

John Player and Sons has finally bought its way into bringing more big-time golf to Britain. After a disaster two years ago, when it offered world-class money but failed to attract world-class golfers, the company last weekend staged a tournament at Turnberry, on the wind-blown west coast of Scotland, that must be counted a huge success. The world's two best golfers, Jack Nicklaus and Lee Trevino, were not on hand, but just about every other top-class golfer was. The result was an exciting tournament played under conditions that humbled some of the most revered names in the game. On the final day, a knife-edged wind sent scores soaring into figures that brought great comfort to club golfers. South Africa's Gary Player, who probably ranks third in the world after Nicklaus and Trevino, handed in an ignominious 85.

For the company, the payoff was 17 hours' British television. This did a lot to spread the John Player name around at a time when there is a ban on TV advertising of cigarettes. It is doubtful if this sort of indirect advertising increases smoking; but it can increase a company's share of the market, and all for the outlay of a

mere £200,000, of which £51,000 went directly for prizes. This outpaid the British Open by £1,000 and made the tournament Europe's richest this year.

Learning from its past experience of two years ago, when a clashing American tournament refused to release the stars of the American circuit for the Player show, the company this year did a financial deal with a tournament in Iowa for the services of nine American regulars, including those fading superstars, Arnold Palmer and Billy Casper. It also paid "appearance" money to many of the stars. Tony Jacklin, Arnold Palmer and Gary Player each got £4,000 before counting prize money. Billy Casper and Jerry Heard shared £4,000 and all the overseas players had their air fares paid to the tournament. With the exception of Jacklin, Britain's only world-class golfer, the pickings were slimmer for the European and British players, but the company guaranteed that the lowest prize for any of the 32 competitors would be £400. A golfer could finish 13th in the tournament and still collect £1,000. First prize, which went to New Zealand's Bob Charles, was a thumping £15,000.

There is always a question about how long it pays a company to sponsor a particular sports event. A change of management can bring a sudden end to such activities. However, John Player seems prepared to persist with this tournament for some time. The company says it will have no further problems with the American circuit, and it was obviously encouraged by the amount of cover the tournament got on television. Future coverage will probably depend on the company's ability to continue to attract the top stars, who are more and more sought after. This week the world's richest golf tournament, with prizes totalling more than £120,000, is being held in Japan; but it is having to get along without Nicklaus, Palmer or Gary Player, and Trevino made it only at the last moment.



Charles, £15,000 the richer

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Mr. Minos A. Zombanakis

has been elected a Director
of The First Boston Corporation

Mr. Zombanakis will be located in London and will be the Senior Officer responsible for underwriting and corporate finance activities in Europe, the Middle East and North Africa.

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October 2, 1972

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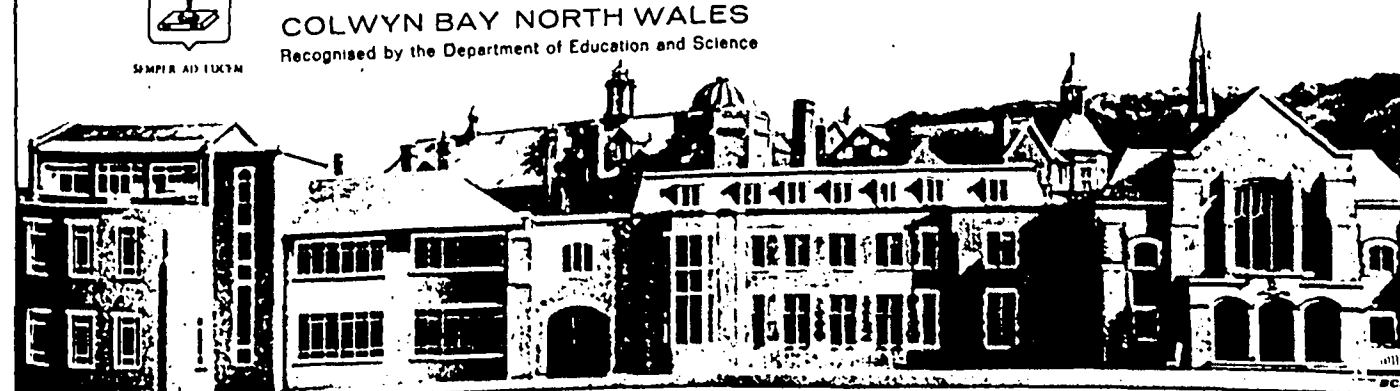
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BUSINESS

Investment

Will the next bidder for P&O please step right up now?

The case against Lord Inchcape's bid to take over the Peninsular and Oriental Steam Navigation Company was put most eloquently by Lord Inchcape himself to *The Observer* of September 24th. He said that "I have no wish to be chairman of P&O. A physical merger has not been considered at all. We don't think it will work. We're merchanting, they're ship-owning." There is a suggestion that some of his colleagues interpreted him as having been at least equally explicit in his earlier communications to Mr Ford Geddes, the present chairman of P&O. Why then, has Lord Inchcape, a director of P&O, decided to eat his words? His circular this week said that he had opposed P&O's bid for Bovis because he thought P&O would do better on its own; and now P&O presented "a major opportunity for the shareholders of Inchcape." This depends on whether he is right in assuming that his fellow directors on P&O have been far too gloomy about their prospects.

If the profitability of P&O did threaten to be as bleak in the future as it has been in the past, there would clearly be much logic in the desire of Mr Geddes to buy the growing profits of the dynamic Bovis. If Lord Inchcape wanted something more than a renegotiation of terms, then he had to offer an alternative. Is this a genuine alternative? Or is it a spoiling manoeuvre?

The Inchcape group has a splendid and long profits growth, averaging 20% a year over the past few years; it has a high return on assets. But its net assets are only £35m, compared with the £300m or so of P&O (valuing the property at market and the ships at book), and the Inchcape bid is a mixture of shares and £60m worth of cash. How does a £35m com-

pany get £60m to buy a company worth between £200m and £300m? It gets Hambros, the merchant bank, to arrange a two-year financing. So Inchcape is offering £1 in cash and half a share for each P&O share, making a total of around £230m-odd while Inchcape is at a price of 577p. This is a lot more than P&O's directors seemed to think their own company was worth a short while ago.

But there are three conditions. The directors have to drop Bovis, recommend Inchcape and allow Inchcape to go over the P&O books. The object of this unusual request is to see whether P&O can possibly make at least £16m in profit in the year to 1973. The trouble is that, besides borrowing a mound of cash, Inchcape is issuing 30m shares (giving 59% of the combined group to the P&O shareholders) and it is anxious to avoid dilution. If Inchcape's profits for the current year are around £12m gross, or £7m attributable, then earnings per share will come out at 37p. On this basis, P&O has to make at least £11m—plus the £5m for the interest on that whopping loan. If Inchcape cannot find profits of £16m in P&O in the year ahead, compared with the £8m or so of the year just ended, then the deal seems unattractive to Inchcape—particularly as it would be unable to use P&O's chief asset, its tax allowances. These cannot be used to offset Inchcape's profits, most of which are earned overseas.

Will Bovis sit and wait while the accountants comb through P&O's books? That is doubtful. For it to be inched out by Inchcape would seem something of a humiliation. If Bovis slips away, and then Inchcape turns P&O down, P&O would lose its means of salvation through merger. Unless, of course, any of the other

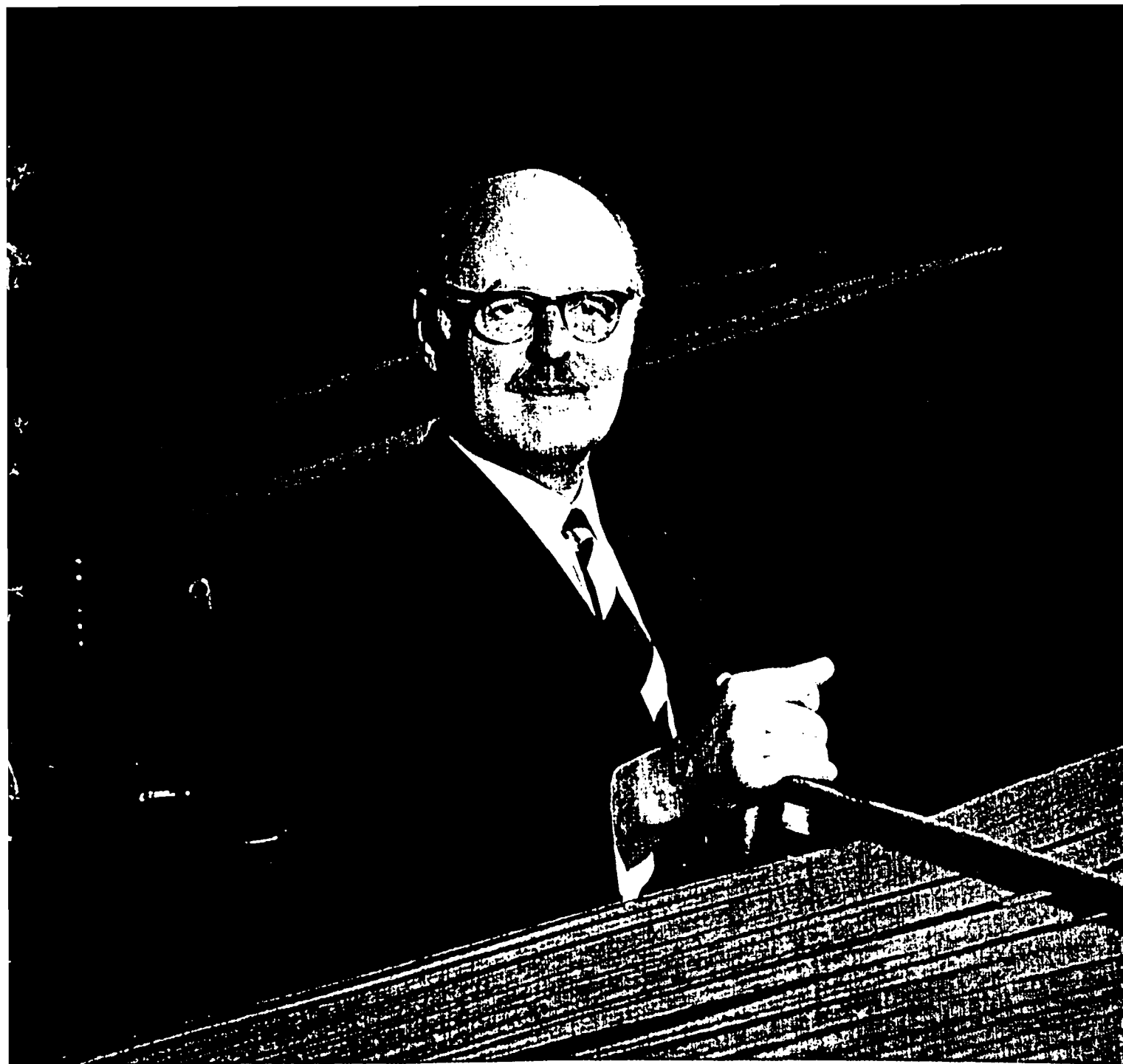
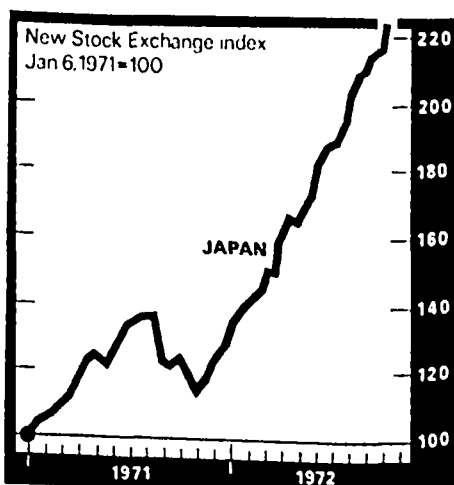
rumoured takers-over come to light. Among the many mentioned is Mr Y. K. Pao, the owner of more ships in the world than anyone else. But, if he wants more ships, he can surely buy them more cheaply than with the rest of P&O.

The share price of P&O closed at 366p on Thursday. Inchcape fell on the bid's announcement by 16p to 577p. Bovis, left out in the wings, has fallen 10% since Monday to 402p.

Tokyo market

Sun ever rises?

Foreign investors have been missing out on the money being made in Tokyo in the past year, and the question must be whether they may rush into it at the wrong moment. The Tokyo stock exchange is still clearly the world's star performer. Its "new stock exchange index" passed 329 this week, another record and a 81% improvement in a year. The bull market shows no sign of flagging. Turnover is racing ahead. The government estimates that Japan is now back on an appropriately Japanese real economic growth rate of 11.7% per annum. The one suspicious sign is that every Japanese broker now seems to believe that the good days will continue for ever. The ministry of finance has warned the four major security



John Mackay: "It's the little everyday things that make up our happy relationship with Midland Bank"

John Mackay is Chairman and Managing Director of Hugh Mackay & Co. Limited, whose looms have been carrying on the tradition of Durham carpet weaving since 1903. With a turnover now running into several millions, Mackay's still specialise in high quality and bespoke craftsmanship. In 1972 the company was honoured with a Royal Appointment.

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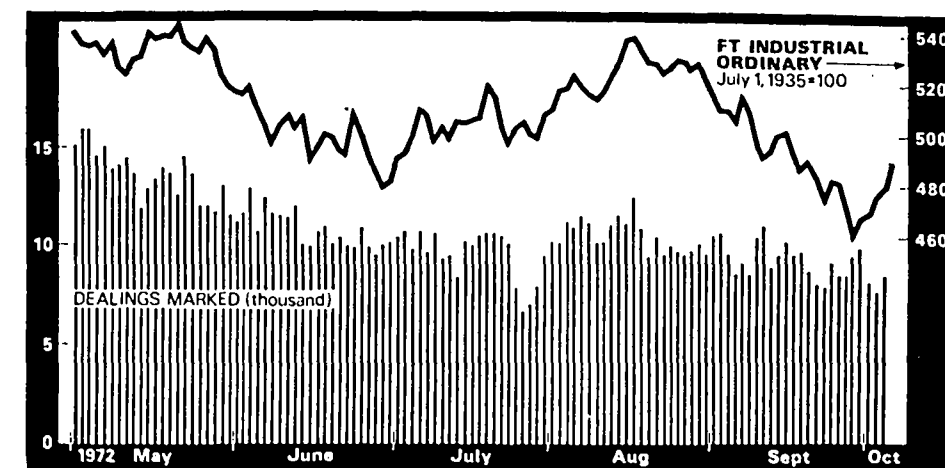
firms against the market overheating.

Japanese confidence in the stock market is so universally held that any check will be a violent one. The announcement of the Nixon package in August of 1971 knocked 20% off the Tokyo market at a stroke. It would have been logical for foreigners to rush into Tokyo at that moment, because the slump was caused by the rightful recognition that the yen was going to be upvalued (which would make Japanese shares more valuable in foreign currency terms), but a wrong-headed fear that this would hit Japan's internal prosperity. If another Japanese stock market panic is caused by fears of upvaluation, it will be right for foreigners to buy then. It is other sorts of panic that they have to fear, in what is still a very special sort of market.

Although the stock exchange is becoming a more integral part of Japanese industrial and economic life, most big companies continue to circumvent it by their close ties with the banks. There are now 1,600 firms quoted on the Tokyo exchange, with a total market capitalisation of £47 billion. This compares with the 9,000 British stocks traded in London at a value of £150 billion.

This year £1.3 billion will have been raised through the Tokyo stock exchange by floating new equities. But one of the bull arguments is that the supply of stock on the market remains scarce enough for another 15-20% to be added to prices before they need necessarily look excessively high. A better bull point is that Japanese investment institutions are increasing their share of the market. They now hold 35% of the exchange's stock, while the number of individual investors has dropped back marginally to 3.6m. The importance of this is that Japanese investment institutions do not normally sell shares during a panic, because they regard this as unfriendly; it is small personal investors who leap in and out.

During this last year of glorious boom, the foreign-controlled share of the market, far from increasing, has dropped from 2.2% to 1.8%. This is partly because there are still infuriating restrictions on some foreign purchases. Yet the foreign money there is in Tokyo (which is overwhelmingly American and only fractionally British) has been trading more actively than ever before. In August foreign stock purchases touched £105m and sales £79m: both unprecedented.



London market

Oops, we're up

After falling by over 20 points to 461.6 in the five working days to Thursday of last week, the Financial Times index of Industrial ordinary shares had come back up to 488.9 by Thursday's close this week. The market has been going nowhere in particular, reasonably dramatically, but on reduced turnover.

In fact, turnover in all securities in September fell to the lowest level since December, 1970. To some extent this is shown in the number of dealings marked in equities in that month, on the chart. However, dealings marked is a crude and creaking approximation to what is really happening in the market.

The ratchet marks on the chart allow the interpretation that the market will slip again after the next rally, but probably they mainly mean that nobody anywhere has made up his mind. The same mood is reflected in Wall Street, where the Dow Jones index has stood virtually still over the past week, closing on Wednesday at 951.

Thursday's rally in London was interpreted by some as a sign of better things, because it was solidly and safely directed to blue chip stocks. But investment money is still steering well clear of the high fliers of the past year, although most of them are now well below their peaks; this is a measure of how thin confidence is in the market. Gold shares, one of the easiest hedges out of the British economy, have been improving steadily. The bullion price, which fell dramatically just before the meeting of the International Monetary Fund, now seems to be firmly held above \$64 an ounce, so that gold

mines must be making unprecedented profits. Oil shares, the other classic hedge from a domestic freeze, have also been doing well. The best home stocks have been retail stores: led by Marks and Spencer and a recovery in Woolworth, but firmly followed by higher prices among many of the smaller chain stores.

Anglo-Continental

Gentleman Jim and European James

From this week, the net assets of Mr Jimmy Goldsmith's Anglo-Continental Investment and Finance Company are £36m; this is 18 times higher than a few months ago. Wednesday was settlement day for the latest in a whirlwind series of deals that has created a new merchant bank which intends to fulfil the promise contained in its name. But, at only two-thirds of its 1972 high, Anglo-Continental has not resisted the bearishness among financials. Nor have Mr Goldsmith's other companies escaped: Generale Occidentale, the French company that owns 30% of Anglo-Continental—or Cavenham, of which Generale Occidentale owns 28%. Has the Goldsmith touch lost its glitter?

The assembly of Anglo-Continental was rapid rather than brilliant. The market did not find the results impressive. A few days before settlement day, the price of Anglo-Continental was 180p, which was 30p below the price at which Hambros Bank had underwritten the shares that made up half the consideration of the latest triplet deal. The price recovered as the bears saw some support.

If one simply adds up the profits of

Eight months in the life of Anglo-Continental

	Date	Share capital Number of shares (m) ord	Considera- tion £000s	Net assets £000s	Earnings after tax £000s
Accounts	March 31	3.6	3.5	—	2,171
Purchases	May	—	—	—	141
Ralli Brothers (51%)	—	2.9*	—	4,080*	1,446(b)
De Occidentale Bank	—	—	2.5	750	1,010
Poland Group	—	—	—	400	367
Sale of shares to French institution	May	.5	—	—	1,000
Purchases	August	—	—	—	—
3.2m shares of Argyle Securities (26%)	—	—	—	5,100	11,750(b)
Thos Stevens (Property)	—	2.6	—	7,388	6,560
Tanker Investment Trust	—	3.9	—	6,542	5,900
Purchases	October	—	—	—	87
Wigham Richardson Flag Investment Trust (75%)	—	5.0	—	21,300	3,583
ish Investment Trust (75%)	—	2.7	—	8,600	6,624
Pro forma balance sheet of group	October	22.3	6.0	—	36,253
					2,000(c)

* Maximum payable (a) Before tax (b) 100% of company (c) Estimate

the companies acquired in the past hectic few months, annual earnings come out at around £2m. The huge dollops of equity poured out to acquire them mean that the unlimited earnings per share are about 7p, putting the bank on a p/e of around 30. The assets argument is more complex. Part of it is that the investment trusts acquired are cash heavy, and cash to an aggressive bank is a means of acquiring future earnings.

There is another argument: a philosophical one which Mr Goldsmith expounds with much enthusiasm and conviction. Anglo-Continental has insurance broking, which it is in the process of taking into Europe. It is in banking, and is one of the few British banks which has an entrée into, and knows its way around, the closed circles of the continental financial scene. Thus British companies

anxious to move into the common market can be guided by the bank. So can continental companies doing the European thing by coming to Britain. Anglo-Continental is also in property via Argyle Securities—which is the company that might develop a huge chunk of Hay's Wharf, among other things. The three legs of this British banque d'affaires are sturdy; they stand on a firm cash base. It is in a position to fly high over the next three years. The current price looks fair, if not a bargain.

The sceptics point to Mr Jim Slater, who has sold Mr Goldsmith the last six of his deals, thereby getting out of some seemingly unpromising companies; and he has got himself underwritten at above the market prices. But Mr Slater is a very different operator; he is a stock market-oriented operator, who looks pragmatically at the profits on the next deal. Mr Goldsmith is common market-oriented, and would like people to think of him as rather uninterested in share movements, and more concerned with the right long-term strategy. That strategy, at present, is to build up holdings in banking, in foods, and in financial services. On the eve of entry into EEC, it looks a good one.

Levitz Furniture

Falling out of bed

New York

"I don't understand the stock market," said Mr Ralph Levitz, the chairman and chief executive of Levitz Furni-

ture, on being told that shares in his company had fallen \$13½ in the first 23 minutes of last Friday morning. "I'm more interested in fundamentals. I have all my regional managers here with me and we're developing a turn-around programme right now. I'm confident about the results."

Turn-around programme? That was a fairly fundamental word to use in talking about a stock market high-flyer. One does not put a prospective price-earnings ratio of nearly 50 on a turn-around programme. In fact, the market's reaction, which has by now brought the Levitz price down by \$17 to around \$30, was far from esoteric.

On September 7th Mr Levitz said at the annual meeting that the profit engine of his warehouse furniture selling operation would accelerate next year as new outlets got over their start-up period. He told shareholders to bear in mind that the second half of the year is generally far more profitable for Levitz than the first half. The first half profit was 30 cents a share, so Mr Levitz's reassurances were vital if investors were to stick to the consensus earnings forecast of \$0.95 a share which was justifying the high p/e. But now investors are told that third quarter earnings are increasing at a considerably slower pace than in previous quarters; profit margins have, apparently, been adversely affected by an over-ambitious advertising campaign, now discontinued. Given a weak-kneed market and a more level-headed assessment of Levitz's prospects in 1972, investors' treatment of Levitz stock over the past few days seems eminently reasonable. Other high-flyers are likely to be looked at quizzically now that Levitz has fallen out of bed.

Pension funds

Raw deal

A great fuss is made about the performance ratings of unit trusts, but the investor can always vote with his feet and put his money elsewhere. No fuss at all is made about the performance of pension funds, and the only way the disgruntled could grumble is by changing jobs. Or complaining, good and loud. The paucity of information provided by pension funds to their members usually makes a meaningful interpretation of performance hard, and a comparison with other funds impossible. Trade unions and staff associations have acquiesced in this information gap for too long.

Returns on model funds %

Annual rates of return	Average fund	100% equities	100% gilts
1967	18.9	35.0	3.0
1968	25.9	48.5	-1.8
1969	-7.9	-12.0	1.3
1970	0.1	-3.6	1.6
1971	37.8	47.1	24.7
Mean	15.0	23.0	5.8

An important benchmark for comparing funds has been constructed by Phillips and Drew, the stockbrokers, and is published in their October monthly review. They have drawn on the official figures in the Government's Financial Statistics to construct a model of how the average pension fund's non-property portfolio should have performed over the last five years; together with models showing what the performance would have been had all the money been invested in equities, or all in gilts. They are shown in the table. Since property would show a better total return, members of any pension funds that have not done at least as well as the average should start asking for the reasons.

The bugbear in measuring pension fund performance is the effect of new infusions of cash. The annual return a fund makes depends greatly on how long the fund has had the use of the cash. A formula now takes care of most of the difficulty (see *The Economist*, April 8th, page 88). The model performance figures result from splitting the adjusted cash flow into the national average proportions of equity, gilts and debentures; and using the appropriate indices on them, adjusted for the cash flow timing effect. No two pension funds are alike, but everyone should have the right to know how far the differences explain poor performance.

First Boston Corporation

Changing spots

With surprisingly little publicity, one of the top figures in international banking has done a rare thing and changed banks in London. Mr Minos A. Zombanakis, managing director of the London-based offshoot of Manufacturers Hanover Trust, has joined the board of The First Boston Corporation. Mr Zombanakis made his mark by pioneering the medium-term, syndicated credit: that is, a loan of between three and 10 years advanced on a variable interest rate basis by a

group of international banks. During his three-year reign at Manufacturers Hanover Mr Zombanakis arranged over \$2,500m of financing, including substantial deals for Italian and Iranian borrowers.

He is maintaining a discreet silence about the move, but the interesting point is that he is moving from a commercial bank to an investment bank. However much they try to change their spots—and Manufacturers Hanover has altered radically—commercial banks tend to have a somewhat conservative attitude to finance and their customers, be they companies or countries, are becoming much more demanding.

Corporation tax

Now read on

The definition of earnings under the new corporations tax system should be the sum of net dividends and retentions according to the Institute of Chartered Accountants in England & Wales' discussion paper.* This is the definition supported by *The Economist* (December 4, 1971, and June 10, 1972).

The new corporation tax, assumed to be set at 50%, is to be paid in advance on distributed profits. Thus when a dividend payment of £70 is made during the year, net of tax, a further £30 must be paid by the company to the Inland Revenue as "advance corporation tax" (Act).

Eventually this £30 will count as a credit towards the corporation tax the company must eventually pay (the "mainstream" corporation tax). The shareholder, however, will be able to count this £30 Act payment by the company as £30 of income tax

paid on his behalf out of a gross dividend counted as £100. This will equal the 30% income tax rate from next year leaving, for the standard rate taxpayer, no further settlement with the revenue. The Act rate is therefore three-sevenths of net dividend in order to equal 30% of gross dividends. What the institute wants is the £70 net dividends to be entered in published accounts with the Act element in their corporations tax bill separately identified.

Problems arise when a company has foreign income on which it pays foreign tax which is allowed double tax relief against mainstream corporation tax but not Act. So the company has to pay both the foreign tax and the British Act. The table shows how.

	Company profits British 1,000	Foreign 1,000
Taxable profit	—	550
Foreign tax say	—	120
British tax (of which Act) (120)	500	(120)
Total tax	500	770
Earnings	500	330
consisting of dividends (net) retentions	280 220	280 50

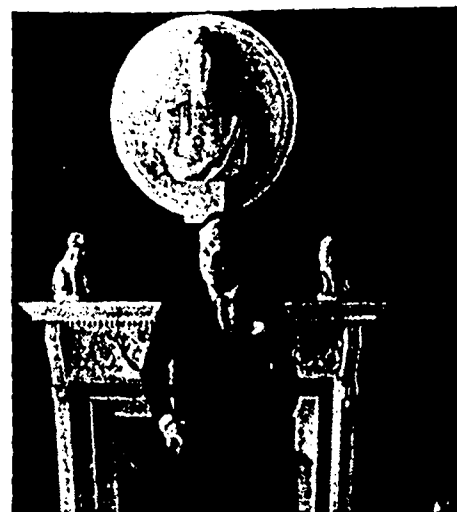
The layout is the one recommended by the institute. For companies with a mixture of British and foreign income the position is more complicated because of the mixture of what can be relieved and what cannot. The Institute should have recommended that companies disclose what the maximum coverable dividend is; this cannot be deduced, where there is foreign income, simply by dividing the earnings by the actual dividend.

*Accounting for Corporation Tax under the Imputation System.

Key indicators: world bourses

	Stock price indices			Percentage change on			
	Oct 4	1972 high	low	one week	one month	one year	record high
London recovering slowly from last week's hammering. But nothing seems to hold back Japan's record-breaking market. Wall Street is again in lethargy.	479.9	543.6	461.6	+ 2.0	- 5.2	+16.5	-11.7
New York	951.3	973.5	889.2	+ 0.4	- 1.3	+ 5.6	- 4.4
Canada	232.4	233.8	187.5	+ 1.9	+ 0.1	+30.1	- 0.6
Australia	564.3	639.3	490.1	- 0.4	- 3.4	+30.0	-15.0
Japan	329.6	329.6	199.9	+ 2.6	+ 4.7	+81.6	—
H'kong	514.7	518.5	324.0	+ 5.1	+ 7.3	+43.2	- 0.7
Belgium	117.7	117.7	96.9	+ 0.3	+ 0.9	+19.6	—
France	88.4	88.4	67.6	+ 2.4	+ 1.7	+29.2	- 4.2
Germany	113.6	121.3	97.1	- 0.1	- 3.2	+17.8	-24.8
Holland	149.2	155.3	105.4	+ 4.3	+ 0.3	+41.0	- 3.9
Italy	49.2	49.9	43.9	+ 2.9	+ 1.0	+ 3.6	-57.8
Sweden	357.6	366.5	308.7	+ 1.1	- 1.5	+31.9	- 4.8

Stock prices and yields are on pages 125 and 126



Goldsmith: very Anglo-Continental

INTERIM STATEMENT

Cadbury Schweppes

LIMITED

INTERIM STATEMENT FOR 1972

The Directors have declared an Interim Dividend of 5% (1971-41%) on the Ordinary Stock less tax at 38.75%. In order to secure for the Company the advantages of the forthcoming changes in the taxation system, the Dividend will be paid one month later than last year on 8 January 1973 to Stockholders on the Register of Members at the close of business on 8 December 1972.

	First Half 1972 £000's 24 weeks	1971 £000's 24 weeks
Group turnover	£145,043	£129,661
Group trading profit	11,353	9,203
Share of associated companies' profits less losses	35	32
Investment income	11,388	9,235
	279	113
Interest payable	11,667	9,348
	1,112	1,695
Group profit before taxation	10,555	7,653
Taxation	4,672	3,423
Profit attributable to minority interests	5,883	4,230
	274	156
Extraordinary items	5,609	4,074
Profit attributable to Cadbury Schweppes Ltd	5,609	4,074
Dividends	2,600	2,340
Profit retained	£3,009	£1,734

The interim results for 1971 have been adjusted to bring the treatment of associated companies' results into line with that followed for the full year in 1971.

The Overseas trading results in 1972 have been converted at the exchange rates applicable following the realignment of currencies.

In my Chairman's Statement last March and again at the Annual General Meeting, I said that your Company's progress should provide stockholders with further solid benefits in the current year.

Figures for the half year ended 17 June 1972 show a 23% increase against the same period last year in Group Trading Profit and at the pre-tax level a 38% increase. All Groups within the Company have contributed to this result which was helped at the pre-tax level by lower interest charges.

The benefits of the major programme of reorganisation carried through during the last two years are now being achieved and provided that the United Kingdom economy continues to expand, we should achieve a satisfactory year-end result.

From the sound position that we have now achieved we believe that we can find within the range of our present selling and marketing expertise, useful diversification in the UK and overseas. We have now acquired Slotts Industries AB in Sweden and Cadbury Schweppes Australia Limited has recently made an offer for the well known Australian company Tarax Drinks Holdings Limited. Other possible developments are under study.

The Rt. Hon. Viscount Watkinson PC, CH,
Chairman.

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APPOINTMENTS

National Institute of Economic and Social Research

The Institute has a vacancy for a research officer to work on the economics of new technologies in the energy sector. Research experience is necessary and a working knowledge

of German desirable as this is a joint project with a German research Institute. Salary on scale £1764-£4149 according to age and experience.

Applications to Secretary, NIESR, 2 Dean Trench Street, Smith Square, London SW1P 3HE (telephone 222 7665) enclosing curriculum vitae and names of two academic referees.

University of Queensland AUSTRALIA

Senior Lecturer/Lecturer in Accounting

Applicants to have suitable academic qualifications. Experience in Financial Accounting and previous professional and teaching experience are all desirable but not essential.

Salary: Senior Lecturer \$A9644-\$A11,234 per annum. Lecturer \$A8,011-\$A9,390 per annum.

Other Benefits: Superannuation similar to F.S.S.U., housing assistance, study leave, and travelling and removal expenses.

Additional information and application forms will be supplied upon request to the Secretary-General, Association of Commonwealth Universities (Applts), 38 Gordon Square, London WC1H 0PP (Tel: 01-387 8572).

Applications close in London and in Brisbane on 31 October 1972.

The Institute of Development Studies

AT UNIVERSITY OF SUSSEX
BRIGHTON BN1 9RE

RESEARCH OFFICERS

To work with Project Director, Michael Lipton of IDS, and the Tropical Products Institute.

(a) Economist—salary £1,602 p.a.

(b) Specialist in post-harvest storage losses—salary in range £2,307 p.a. to £3,351 p.a.

both to work on the 'Economics and Technology of Estimating and Preventing Rice Losses During Storage, in the Rural Areas of India.'

The appointments are for one year from October/November 72 and include six months field work (overseas allowance paid).

Applications with C.V. and referees should reach Administrator Research by 6 October 1972.

INTERIM STATEMENT



Reaches New High

At 1st September 1972 the value of a ROBECO share reached a new high. During the first eight months of the current year the value rose from £1.226 to £1.266, an advance of nearly 18%. Taking into account the 2½% April stock distribution, worth more than £1.6, the actual appreciation was over 20%.

Favourable trends

This result is mainly due to the favourable price trends on almost all stock markets. In the United States the economy has shown a satisfactory growth—as expected. This growth has been enhanced by a major increase in consumer spending and by a continuous rise in government expenditure. As there is still a reasonable labour and production reserve, profits are expected again to show a further rise in 1973. Another favourable development is that this economy revival is accompanied by a decrease of inflation, which has now been reduced to an annual rate of about 3%.

In Europe inflation is the dominating problem. In almost all countries wage and price increases are far in excess of those in the United States. In Germany these increases were further stimulated by the tax refund of DM. 10,000 million, which was meant as an incentive to the economy. There are, moreover, also indications of widening profit margins, so that company profits may show an increase again.

In France, too, the economy has been stimulated by various government measures, which justify expectations of more favourable trading results.

Investment switches

We have again made a few shifts in our portfolio. In view of the historically high level of the London Stock Exchange, and being apprehensive of the value of sterling, we reduced our holdings in the United Kingdom. In the United States we have held back a bit as the trade cycle there is in a more advanced phase, compared with Europe. Prices on the Tokyo Stock Exchange rose so high, that despite our confidence in the future of Japan, we thought it a matter of prudence slightly to reduce our holdings in that country.

Dividend

An interim dividend, payable on 11th October, has been fixed at £1.7 per share. The intention is again to distribute a final stock dividend from the share premium reserve in March 1973, with a cash dividend by way of alternative. At 1st September a total of 15 million shares were in issue. Thanks to the rise in the value of the shares and allowing for the issue of new shares, the Company's assets have increased to more than £13,800 million, a new high in ROBECO's history.

Copies of the Second Interim Report, the last Annual Report, and a descriptive booklet may be obtained from the Company:—

P.O. BOX 973, ROTTERDAM, HOLLAND

CHAIRMAN'S STATEMENT

Peter Brotherhood Limited

(Manufacturers of Precision Machinery)

The following are extracts from the Statement by the Chairman, Mr. W. Gardner, circulated with the report and accounts.

The profit for the year to 31st March, 1972, was £565,854 compared with the year ended 31st March, 1971, of £563,416. This narrowly exceeds the estimate of not less than £550,000 made in April when declaring the interim dividend. At that time the Directors expressed their intention of recommending that the final dividend be maintained at 12½ per cent (or 6-25p per share). Under the provisions of the Finance Act 1972, it is advantageous to defer payment of the final dividend on the Ordinary Shares until 2nd April, 1973, and the Directors recommend this course of action. To compensate for the delay in payment, it is further recommended that the rate of dividend be increased by 1 per cent (or 0-5p per share) to 13½ per cent (or 6-75p per share) making a total of 18½ per cent (9-25p per share). After taxation, £50,382 is left to be added to reserves.

Trading results for the year have turned out to be almost the same as those of the previous year. These were achieved from an insignificant increase in invoiced sales, but with substantial changes in the operation of the Company.

Our order book for steam turbines remains satisfactory and in recent months there has been an encouraging, although small improvement in both enquiries and firm orders for reciprocating compressors. With regard to other industrial machinery, our orders are reasonable in view of the thoroughly depressed state of the capital goods section of the engineering industry. Almost eighty per cent of our current orders are for export.

During the year we were engaged in plant-level negotiations with our workpeople who had submitted a demand for substantially-increased wages and, during negotiations, stoppages of work were suffered. However, a settlement was reached and good progress is now being made in restoring lost production.

It is too early to give any forecast of the results for the year to 31st March, 1973, but that I intend to do when announcing the interim dividend early next year.

Copies of the full report and accounts may be obtained from the Secretary, Peter Brotherhood Limited, Walton, Peterborough PE4 6AB.

APPOINTMENTS

CIVIL SERVICE COLLEGE

Assistant Research Officer Economics

The Civil Service College provides a wide range of management training for civil servants at its three centres in Sunningdale, London and Edinburgh.

The post to be filled, which is under the direction of the Director of Studies in Economics, will be based at the London centre, Belgrave Road, London SW1.

Qualifications: Normally 1st or 2nd class honours degree, or a post-graduate degree, in an appropriate subject. Candidates should have an aptitude for and an interest in the assembling of material from diverse sources and the ability to present written case studies clearly and concisely.

Salary: £1,530 rising to £2,476. Starting salary may be above the minimum. Initial appointment will be for 2 years on a temporary basis with FSSU superannuation.

Further details and an application form to be returned by 26 October can be obtained from The Secretary, Civil Service College, Sunningdale Park, Ascot, Berkshire, SL5 0QE. Please quote reference H/13/6/D.



Economic Consultants Limited

We have vacancies for economists of real ability. Our work is mostly in the following fields:

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- TOURISM**: development studies at home and abroad.

Qualifications: a First or good Second in economics or closely related subject. Fluency in French, German or Spanish an advantage (current jobs in Britain, Europe, Caribbean, S. America, S. E. Asia etc.). We particularly want people with some experience of economic research or applied work. Above all, we want people who are both industrious and capable of producing ideas in research.

Starting salary: by negotiation (young economists in range £1,500 to £2,500; middle level £2,500 to £3,500). Our policy is to give rapid promotion with generous annual increases. Full non-contributory superannuation and life insurance.

Please write to W. F. Luttrell, Managing Director, Economic Consultants Limited, 36/38 West Street, London, WC2H 9NA, enclosing full details of age, education, qualifications and experience, with the names of two referees (one of whom should be from the applicant's university).

University of Liverpool

DEPARTMENT OF ECONOMIC HISTORY

Applications are invited for the post of temporary **RESEARCH ASSISTANT** in conjunction with a S.R.C. financed research project "The Supply of Capital and the Economic Development of Merseyside, 1880-1880." The salary will be at the rate of £1410 per annum and the person appointed will be required to take up the appointment as soon as possible. Applications, including the names of two referees, should be sent to the Registrar, The University, P.O. Box 147, Liverpool, L69 3BX, not later than 23 October, 1972. Quote ref. RV/E/14072.

University of New South Wales

Lecturer

SCHOOL OF ECONOMICS

Salary: \$A6301 range \$A9390 per annum (under review). Commencing salary according to qualifications and experience.

High academic qualifications required. Applications from persons interested in any field of economics will be considered, but preference will be given to specialists in microeconomics.

Details of appointment, including superannuation, study leave and housing scheme, may be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PP (Tel: 01-337 4572).

Applications close in Australia and London on 31 October 1972.

London £5,000+ THE CENTRE FOR BRITISH TEACHERS IN GERMANY

GENERAL MANAGER - U.K.

The Centre for British Teachers in Germany invites applications for the new position of General Manager-UK, who will be based in London.

The Centre, which was established in 1968, selects British teachers for posts in West German secondary schools at the request of the Ministries of Education in five West German States. At present 450 teachers are serving with the Centre. Besides recruiting teachers, the Centre develops teaching programmes, conducts orientation courses, looks after the welfare of teachers in Germany and helps them to resettle in the UK when they return.

The General Manager-UK will be responsible to the Chairman of the Centre for the efficient operation of the UK activities of the Centre. This involves planning the annual recruitment and training programmes, co-ordinating recruitment, conducting interviews and briefing conferences and exercising overall financial control. He will be assisted by six executives and other supporting staff.

Requirements

- * Preferably an honours graduate
- * Good management experience in controlling staff who are required to meet exacting deadlines
- * Age 35 to 45.

Salary will be negotiable from £5,000.

Brief but comprehensive details of your career and salary to date, which will be treated in confidence, should be sent to ME 006, Executive Selection Division.

Cooper Brothers & Co. Limited,
Management Consultants,
Shelley House, 3 Noble Street, EC2V 7DQ



APPOINTMENTS



THE WORLD HEALTH ORGANIZATION

Invites applications for the post of

SCIENTIST

in the Division of Environmental Health in
Geneva

DUTIES INCLUDE:

To advise and carry out studies and draft guide-lines on the following:

- processes of planning, decision-making, analysis and evaluation of environmental health programmes;
- the social and economic impacts of national environmental health programmes; and
- the socio-cultural and other ecological considerations in environmental health planning and programmes.

QUALIFICATIONS REQUIRED:

Degree in engineering or social science; post graduate degree in either environmental health or planning.

SALARY RANGE:

US \$13,578 to US \$17,568 per year net of tax, plus cost of living allowance, dependants' allowance, 6 weeks annual leave and passage-paid home leave every two years, educational grant under certain conditions, sickness insurance and pension fund scheme.

DURATION OF APPOINTMENT:

Initially 2 years.

Interested applicants should write within two weeks, attaching a detailed curriculum vitae, to Chief, Personnel, World Health Organization, Avenue Appia CH-1211-Geneva 27. Quoting "Vacancy DIS." Only candidates who have the requisite experience and qualifications will receive a reply and may be invited to complete the standard WHO application Form.

Opportunities Overseas ECONOMISTS

MALAWI

To collate and analyse the data on Malawi transport requirements, and review the present position, with the object of establishing firm guidelines for transport investment policy over the next ten years. Candidates, 30-50 years, must be experienced and well qualified transport economists who are well versed in modern quantitative techniques of transport economics. In addition to salary which is to be arranged a variable tax-free overseas allowance of £545-£930 p.a. is also payable. Tour 6-12 months. Appointment will be with the Overseas Development Administration, Foreign and Commonwealth Office. Terms of service include return passages for officer only, paid leave, and free accommodation. Candidates should normally be citizens of, and permanently resident in, the United Kingdom.

LESOTHO

To carry out an economic analysis and appraisal of the Ministry of Works road, water and sewage projects; review and advise on consultants' reports; prepare and implement development projects; assist in combining development projects proposals into sectoral programmes for inclusion in medium term and annual plans; prepare progress reports; submit applications for technical assistance personnel and equipment. Candidates, between 25-50, must have a degree in economics and preferably five years postgraduate experience mainly in the field of appraisal and economic justification of projects preferably covering roads, water and sewerage.

In addition to salary which is to be arranged a variable tax-free overseas allowance of £335-£955 p.a. is also payable. Terms of service include free family passages, paid leave, education grants and free accommodation and medical attention. Appointment for two years.

Candidates should normally be citizens of, and permanently resident in, the United Kingdom.

For more information about these vacancies write, giving your age and a brief statement of your qualifications and experience, to:

The Appointments Officer,
Room E301,
Foreign & Commonwealth Office,
OVERSEAS DEVELOPMENT
ADMINISTRATION,
Eland House, Stag Place,
London, SW1E 5DH



APPOINTMENTS

Sheffield Polytechnic

DEPARTMENT OF ECONOMICS
AND BUSINESS STUDIES

Lecturer II/Senior Lecturer in Managerial Economics

Managerial Economics is an increasingly important element in economics courses taught throughout the Polytechnic.

The department seeks to appoint a suitably experienced graduate to join a team of economists developing the teaching of this subject both within and outside the field of business studies. The person appointed will have substantial responsibility for the subject on existing courses and will be expected to undertake further development work on new courses up to final year undergraduate level.

Salary scales: Lecturer Grade II—£2355-£3083. Senior Lecturer—£3131-£3495 (bar)—£3768.

Application forms and further details are available from the Staffing Officer, Sheffield Polytechnic, Hilders House, Fitzalan Square, Sheffield S1 2BB to whom completed forms should be returned as soon as possible.

New Zealand

UNIVERSITY OF
CANTERBURY
CHRISTCHURCH

Chair of Sociology

The Council of the University invites applications for the Chair of Sociology. The appointee will be required to undertake the direction of teaching and research in the field of Sociology, together with the general administration of the Sociology Division of the Department. Applicants should have proven research and teaching ability in one of the recognised fields of Sociology.

The present salary for a Professor is within the range of \$NZ11,693 to \$NZ14,947 per annum. The commencing or subsequent salary of the appointee may be increased as a result of the review of individual professional salaries which the University makes at the beginning of each year.

Particulars, including information on travel and removal allowances, study leave, housing and superannuation may be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on 15 November 1972.

University College of North Wales

BANGOR

Department of Economics

Applications are invited from persons with good Honours degrees in Economics and/or Accounting for the post of LECTURER IN ACCOUNTING or BUSINESS FINANCING. The person appointed should have a special interest in either Accounting or Business Finance; for the former a professional Accountancy qualification is desirable.

The post is to be filled as soon as possible and the appointee will be expected to be responsible for a new degree course in Accounting and Financial Administration for which the first student intake will be in October, 1973.

Salary will be on the scale £1,764-£4,299, according to age, qualifications and experience. Further particulars of this post can be obtained from the Secretary and Registrar, and applications (two copies) giving details of age, qualifications and experience, together with three referees, should be sent to the Secretary and Registrar, University College of North Wales, not later than 20th October, 1972.

University of New England

ARMIDALE, NEW SOUTH WALES

Lecturer in Politics

Applications will be considered from persons with an interest in any of the major sub-fields of the discipline. In forthcoming appointments the Department will be seeking at least one person with specific interests in political philosophy and political theory.

An earlier advertisement gave an incorrect closing date and this further advertisement does not indicate dissatisfaction with original applicants. It will not be necessary for such persons to re-apply as applications will be included with this advertisement.

Conditions include provisions for travel and removal expenses, superannuation, assistance in buying or building a house and study leave. Study leave grants are available and credit may be given for existing study leave entitlements.

Salary: \$A8,607 range \$A9,286 (Base plus 7 increments).

Further information can be obtained from the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on 3 November 1972.

Australian National University

Senior Lecturer or Lecturer in Accounting and Public Finance

Applications are invited for appointment to a Lectureship or Senior Lectureship in the Department of Accounting and Public Finance in the Faculty of Economics. The successful applicant, who will be expected to take up duty as early as possible in 1973, will be required to conduct classes in one or more of the fields of public authority accounting, national economic accounting and public finance.

Salary on appointment will be in accordance with qualifications and experience within the ranges: senior lecturer \$A9619 x \$323-\$A11234 per annum; lecturer \$A6804 x \$360-\$A9387 per annum.

Appointment is for three years in the first instance with provision for re-appointment to age 65 years.

Superannuation is on the FSSU pattern with supplementary benefits. Reasonable travel expenses are paid and assistance with housing is provided for an appointee from outside Canberra. Financial assistance towards leave is available.

Further information and the forms which should accompany an application may be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on 6 November 1972.

APPOINTMENTS

University of Newcastle upon Tyne

DEPARTMENT OF ECONOMICS

Applications are invited from graduates in Economics for the post of JUNIOR RESEARCH OFFICER. Assist Professor C. K. Rowley in analysing the economic performance of the British Steel Corporation since its inception in 1961. Preference will be given to a candidate who has specialised in micro-economic theory and with knowledge of relevant statistical techniques. The appointment will be from 1st January, 1973 or such other date as may be agreed, and will be for one year.

Salary will be at an appropriate point on the scale £1,236 x £18-£1,392 x £34-£1,476 according to age, qualifications and experience.

Further particulars may be obtained from the Registrar, The University, Newcastle upon Tyne NE1 7RU, with whom applications (3 copies), together with the names and addresses of two referees, should be lodged not later than 25th October, 1972. Please quote reference E.

University of London

Chair of Industrial Sociology at Imperial College

The Senate invite applications for the newly instituted Chair of Industrial Sociology in the Industrial Sociology Unit at Imperial College with effect from 1 January 1973. Preference will be given to candidates who have had industrial experience and whose research field is in the industrial and practical aspects of the subject. Initial salary to be agreed but not less than £4800 per annum plus £182 London Allowance. Applications (10 copies) must be received not later than 6 November 1972 by the Academic Registrar, (E) University of London, Senate House, London WC1E 7HU, from whom further particulars may be obtained.

University of Salford

Research Assistant

The SSRC is financing an enquiry into the determinants of capital expenditure by Local Authorities under the joint direction of Professor R. J. Nicholson University of Sheffield and Mr. N. Topham University of Salford.

A research assistant will be appointed to the project for one year in the first instance. Applicants should preferably have a good degree in economics, whilst an interest in quantitative work an advantage.

Salary: £1518 to £1779 pa with FSSU.

Further particulars and applications are obtainable from the Registrar University of Salford, Salford M6 4WT, to whom completed forms should be returned by 20th October 1972 quoting reference ECON/22/E.

University of Strathclyde

DEPARTMENT OF GEOGRAPHY

Lectureship in Economic Geography

Applications are invited for a Lectureship in the Department of Geography from Graduates with interests in the field of Economic Geography and preferably with knowledge of quantitative techniques.

Salary Scale—£1764-£4299 (from 1st October 1973) with P.S.S.U.

Application forms and further particulars (quoting 42/72) may be obtained from the Registrar, University of Strathclyde, Glasgow G1 1XW with whom application should be lodged by 30th October, 1972.

New Zealand

UNIVERSITY OF CANTERBURY

CHRISTCHURCH

Applications are invited for the following position: SENIOR LECTURER OR LECTURER IN POLITICAL SCIENCE

Applications are particularly invited from persons whose qualifications or interests are in the field of East or South-east Asian Comparative Politics.

Applications for these two positions close on 15 November 1972. The salary for Lecturers is on a scale from \$NZ5589 to \$7149 per annum and for Senior Lecturers \$NZ7278 to \$8579 (bar) \$8839 to \$NZ9358 per annum.

Particulars, including information on travel and removal allowances, study leave, housing and superannuation may be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Harrow College of Technology and Art

NORTHWICK PARK, HARROW, MIDDLESEX HA1 3TP.

Lecturer Grade I in Economics

Applications are invited for appointment as Lecturer Grade I in Economics (temporary in the first instance). Candidates who should be graduates and preferably have some industrial or commercial experience, will be required to teach Economics to National Certificate and Professional courses.

Salary within the range £1,493-£2,625 according to qualifications and experience.

Further details and application forms, returnable within 14 days, from the Principal.

For further appointments
see pages 5, 7, 114 to 122

Transportation Planners

Economics — Research and Development — Planning Studies

There are a number of posts to be filled in the Transportation Planning Department of Atkins Planning, a member of the W. S. Atkins Group.

The Department undertakes a wide variety of work in urban and regional planning associated with urban transportation and highway planning, airport planning, new town expansion schemes, research studies in urban areas, sub-regional highway network planning and developments such as regional shopping centres.

TRANSPORTATION ECONOMIST

A senior planner to advise on the economic aspects of transportation planning studies and also to fulfil a study management role. Practical experience in the application of economic theory to the planning of highways and public transport is essential. Experience in the economics of transport operations would also be an advantage.

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To undertake work of a research and development nature. Practical experience or appropriate post graduate work in the transportation planning process is essential together with a knowledge of computer programming.

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To work in teams engaged upon a number of planning studies. A post-graduate qualification in transportation planning would be an advantage and practical experience is necessary.

All applicants should have an honours degree in an appropriate discipline.

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Miss C. Hill,

Employee Relations Department,
Gulf Oil Company—Eastern Hemisphere,
Gulf House, 2 Portman Street,
London, W1H 0AN.



APPOINTMENTS

Industrial Relations Overseas

Assistant Editor for international relations of our Industrial Relations Service. Good English and some knowledge of British industrial relations are essential. He, or she, will have to interpret accurately technical documents in French, and hopefully also German or Dutch. The job has prospects for an applicant now earning at least £2,250 per annum.

Write to Managing Director, Incomes Data Services Ltd., 140 Great Portland Street, W1.

London School of Economics (UNIVERSITY OF LONDON)

Applications are invited for appointment from October 1 1973 to Lectureships in Economics on the salary scale £1,764 x £159—£1,923 x £156—£2,079 x £159—£2,510 x £156—£3,666 x £159—£4,143 x £156—£4,299 a year plus £162 a year London Allowance, with superannuation benefits. In assessing the starting salary, consideration will be given to qualifications, age and experience. There will be vacancies in established and one-year temporary appointments. Candidates interested in any field of economics are invited to apply.

Applications should be received not later than 1 November 1972 by the Administrative Secretary, Economics Department, The London School of Economics and Political Science, Houghton Street, Aldwych, London WC2A 2AE, from whom application forms may be obtained.

University of Salford

DEPARTMENT OF ECONOMICS AND GEOGRAPHY

Lecturer in Economics

Applications are invited from Economists with a special interest in Industrial Economics. Particularly well qualified candidates may be considered for appointment at the Senior Lecturer level. Salary Scale: Lecturer—£1,764—£2,079 p.a. FSSU. Senior Lecturer—£2,510—£3,666 p.a. FSSU. Further particulars and application forms may be obtained from the Registrar, University of Salford, Salford M5 4WT to whom completed applications should be returned by 20th October 1972 quoting reference ECON/21/E.

Marketing Assistant

An opportunity awaits a "graduate type" (male or female) as Assistant Statistician in the Marketing Department of one of Britain's leading service industries. The successful applicant will be expected to collate, analyse, and present statistical information covering existing and developing activities, to maintain records covering relative trends in the industry and to assist in research activities by liaising with Data processing agencies and market research organisations. He or she should have a mind which is trained in statistical disciplines, but still capable of original thinking, coupled with enthusiasm and initiative. Benefits include a salary in the region of £1,500, company pension scheme, subsidised dining room, good office accommodation, and a commencing annual holiday of three weeks. Write, giving details to: Mr. P. Benton, Initial Services Ltd., Linen Supply Division, 300 Goswell Road, London, EC1V 7LU.

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Salary up to £3,687 plus 25% gratuity

Required by Planning Division of Ministry of Finance & Planning to undertake work relating mainly to Development Programmes for roads, Airports, Railway, Harbours and Posts and Telecommunications. The work will also include evaluation of implementation of approved development programmes of Kenya's infrastructure. Candidates should have good honours degree in Economics or relevant field from a recognised University. An M.A. in Economics or PhD degree preferred. Working experience in transport and infrastructure, preferably in a developing country, desirable.

One tour of twenty-four months in the first instance. Nearly half salary is paid tax free by the UK Government under the programme of aid to developing countries. Other benefits include a possible appointment grant up to £200, a car loan of £600, subsidised housing and free passages. Write for further details and application form to

CROWN AGENTS, M. Division, 4, Millbank, London, SW1P 3JD stating name, age, brief details of qualifications and experience and quoting reference number M3A/720909/EN.

MANAGEMENT EDUCATION

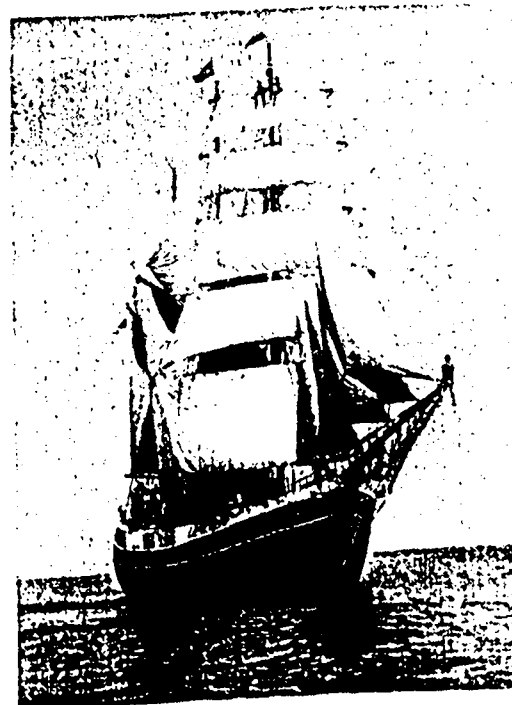
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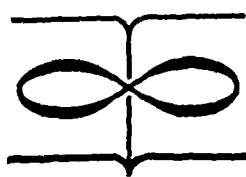


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Any further information, copies of the prospectus and application forms may be obtained by telephoning or writing to:

Miss Ann Adams,
Registrar (Business Economics Programme),
London Graduate School of Business Studies,
Sussex Place,
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Applications are invited for the post of Research Fellow in the Centre for Research on Federal Financial Relations, Faculty of Economics. The Fellow will be expected to undertake and report the results of economic analysis. Research experience in the field of public finance is desirable.

The Centre for Research on Federal Financial Relations, which is being financed by means of a special research grant from the Commonwealth Government, is attached to the Department of Accounting and Public Finance and is directed by the Head of that Department (Professor R. L. Mathews). The Centre will undertake and sponsor research on all aspects of Australian federal financial relationships, provide opportunities for post-graduate study and publish the results of research. It is expected that the work of the Centre will be especially concerned with intergovernmental financial relations (including the problems of local government), with special reference to the following main areas: (a) expenditure functions; (b) intergovernmental co-operation; (c) taxation; (d) grants; and (e) constitutional issues affecting financial relationships. Salary on appointment will be in accordance with qualifications and experience within the range \$A6804 x \$504-\$9324 per annum. Appointment is for three years in the first instance with provision for re-appointment to a maximum of five years.

Superannuation is on the FRSU pattern with supplementary benefits. Reasonable travel expenses are paid and assistance with housing is provided for an appointee from outside Canberra. Further information and the forms which should accompany an application may be obtained from the Association of Commonwealth Universities (Appl), 36 Gordon Square, London WC1H 0PP (Tel: 01-387 8372). Applications close on 6 November 1972.

Paisley College of Technology

Research Fellowship

Applications are invited for a RESEARCH FELLOWSHIP. This post is sponsored by the Highlands Development Board and is tenable for 14 months at Paisley College. The project to be undertaken concerns the feasibility of establishing new businesses based largely on expenditure by tourists in the Highlands and Islands.

Candidates should have a good Honours degree in Economics or a related discipline. Statistical training is essential and evidence of successful independent research advantageous. Salary £1,500 per annum.

Closing date for applications October 20th, 1972.

Full particulars and application forms from The Head of Department, Department of Social Studies, Paisley College of Technology, High Street, Paisley PA1 2BE, Renfrewshire.

Oxford Management Centre

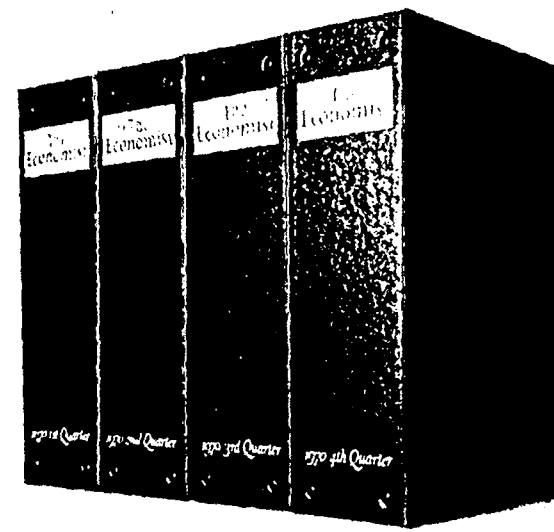
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Applications to: The Director, Oxford Centre for Management Studies, Kennington, Oxford OX1 3NY

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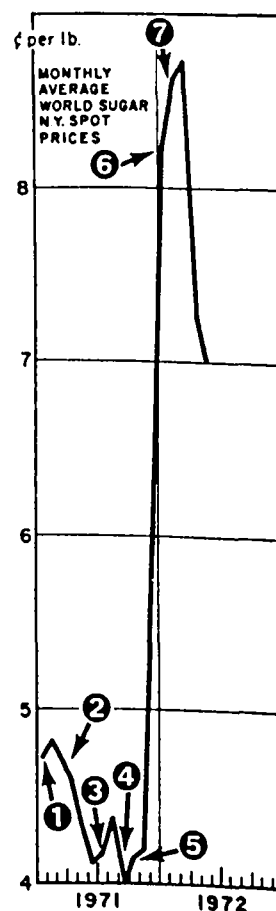
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- 1 Jan. 1971 — Sell on near term advance. Weakness will follow.
- 2 March-April 1971 — Broad downward trend. Buying opportunity around mid-year.
- 3 July 1971 — Expect selling on approach to 4.5¢.
- 4 Aug.-Sept. 1971 — Only moderate further weakness. Add to purchases on weakness. Long term trend up. Maintain long positions.
- 5 Oct.-Nov. 1971 — Long term trend up. Maintain long position.
- 6 Jan. 1972 — New Highs expected first quarter 1972 followed by downward trend in second quarter. (this advice was first given in Aug. 1971.)
- 7 Feb. 1972 — Significant price depression in March.

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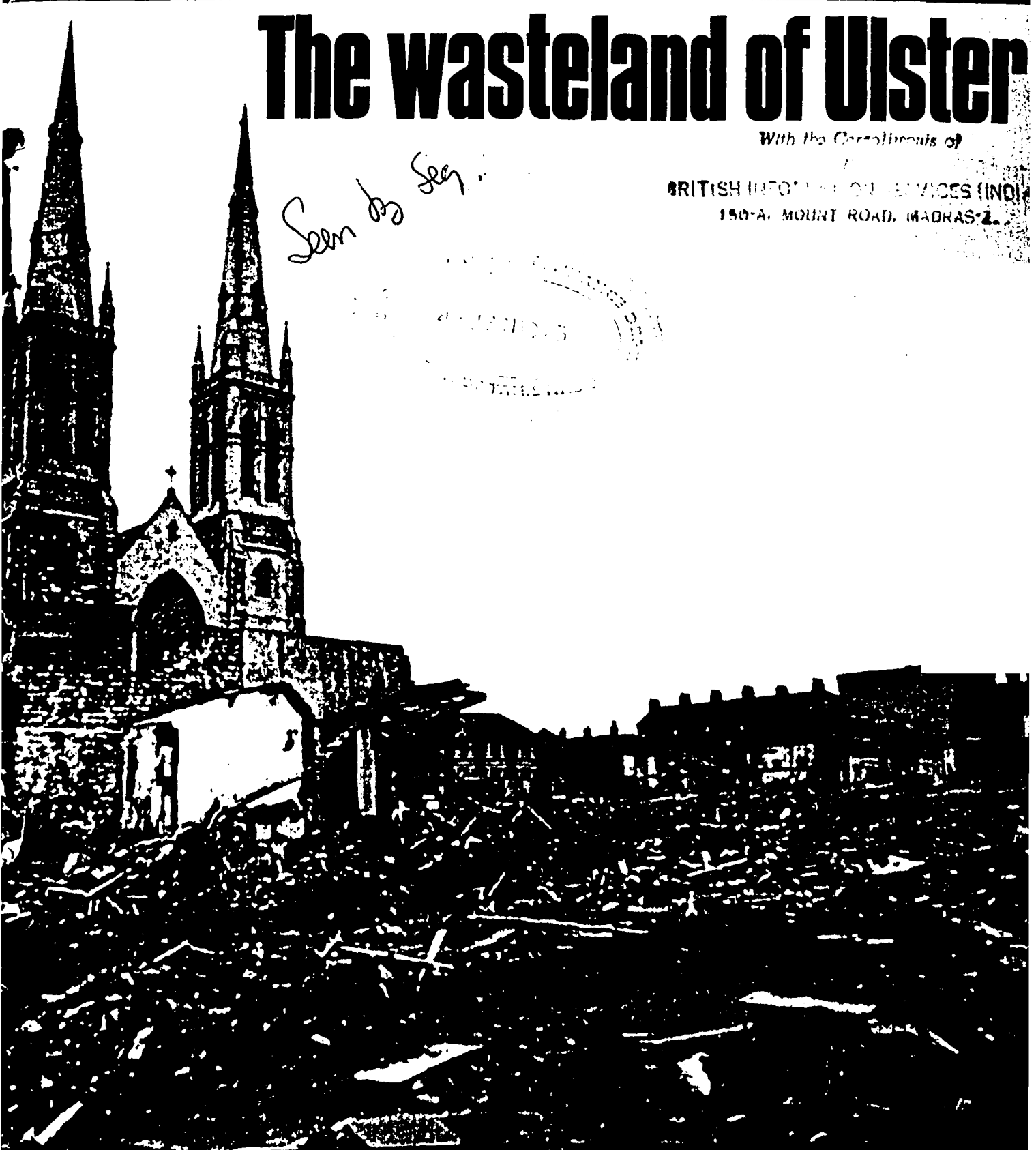
Prices, 1972		British funds		Price, Sept 27 1972	Price, Oct. 4 1972	Net red. yield, Oct. 4 1972s	Gross red. yield, Oct. 4 1972	Eurobonds		Last week's prices	This week's prices	Yield to maturity %
High	Low					6p	6p					
98 1/2	97 1/2	British Electric 3 1/2	1968-73	98 1/2	98 1/2	4.015	6.695	Anglo-American 7 1/2	1987	99-100	98 1/2-9 1/2	7.42
98 1/2	75 1/2	British Electric 3 1/2	1976-79	77 1/2	77 1/2	6.130	7.875	Amoco (L) 8 1/2	1987	94 1/2-5 1/2	94 1/2-5 1/2	8.37
99 1/2	96	Treasury 8 1/2	1980-82	100	100 1/2	5.170	8.695	General American Trans. 8 1/2	1987	102-3	101 1/2-2 1/2	7.78
100 1/2	94 1/2	Treasury 8 1/2	1984-86	97 1/2	97 1/2	5.460	9.045	General Cable 8 1/2	1987	101 1/2-2 1/2	101 1/2-2 1/2	7.83
96 1/2	80 1/2	Funding 6 1/2	1985-87	80 1/2	80 1/2	5.855	8.820	International Utilities 8 1/2	1987	101-2	100 1/2-1 1/2	7.95
96 1/2	54 1/2	British Transport 3 1/2	1978-88	55 1/2	56 1/2	6.275	8.055	Klenwort Benson 8 1/2	1987	103-4	103-4	7.64
86 1/2	69 1/2	Funding 6 1/2	1993	71 1/2	71 1/2	6.020	9.090	Motorola 8 1/2	1987	103-4	103-4	7.41
111 1/2	94 1/2	Treasury 9 1/2	1994	98 1/2	98 1/2	5.665	9.510	N. American Rockwell 8 1/2	1987	102-3	101 1/2-2 1/2	7.41
58	46 1/2	British Gas 3 1/2	1990-95	60 1/2	60 1/2	6.140	8.115	Pennwalt 8 1/2	1987	102-3	102-3	7.52
89 1/2	75	Treasury 5 1/2	1995-98	74 1/2	74 1/2	5.965	9.310	Queensland Alumina 8 1/2	1987	101-2	101-2	7.86
73 1/2	54 1/2	Treasury 5 1/2	2008-12	60 1/2	60 1/2	5.925	9.355	Wellcome 8 1/2	1987	102-3	101 1/2-2 1/2	7.81
43 1/2	36 1/2	War Loan 3 1/2	after 1952	37 1/2	37 1/2	5.655	9.550	Williams and Glyns 8 1/2	1987	103-4	102 1/2-3 1/2	7.70
30 1/2	25 1/2	Consols 2 1/2		26 1/2	26 1/2	5.715	9.525	Inter-American Devel. Bank (DM) 6 1/2	1987	99 1/2-100 1/2	99 1/2-100 1/2	6.62
								Malaysia (DM) 7 1/2	1987	97 1/2-8 1/2	96 1/2-7 1/2	7.22
								Slater Walker (L/DM) 7 1/2	1987	101-2	100-1	7.02

Prices, 1972		Ordinary stocks		Price, Oct. 4 1972	Change on week	Yield Oct. 4	Prices, 1972		Ordinary stocks		Price, Oct. 4 1972	Change on week	Yield Oct. 4				
High	Low						High	Low									
383 1/2	268	Banks, other financial	FI 354 1/2	-1.2	4.8	118	89	Breweries, etc.	99p	+1 1/2	3.5	74.9	58.7	Hoesch	DM 65 1/2	-0.3	4.6
84	57.8	Algemeen Bank	FI 73	+1.2	4.7	69	55	Allied Breweries	\$60 1/2	-1 1/2	0.9	220.3	145 1/2	Mannesmann	DM 196 1/2	-5.3	5.1
370	257	Aust & NZ Bank	330p	+1.5	3.2	194	148	Anheuser-Busch	166p	+1.9	3.0	91	52	Nippon Steel	Y91	+7	5.5
48	37 1/2	Bank of America	440p	+1.3	3.5	165	132.8	Bass, Charrington	FI 148 1/2	+1.4	2.4	104.8	65.2	Rheinstahl	DM 83 1/2	-1	...
500	370	Bank of Montreal	410 1/2	-1.0	3.1	217	106	Courage	188p	-7	2.3	85.8	68	Thyssen Huetten	DM 76	-1.3	4.6
11 1/2	8 1/2	B of Nac de Mexico	P 95	-4.8	7.8	41 1/2	33 1/2	Distillers	171p	+1 1/2	3.9	34 1/2	28 1/2	US Steel	\$29 1/2	+1 1/2	5.5
116 1/2	84	B of NS Wales	435p	+1.0	2.2	470	420	Distill Seagrams	\$38 1/2	-1	1.8	117.1	85.9	Usinor	Fr 109	-3	8.2
740	525	B of Scotland	640p	-5	3.1	244	182	Dortmund Union	DM 425	-9	2.4	52.2	40	Wendel-Sidol	Fr 47 1/2	+2.55	10.2
2840	2310	B Bruxelles	Fr B 2840	+1.0	4.4	349.9	238 1/2	Guinness	193p	+7	3.8						
238.6	183.3	B de Paris Pays Bas	Fr 217 1/2	-3.4	5.2	327	234	Heineken	FI 324.9	+29.9	1.1						
66	53 1/2	Bankers Trust	\$66	+4 1/2	4.3	20 1/2	15 1/2	Kirin Brewery	Y 327	+2.0	2.3						
492	298	Barclays	415p	+7	2.3	127	88 1/2	Nat Distillers	\$16 1/2	-1 1/2	5.4	185 1/2	132 1/2	AEG Telefunken	DM 161	-0.8	3.1
15 1/2	11 1/2	Can Imp Com	414 1/2	-1	1.9	103 1/2	70	Scottish & Newc	108 1/2p	+4 1/2	3.0	295	236	ASEA	Kr 273	+6	3.6
121 1/2	78	Charterhouse Group	102p	-1	4.0	114 1/2	84 1/2	South African Br	98 1/2p	-4 1/2	3.4	218	155	BICC	165p	+2	4.7
66	52	Chase Manhattan	\$64 1/2	+1 1/2	3.1			Whitbread 'A'	102p	+1.2	3.6	558	402	CGE	Fr 534	+11	4.3
59 1/2	48	Chemical Bank NY	\$51 1/2	+1 1/2	5.6							128 1/2	105	Chloride Electric	105p	-1	3.9
257	225.2	Commerzbank	DM 232	-1	3.7			Building, building materials				75 1/2	52 1/2	Comsat	\$60	+1	0.8
182	148 1/2	Credit Commercial	Fr 172 1/2	-1	4.8	346 1/2	206	Assoc Portland	217p	-34	4.3	232	160	Decca	178p	+20	2.7
350	370	Credit Foncier	Fr 424	-7 1/2	5.1	246	148	BBP Industries	156p	-4	4.5	322	181	EMI	178p	+5	3.6
350	369.5	Credit Suisse	Fr S 424.5	+25	1.9	20 1/2	9 1/2	Boise Cascade	\$9 1/2	-2.5	5.1	295	256	Electrolux 'B'	Kr 311	+5	3.2
350	310	Deutsche Bank	DM 333 1/2	+1	2.7	514	252	Bovis Lend	407 1/2	-25	1.5	295	256	LM Ericsson 'B'	Kr 265	+1	2.0
289	255	Dresdner Bank	DM 274	+1	3.3	276	195	Ciments Lafarge	Fr 254	+1	5.5	70 1/2	46 1/2	General Electric	\$65 1/2	-1	2.1
73 1/2	43 1/2	First Nat City	\$73 1/2	+1	1.8	279.5	2100	Cimenteries Briq	Fr B 2680	+5	4.8	195	142	GEC	\$145p	-1	2.8
652	355	Fuji	Y 635	-2	0.9	143	105	Costain	250p	-1.2	3.0	33	25 1/2	Gen Tel & Elec	\$326 1/2	-1 1/2	5.7
490	335	Hambros	420p	+10	2.1	266.50	19050	Eng China Clays	128 1/2p	+13 1/2	2.0	198	106	Hitchiti	Y 198	+14	3.0
208	142	Hill, Samuel	152p	-1	2.9	191 1/2	149 1/2	Italcementi	L 25760	+170	1.7	167 1/2	122	Honeywell	\$122	-1 1/2	1.1
1 1/2	1	IOS Mgmt	\$1	-1	1.6	121 1/2	74	Laing 'A'	152p	-1	1.6	41 1/2	16	Hoover	\$31 1/2	+1 1/2	1.9
23	13 1/2	Hongkong & Sh	223	+2 1/2	2.7	139	95	London Brick	85p	+5	4.0	423 1/2	331 1/2	IBM	\$403 1/2	-3 1/2	1.3
209	130	Kleinwort Benson	Fr B 7400	+100	2.7	375	303	Marley	106p	+5	4.1	155	82	Int Computers	87p	+5	(n)
7420	5830	Kreditbank	DM 407	+1	2.4	170	124	Pilkington Bros	320p	-1	3.3	91	76	Machines Bull	Fr 88.8	+5	1.5
410	330	Kundenkredit	Fr B 2465	-5	3.4	182	121	Redland	143p	+8	3.5	769	507	Matsumita	Y 674	+5	1.5
2500	1840	Lambert L'ind	335p	-20	3.0	174	133	Rugby Portland	130p	-1	2.9	905	537	Philips	153p	+52	3.2
457	320	LBI	650p	-18	2.5	310	242	Steeley	146p	-2	3.6	179	133	Plessey	\$70p	+7	3.3
850	601	Lloyds	318 1/2	-1	4.1	360	253	Tarmac	258p	-1	3.7	45	33 1/2	RCA	\$34	-1 1/2	2.9
39	30	Manuf's Hanover Tr	L 79250	+1250	1.4	275	212	Taylor Woodrow	230p	+14	1.1	122	73	Redifusion	109p	-1	4.0
82405	62670	Mediobanca	103p	+1	3.7							296 1/2	204.3	Reyrolle Parsons	84p	+3	1.2
146 1/2	99	Mercantile Credit	176p	-6	2.0			Catering, hotels, entertainment				47 1/2	29 1/2	Siemens	DM 273	+2	2.6
256	170	Mercury Secs	428p	+10	2.7	173	140	ATV 'A'	145p	+3	5.2	189 1/2	117 1/2	Sony	Y 5180	+230	0.3
530 1/2	348	Midland	Y 398	-1	1.3	62 1/2	45 1/2	CBS	\$52 1/2	-3 1/2	2.7	190	95	Sperry Rand	\$43 1/2	-1 1/2	1.6
440	202	Montagu Trust	263p	-2	1.9	280	202 1/2	Granada 'A'	318p	-1	2.9	552	458	Texas Instruments	\$174 1/2	+1 1/2	0.5
108	71 1/2	Morgan J P	\$108	+3	2.6	275	200	Grand Metropolitan	206p	-1	1.7	118	68	Thomson-Houston	Fr 187	+12 1/2	3.7
150	89	Nat & Grindlays	112p	+9	3.7	55 1/2	39 1/2	Holiday Inns	\$40 1/2	-1	0.6	68 1/2	41 1/2	Thorn Electrical	\$44p	+22	1.4
4.30	2.80	Nat Australasia	\$A3.58	-0.02	2.5	434	362 1/2	Lyons 'A'	415p	+1.9	2.4	54	39 1/2	Toshiba	Y 117	+8	4.3
250	176	Nat Com Grp	193p	+3	2.6	246	167	Trust Houses-Forte	216p	+7	4.6			Western Union	\$49 1/2	+1 1/2	2.8
492	300 1/2	Nat West	398p	+8	2.3									Westinghouse	\$40 1/2	-1 1/2	2.2
152 1/2	120	Norsk Creditbk	\$139	+4	6.5			Chemicals									
18 1/2	13 1/2	Royal Canada	217 1/2	+1	2.4	79.2	62.8	AKZO	FI 71-2	+4.9	5.1	237	178	Engineering, shipbuilding			
915	608	Schroders	745p	+30	1.4	815	520	ANIC	L 595	+75	...	245	214	Acrow 'A'	158p	-12	3.2
309	229	Slater Walker Secs	238p	+6	3.5	183.3	137	Amer Cyanamid	\$34 1/2	+7 1/2	3.6	45	24	Atlas Copco	Kr 225	+6	2.2
2920	2910	Soc Gen de Banque	Fr B 3200	+25	4.6	409	321 1/2	BASF	DM 157 1/2	+2	4.8	94 1/2	67 1/2	BSA	26 1/2p	+1 1/2	...
3220	2640	Soc Gen de Belgique	Fr B 2875	+10	4.9	152	129.2	Baycr	DM 134-4	+1.1	4.9	187	139	Babcock & Wilcox	89p	+6	2.7
359	328	Standard & Chart	455p	-10	3.1	2990	2240	CIBA-GEIGY	Fr S 2650	-80	100 1/2	1460	1150	John Brown	138p	+2	8.6
550	380	Suez	Fr 380	+10	0.9	97 1/2	78	Dow	\$94 1/2	+2	3.0	100 1/2	64	Johnson Govei 'A'	Fr S 1325	+10	3.8
635	362	Sumitomo	Y 645	+10	2.0	183	144 1/2	Dupont	\$166 1/2	+5	3.1	236 1/2	167	Cohen Govei 'A'	64p	-2	5.8
4440	3670	Swiss Bank Corp	Fr S 4045	+30	2.2	423	327	Fisons	370p	+5	6.0	60	36	Davy Ashmore	DM 193-8	+1	3.2
4805	3885	Union Bank Swiss	Fr S 4580	+15	2.0	30 1/2	25	W R Grace	\$25 1/2	-2 1/2	5.1	425	342	Deimat	DM 193-8	+9.7	1.4
637	435	United Discout	460p	-10	5.2	176.9	146	Hoechst	DM 146 1/2	+2 1/2	4.9	186	148	B Elliott	45 1/2p	-5	3.6
148 1/2	107	United Dom Tst	125p	...	3.4	312	238	ICI	\$77p	+3	2.2	72	21 1/2	GKN	353p	-2	4.6
						101	80	Laporte	259p	+3	3.5	402	317	Gutehoffnung	DM 156	-2	...
						56 1/2	46	Monsanto	\$90	+1 1/2	3.5	82	63	Harland & Wolff	40p	+1	...
						751	465	Montecatini-Edison	L480 1/2	+7 1/2	1.0	71	37	Hawker Siddeley	327p	+1	4.6
						1140	875	Norsk Hydro	Kr 1080	+17 1/2	6.7	132	76	Head Wrightson	68 1/2p	+2	4.4
						199	156	Rhone Poulenc	Fr 180	+11.9	5.4	17 1/2	10	Alfred Herbert	42p	+3	...
						2930	230	Solvay 'A'	Fr B 2880	+10	4.7	152	106	IHI	Y 132	+7	4.5
						205	136	St Gobain	Fr 198	+3 1/2	3.3	108	42 1/2	Inter Combstn	20p	+1 1/2	...
						255	198	Takeda Chemical	Y 255	+16	3.3	214	169	Inter Comp Air	109p		

The wasteland of Ulster

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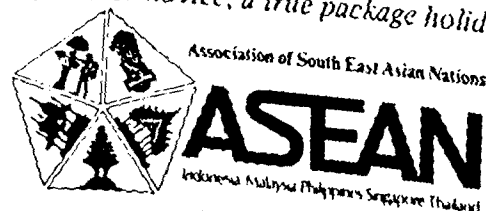
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the common pasar

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October 21, 1972



On to the wasteland

The Protestant gunmen have opened fire on British troops in Belfast, and things will never be the same again. Both the UDA and the IRA are apparently getting ready for a fight to the finish in the Ulster wasteland, page 9. How the hall porter declared war on the army, page 17.



The countdown

The Government's next round of wage talks with the unions moves to No. 10 on Thursday, with Mr Frank Chapple's electricians apparently doing their best to bring on compulsion, page 11. The unions are still divided about a deal with the Tories, although Mr Jack Jones' may have an olive branch, page 73. Wages are roaring ahead by 17 per cent a year, but unemployment is coming down at last, page 92. Sterling fell below the magical-mystical \$2.40 line on Thursday, chiefly on rumour, page 85.

Vote, vote, vote

Election outlooks in Canada, page 28, Germany, page 35, and New Zealand, page 31, and busy days for Irish electors too, page 31.

Golda hits first

Why Israel now plans to retaliate in advance, page 14. Its new line in rabbi, page 36.



Beyond the summit

Europe's Nine have new, realistic targets to aim at, page 12. Their regional policy task, page 70. Their battle with inflation, page 85.



Uganda's unluckiest

There will be only a small residue of the Asians who are classed as stateless, and Britain can take it, page 13. There's too much red tape in the camps here, though, page 21.



Superwho?

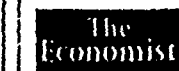
The trouble with big golf is that there are too few superstars to go round nowadays, page 103.

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Letters

Economy

SIR—I am puzzled by your leading article of October 7th.

You seem to think that by simply floating the pound and declaring "let there be 5 per cent growth," the Government will dispose in an instant of all the problems which have prevented successive governments from achieving 5 per cent growth before.

The chief of these is, of course, the balance of payments. The act of floating the pound (or rather—let us call a spade a spade—devaluation) is not a magic spell which suddenly spirits that problem away. On the contrary, over the short term it makes it worse. After the 1967 devaluation it was universally accepted that we needed to "dig a hole," to create the capacity for "export-led" growth, and very tough budgeting measures had to be taken to that end: even so, we had appalling deficits for a year and a half. Since the June devaluation, we have had a consumer boom, a continuing high rate of inflation, virtually no rise in employment and a low (and declining) rate of investment. And now you advocate giving the home consumer a further £1 billion.

Something will have to give somewhere and it will obviously be the balance of payments (soon to be further burdened by our common market contributions). Your faith that a willingness to accept "flexible exchange rates" (ie, further devaluations) will automatically and painlessly dispose of all such trying inconveniences is touching but scarcely persuasive: for a further devaluation, or a decline in the floating rate, will of course only make necessary still further domestic adjustments like those introduced so painfully in 1968-69.

If a floating rate could really make possible uninterrupted growth without tears, as you suggest, it is surprising somebody did not think of it before. It has certainly not worked that way in Canada, now suffering record unemployment. Can it be that a philosophy not unlike that of Mr Maudling in 1964 is going to leave in the lap of the next Labour government precisely the same kind of disaster?—Yours faithfully,
EVAN LUARD
Oxford

Vat

SIR—Several months ago it was suggested to HM Customs and the Treasury that the simplest method of protecting retailers, and thus the public, from the effects of double taxation on the introduc-

tion of Vat would be to allow purchase tax on stock held on All Fools Day to be treated as a Vat input. The idea was rejected since, to quote from a letter from HM Customs: "They had to discard any repayment or rebate schemes based on the purchase tax element in retail stocks because they could not be adequately controlled." A further difficulty was that all retailers could not be expected to take stock on March 31st.

To overcome these difficulties a scheme has been designed (Purchase tax: goods on sale or return, approval, or similar terms). Notice No 77SOR, HM Customs and Excise, whereby retailers store separately and discreetly all stock bought prior to Vat and liable to purchase tax on sale or return, retain records for two years and report stocks individually and separately to each manufacturer or supplier on December 31st and March 31st and on any other date when purchase tax changes.

As anyone who has ever taken stock (even in a metaphorical sense) will appreciate, to take stock for each supplier separately is more time consuming than to take stock in bulk, and to do it a minimum of twice will take longer than doing it once. Perhaps a million shops are, or will be, affected and most deal with a lot of suppliers. When it is realised that this scheme has been designed by a Government which was elected on a promise to reduce the number of civil servants and to cut prices at a stroke, and at a time when the same Government is straining every nerve and sinew to restrain inflation to 5 per cent, one is reminded that those whom the gods would destroy they first drive mad.—Yours faithfully,
C. J. FELL
Newport, Essex

Flexible working

SIR—I liked your article on the four-day week and flexible working (September 30th), but in saying that "schemes do not always catch on," citing a company with 54 per cent of its employees participating, you imply that such a proportion is not enough to treat it as a success. Surely this cannot be right? Any flexible time scheme must be potentially advantageous, both to employer and staff, as apart from anything else improved productivity invariably follows higher morale, and workers coming and going to suit their personal circumstances must be happier people.

It is probably no exaggeration to say that if the major finance houses, banks and the civil service followed the recent lead taken by the insurance industry, the reduction in daily travelling combined with staggered arrival and departure times could solve the transport problems of London and other major cities for years to come. Many have endured a morning and evening nightmare for decades past. The sight of a tube train unable to move until a porter has succeeded in pushing a mass of living creatures closer to each

other than is decent to get the doors closed is disgusting.

Four-day working and flexible time is long overdue. Let there be no further delay in bringing it to reality.—Yours faithfully,
B. B. FOSKETT
St Annes on Sea, Lancs

Road safety

SIR—Your article "No place for children" (August 26th) talks about how safe it is to be in a car in Britain, but how dangerous for people, especially children and the elderly, on the streets and highways.

This is an interesting discussion which goes into detail about signs, lights, instructions to children about play and crossing, all sorts of improvements in criss-crosses, zig-zags, etc, but it doesn't mention one imperative aspect—the speed of the motorist.

I have been in London several times. As I step from the door of the Park Lane, the cars are whizzing by at express train speed down Piccadilly. Crossing, even at the marked sections, is taking one's life in one's hands. I am neither a child nor elderly: I am healthy, vigorous and aware and don't wear glasses. But I shudder when I approach a street crossing. I have visited many large cities in the world, including Tokyo, Rome and Paris (where everyone drives as though he were handling a fire truck) and London still beats them all for pure, unadulterated speed!

How about working on this angle—this is the way you are going to save lives in the streets—and the motorist certainly shares in this. Despite all the protests the curtailment of tempo would bring, it is the one serious factor which, if acted upon, might improve your traffic analysis.—Yours faithfully,
Washington, DC HARRIET S. DANNENHAUER

Jugoslavia

SIR—You seem to forecast a gloomy future for Yugoslavia—if my interpretation of the article "King Tito at home to the Queen" (October 14th), is correct. But is it?

In corroboration of your view you refer to the political trials now being held. A few months ago it appeared to me that the authorities in Yugoslavia had tended to overreact to the Croat events. Having followed reports in the Yugoslav, British and even Comecon press I am not so certain now. I would concur with you that there were justified economic grievances in Croatia (and some that were unjustified and utterly selfish, such as complaints that Croatia's contribution towards the development of Yugoslavia's underdeveloped regions was excessive). The students, the intellectuals, the "supposedly wicked and dangerous nationalists" considered no violence. But there were links, there were flirtations—intended to be innocent—with intellectuals abroad who were equally opposed

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to violence, though a shade more hostile to the Yugoslav system, and they in turn were linked, once again in good faith, with the activists, the terrorists, the assassins who derived encouragement from the contacts, and against the will of the intellectuals translated them into action.

In fact, those now being tried were accessories before the fact—unwittingly so—but there was a chain reaction and the Yugoslav authorities could well be right in stopping it. So far, it seems, justice has been tempered with mercy—bearing in mind the violent activities of the more extreme antagonists of the Yugoslav system.

I know it may not be de rigueur to refer in a political review, which *The Economist* has become, to economic matters. But your statement that "the independence of economic enterprises is to be curtailed" is astonishing. Day by day, almost tediously so, the Yugoslav press quotes leading men and women pressing for a strengthening of the self-management of enterprises. Day by day it calls for more action in this respect and less lip service. There are, it is quite true, restraints, particularly the prerogatives of a new authority, the Social Accountancy (*Društveno Knjigovodstvo*) which is supposed to withhold licences for new capital projects if there is no proof of adequate funding and economic justification. But this is a safeguard against inflation which, as you rightly indicate, is a vexing problem.

You declare—as if it was a certainty—that "indirect voting is to replace the direct election of members of the national assembly and local councils." It is quite true that this matter is under discussion. During a speech in Mostar, Edvard Kardelj referred to this proposal in some detail, making it quite clear that this was neither a firm decision nor a cure-all. He argued that "the delegate system"

could help establish closer links between voters and their representatives but he warned that it might also strengthen a bias towards particularism. However, in his speech he rejected quite unequivocally any return to an "etatist-centralist system." He also rejected tendencies becoming occasionally apparent, as he put it, of identification of the League of Communists with the governmental and economic management apparatus.

This brings me to the conclusion that centralising tendencies which may have become temporarily attractive to some Yugoslav quarters earlier this year are now being rejected, though after the Croat events followed by a wave of terrorist incidents there will be, again to borrow a phrase from Edvard Kardelj, "not a firm hand but a firm Socialist democracy." This process which, I think, is desirable for Yugoslavia could be expedited by understanding abroad. —Yours faithfully, KURT WEISSKOPF
Brighton, Sussex

Vietnam

SIR—On the evidence presented in your article "North Vietnam votes Republican" (October 14th), the North Vietnamese appear simply to be assuming that it is no good waiting for Senator McGovern to be elected (since they believe he is unlikely to be elected), and consequently constructively negotiating with Nixon, via Kissinger. I don't understand how you can call this "voting Republican," which implies that they would prefer to have Nixon in the White House.

Similarly, I doubt that you could justify the distinction in short and long term effect between:

North Vietnam thinks it might bulldoze the Americans into something "much more like surrender" before November 7th than it will be able to do after it, and

It has decided that "peace on some acceptable terms" is now in its interests, and that, as President Nixon is going to be re-elected anyway, it might as well earn his gratitude by holding its first stage of the vital talks now. (My quotation marks.)

While I enjoy your journal, I find an occasional tendency towards muddled thinking which diminishes my feeling of respect for it.—Yours faithfully, DAVID OSER
London, SW19

Riot police

SIR—Mr George Short draws attention (Letters, September 16th) to a serious gap in our existing police force system, namely the absence of mobile riot police squads.

There is no doubt that such a specially-trained and equipped force is now urgently needed to deal with the serious challenge presented by the violent picketing methods recently employed by the miners and the

building workers—and in the future who else?

Our existing police force does not have the equipment and training to deal adequately with the vicious picketing tactics now being employed to halt our economy. Maybe, if we had such a force, Coal Board and other office girls would not be kicked and spat upon by hooligans.—Yours faithfully, C. NORMAN
Leicester

Soviet Festival of Music

SIR—I am writing to you today, to try to persuade you to stop the forthcoming festival of Soviet music in London.

As a former refugee from Czechoslovakia in 1939, whose family were totally annihilated by the nazis, I feel horrified at the present acts of persecution and anti-semitism in Russia; and I feel that it is morally wrong to extend hospitality to such a country.

I do hope that you will give my plea some earnest thought.—Yours faithfully, LILLY POLLOCK
Cardiff

SIR—As a British subject who has for a long while been concerned with the human rights of all nations, I am appalled that this country is to welcome a group of artists who will represent the Soviet Union at the forthcoming Soviet festival of music.

Our recognition of them in this official capacity (rather than as individual gifted artists) is surely an acknowledgement that the British people are indifferent to the harassment that many Russian people are suffering.—Yours faithfully, SHEILA LEVY
London, NW11

Banking and insurance

Because of a printer's error the mail paragraph became garbled last week in the letter from Mr T. L. F. Royle, managing director of Hogg Robinson and Gardner Mountain (UK) Ltd. It should have read:

As the operational company concerned in the Staplegreen group, in respect of your reference to my group and its personal insurances I was considerably surprised to note that you should have allowed such a statement to be reported. I am sure that you would be the first to appreciate that if our group had employed 1,000 staff to handle personal insurances, far from making £1,000 profit, we would probably now be out of business altogether. The wage bill we do have a large portfolio of personal insurances principally linked to our commercial clients, the maximum staff that we have ever employed on such business amounted to 68 and this number has been or three years. Even so it is extremely difficult to get any sort of proper return in profit terms and such business is run in conjunction with our industrial and commercial accounts where our specialisation in depth can be used to fullest advantage.

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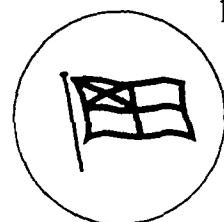
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CSM 105

The Economist

October 21, 1972



On to the wasteland

What is happening in Northern Ireland looks like a milestone on the road to ruin. The hard men of Protestant Ulster who sent gunmen and petrol-bombers to attack the British army in Belfast this week have finally managed to make themselves the mirror-image of the IRA. They started out by copying the IRA's uniforms and pseudo-military chain of command; now they are trying to show that, by a combination of provocation and black propaganda, they too can manufacture martyrs and so rouse the feelings of a whole community against the British army. They have built on the fear and frustration of the little people of the Shankill and Sandy Row who have survived three years of violence and are now persuaded that it is only by using violence themselves that they will ensure their escape from the great bog of a united Ireland. This is so much against the interest of ordinary Protestants that Mr Sean MacStiofain could hardly have planned it better, and, indeed, he may even have helped to plan it.

By the time the Ulster Defence Association agreed to cool things off on Wednesday evening, in return for the army leaving it to control the Protestant strongholds, enough damage had probably been done to ensure that Protestant relations with the army would never be the same again. Now that Protestant gunmen have fired on British troops they are likely to find pretexts to go on doing so. The Tartan gangs have been encouraged to go on rioting. It is now Protestant families that condemn the army for their children's deaths and promise that revenge will be sweet.

A few more bloody nights like Tuesday's in Belfast and the army would find itself in an impossible position, hopelessly overstretched, unloved and beleaguered on both sides. The IRA Provisionals, who have lost ground since Operation Motorman in August, would then seize the chance to present themselves to the Catholics of the Ardoyne and Andersonstown again as community defenders, and enough Catholic churches and schools

would have been burned by hooligans to make the part seem plausible. With the army strained and demoralised, and with the whole province on the brink of civil war, there are those in Ulster who consider it would not be impossible for the British Government to be tempted to shrug off the burden of Ulster, either by announcing a deadline for the withdrawal of British troops or by concocting some kind of formula for an Irish federation that would probably be almost as unpopular with Mr Lynch in Dublin as with the loyalists of Sandy Row. That would leave the forces at work within the province to fight it out between themselves.

The men who want the British out

Such a scenario would suit the IRA, because it counts on pulling the whole of Ireland into a protracted civil war in which it might just conceivably emerge as a real power in Dublin as the moderates were pushed to one side. It would also suit the UDA, since its leaders seemingly calculate that they would survive the battle with Catholic Ireland and that Ulster would continue, slightly shrunken, as a kind of Protestant Israel in the north-east, swept clean of republican contagion. The withdrawal of British troops would leave the hard men of the UDA, and those politicians like Mr Craig who have hauled themselves on to its bandwagon, with the chance of grabbing power for themselves within the kind of Protestant republic that they now more or less openly advocate. Mr Craig and his Vanguard followers have always been adept at turning a blind eye to the economic cost of UDI; a recent Vanguard pamphlet even makes out that Ulster could survive the loss of British subsidies by a mixture of currency devaluation and higher trade barriers.

So the latest clashes in Belfast may stem from the fact that the ex-warrant officers and hotel porters who run the UDA, and their friend Mr Craig, have got the scent of power in their nostrils and may be ready to pursue it as far as a unilateral declaration of independence. If

so, the great majority of Ulster Protestants, who regard themselves as British and want to remain British, should realise what is being done in the name of loyalism and where it could lead. But nothing ever boils down to a simple explanation in Ulster. There was something almost accidental about the start of the conflict between the army and the Protestants, which really got under way when a patrol picked up a member of the UDA's inner council as he was drunkenly waving a gun about at 3 o'clock one morning. Some of the later incidents have been the work of a hooligan fringe unconnected with any of the major Protestant organisations.

The UDA itself is by no means monolithic, and at the very moment that Mr Tommy Herron, its vice-chairman, was proclaiming war on the army on Tuesday morning some of his company commanders were privately assuring the army that they did not want the clash to go further. It should be possible to weed out the extremists within the UDA without alienating rank-and-file members who are concerned with defending themselves against the prospect of a future civil war but do not want to precipitate it. That was why the talks between Mr Whitelaw, the army and the UDA this week were so important. The UDA must be dealt with by negotiation and the arrests that are made must be highly selective, involving only those actually guilty of criminal offences. The success of this approach will depend very much on the men on the ground—above all the army battalion commanders and company commanders who are in a position to talk to local UDA leaders.

What has to be done now

It is ironic that the Protestant community should have broken out at a moment when the army has had some substantial success against the IRA. Perhaps the apparent lull in the Provisionals' campaign actually has something to do with the UDA's attacks on the army; there are now some scraps of evidence (see page 17) to suggest that there has been some collusion between extremists on both sides. The bombings that the UDA claims to have carried out across the border may serve to blunt the Dublin government's will to be tougher with the IRA, which had the Provisionals rooted out of their safe haven in Buncrana.

The confrontation between the Protestants and the army will not wait on lengthy political talks or Mr Whitelaw's long-awaited green paper, or even on the availability of parliamentary time for introducing necessary new legislation—that stock excuse for putting off urgent measures. The time available for the Government to stop the slide must be counted in weeks or even days. Whatever the truth in the UDA's allegations against the army, a continued conflict between soldiers and Protestants is bound to cost lives and might well be waged with a kind of desperate fury—the fury of two groups fighting those they least wanted to do battle with. There are several things that now need to be done to save the situation:

(1) The date of the referendum on Northern Ireland's constitutional future should be brought forward. It is

hard to understand why a plebiscite designed to take part of the tribal element out of Ulster politics by giving people a chance to vote on whether or not to stay British should have been timed to come after regional elections that are now likely to be completely irrelevant, since several major parties are going to abstain from them. The postponement of the referendum until next spring has given the Protestant extremists the chance to pretend that the British Government is about to rat on the Ulster majority, and they have found ready believers.

(2) The Government must go on being tough against the IRA. In particular, the system of special courts (in which normal rules of evidence would be suspended for political detainees) that is now being studied by the Diplock commission must be introduced as quickly as possible. The policy of phasing out internment had a sensible political objective: to separate the IRA from the majority of the Catholic community. But there are some worrying indications that at least 150 Provisionals have returned to active IRA membership. Most of the Provisionals released from behind the wire were given a fortnight's holiday in the south, but when they got back to the ranks of the gunmen. The army must be allowed sufficient men to ensure that the IRA is not given the chance to re-establish the no-go areas in Londonderry, where soldiers policing a basically hostile community are very much dependent on manpower. An effective military response to the IRA will remove the Protestant argument that organisations like the UDA are necessary to compensate for the army's omissions.

(3) The inquiry into the death of John Clarke and other incidents that the UDA or other Protestant leaders have attributed to army excesses (and has been promised by Mr Whitelaw) should go ahead.

(4) Every effort must be made to maintain close liaison between the army and the leaders of the UDA at all levels to head off further violence.

What sort of Ireland do they want?

Some of these measures will draw the criticism that the Government is making concessions to violence—exactly the same kind of thing that was said when direct rule was introduced and the decision was taken to phase out internment. The facts must be faced squarely. A full-scale campaign of terror by the Protestant extremist groups would make the army's position untenable, and it does little good to talk about deploying more troops or mobilising the Ulster Defence Regiment, although both those steps are now necessary. What must be done at once is to demonstrate to the majority of Protestant Ulstermen that the violence of the UDA is as unnecessary as it is misguided, and can only lead to the kind of Ireland Dr Conor Cruise O'Brien has warned of—an Ireland divided between two nasty little authoritarian republics. Ulster has become a place where a militant majority is aping the style and the tactics of a militant minority. That road leads to the wasteland. It will only persuade more people in Britain that the tribes had best be left to fight it out among themselves.



Countdown from Chequers

Mr Frank Chapple's electricians seem set on pushing the Government towards some sort of statutory wage controls

The countdown for the tripartite moon rocket began at Chequers on Monday. Next Thursday, 10 days later, will see either lift-off from the No. 10 launch pad or disintegration. There are nasty malfunctions in the works, although enough progress has been made in the talks between the Government and the leaders of the Trades Union Congress and Confederation of British Industry on the collective approach to the problem of inflation for the countdown still to be taken seriously. Indeed, Thursday cannot come too soon. The August index of hourly wage rates is up 17 per cent on a year ago. Negotiations on the big claim by Mr Frank Chapple's electricians (see page 73) cannot be stalled much longer. Mr Chapple seems bent on pushing the Government into statutory controls, much to the Labour party's delight.

Monday's meeting at Chequers was largely devoted to discussing the arithmetic of pay ceilings and the control of prices. By all accounts it was a curiously unrealistic affair. The statement afterwards spoke of discussion of the TUC's concern that the prices side of any package agreement would not be effective. Little mention was made of the CBI's concern, or anyone else's, that the pay side would not be effective—although the CBI's proposed monitoring system did cover incomes as well as prices. So we had the spectacle of the TUC demanding the statutory enforcement of price restraint, the principle of which had already been both accepted voluntarily by the CBI and retailers and successfully tested over the past 15 months as far as the CBI was concerned. By rights the discussion ought to have been on whether statutory wage control is necessary wherever the principle of voluntary restraint has not been accepted. Instead it has been left to individual union leaders, like Mr Chapple and Mr Clive Jenkins, to raise this issue. As Mr Jenkins said on Sunday, when his Association of Scientific, Technical and Managerial Staffs came out against any TUC agreement on wage restraint: "We decided the TUC had no power to settle wage increases on our behalf and to tell the TUC that they would not be our agents in this matter of salary bargaining."

The arithmetic of a flat-rate pay ceiling was merely rehearsed at Chequers, with the TUC and CBI stating their opinions in turn. The TUC's men still subscribe to this principle as a way of helping the low-paid, which was originally their idea, but there was no hard bargaining about the precise figure they might accept. Most of the meeting was taken up with the discussion of the CBI's proposal for a monitoring machinery, and a protracted argument developed between the TUC and CBI on whether it should be given statutory teeth to deal with retail prices. Basically the TUC wants some form of price control to sell any deal for wage restraint to the majority of its members, while the CBI declares

that any controls would be impossible to administer. The upshot of the Chequers talks was that two working parties were given the jobs of looking further into these things, and the three sides will meet next Thursday "to agree on proposals which would meet their common objectives and provide a satisfactory basis for economic management over the coming 12 months."

The Government will have to prepare at least two packages. The first will be the one on which it would hope to get voluntary agreement, leaving some room for negotiation on the day. This could even include some carrot on the Industrial Relations Act to clinch the deal. The second will be the package which Mr Heath and Mr Barber will have to impose if the talks break down. It is anyone's guess which way things will go. But at least a clear pattern is emerging now. As the inset shows, the Government is trying to escape from the horns of a dilemma. Its objective is to isolate and defeat the union militants. It is therefore trying to organise against them all the other sectors of the community.

A little algebra

The tripartite negotiations can be considered as a simple problem involving the values of five elements:

V = a voluntary package,
C = a compulsory policy of wage-price controls,
T = official trades union support,
P = public opinion,
M = militants.

1. **The Problem:** To beat inflation some combination of V or C, T and P must be found with a combined value greater than M. So far the Government has been trying to put together V + T + P
2. **But:** (a) Even V + T + P may be less than M: the electricians or any other union may have the industrial power to break a voluntary system.
(b) V + T is impossible if M is large: the majority of unions can hardly agree to voluntary restraint if a significant minority are determined to grab all they can.
(c) V + T, while possible if M is small, can only be achieved by reducing the values of V and P: Government capitulation to get agreement at any price makes a voluntary policy ineffective in reducing inflation and loses public support.
3. **Therefore:** Replace V by C.
4. **But:** C + T + P does not exceed M. Statutory controls, even backed up by public opinion, are unlikely to overcome the resistance of a united trades union movement.
5. **The Solution:** C + T + P is greater than M. This can only be achieved if C is the statutory enforcement of V.

This approach has three weaknesses. First, even full agreement on a voluntary package may not beat the militants; secondly, agreement on voluntary restraint is unlikely if a strong minority opposes it; and thirdly, if the Government concedes too much to get an agreement it is not likely to reduce inflation and may lose the support of the employers and public opinion. Thus a purely voluntary policy with union support looks likely to be ineffective. On the other hand, a compulsory policy would fail against united trade union opposition,

even if it had general support among a public that has been too long-suffering.

To escape from this dilemma the Government must engineer what is, in essence, a voluntary deal but one that is made effective against rogue elements by some form of symmetrical statutory powers. This will emerge next week either as a voluntary deal with fall-back controls or as a statutory policy with a wide measure of voluntary support. The way things are going, the second seems more likely.



Europe is in business

It is not sublime mysticism and nonsense but strictly practical stuff that has been occupying the great men at the EEC summit in Paris this week

The next year or two in Europe will be its test: a test to see whether a certain sort of intelligent Europe made up of different peoples has the nerve to bring itself alive. No need exists now or during the coming years for much else, least of all for that mystical, fluffy Europe which enthusiasts in the cause shout loudest for when they are least sure what it is they want. To find Europe's sensible next steps has been what this week's summit meeting of the Nine in Paris has been about. It is what the royal assent and, it is to be hoped, the last of the votes in Parliament this week were also about: an enlarged European Economic Community of common sense in which all members have a say, and yet know when to give way for the common good.

The snag, as the summit has also shown, is that nine countries do not always quickly agree, and at such moments rhetoric tends to outrun performance. What has been achieved in the old unenlarged EEC so far is:

- A partial freeing of industrial trade by removal of tariffs.
- The prevention of fruitless over-investment in steel, and the relief of some of the social problems caused by the decline of coal.
- A common farm price structure, supported by a common fund, to relieve the aches of a social revolution in the countryside.
- The not-yet-convincing early steps which might one day lead to fuller monetary and economic integration.
- The nearly complete conversion (Italy has still to take the plunge) to a roughly uniform system of indirect taxation by value-added tax.
- A necessarily uneven enforcement of anti-trust laws against cartels, monopolies and those national state aids to industry which are judged to undermine competition.
- A decision-taking set-up which allows national governments to control this rather limited economic community, but which also gives a fair chance to a fledgling European government of the future.
- The joint negotiation of most tariff and trade matters with outsiders.
- Special trade arrangements with countries outside the EEC—the neutrals in Europe, countries in the Mediterranean, Africa and farther away.

What the EEC had added before the summit to these contractual achievements (all but one of them fore-shadowed by the Treaty of Rome) were various informal ways of holding together on matters of common interest—consultation on monetary reform in the world at large, on foreign policies, and more recently on the roaring progress of inflation in Europe (see page 85).

What the Nine have been trying to do in Paris is twofold. They have tried, first, to write down a new set of concrete targets which might, if reached, put more balance into the list of deeds already done. Europe needs a regional policy to spread the wealth which integration brings (see page 70); it needs, as Herr Willy Brandt in particular perceives, a more real social policy to catch those whom the harshness of an entrepreneurial society lets fall; it needs to present a more open face to the outside world. All these things Europe can well afford.

Second, the summit has, in the things said but not written down, tried to set general attitudes which will remedy the bad sides of present policies. To take only the two largest examples, a more flexible approach is needed, notably in German political life, to the future course of farming policy, and in current French thinking (at least at the top) about taking changes in exchange rates more calmly than in the past.

These two summit aims—new policies written down, attitudes to old ones not written down but easily acknowledged—will provide the base of fact on which all the good intentions, the declarations leapfrogging one another in Paris, the possible progress one day into a defence community and who knows what else, can be built. This will to get on with it goes back, in a way not foreseen before it happened, to the vote against entry in Norway on September 25th. That little shock has persuaded Herr Brandt and Mr Heath and M. Pompidou, for the time being at least, that if Europe is to succeed it must gain more public support. What has been done and discussed in Paris this week may look more worthy than glamorous, but at least what might have been a lackadaisical summit has given Europe the bare chance to reach its next way-station during the coming few years.



State of the stateless

It looks as though the Ugandan Asians with British passports will get out all right, but what will become of the stateless ones?

First the good news, then the bad. It now seems almost certain that all Ugandan Asians who possess non-Ugandan passports can be airlifted out of the country before President Amin's November 8th deadline. That will leave behind two categories of Asians: those who have successfully established their right to Ugandan citizenship, and those who are now classed as stateless. The stateless ones can look only to a horizon bounded at best by refugee camps and at worst by oblivion. Now that the deadline is little more than a fortnight away, a solution to their problem must be sought urgently.

The natural country to turn to first for a solution is Britain. As the former ruling power in Uganda, Britain was responsible for all its people before it became independent 10 years ago. After considerable prevarication and some painfully publicised misunderstanding, the Foreign and Commonwealth Office announced on Monday that Britain would accept stateless Ugandan Asians of only one kind—those who had renounced British citizenship in favour of Ugandan, but then found this withheld because the renunciation had not been properly formalised within the allotted time-limit. These, with their dependants, are thought to number about 1,900, and probably half of them will settle in India, leaving only about 1,000 to come to Britain.

In Kampala, the British office is now issuing entry certificates to the British wives and children of stateless men; this may help about 1,000 people. But the Government refuses to give citizenship to the stateless husbands of British passport-holders, even though it gives citizenship to the stateless wives of British husbands. The strict application of this rule now will have the effect not just of splitting families, but of separating the wage-earner from his dependants. What chance is there of an immigrant mother being able both to work and to look after her children in Britain? To deny entry to her husband is to condemn her to dependence on social security handouts.

No one knows just how many stateless Asians will be left in Uganda at the end of the sorting process. There will probably be several thousand Asians who had duly renounced British citizenship within the time-limit but still had Ugandan citizenship denied to them or withdrawn by virtue of some technicality. Their position is being made even more difficult because it is proving impossible to verify that they are indeed stateless. The Ugandan authorities will not help here, because if it is established that the Asians are truly stateless they become Uganda's responsibility in international law.

By far the biggest group of stateless Asians is going to Canada, which may take 3,000 or 4,000. America has promised to take 1,000. Up to 200 will be able to go to Switzerland. India has so far issued 500 emergency

travel documents. Australia expects to take about 170 people. On Tuesday Belgium announced that it would accept 30 families. Other countries may follow suit. But all this will still leave a residue of 3,000 or 4,000.

General Amin has said that if they stay in Uganda they will be put in camps. Harassment of the Asians has diminished over the past fortnight. But paranoia still abounds, and anxiety about Uganda's ailing economy will intensify the hunt for "economic saboteurs," a hunt that will further imperil the Asians.

It is against this background that the rest of the world should view the situation. So far the only relevant international agency that opened up for business in Kampala is the Intergovernmental Committee for European Migration. But the ICEM cannot actually resettle anyone until it receives authority either from the United Nations High Commissioner for Refugees—who, in turn, cannot act until a UN member state has agreed to accept the stateless people, either temporarily or permanently—or from the International Committee of the Red Cross. And the Red Cross has twice been refused permission to send a mission to Uganda. But the immediate problem of the deadline could be overcome if foreign countries would offer transit facilities to get the stateless out of Uganda.

It would hardly be too much for us

It seems probable that most of the people now being treated as stateless have, in fact, a sound claim to Ugandan citizenship; the present government of Uganda may deny it to them, but this denial is not founded in law or reason. However, if General Amin goes beyond the call of reason, the rest of the world must not ignore its obligation to help. The British Government feels it has done its bit by accepting so many British citizens: the Home Secretary, Mr Carr, repeated in the House of Commons on Wednesday that the stateless were not Britain's responsibility. The Government has, indeed, behaved honourably and courageously. But had it not accepted its own citizens, it would, as Mr Carr himself indicated at Blackpool last week, have disgraced itself.

It now seems that, instead of having to take in 55,000 or more of the Asians as the Government at one time expected, Britain will have to digest only about 20,000. That figure represents about half of last year's net emigration from Britain. The real problem about these particular immigrants is not that they are intolerably numerous but that they are not white. If this country had to find room for as many as a quarter of a million white Rhodesians, it might be discovered that the problem was not insuperable. There should be no real problem in taking a share of the small residual number of the stateless Asians.



Retaliation in advance

Mrs Meir has made it very clear that Israel's pre-emptive raids on Lebanon and Syria herald a new stage in its war on terrorism

Israel has served notice, first with bombs and then with words, of the arrival of a new stage in its war against the Palestinian guerrillas and the Arab countries they live in. In the past its raids on Lebanon, Syria and Jordan were, at least ostensibly, all executed in retaliation for some specific action by guerrillas operating, or being directed, from these countries. But the air raids on four targets in Lebanon and one in Syria last Sunday came out of the blue. The suspicion that Israel had moved on from its customary policy of retaliation, of 10 teeth for one tooth, was confirmed on Monday by Mrs Golda Meir herself. In her words, Israel now has "no choice but to strike at the terrorist organisations wherever we can reach them," without waiting for them to attack.

The raids on Sunday were discriminating ones. Specific commando targets, including a small harbour and a vehicle depot, were attacked, and civilian casualties were light. But the raids to come—and the Israelis have announced their intention, and claimed the right, to attack where and when they decide it to be in their interests—are likely, on past experience, to kill or injure large numbers of civilians. Even if the bombing is accurate, this new war on terrorism could lead the bombs to targets buried deep in the Palestinian refugee camps or, indeed, in Lebanese towns and villages.

The explicit aim of Israel's earlier air and land attacks on Lebanon was to force the government to clamp down on the activities of the guerrillas on the Lebanese-Israeli frontier. This had worked. Since the last major attack on Lebanon a month ago there had been a complete freeze on guerrilla action. True, last Saturday's mutiny by one Fatah commander against the moratorium ordered by Mr Yasser Arafat could spread now that it can no longer be argued that Lebanon needs peace on the frontier to protect itself from Israeli attack. But long before Israel spelt it out, the frontier situation had ceased to be the main issue.

The Israelis cannot hope that their "preventive" raids will pinpoint the men responsible for the outrages carried out by the Black September group. Even if they hold, as they do, that Black September is directly controlled by the umbrella Palestinian Liberation Organisation, and that every Palestinian working for the resistance movement is ipso facto a terrorist, there are more direct methods of counter-terrorism. One of these is fighting terrorism with terrorism. Witness the assassination of a Fatah agent in Rome on Tuesday; the letter-bombs sent to Palestinians prominent in the resistance movement; and the placing of dynamite or time-bombs in Palestinian offices, as was done in Beirut last week. Most Arabs firmly believe that Israeli agents are behind some or all of these attacks; the Israelis equally firmly deny it.

When Mrs Meir spoke of striking at terrorist organisations before they could strike at Israel, she was not,

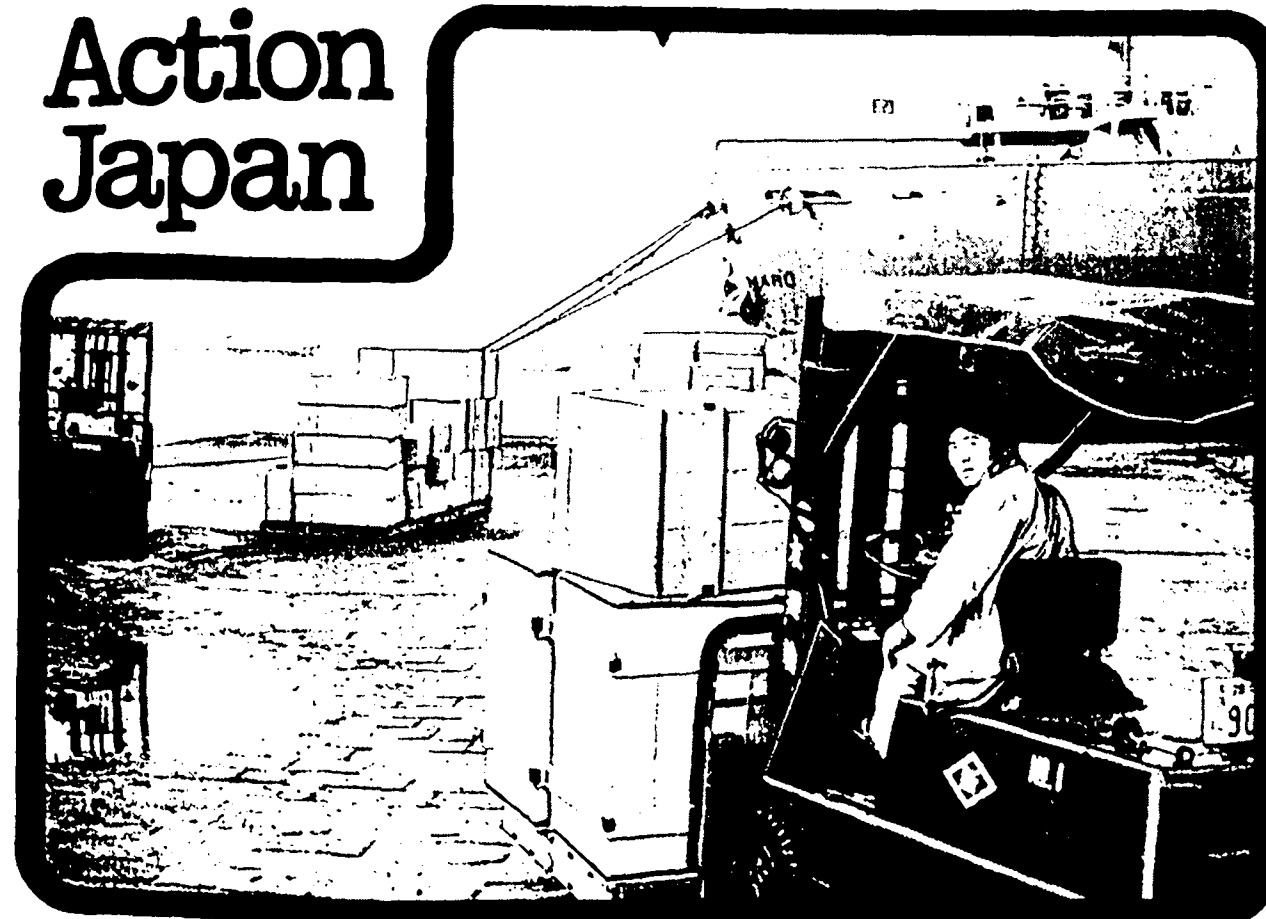
presumably, referring to this sort of direct action. The action now threatened by the Israeli government is also directed against the guerrilla movement, but at one remove. The aim would seem to be to force the Lebanese and Syrian governments to clamp down totally on all Palestinian resistance activity, as has been done in Jordan. The Palestinian offices in Beirut and Damascus are now the nerve-centres of the resistance movement. If the Lebanese and Syrians had the will, and the means, to shut them down, there might indeed be no longer a concerted, or roughly concerted, movement; but unless one fully accepts the Israeli equation between resistance and terrorism, the effect on smaller groups intent on carrying on terrorism from farther afield would be less calculable.

Perils of simplicity

From Israel's point of view the destruction of the Palestinian resistance movement would be straightforward gain. The Israeli government is not now thinking in terms of a peace settlement that has a realistic chance of being accepted by any of the present Arab rulers; it has never thought in terms of a settlement that might be accepted by a majority of Palestinians, let alone the relatively small hard core of resistance fighters and planners. Before the "war on terrorism" was set off by Black September's outrages, few of Israel's leaders believed the Palestinians to be of serious military or political consequence. There are always dissenting voices in Israel, but the majority view there tended to be dismissive of what all Palestinians and most Arabs believe to be a just cause even if an inconvenient one. This attitude towards the resistance movement makes it easier now for the Israelis to slip into two deceptively simplistic ways of thought: first, to brand all its supporters as terrorists; second, to underestimate the importance to other Arabs of upholding the Palestinian cause, if only in principle.

This could lead the Israelis to believe that the Lebanese, in particular, will now put their own self-interest and safety first by doing all they possibly can to suppress any form of Palestinian activity. Since the Lebanese government would have to be restrictions on political and publicity activity, on free movement and free expression. Certainly there are many Lebanese who might like to take this action; but it is very unlikely that they are strong or numerous enough to do it effectively. Few outsiders question Israel's right to protect its citizens from terrorist attacks. Many may question the effectiveness of a policy apparently meant to scare the Lebanese into enforcing controls that might or might not hamper determined terrorists but would almost certainly wreck Lebanon's own open, and vulnerable, society.

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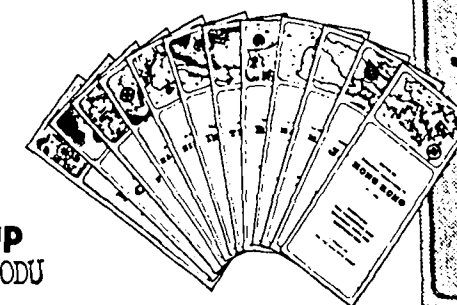
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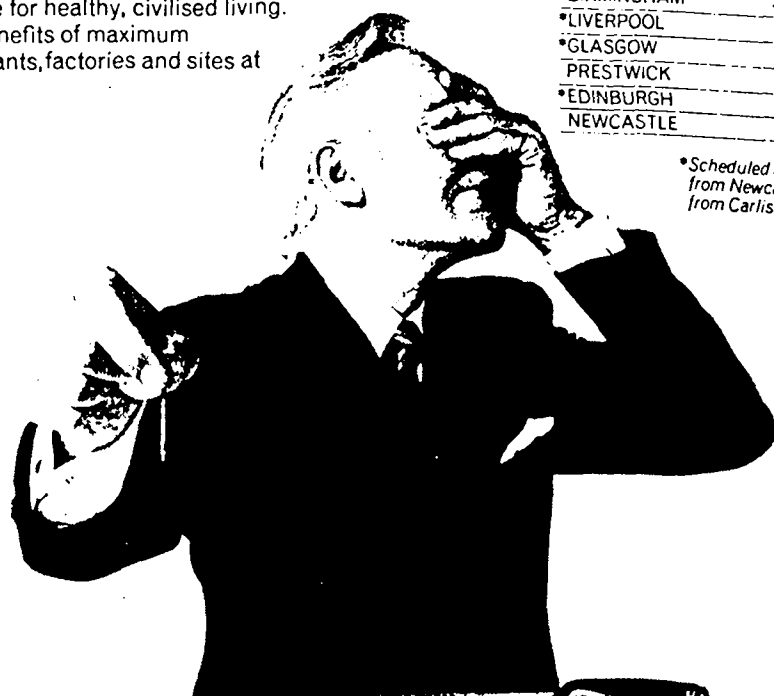
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BRITAIN

When the hall porter declared war on the army

FROM OUR SPECIAL CORRESPONDENT

It looks as if the leaders of the Ulster Defence Association, after charging towards the brink, have decided to pull up at the very edge. The question now is whether the promise to "cool it" that Mr Tommy Herron, the vice chairman of the UDA, gave to Brigadier Sandy Boswell, the commander of the 39th Brigade in Belfast, on Wednesday, is going to be respected by all of the men that his movement is supposed to control. But much of the damage has been done anyway. Now that Protestant gunmen have fired at the army, some of them will be ready to do so again—especially if Mr Herron can be believed when he claims that the sniping was "freelance stuff."

The UDA is said to have about 50,000 members, most of them in the working-class districts of Belfast, Londonderry, Portadown and Mr Bill Craig's home parish of Larne. The leadership is a 13-man council run by Mr Jim Anderson, a shopkeeper with a do-it-yourself store down the Crumlin Road (his door was accidentally painted green by the army during its recent clean-up campaign in which UDA and IRA slogans were removed from walls),

and by Mr Tommy Herron, a former hall porter at the Conway Hotel who talks in an almost marxist style about socialism and the wickedness of the establishment. Two members of the council were recently placed under arrest, and a third resigned in dissent from the anti-army campaign by the leadership.

Under the umbrella of the United Loyalist Council, chaired by Mr Craig, the UDA is linked both to the Vanguard movement, which is now more or less openly backing the idea of a unilateral declaration of independence (UDI), and the proscribed Ulster Volunteer Force. But it is essentially a movement of the Protestant back-blocks, at odds with the middle-class politicians who dominate the Unionist party and without significant backing in rural Ulster where, as one army colonel put it, "the squire, not the ex-warrant officer, is the man."

For several months, the UDA had looked like coming apart at the seams. There is considerable support for the Rev. Ian Paisley within the movement, and Mr Paisley has taken a public stand against both the idea of UDI and a Protestant campaign against the army. At a local level, leaders of the UDA were negotiating with army commanders in an effort to head off major clashes at the very moment on Tuesday morning that Mr Herron was declaring war on the military. But on the other hand, the UDA now includes a sizeable hooligan element (which appears to have actually usurped the leadership in Portadown, where several leaders have been arrested on criminal charges such as possession of stolen liquor). It was that element that came to the fore in incidents like the attempt to burn the Lady Mercy Catholic school to the north of the Ardoyne on Monday night, when two soldiers were

burned by petrol bombs.

The reason for the attack on the army was partly accidental. The rift with the 1st battalion, the Parachute Regiment, which has now become the prime butt for UDA anti-army propaganda, as it was formerly for the IRA, can be traced back to the arrest of Mr Samuel Doyle, a member of the UDA council. The Paras, stationed in the Shankill as well as in Ballymurphy, were known to be on fairly good terms with the UDA. They met them in drinking clubs, and Mr Doyle is said to have been drinking with the Paras a few hours before he was picked up. Since then, the Paras have been responsible for several major arrest operations, and are charged by the UDA with the Newtownards "massacre"—the death of two Protestants after snipers opened fire from at least six positions on an army patrol in the Newtownards Road. The reason why the "Paras out" campaign has been so industriously developed by the UDA is plain. It is not just that the UDA is apeing the methods of the IRA; its leaders are worried that the Paras know too much about them.

The Secretary of State, Mr Willie Whitelaw, said in the Commons on Tuesday that he had no evidence of meetings between the leaders of the IRA and the UDA. Certainly, firm evidence of collusion between the two groups is hard to come by, although army sources insist that they staged a meeting in Belfast about a fortnight ago. A scrap of paper that was found by the security forces in a locker in Long Kesh may provide a further clue. It is a note attached to an article written by Cyril Canning, a member of the Londonderry Provisionals who is a regular contributor to the IRA paper, the Volunteer. The article warns against "collaborators and informers" within the IRA but is mainly devoted to militant Protestant groups like "the notorious UDA who openly flaunt themselves in front of the army." The note is mostly a commentary on the behaviour of individual internees inside Long Kesh, but contains a postscript:



Craig: UDI for UDA?

Harry, I was told after I wrote my article not to slag the UDA as the boys outside don't want it to happen. So in my article would you please change UDA to Unionist Extremists (sic). I don't know why this is. Maybe you know more about it than I do, but word was sent from Belfast about it. The note has to be regarded with scepticism. It is typed in red, unlike the rest of the material, and merely hints at a link between the IRA and the UDA that is not explicitly mentioned. But it does provide some extra reason for thinking that there may be substance to the reports that some members of the two groups had agreed to keep off each other's turf while attacking the army.

The UDA's campaign against the army may prove to have undermined the solid gains that have been achieved against the IRA. The decline of the Provisionals is directly related to Operation Motorman and the physical presence of soldiers in the streets. It has become much easier for Catholics to come forward with information about the IRA without jeopardising their own lives, and routine patrols and car-checks in what were formerly no-go areas account for many of the important captures—probably for about half of the 29 IRA men picked up in Londonderry since Motorman, for example.

In Londonderry itself the IRA leadership in the Creggan and the Bogside has not so much been rooted out as transformed into a commuter command: Martin McGuinness, Sean Keenan and others move in and out of the city from across the border to organise specific operations, although life is becoming rougher for them now that the Irish police have cracked down on the IRA in Buncrana. Army officers are concerned that the projected rundown in troop levels in the city will give the IRA the chance to put up the barricades again and recreate the no-go areas.

All the same, the rate of attrition among the Provisionals in Londonderry has been impressive and the same applies to most Catholic areas in Belfast, with the exception of the 2nd battalion of the IRA in the Falls Road area. In Andersonstown, for instance, as a result of detailed screening of suspects and the physical presence of troops in what was formerly a no-go area, three successive company commanders of "F" company of the 1st battalion, IRA have been arrested on criminal charges over the past three months, together with two other company commanders. Even in the

Ardoyne, a close-knit Catholic community where support for the Provisionals is related to family ties, the army has made considerable inroads since Motorman. Last week Neil Alexander, the commander of "A" company, 3rd battalion, IRA, and a released internee, was picked up. He went with the soldiers readily enough, but when they got to the Crumlin Road and were about to cross it, he showed fright at the thought of crossing into Protestant country.

The biggest question now is whether the Protestant extremists are going to make a direct attack on the Catholic areas of Belfast. There are plenty of potential flashpoints. Take the unoccupied houses around Horn Drive, on the western fringe of the Andersonstown area. Three months ago, about 150 houses were unoccupied here, since their owners (like dozens of householders in Ballymurphy and other districts) had fled from the crossfire. Now all but 55 have been occupied by Catholics moving down from Andersonstown or Protestants moving up from Sandy Row.

The UDA has closely controlled the Protestant squatters, who have settled in the east, up against the fringe of Andersonstown, as well as in the west. The local army commanders are concerned that the UDA or a similar organisation might decide to send truckloads of squatters in to take over the remaining empty houses and to push Catholic squatters out of the isolated houses along the southern fringe of the area.

Or take the Cliftonville area, on the eastern border of the Ardoyne, where intimidation has worked the other way in the past. Here Protestants have suffered from Catholic attempts (partly co-ordinated by the IRA) to occupy houses around Old Park Avenue and create a "green belt" linking the isolated Ardoyne—a traditional Republican area entirely surrounded by Protestant territory, including the heartlands of the UDA in Woodvale and the Shankill Road—to the Catholic New Lodge area. At the start of the year, only a tenth of the householders in Old Park Avenue were Catholics. Today, the figure is about 85 per cent, and a Provisional gunman who had moved into this street was picked up by the 2nd Light Infantry.

The middle-class Protestants who live on the other side of the Cliftonville sports ground complain of constant intimidation from IRA gunmen and crowds of stone-throwing children. They have asked the security forces for

protection, but the army does not have the manpower to deal with that kind of problem. So the local Protestants are starting to respond in their own way, by pressuring Catholics to leave the local club and perhaps eventually by asking the UDA to help to evict some of the unwanted new residents.

This kind of situation is only a sample of the scope that exists for communal conflicts in Belfast if an organisation like the UDA chooses to give the word. It is in those mixed areas, where houses have been left empty as a result of the sniping and stone-throwing, that the idea of a peace-line is hardest to preserve. It is here, if the anti-army campaign is continued or is developed into an attack on the Catholic ghettos, that the army would be most severely under strain.

Parliament

Back where they've been before

Just what the Labour shadow cabinet had hoped to achieve by picking on the common market for the first debate in the Commons when it returned from the summer recess on Tuesday was never adequately explained. True, the royal assent to the European Communities Bill was signified on that day, but the vote on Tuesday night was on the technical motion that the House should adjourn, and even if the Government had lost that it would still have kept its European act. It was hardly surprising, therefore, that the debate itself had all the freshness of an argument in the 29th year of the Thirty Years War.

Mr Wilson spoke for 47 minutes, which was something of an accomplishment given the fact that he had delivered virtually the same speech on an almost interminable number of previous occasions. He even attempted to breathe new life into that hoary quotation from Mr Heath about it being impossible to take Britain into the common market against the wishes of the British people.

But at least Mr Wilson had one or two rather good jokes, which was more than could be said for the Foreign Secretary, Sir Alec Douglas-Home. Every dismal old quotation from Mr Wilson and Mr Callaghan was again paraded before an increasingly bored and restless House. At the end of the debate there were another couple of fairly tedious front bench performances,

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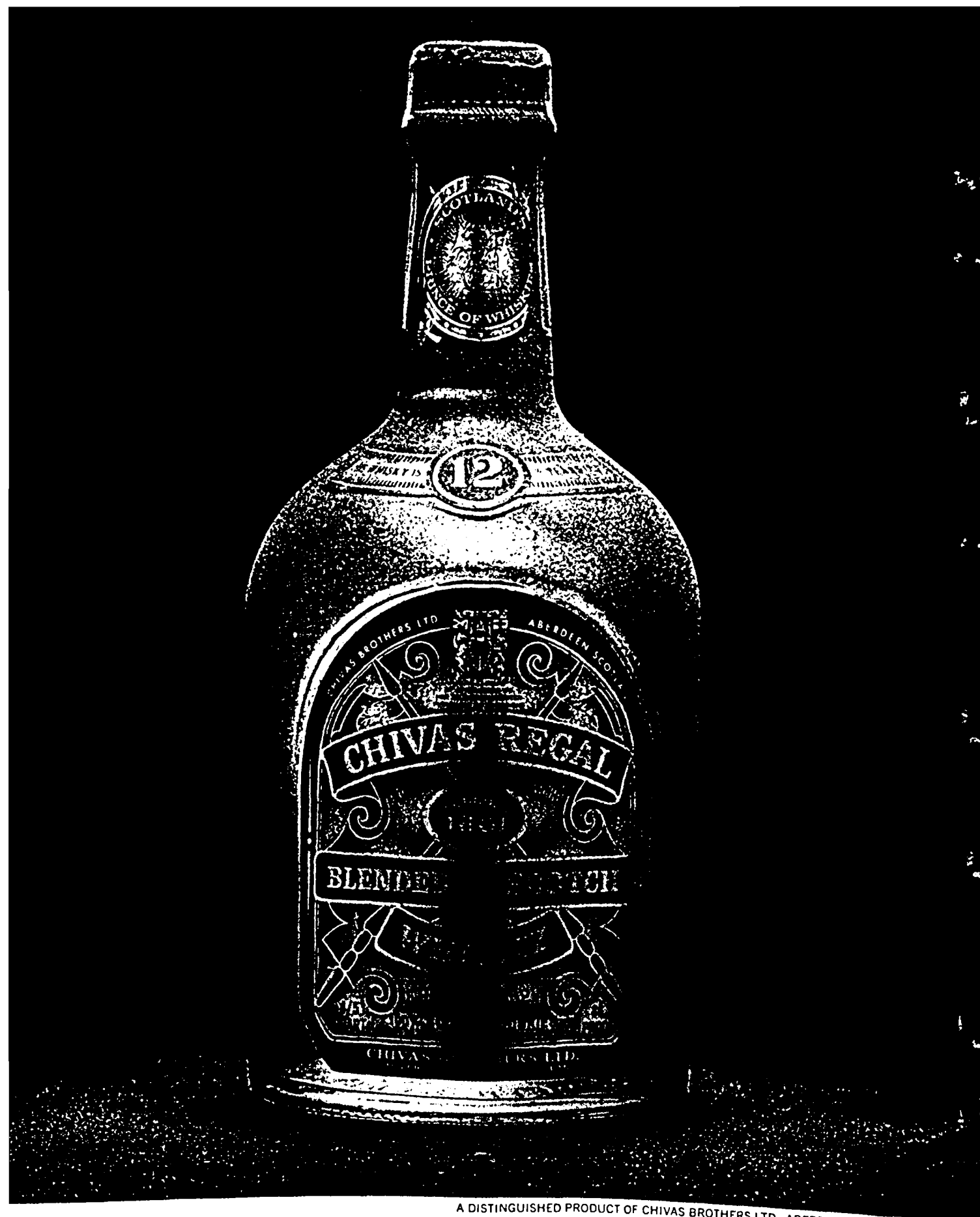
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Pentland: in the running

one from Mr Shore, who was rude about Mr Heath, and the other from Mr Rippon who, with rather more gusto, was rude about Mr Wilson.

It is difficult to see how even the most fervent anti-marketiers on the Labour side could have believed that they had done their cause any good. There was only one speech of any quality in the entire debate, and that came from Mr Jenkins. Mr Jenkins told his own side bluntly that he considered that he had now done his duty to his party, and henceforth he did not intend to vote on any question which raised the substance of Britain's entry into the community. Despite his firmness, Mr Jenkins received a surprisingly warm reception from the Labour benches when he sat down.

For the moment it looks as though the sensible centre of the Labour party has had its fill of disputes over Europe; but it is still far from clear whether it will assert itself in the forthcoming battle on whether Labour should join the all-party delegation which is due to go to the European parliament in Strasbourg.

It may be that the mood of the party will become clearer when Labour MPs vote over the weekend for the new chairman of the parliamentary party. Although Mr Wilson has been re-elected unopposed as leader, as have Mr Mellish as chief whip and Mr Short as deputy leader, the left wing is backing an anti-market right-winger, Mr Norman Pentland, in his challenge to the existing chairman of the PLP, Mr Douglas Houghton. Last year Mr Houghton only just beat off Mr Pentland's bid to replace him. On any judgment of the qualities of the two men, Mr Houghton would win decisively, but not only has he shown a sturdy disinclination to recant his pro-market views, he is also 74. The present betting at Westminster is that Mr Houghton will once again win by a short head, but some of his friends fear the worst.

Ugandan Asians

Red tape round the camps

By the beginning of this week three-quarters of Britain's intake of Ugandan refugees had arrived—for the final figure expected, if the Government maintains its rigid attitude towards the stateless ones (see page 13) has shrunk to about 20,000. But of the 15,000 or so arrivals, 8,500 were still in reception camps, and the proportion is expected to grow in the last stages of the airlift. If half the energy, warmth and ingenuity, which make the bleak forces' camps into something a bit more than mere shelter for stranded families, were to go into the effort to get them out of the camps, there would be nothing to worry about. For instance, Greenham Common, in Berkshire, open only two weeks, already has a full-time school and several Asian children will take their "O" levels locally in December.

This is not to decry the hard work of the civil service resettlement teams at the camps; yet their operation trails red tape. For example, each camp is allotted a clutch of local authorities who have offered houses for the Asians; but these may not be the ones nearest to the camp in question. So Oxford can be sent refugees from West Malling in Kent but not from Greenham Common, only 30 miles away—or not without a series of complicated "swaps" within the machine.

Although the latest official policy is, rightly, to get Asian families quickly into houses and leave them if necessary to find jobs afterwards, the process seems to be slowed by attempts to match up the two before people leave the camps. Perhaps things will speed up once more if the local authority houses on offer are actually made habitable. But there is an even slower take up of private offers, and the goodwill may be lost.

So Asian resettlement in Britain is still being carried almost entirely by the existing East African communities. Some of the wealthier members have said they would willingly join in any scheme to finance refugee businessmen. The Uganda Resettlement Board is talking with the big banks about private loans for this purpose, but has not got very far yet. If the money is not forthcoming without the Government standing surety for loans, it

should do so. Its anxiety to avoid seeming to give special favour of this kind simply means more people will stay too long in camp at public expense and to their own discouragement.

By-election

Does Mr Smith go to Westminster?

It is the burly and genial Mr Cyril Smith who is the real challenge to Labour's chances of holding Rochdale in next Thursday's by-election, and not the Liberal party that he claims to represent. Of course, Mr Smith believes in the Liberal ideas of co-ownership and profit-sharing in industry; he actually practises them in his Rochdale metal spring factory. But Mr Smith does not flaunt his party label on his posters or in his literature; nor does it always become manifest in the door-to-door canvassing. It is Mr Smith, the benefactor who identifies himself with every worthy local cause from brass bands to guide dogs for the blind, who counts.

The Liberal party likes to pretend otherwise. All its MPs, except for Mr Jo Grimond, will have come to support their candidate by polling day, and a smart team of party professionals has put some beef into the decrepit local organisation. But some Liberals still have doubts about Mr Smith's party credentials.

Until 1966, he was a Labour councillor in Rochdale, but he resigned from the party in protest against a party whip to keep down council house rents, which he wished to raise. Two years later, Mr Smith rejoined the Liberals he



Smith: bigger than his party?

had left in his youth, and in the 1970 general election he got 14,076 votes for his new party and relegated the Tory to the bottom of the Rochdale poll. But most of Mr Smith's reactions are well to the right of centre. He believes that violent offenders need a good thrashing; he wants to stop scrounging on the welfare state; a champion of firm discipline in the home and at school, Mr Smith blames television for the erosion of family life. And he wants to withdraw grants from student agitators who "do not work at their desks." He has nothing but contempt for Westminster party discipline because "I don't like jumping when little bells ring."

The Labour candidate, Mr Francis Cunliffe, is a dour and earnest mining engineer from nearby Farnworth. He talks of the "buffoonery" of the Liberal campaign, for with Rochdale's unemployment rate standing at 4.9 per cent he wants to concentrate attention on economic questions. There is a supposed threat, in Labour's eyes, to the well-being of the town's 6,000 cotton spinners (textiles still provide work for a third of the town's labour force) next April with the lifting of duties on cotton yarn imports.

Labour hopes a short, sharp campaign will ensure that there will be no increase in the 5,000 Labour defectors who it believes went over to Mr Smith in 1970. Its chief worry is what Tory voters intend to do. Mr David Trippier is a young and able enough Tory candidate, but the Tories are running a low-key campaign. Many of the 12,000 who voted Tory two years ago might take the view next week that one maverick Liberal at Westminster is not only better than another loyal Labour MP, but might also shake up the Government into the bargain.

Stirling

Scots on the rocks

It would be impossible to set up a scene more calculated to inflame public opinion against students than one in which half-drunk bearded shout obscenities at the Queen. Assault a cabinet minister, shout down an elderly university chancellor's commemorative oration, invade a principal's study, and the public's disgust will be well diluted with disinterest. But display even a moderate dose of what has become pretty run-of-the-mill behaviour of a fringe of student demonstrations before Her Majesty and, as the students of Stirling univer-

sity seem to have been too politically naive to appreciate, you will find yourselves universally execrated, not only by the bourgeoisie whom you set out *épater*. (Lord Annan, the vice-chairman of the vice-chancellors, had the wit to see that he even had the National Union of Students over a barrel for not condemning the methods of its—non-affiliated—brothers.) But once the reaction to the rowdy scenes at Stirling last Thursday has taken its course through apologies, reassurances and questions in the House of Lords on the Queen's security, is there anything more to be said?

Unfortunately, there is. The police obviously showed great restraint. The wife of Stirling's vice-chancellor, Dr Tom Cottrell, pushed back one demonstrator herself: she has said since that she thinks that if the police had done so there would have been a free fight. But who is in charge of order on a university campus, police or dons? Students themselves, in the mid-1960s, began to challenge the authority of their teachers to act in *loco parentis*; many universities were only too glad to abdicate that responsibility, and the lowering of the age of majority to 18 made a reason for doing so. Students (and junior lecturers) charged before both courts and university disciplinary committees then complained that they were being tried twice for the same offence. Most have preferred to be charged for minor offences—though not for more serious ones like the Cambridge riot—in the courts, where the standards of proof are high and the penalties are likely to be less than expulsion or loss of a job. (No doubt the same dreary arguments against university disciplinary action, which is promised at Stirling, will be dragged out there.)

So, logically, police restraint should be preferred to university sanctions. But, of course, these are not logical situations; and the police are as reluctant as they would be on any



Cottrell: he was not amused

private property to behave as if it were Trafalgar Square. University vice-chancellors must have authority over what happens in their territory. But then again, with trouble-makers or rowdies restraint at the time is better than solemn sanctions and martyr-making afterwards. The dismal course down which the Stirling students took a step last week was towards the sort of campus police forces that have been deemed necessary in America. For counterpoint, a postscript is due to King's College, London, whence a chemistry professor pointed out this week that the Queen had recently opened a new building to a courteous reception and conversation with students—and that nowhere, except in the two court columns in the daily press, had that received any attention at all.

Nursing

Radical treatment

One of the most useful achievements of the Committee on Nursing,* under the chairmanship of Professor Asa Briggs, is the demolition of myths. It not only examines critically the myths fostered by fiction and television programmes that nursing is all drama and romance. More importantly, it also, like Mr Enoch Powell 10 years ago when he was Minister of Health, repudiates the oft-repeated statement that there is a grave shortage of nurses.

Recruitment has not fallen off. The number of nurses and midwives employed in health service hospitals increased by 31 per cent in the 10 years 1959-60 to 1969-70. Moreover, the growth in numbers both in hospitals and in the community took place when the total labour force was contracting and the number of 18-year-olds, from whom nursing used to draw most of its recruits, was beginning to fall. Nor is the increase wholly or even mainly accounted for by nurses from overseas. In Great Britain as a whole they make up 8 per cent of the nursing staff in acute hospitals, 11 per cent in psychiatric hospitals and 8 per cent in other hospitals. But 46 per cent of them are concentrated in the four metropolitan regions—which explains the myth that the health service is largely dependent on coloured nurses. Possibly most interestingly of all, the Briggs committee, although deploring the number of recruits who fall out during training,

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found that the wastage rates are somewhat lower than the turnover rates of young women at work.

Why then did the Royal College of Nursing open its annual report for 1971 with the words "all is not well with nursing"? Partly because there is an undoubted shortage of nurses in some long-stay hospitals and in some parts of the country. Moreover, nursing reflects the changing face of medicine, and the profession's leaders are rightly anxious about the effect of the increasing demands made on it as a consequence of medicine's scientific advances. They are also anxious about the effect of the forthcoming changes in the organisation of the health service. There have been many investigations into the state of nursing before this one, but only the Briggs committee, as it points out, has been asked in its terms of reference to review the role of the nurse to meet "the needs of an integrated health service." As the largest single body of health service staff, and the most expensive item of hospitals' current expenditure, an efficiently organised nursing service is essential for integration to be successful.

Also unlike its predecessors, the Briggs committee has decided that even major tinkering with the existing system of training is not enough. Such tinkering in the past produced two methods of entry into the nursing profession. Student nurses, after three years' training and passing the necessary examination, become state registered nurses—a career grade for top posts. But recruits who want a year's less training and less theoretical work, and who may be unable to satisfy the General Nursing Council's not very high entrance stipulations, are called pupil nurses and can qualify for enrolment. This distinction can lead to bitterness and friction, especially as enrolled nurses are often given work more properly carried out by a registered nurse. The main recommendation of the Briggs committee is to abolish the distinction. All entrants to the profession, who would reflect a wide range of intelligence and need not have any "O" levels, should take an 18-month course leading to a certificate of nursing practice. The more able students would then have the chance to do 18 months' more training and to become registered. The ablest of all would have the chance to add to registration a higher certificate in a particular branch of nursing. The committee also recommends that a carrot of higher status and more pay should be offered



Briggs: prescription for nursing

to ward sisters who do not want to leave clinical nursing. Under the new Salmon staffing structure they are said to feel demoted—though this too may be largely a myth.

In its radical proposals the committee has certainly done its best to bring the different branches of nursing together, by a single system of training, a single register and a single central body responsible for professional standards and education, to match the integration of the whole health service. Whether the system it proposes will encourage nurses to work in the unpopular services for geriatrics or the mentally handicapped, which really are understaffed, is far from certain. There may first have to be a change of attitude in the medical profession.

Probation officers

Powers behind the bench

If the evidence of a limited survey* can be taken as typical of what is happening in courts throughout the country then probation officers are influencing, even determining, sentences passed on convicted persons to a degree many laymen will find surprising.

Mr Peter Ford has taken samples of social inquiry reports—reports written by probation officers to help courts to decide how to deal with particular offenders—for the three years 1960, 1964 and 1968. He took 100 from each

*Advising Sentencers. Basil Blackwell. 75p.

year in Oxford and 50 for each year in London. The Oxford ones were for juvenile and magistrates' courts as well as quarter sessions, and for county as well as city; the London ones were for the inner London sessions, but the reports came from all over the country. What Mr Ford was concerned with were the recommendations at the end of those reports, where the probation officer gives his opinion, however respectfully phrased, on what the sentence of the court ought to be. He checked each recommendation with the decision of the court and found that roughly 80 per cent of all recommendations were accepted.

The practice of probation officers advising magistrates and judges about sentencing has grown up since the war and is now widely accepted. Most reports do end with a recommendation. But the range of the advice is wider than some authorities would like—and some magistrates resent any recommendation at all—and is likely to go on spreading. It is not confined to whether an offender should be placed on probation, as the Morison committee in 1962 said it should be. Sometimes it takes the form of a specific recommendation of imprisonment, which goes beyond what even the Streatfeild committee had advocated in 1961, when pushing the idea of a closer relationship between probation officers and those responsible for sentencing.

If, in four cases out of five, the recommendation of a probation officer, contained in a report which is not normally read aloud in court or seen by the press and is not subject to the laws of evidence, is to be accepted, then certain requirements ought to be met in future. The Home Office should lay down much more explicitly than now the form these reports should take and the limits within which the probation officer is expected to give his advice. Second, although the probation service is staffed by men and women of outstanding dedication and humanity, whose experience must be of value to any court, they have not been given any special training to fit them for this onerous function, a gap that should be closed. Third, as Mr Ford points out, there is need, in clarifying the probation officer's role in sentencing, to try to resolve the conflict many of them feel between their statutory duty to "advise, assist and befriend" the offender and the objectivity, the recognition of the wider, social interest, which their new function seems to demand.

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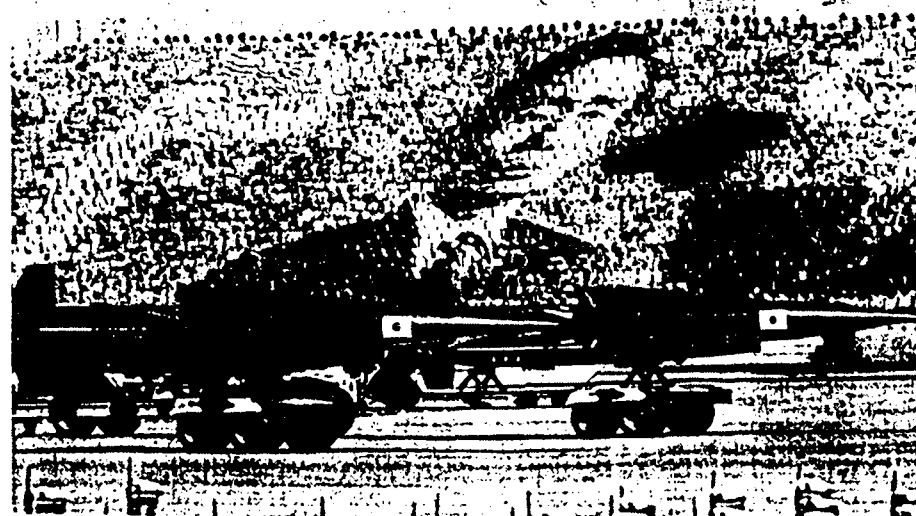
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THE WORLD

International Report



Park: the fans portray him North Korean-style

Tanks to the rescue of Korean democracy

For the second time in a year, President Park Chung Hee has invoked a threat to South Korea's democratic system in order to tear that system down. Last December he claimed that increasing incursions from North Korea required a declaration of national emergency. The emergency regulations are still in force although some months later the alleged aggressors were sitting down with President Park's envoy to discuss national unification. But then these very unification talks—by creating delusions of detente—proved a new and more insidious threat. So on Tuesday, President Park declared martial law, dissolved the national assembly, suspended all political activity, banned public meetings, instituted formal press censorship and closed all colleges and universities. The aim of all this, the president explained, was to make Korean democracy "a truly viable system."

The next phase in President Park's

self-strengthening movement comes on October 27th when he will announce his proposed amendments to the Korean constitution to replace those sections which were suspended this week. A month later these amendments will be submitted to a national referendum. South Koreans will then have a chance to veto what will almost certainly be a plan to increase President Park's centralised power at the expense of their own democratic rights. But there is a catch. The president has said that he will regard the referendum as a judgment on his moves toward unification. This means that people who might otherwise vote against more power for Mr Park may hesitate to do so if it is tantamount to rejecting the dialogue with the north.

President Park's new measures clearly stem from a sense of insecurity. But of what kind? In his declaration of martial law, the president cited the profound changes in the balance of

power around the Korean peninsula and expressed his fear that "the interests of third or smaller countries might be sacrificed for the relaxation of tensions between big powers." The South Koreans have had nightmares about being abandoned by their powerful allies ever since President Nixon announced his visit to Peking. Japan's recognition of China last month may well have been the final straw which convinced President Park that his best defence against external enemies lay in a fortress state—hence the move toward open authoritarianism.

It was, of course, this same fear of abandonment—likewise felt in the northern capital of Pyongyang—that induced the two Koreas to start talking a year ago. A year of meetings between Red Cross representatives has led to two full dress sessions on reuniting divided families, with a third scheduled for next Tuesday. And last week, the first of the high-level conferences on unification was held at Panmunjom. In spite of martial law, the talks are to go on and in time they may actually result in a relaxation of tension. But so far they seem only to have provided President Park with another reason to batten down his hatches.

During the Red Cross session in Seoul last month, the North Koreans indulged in a characteristic tirade, complete with the usual extravagant references to their revered leader, Kim Il Sung. The South Korean man in the street who had turned out in the street to greet the visitors from outer darkness reacted violently. Since then the North Koreans have resumed their regular radio polemics, which were toned down for two months after the July communiqué on unification; last week, for example, they called President Park "the most despicable war servant of the American imperialists." And in South Korea there have been unpublicised mutterings about the unwisdom of the whole policy of detente with the north.

Such reactions threaten President Park in two ways—the talks themselves may break down in failure or popular opposition to them in the

south may grow. Either would reflect unfavourably on the sponsor of the detente, who gives every sign of wanting to stay in power a good while longer. So this week President Park staved off the second possibility by the simple expedient of eliminating at a stroke both his political opposition and freedom of speech. Ironically he took this step at a time when the opposition is doing the job for him by splitting into warring factions. The president has no potential rival in sight, except perhaps his chief envoy to the north, Mr Lee Hu Rak. But this kind of logic has never convinced rulers who are feeling insecure.

Vietnam

The knowing know-nothings

FROM OUR SAIGON CORRESPONDENT

About the only source of hard information in Saigon about the current peace offensive is "Radio Catinat," the coffee-shop rumour mill on Saigon's once elegant but now sleazy main street, where political pundits interview each other and with the help of extrasensory perception are able to state categorically what is happening behind the closed doors of President Thieu's palace as well as in Paris, Washington and Hanoi. Peace will break out this week, next week, or after the American elections, or not at all, according to what your interlocutor's servant heard in the market this morning, or his reading of Mr Thieu's horoscope. Senators and congressmen remark knowingly that the negotiations have reached a very delicate stage; and in Chinatown you can buy tickets in a sweepstake on the date of a ceasefire.

It's all great fun unless you happen to be Vietnamese, in which case it is partly a disguise for the growing anxiety that accompanies hope. The desire for peace is outweighed only by the fear of it. Every Vietnamese knows that, regardless of any peace agreement that might exist on paper, the actual struggle cannot be switched off like a tap. As was reported by *The Economist's* special correspondent last week, the communists are preparing for a ceasefire in which the "little guns" would carry on killing after the big ones had been silenced. This week the Saigon government showed a film on the military television network giving instructions on what to do in the event of a ceasefire, which might come,

it was explained, because the communists were getting tired. One of Saigon's more respected elder statesmen expressed a widely held view when he said: "A ceasefire could be very dangerous. I am afraid that, even if no agreement is reached, the communists will unilaterally declare a ceasefire. I am very concerned."

That the government should talk seriously about the possibility of a ceasefire is interesting in itself, because President Thieu has been at pains to squelch such speculation in recent weeks, partly in order to prevent splinter groups rushing off to make private deals with the communists. But, despite the renewed expectations aroused by Mr Henry Kissinger's sudden visit to Saigon on Wednesday, Mr Thieu still appeared to be firmly in command on the political front. And the few sources in Saigon who deal in facts rather than clairvoyance offered no intimation that a breakthrough was close.

Canada

David calls the Goliaths bums

FROM OUR CANADA CORRESPONDENT

The Canadian federal election campaign has been anything but a straight two-party fight between Mr Pierre Trudeau's Liberals and Mr Robert Stanfield's Conservatives. Nearly all the running has been made by the oldest party leader, Mr David Lewis, and his left-of-centre New Democrats. An opinion poll taken three weeks ago showed the NDP as having gained six percentage points since August, and it looks as if its climb will continue until



Two challengers: Stanfield (left) and Lewis

polling day, Monday, October 30th.

New Democratic candidates explain their apparent success by saying that the party has produced the one lively issue of the whole campaign. It has kept up a sustained attack on the Liberal government's new tax reforms. Mr Lewis has named about 130 large firms and corporations that have made lucrative use of the concessions on capital cost allowances and of grants from the government. His researchers have been thorough, and his figure of \$3,200m of taxes that the corporations have deferred paying has not been challenged. The fact that many of what he has picturesquely called the "corporate welfare bums" are subsidiaries of American companies has provided additional electoral appeal in a year when Canadian nationalism has run high. It has certainly helped voters to forget how badly split the Ontario NDP was during the summer, when Mr Lewis's son Stephen, as provincial leader, was ordering the extreme nationalist section or "Waffle" group out of the party.

Mr John Turner, Mr Trudeau's finance minister, has argued that the new fiscal incentives have been crucial in attracting investments for the exploitation of Canada's mineral resources, and his minister of state, who hails from Calgary, has suggested that northern and western Canada would be turned into "an economic desert" if companies making such investments were fully taxed from the outset. The Liberals have also been on the defensive about unemployment, which rose to more than 7 per cent of the labour force in September. Mr Turner claims that more than 1m jobs are provided directly and indirectly by the mining and petroleum industry.

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October 1972

Mr Stanfield has mustered a stronger attack than he could in the 1968 campaign, when he was the Tories' new leader, just transplanted from Nova Scotia. He has scored points by accusing the Liberals of running deep into the red with unemployment insurance benefits, and of demoralising the civil service by employing armies of consultants. But his criticisms have been levelled mainly at methods of administration, and he has opened up few substantial differences in policy. Both to cartoonists and to ordinary Canadians, Bob Stanfield is still a symbol of slow-spoken integrity—and an unexciting alternative to Pierre Trudeau.

The prime minister himself has staged an odd campaign. Predictably, he has philosophised about national integrity and the strength of Canada. Unpredictably, he has departed from his 1968 tactics by suddenly releasing a flood of pre-election promises, including, for example, grants to be used to help transform Toronto's warehouse area into a waterfront park.

These last-minute promises may help the Liberals to hold their metropolitan fortresses in Montreal and Toronto and not lose more than a few of the 147 seats (out of 264 in the House of Commons) that they held at the dissolution on September 1st. Mr Trudeau is expected to return as prime minister, although he may find himself heading a minority government. But the big question is whether the New Democrats, who in the last parliament held only 25 federal seats, may displace the Conservatives, who had 73, as the largest opposition party in Ottawa. The NDP already controls three provincial governments.

New Zealand

Marshall plan

Beating the Australians to it by a week, New Zealand will hold general elections on November 25th. Some of the opinion polls have shown the National and Labour parties as running neck and neck. So much has changed, even during the short three-year term that is all that is ever allowed to the House of Representatives in Wellington, that the outcome seems unusually wide open. Sir Keith Holyoake's long reign has ended. In February, after 11 years as prime minister, he bowed out (but retained the foreign affairs portfolio). The contest for the leadership of the National party government was decisively won by Mr John Marshall,

who trailed clouds of glory after his performance as trade minister in pressing New Zealand's case for special consideration after Britain's entry into the common market. But the enlargement of the EEC is only one of the new factors that make the country's future course uncertain.

From the other side of the globe, New Zealand may still look like a big farm embedded in superb scenery. But in fact two-thirds of its 3m inhabitants are now townsmen. Only about a tenth of the working population are still on the farms. The trade unions have acquired considerable leverage in the tight labour market that has become a marked feature of the new industrialised society. The Labour party has shrewdly avoided the kind of excesses and consequent rifts that have kept its Australian counterpart in opposition since 1949. It has shaped a moderate image; it has found a vigorous leader in Mr Norman Kirk; the election as its vice-president of a distinguished Maori has strengthened its links with the minority community, which has become more politically conscious and had some reason to feel that the Holyoake government was neglecting its interests. And, of course, Labour has not joined in the chorus of praise for Mr Marshall's feats during the common market negotiations, so it may stand to gain in November from the qualms that a good many New Zealanders still feel about the enlarged EEC—particularly now that the tendency the Six had developed to dump heavily subsidised dairy surpluses in Pacific markets may be intensified by Denmark's admission to the community.

Mr Marshall's chances of victory in the approaching elections are, however, rated in some quarters as considerably better than those of Mr McMahon's government in Australia—largely because of the New Zealand prime minister's own qualities. The tactical skill and formidable charm that he had displayed in Europe last year appear to have been used again to good purpose since February. The finance minister, Mr Robert Muldoon, had made a strong bid for the succession to Sir Keith Holyoake; he was favoured by many people in the National party who acknowledged the superior Marshall charm, but wanted to see the Muldoon pugnacity given fuller scope, particularly in dealing with the wage claims that they saw as the main cause of the surging wave of inflation. With apparent ease, Mr Marshall reconciled the two factions, took Mr Muldoon into

partnership as his deputy prime minister, put paid to previous complaints that he himself lacked decisiveness by imposing a comprehensive freeze on wages, prices and dividends, and then gave Mr Muldoon the chance to play Father Christmas. In June (New Zealand's mid-winter) the finance minister announced a budget packed with income tax cuts, funds for farmers, increased family and investment allowances and pensions—something for everybody, it seemed, except, in an election year, the opposition. Mr Kirk called it "an election bribe." Mr Muldoon preferred to speak of "a massive injection of purchasing power," but it could still add up to a lot of votes for the National party on November 25th.

Ireland

A great year for the voting

FROM OUR DUBLIN CORRESPONDENT

The sight of violent confrontation taking shape between the British army and the militant Protestants of the Ulster Defence Association in the streets of Belfast has done nothing to raise spirits in Dublin. There, only a few days earlier, the news that the UDA was claiming to have raided an IRA arms dump on the republic's side of the border had coincided with the closing by the police of the Dublin offices of the Provisional Sinn Féin, the political wing of the Provisional IRA. Meanwhile the people of the republic are also coming to realise that they face a rather crowded political timeable, parts of which are closely linked with the turbulent situation in



Dev: born 1882, still going strong

the north. In the next 12 months the republic's voters will face at least one more referendum, local elections, a presidential election and possibly a general election. The referendum may come upon them in only a few weeks' time.

It had already been agreed to hold at an early date the referendum that is constitutionally necessary to put through the lowering of the voting age to 18. The prime minister, Mr Lynch, has now decided to make this the occasion to test the public reaction to a further constitutional change. The electorate will therefore be simultaneously asked to approve the deletion from the constitution of the article that recognises the special position of the Catholic church. With support from all the political parties and from the Catholic hierarchy lined up in advance, this should prove easy enough. The result will help the government to gauge public feeling about the more delicate constitutional changes (such as removing the ban on divorce legislation) that are seen as steps toward eventual Irish unity.

A presidential election is due next June, when Mr de Valera, who was 90 on October 14th, will complete his second seven-year term. Mr Lynch has been unable to find an agreed candidate for the office. Fine Gael will almost certainly put up Mr Tom O'Higgins, the party's deputy leader, who gave Mr de Valera a very close run in 1966. And a general election must also be held before mid-1974. Earlier this year Mr Lynch had seriously considered going to the country; he decided not to after his victories in the EEC referendum in May and the Mid-Cork by-election in August.

The cloud on his horizon is that the main opposition parties, Fine Gael and Labour, are about to begin talks about an arrangement that would permit them to go into the next election with an agreed policy. There will be major differences to bridge (the two parties were, for instance, on opposite sides over the EEC). But the coalition move could represent the first real threat to the ruling Fianna Fáil party in 15 years.

As recently as last May, Mr Liam Cosgrave, Fine Gael's leader, told its annual conference that Labour must put its house in order before any deal with it could be contemplated. But a few weeks later Labour offered a new coalition, and Mr Cosgrave instantly accepted the offer. The parties agreed to help each other during the Mid-Cork by-election. On present indications, however, a general election is unlikely

before June at the earliest.

Two by-elections will soon be pending. The death of a Fine Gael front benchman has just left the South Tipperary-West Waterford seat vacant. And Mr Patrick Hillery, the foreign minister, will soon abandon his Clare constituency to join the European Commission. Mr Hillery's successor as foreign minister is almost certain to be Mr Brian Lenihan, the present minister for transport and power. His main rival is Mr Desmond O'Malley, the minister for justice, who has wanted to take a firm line against the IRA.

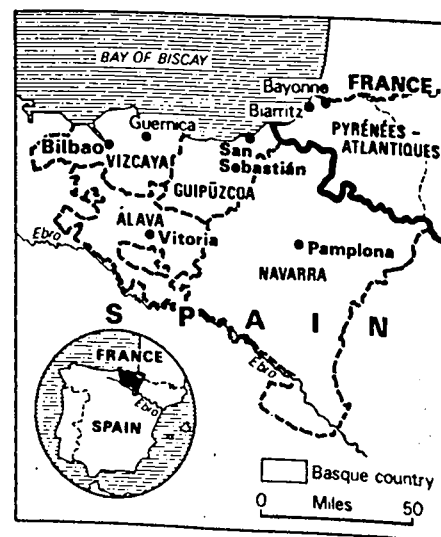
Basques

Uprooting the acorns

FROM OUR SPAIN CORRESPONDENT

The French government's crackdown on the ETA took this militant Basque group by surprise. Yet since last winter it had been ignoring too many of the rules of its own game. Its members were virtually commuting across the Spanish frontier, and using isolated farms and "safe houses" in France for meetings, for rests between operations in Spain, and even (exceptionally) for training. Now all this is to stop, and Spanish refugees who support the ETA and other extremist groups have been ordered to leave the border department of Pyrénées-Atlantiques for some less bracing part of France.

The outlawing of the ETA (the initials are those of the Basque words that mean "Basque country and freedom") is generally attributed to a confluence of Spanish pressure on France and of President Pompidou's desire to strengthen relations with



Spain. Left-wingers in France are muttering about "appeasement" and suggesting a national subscription to buy the president a Neville Chamberlain umbrella. But there is more to it than that.

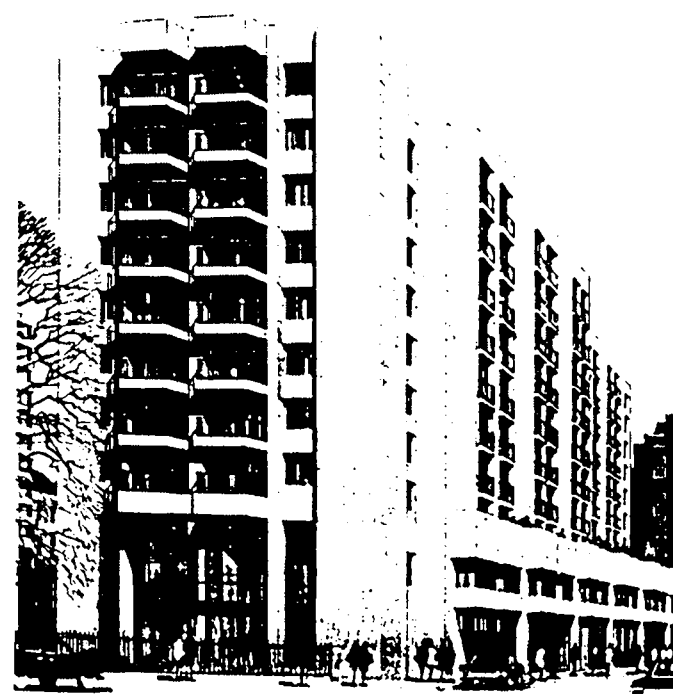
The three Rs in the French Pyrenees are Rugby football, Radicalism and Religion. The Basques on this side of the frontier generally preferred mass to political meetings; the French authorities subsidised their photographic folklore; tourism flourished; and young men who didn't want to be farmers, waiters, priests or pelota-players "emigrated" to Paris or Toulouse. But in 1968 events south of the border, and General de Gaulle's Canadian exploits, focused attention on a fourth R: Regionalism. The French Basques suddenly realised that the boom that was transforming most of the rest of France and northern Spain was bypassing their no-man's-land, and semi-skilled workers and entrepreneurs discovered better opportunities in the Spanish Basque provinces.

A small regionalist group calling itself Enbata (ocean wind) began attracting students and middle-class romantics with its denunciation of the frontier between the two halves of the Basque country as "a crime against nature, and a wall of shame like the one dividing Berlin." Since dancing, singing and pelota served the French tourist trade, Enbata called for a "folklore strike" on the main Basque holiday, Aberri Eguna. The Basque flag, hitherto seen mainly in souvenir shops, on scarves, ashtrays and candy boxes, began to appear in demonstrations. But, being Basque, the demonstrators preferred to sing and dance rather than to shout slogans.

The authorities were not seriously worried until the ETA established loose links with Enbata and began assuring the French Basques that their "liberation" would soon follow that of their Spanish cousins. One ETA spokesman told French journalists: "When the Spanish Basque country becomes independent, and no longer has its wealth siphoned off by Madrid, it will be an irresistible pole of attraction for the French Basques." A Basque priest told this correspondent: "The ETA is planting the acorns from which the forest of Basque freedom will grow during the next generation."

The French authorities are now determined to uproot as many of the acorns as possible on their side of the border. They are helped by the split

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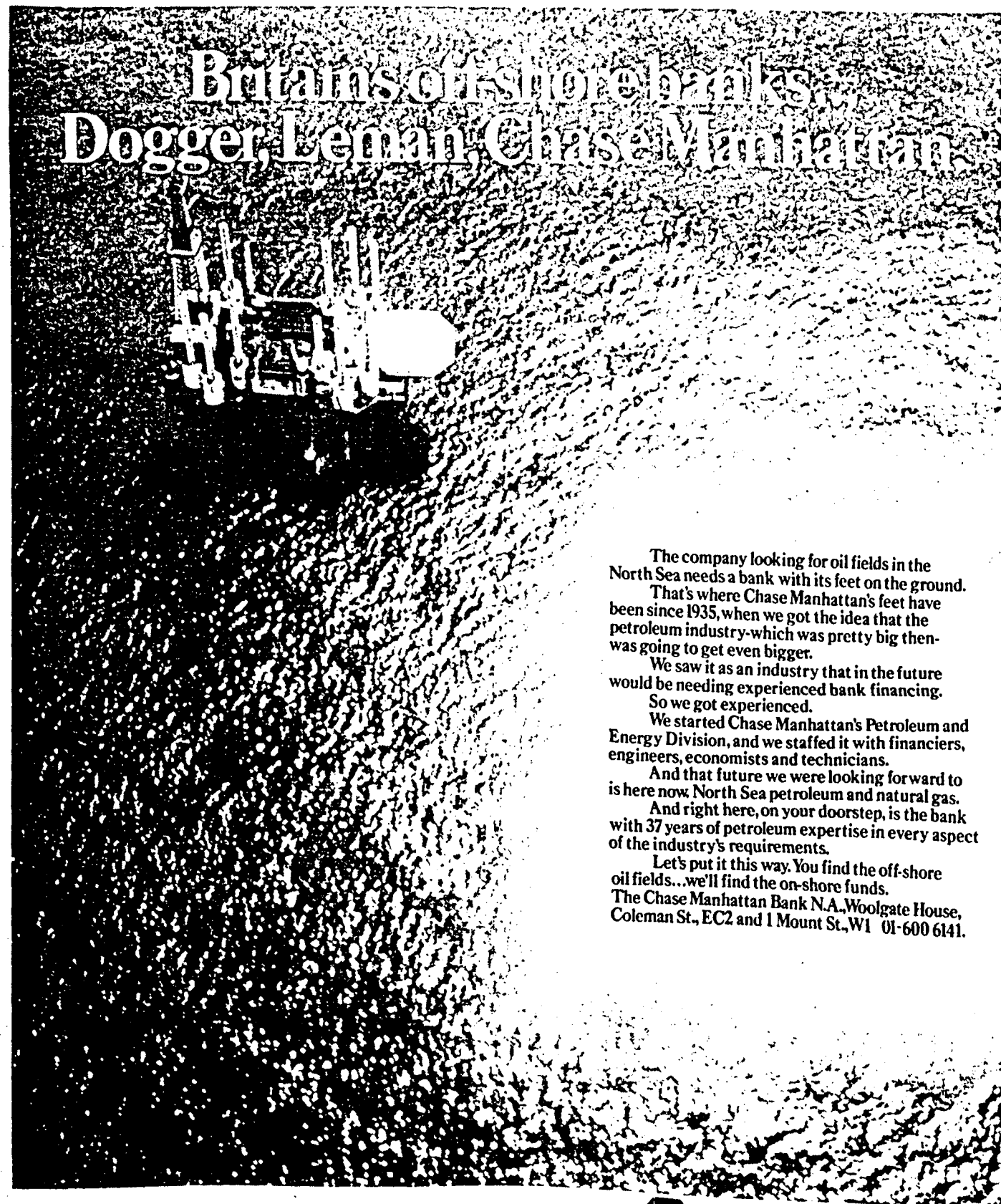
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in the ETA's ranks between its "military" wing and a revolutionary left. The "military" and mainly Catholic wing is supported by many young priests, and is strongly nationalist: it is interested only in violent action, and only in the Basque country. The revolutionary wing—which is supported by orthodox communists as well as by maoists and libertarians—believes that political agitation can now achieve more than guerrilla action, and urges that the Basque fight for freedom should be waged as part of "the general revolutionary struggle."

Germany

The price and police issues

FROM OUR BONN CORRESPONDENT

What are the real issues to be decided by the west Germans when they go to the polls on November 19th? The politicians themselves were asking this question with some vehemence at the two main parties' recent conferences, where the favourite slogans provided rather simplified answers. At their beautifully stage-managed, debateless conference at Wiesbaden last week the Christian Democrat-Christian Social opposition proclaimed: "We are building the future on stability." The pack of attendant journalists then drove 200 miles up the autobahn to Dortmund to hear the Social Democrats assert: "Willy Brandt must remain chancellor." As cool as that.

Since 20 per cent of the electorate is thought to be still uncertain which way to vote, both the major parties are fighting hard for the middle-of-the-road voter. Thus some of the issues

may need to be blurred. But others remain relatively clear: inflation and the state of the economy, to name two. The opposition is concentrating its attacks on the "disastrous" economic policies of the Brandt government. In this it is being helped by Herr Karl Schiller, until July the government's economics and finance minister, who has now resigned from the Social Democratic party. Herr Schiller has gone into print with *schadenfreude* to defend his former free-market financial policies and to attack the current economic stance of the government. Meanwhile he is allowing himself to appear on CDU election posters side by side with the former CDU economics minister and chancellor, Herr Ludwig Erhard, the author of the postwar German "economic miracle." Significantly, it was Herr Erhard who got the biggest ovation at the Wiesbaden conference for his all-out attack on the Social Democrats for leading the country into an inflationary situation. (The cost of living index has risen 6.2 per cent during the past year.)

The opposition is also attacking the government on law and order issues (with the case of the Baader-Meinhof group providing much of the ammunition) and is alleging that the Social Democrats have moved, are still moving, and if re-elected will move farther, to the left. It sees Herr Brandt and his government as soft internally and soft on communism, and regards itself as the true inheritor of traditional German values.

The Social Democrats, at their conference in proletarian (steel and beer) Dortmund, reflected the confidence of their new-found power. No one actually said, "we are the masters now," but the inference was there.

Both Chancellor Brandt and Herr Helmut Schmidt, Herr Schiller's successor as economics minister, in speeches that must rank as the best of their careers, took the opposition accusations, chewed them over with distaste and proceeded to spit them out, one by one. Herr Schmidt repeated his dictum that a 5 per cent increase in prices was better than 5 per cent unemployment. German inflation was merely part of the uncertainty attaching to the western monetary system—and the chancellor was going to try to do something about that at the Paris summit. Moreover, German inflation was much less than in most other countries, and the mark was the hardest currency in the world.

On law and order, the Social Democrats were quite willing to get tough with criminals but thought that the opposition often confused criminality with left-wing political opinion. Chancellor Brandt, who is successfully keeping the radical young socialists in political check, went out of his way to say that questing doubt was a healthy phenomenon in a democratic society. To the opposition's charges that they are a bunch of lefties at best and crypto-marxists at worst, the Social Democrats reply that the Christian Democrats cannot understand democratic socialism. Indeed, to an outsider, a socialist party which does not include among its stated aims such things as the capture of the commanding heights of the economy, or even the establishment of a state health service, looks an unlikely target for accusations of "creeping communism."

In the absence of clear issues (and that is how the ruling Social Democrats want to play it), the emphasis is inevitably on personalities. The socialists are puffing Herr Brandt for all they are worth, while the CDU/CSU is plugging "Rainer Barzel and his team"—in which the CSU leader, Herr Franz-Josef Strauss, seems to loom as large politically as he does physically. The attitude of the man in the street tends to confirm that this will be a very domestic election, much concerned with the prices of food, beer and cigarettes. In general terms conservatives say that a socialist government has made workers lazy and let the economy lag. The socialists regard the conservatives as reactionaries harking back to a past which has little relevance today. They demand that the Brandt government should be given a chance to accomplish those social reforms which it had no time to carry out in the past three years.



Barzel (centre) and colleagues think they see the issues

Austria

Sign warfare

Austria's Chancellor Bruno Kreisky has an awkward problem on his hands which threatens to sour his government's relations with Yugoslavia and to lose it support at home. The row is about road signs, in both German and Slovene, which were put up last month in 205 out of 2,900 villages and towns in Carinthia, the southern province where most of Austria's 25,000 Slovenes live.

The erection of the signs, which the Vienna government sees as a belated fulfilment of Austria's 1955 state treaty guaranteeing equal treatment to minorities, has provoked a violent outcry among the German-speaking majority in Carinthia. There have been protest meetings and marches; some signs have been torn down and others have been painted out. The campaign, which is believed to be led by the right-wing Heimatdienst (Fatherland Service) movement, appears to enjoy the support not only of the opposition parties, but also of some local supporters of Austria's socialist government. The protesters are demanding that the two-language signs should be erected only where 20 per cent or more of the population show, in a referendum, that they want them.

This demand has infuriated the local Slovenes and angered the Yugoslav government, which has already protested against apparent police passivity. Herr Kreisky has now appealed for self-restraint and drawn attention to Austria's own national minority in Italy's south Tyrol. But unless the campaign stops soon, he may have to order the police to enforce the law in Carinthia, which will damage him politically.



Hungary

Fingers crossed

FROM OUR SPECIAL CORRESPONDENT

Last week's preliminary agreement on the settlement of Hungary's debt to the United States is quite a feather in Mr Kadar's cap. Under the agreement, which was signed in Washington by senior officials and still needs the two governments' full approval, Hungary will pay the United States some \$20m. This will be compensation for American property nationalised by Hungary after the war and for unpaid Hungarian prewar debts. But the American Administration will in return lend its support in Congress to Hungary's request for most-favoured-nation treatment. This has so far been given to only two communist countries, Poland and Yugoslavia.

The real importance of last week's package is that it may help pave the way for Hungary's eventual admission to the International Monetary Fund and the World Bank. Rumania has just applied for membership and other communist states, notably Hungary and Poland, are said to want to become members too, though they are being understandably discreet about it. The main advantages of membership are good technical and management advice, from which Yugoslavia has benefited a great deal, and hard currency loans. Perhaps the greatest advantage to a country like Hungary, which lives by foreign trade, would be the boost that membership of those two bodies would give to its efforts to expand its exports to western markets through various co-operation agreements with western firms. In pursuit of such co-operation, the Hungarian government has just brought in more liberal regulations which envisage the formation of joint companies with 49 per cent participation by the foreign partner. With special government permission, even joint production companies could be formed.

But like much else in Hungary at the moment, these new regulations have been given very little publicity in the Hungarian press, and officials in Budapest are at pains to assure visitors from the west that co-operation will continue to be mostly with communist, rather than with western, countries. Similarly, any idea that Hungary's economic reforms at home might contain any radically new elements is discounted. Mr Kadar went out of his way two weeks ago to say that his country would remain fully committed

to the principle of "socialist central planning," and would even extend it.

This resolve may be connected with the long-awaited visit which Mr Brezhnev is expected to pay to Hungary in the near future. Even allowing for the possibility that the row with Moscow earlier this year was only about how much oil and gas Russia would deliver to Hungary in the next 20 years, the visitor senses an atmosphere of well-suppressed nervousness. It is as though the Hungarians still feel themselves to be on probation in Moscow. The faces may be smiling, but the fingers still remain visibly crossed.

Israel

New blood too late

FROM OUR ISRAEL CORRESPONDENT

Just as Israel has never satisfactorily solved the riddle of who is a Jew, so it has never come to grips with defining the precise relationship between religion and the state. Thus the election last Sunday of its two chief rabbis had as much political as religious meaning. The actual powers of the rabbinate are defined by law as embracing all matters concerning the personal status of Jewish Israelis, but their prestige and authority are largely determined by the personalities of the office holders.

Over the years their prestige has been corroded. Most Israelis are non-practising Jews. No clear-cut answers have been found to the problems created by modern statehood and mass immigration, and the chief rabbis themselves have been too hidebound to rise above the stringent tenets laid down in another age. Both of the outgoing chief rabbis, Yehuda Unterman, aged 86, and Itzak Nissim, aged 74, had tended to turn their backs on the liberal mood of the 1970s. Nor did they face up to the real suffering caused by the strict application of marriage and conversion laws which had been designed to protect a Kingdom of Judah from Ba'al worship or to prevent assimilation in medieval Polish ghettos. Today a mixed couple from Russia or America, or a Cohen (that is, a descendant of a priestly family) wishing to marry a divorcee, can fly to Cyprus for a Gretna Green-type ceremony, but they still condemn their children and their children's children to a dubious marriage status.

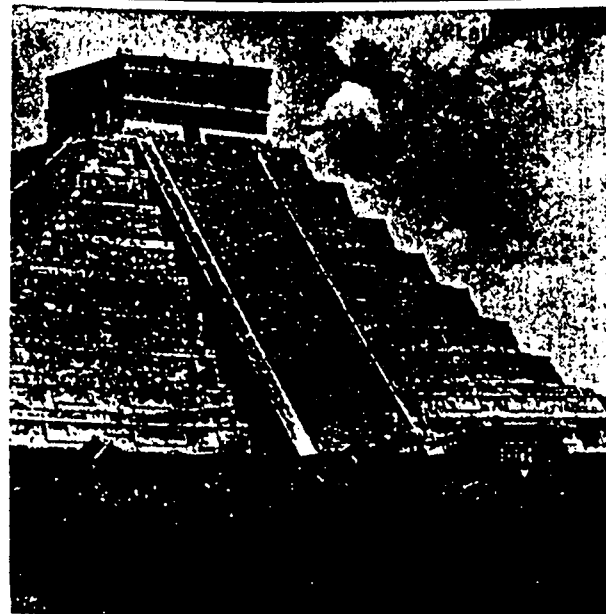
Anomalies have multiplied, and critics on both sides have found plenty of ammunition with which to keep

Continued on page 45

Far East



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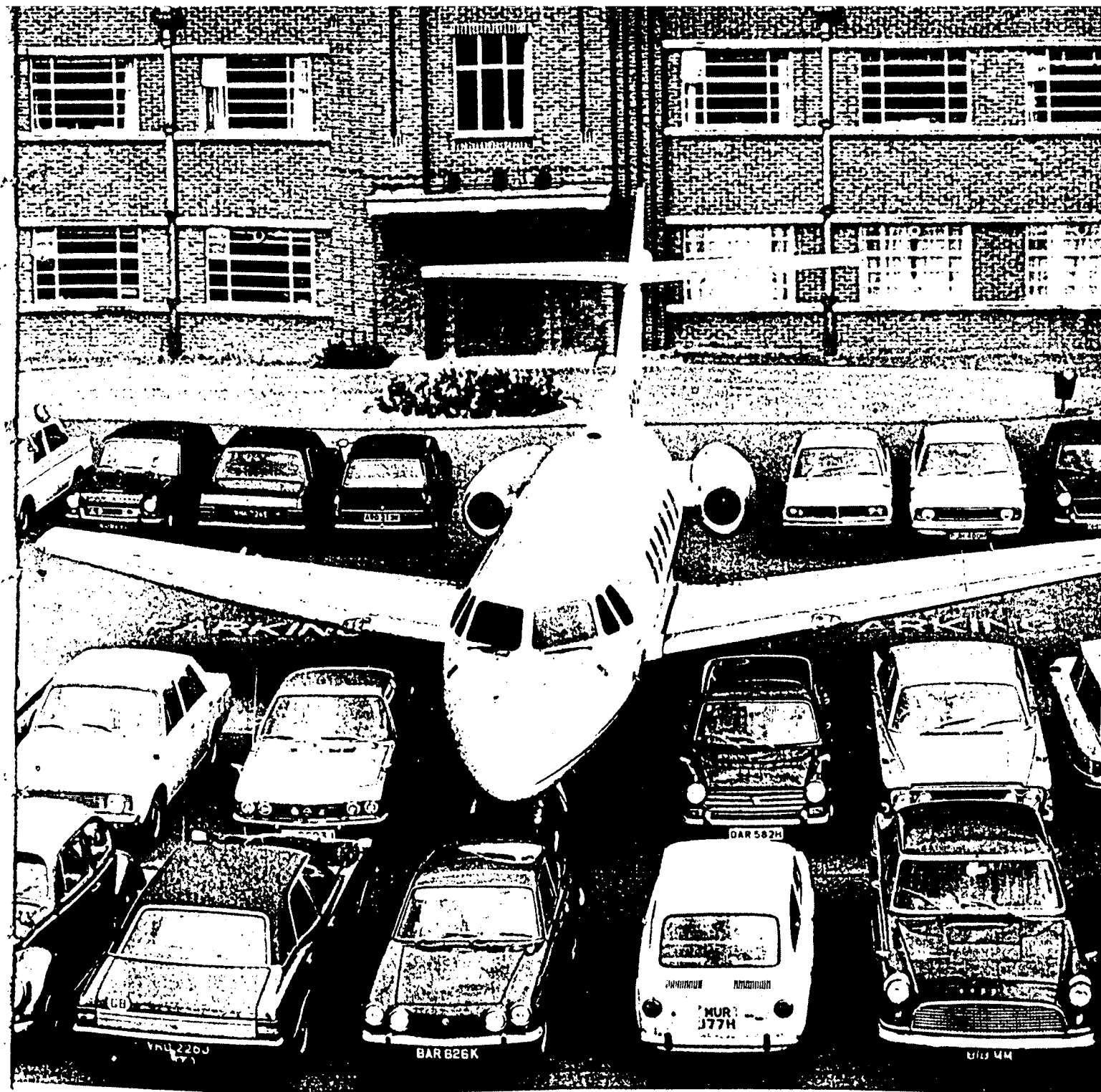
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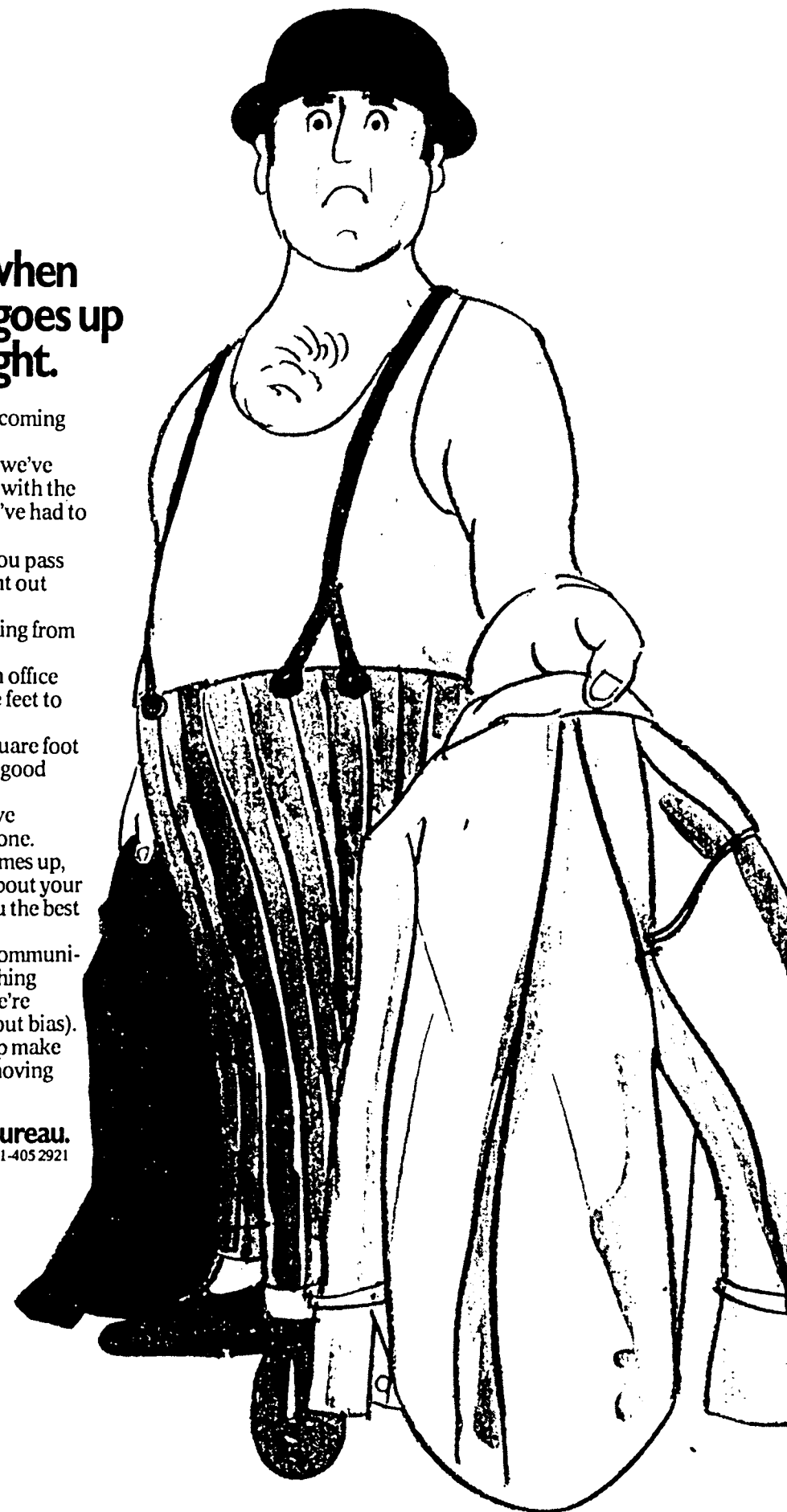
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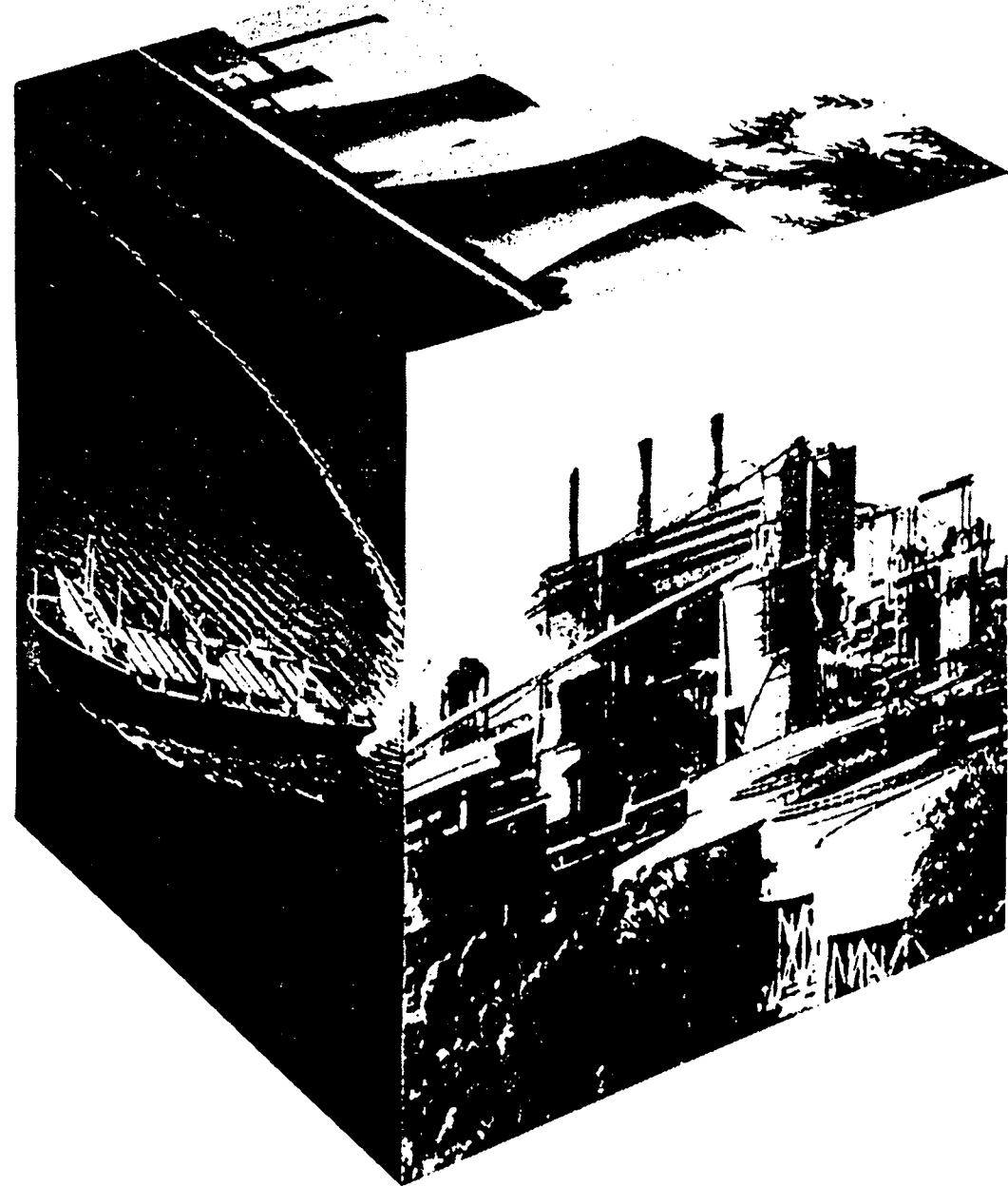
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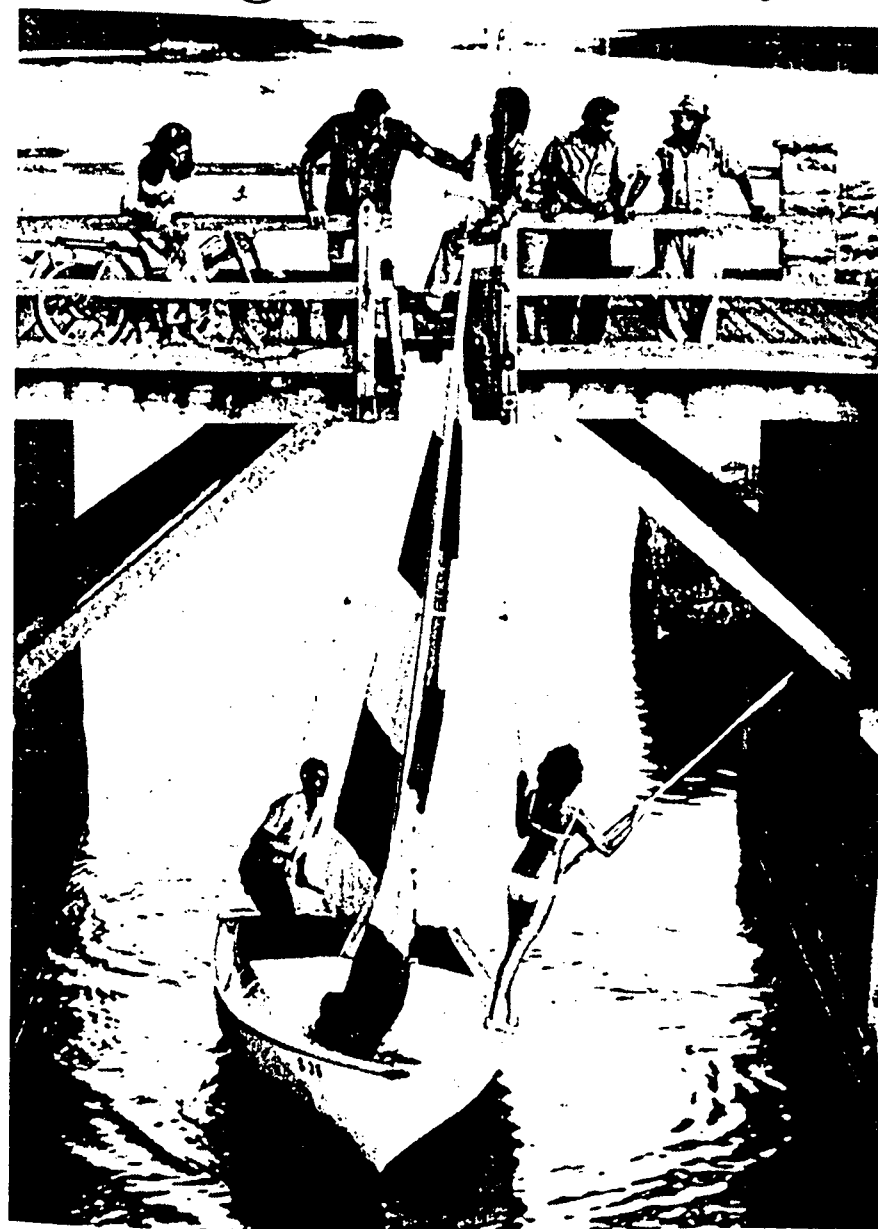
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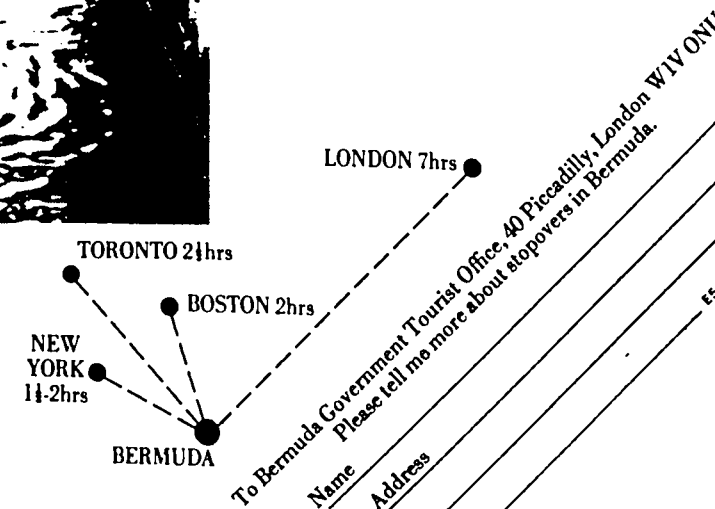
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Continued from page 36

the government and the religious establishment under permanent siege. Those seeking to separate religion from the state have threatened the coalition of the Labour party and the National Religious party (NRP) by trying to introduce civil marriage for people who are pronounced unmarriageable by the rabbis. At the other end of the scale the ultra-orthodox groups have taken advantage of the rabbis' indecisiveness by provoking demonstrations and even riots over such issues as transport on the Sabbath and the performance of post-mortems.

The Labour party has long wanted to see new blood injected into the chief rabbis, but in the end it agreed with the NRP on two compromise candidates. The Ashkenazi was the chief rabbi of Tel Aviv, Shlomo Goren, aged 56, who had proved a dynamic newsmaker as chief army chaplain. Although irreproachably orthodox and a celebrated scholar, he is in close touch with the world as it is. The Sephardi candidate backed by the two parties was the incumbent chief rabbi, Itzak Nissim, who was thought to have the support of the oriental communities. The surprise of the election was his defeat by the highly popular Sephardi chief rabbi of Tel Aviv, Ovadia Yosef, who is only 51. Now the Israelis and world Jewry are looking to the two new men to restore the once legendary spiritual authority of the rabbis of Israel.

But in one respect the changes may have come too late. The independent liberals, who are also in the government coalition, have refused to waive their demand for civil marriages, and the Knesset will have to tackle the issue when it reconvenes. The left-wing Mapam, another coalition partner, is committed to support the measure. The NRP is equally com-

mitted to walk out of the coalition if the measure is passed. This is quite possible if the Labour party vote splits. If Labour wants to salvage its alliance with the NRP, which has hitherto been a constant factor in Israeli politics, the government will have to call an early election. Such an election will largely be fought on the inflammable religious issue, and the new chief rabbis will have come on to the scene too late to avert what nobody wants.

The subcontinent

Is the pen as mighty as the bat?

Journalists, like ping-pong players, can sometimes acquire semi-ambassadorial status. Two Pakistani journalists who stopped over in Delhi this week on their way to Bangladesh's capital, Dacca, were reported to have said that a meeting between President Bhutto and Sheikh Mujibur Rahman would be a good thing. Now it seems that the purpose of their journey may be to arrange just such a meeting.

If so, it will come none too soon for a Pakistani government increasingly anxious about the trials of Pakistani prisoners for alleged war crimes now getting under way in Dacca. On October 7th Mr Malik, the former governor of East Pakistan, and his former cabinet colleagues appeared in court for a preliminary hearing; their full trial awaits only the preparation of their defence. If this were to be followed by similar trials of senior Pakistani officers, it would be very difficult for Mr Bhutto to recognise Bangladesh. This in turn would block the return of the 93,000 Pakistani prisoners in India, whose situation is getting increasingly parlous. On October 13th six Pakistanis were shot dead in their Indian prison camp, bringing the total killed in Indian camps since last March to 12.

But one other ray of hope in the subcontinent is the fact that Indian and Pakistani military commanders may at last be close to agreement on the delineation of a line of control in Kashmir to take account of the changes wrought by last December's war. The talks recently broke down when all but two small areas in the 500-mile line and 21 out of 25 maps had been agreed upon. What evidence there was seemed to indicate that it was Pakistan that was digging in its heels. Now the talks have been resumed this week on Pakistan's initiative.

Pakistan of course stands to gain by an early and successful delineation of the Kashmir line because the Indians insist that only when this is done can the mutual troop withdrawals begin. And Indian troops are still sitting on some 5,000 square miles of Pakistan's Punjab and Sind provinces. The withdrawal of these Indian troops would also help Mr Bhutto to divert attention from his pressing internal problems, in particular that of framing a new constitution. This week Mr Bhutto has been meeting Pakistan's opposition parties in an effort to reconcile his desire for a presidential system with their demands for a federal, parliamentary one. Even so it will probably be next spring before a constitution sees the light of day. Bangladesh, by contrast, produced a draft constitution of 153 clauses on October 12th.

Iran

One way to broaden the base

FROM OUR TEHRAN CORRESPONDENT

Although the Shah of Iran remains as anxious as ever he was for popular participation in government, all the signs are that the country is moving towards a one-party state. Last week's local elections confirmed the trend and underlined the fact that there is a long way to go if the Shah's intention of 10 years ago to create a two-party system is to be fulfilled. One stumbling block has been public apathy towards parliament and the local councils because effective power is seen to reside with the Shah and his nominees. Another has been apathy towards the parties amongst a public which sees no real difference between them.

The background to last week's elections for urban and provincial councils and regional educational committees shows the difficulties of trying to create a two-party system that gives a wider area of public debate while at the same time working within the framework of the regime. In late July the secretary-general of the opposition Mardom party, Mr Alinaqi Kani, was removed from office. Appointed only last year, he took the job seriously enough to make a number of heated attacks on the government of the prime minister, Amir Abbas Hoveyda. In one of them he asked the Shah to end "the rule of a handful of profiteers, egotists and contemptuous enemies of freedom."

By Iranian standards this was heady



Goren's in touch



Hoveyda sustained some heated attacks

stuff, and it struck a sufficiently popular echo for the authorities, already harassed by urban guerrilla groups, to fear that Mr Kani's oratory might be an incitement to further subversion. He quietly bowed out of the party and with him went all interest in the campaign. The opposition's share of seats dropped by 10 per cent from the 21 per cent it won in 1970, and the figure would have been lower if the ruling New Iran party had not deliberately left the field open to its opponents in certain areas.

But the Shah would still like to widen the base of power, both as a guarantee of present stability and as a means to ensure political continuity when he quits the scene. He knows that over the next 10 years he will have to face the expectations of the growing and often frustrated army of technocrats and university graduates, who will demand more open discussion of politics and priorities. The regime's response to this, as it seems to be emerging, goes only some way down the road towards greater popular participation in government. The Shah is gambling that his decision to go all out for economic growth will make Iran's wealth so great and so widely distributed in another 10 years—the beginning of the era of what he terms “the great civilisation”—as to muffle dissident voices.

New laws passed before the local elections were designed to further the process of decentralisation and to allow the councils to be consulted a little more about local affairs. At the same

time the ruling party, with its vast organisational network, is being increasingly used as a vehicle of political instruction among the masses. If the formula does not prove totally successful the Shah should still have the resources—and the security forces—to contain any tensions that might emerge while he is still actively leading the country.

Cuba

Four more

Cuba is getting some of the broken fences in its Caribbean backyard mended for it. Guyana, Trinidad-and-Tobago, Jamaica and Barbados have decided on an early resumption of diplomatic relations with Cuba. These four thereby join Chile and Peru; Mexico never broke relations in the first place. There are, however, still 17 out of 23 “active” members of the Organisation of American States (OAS) that have no relations with Cuba, its “non-active” member, excluded in 1962.

Cuba is wooing Ecuador and Panama, which it regards as showing “progressive” tendencies—that is, contesting American interests. Cuba backs Ecuador's claim of 200-mile territorial waters and President Torrijos's new assertion of sovereignty over the Panama canal. Both Ecuador and Panama supported a Peruvian proposal made in the OAS in May that would allow any member to resume relations with Havana at whatever level it deemed appropriate. It was defeated by 13 votes to 7. But there is no prospect of Cuba actually re-entering the OAS, even if it was invited to do so. Dr Fidel Castro said in July that he still regarded the organisation as a “sewer” and a “trash heap” because it was American-dominated. And there are no signs of a thaw in Cuban-American relations.

Cuba's entry into the Soviet-dominated economic group, Comecon, as a full member in July was only an official recognition of the part which the communist block has played in the island's economy. But the Cubans seem worried that Latin America might take it amiss. One Cuban minister, commenting on the fact that Cuba was the first Latin American country to join Comecon, said “we are absolutely sure that the second and third countries will appear in the very near future.” Even if he was referring to Chile, and possibly to Peru, it seems pure wishful thinking.

Madagascar

Five years for the general

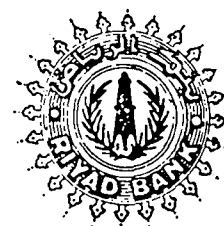
Everybody loves a soldier. Well, perhaps not in Uganda, but in Madagascar they seem to. With a huge majority, the former chief of staff, General Ramanantsoa, romped home in the referendum of October 8th, giving him full powers to rule without parliament for a five-year period in which he has promised to carry out a programme of social and economic reform.

Mr Tsiranana, who ruled Madagascar for 14 years until he felt compelled to hand over full executive powers to his chief of staff during the student *événements* of May this year, has now also resigned as head of state. Having advised voters to reject the referendum, he could hardly do otherwise. Indeed the impressively large vote in favour of General Ramanantsoa—which seems to have been less suspicious in its magnitude than some majorities in previous Malagasy elections—probably owes as much to a rejection of the former president as it does to enthusiasm for the general.

It is true that the new ruler has proved much less conservative than many people expected: he has already released political detainees, rejected dialogue with South Africa and raised the minimum wage. But the opposition parties which supported his proposals in the referendum have differences of opinion both with the new government and among themselves. Their unity in the referendum rested largely on their common hostility to Mr Tsiranana.

Democracy—never conspicuously strong in Madagascar despite its multi-party complexion—has certainly gone out of the window for five years or more. But political parties are not banned—as they are, for instance, in Nigeria where there is also a military government. And the general has also promised to consult the people in the future through use of the referendum. Whether such appeals will count for much as the memory of his predecessor fades and his own popularity correspondingly diminishes remains to be seen. The problems created by a bad harvest are the first the new president will have to face; then he may turn his attention to taking a 51 per cent share in the largely foreign-controlled economy. This could further strain relations with France, whose friendship has already cooled with the removal of its protégé, Mr Tsiranana.

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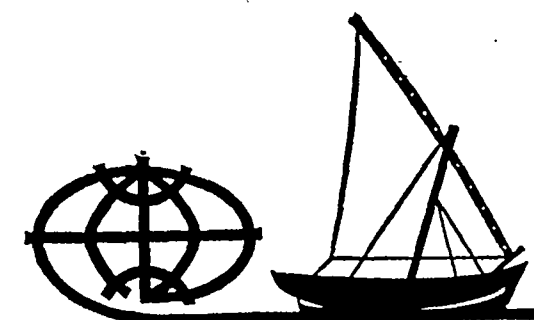
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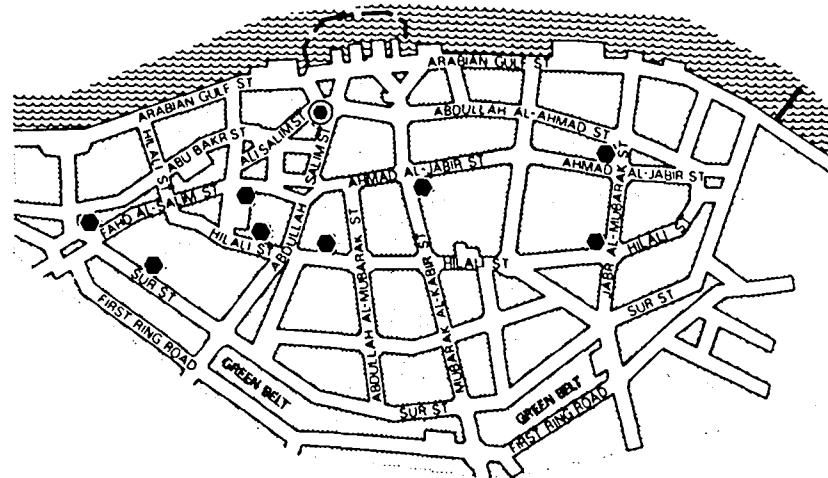
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Ethiopia	2	347	Sugar & Textile Industries
Senegal	1	188	Fertilizers Industry
The A.R.E. (Egypt)	2	2,083	Transportation
Tunisia	1	313	Tourism
Kenya	2	239	Tourism & Paper Industry
Libya	1	122	Cement Industry
Mauritania	1	417	Copper Mining
Union de Banques Arabes et Francaises, Paris	1	468	Trade & Development of Arab Countries
Lebanon	3	1,008	Textile Industry—Ceramic Manufacture & Construction Industry
Algeria	2	2,917	Oil Industry and Manufacture of Building Materials
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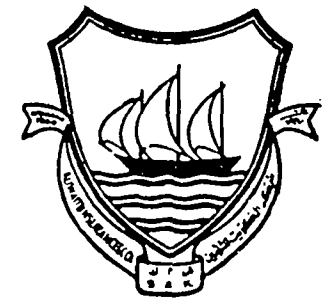
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notice of annual general meeting

Notice is hereby given that the Annual General Meeting of the Company will be held in Turin, at the SAI - Società Assicuratrice Industriale - S.p.A. - Corso Galileo Galilei no. 12, on October 27, 1972 at 10.30 a.m. In case the quorum is not reached a second meeting will be held on October 30, 1972 at the same place and at the same time. The following agenda will be considered.

agenda

1. Reports of the Board of Directors and of the Board of Auditors for the year ended June 30, 1972.
2. Financial Statements at June 30, 1972 and resolutions.
3. Appointment of a member of the Board of Directors
4. Appointment of the Board of Auditors

Holders of ordinary shares (with vote) and holders of preferred shares (without vote), are allowed to participate if they deposit their stock certificates at least five days prior to the meeting, at the Company's Head Office in Turin, via Marengo no. 25 or at the following financial institutions:

In Italy: Banca Commerciale Italiana - Banca d'America e d'Italia - Banca del Monte di Credito di Pavia - Banca Lombarda di Depositi e Conti Correnti - Banca Mobiliare Piemontese - Banca Nazionale dell'Agricoltura - Banca Nazionale del Lavoro - Banca Popolare di Novara - Banca Subalpina - Banco Ambrosiano - Banco di Napoli - Banco di Roma - Banco di Sicilia - Cassa di Risparmio di Torino - Cassa di Risparmio delle Province Lombarde - Credito Commerciale - Credito Italiano - Istituto Bancario Italiano - Istituto Bancario San Paolo di Torino - Monte dei Paschi di Siena.

In France: Lazard Frères & C. - Paris
In Germany: Commerzbank A.G. - Düsseldorf - Frankfurt a.M.
In Great Britain: Lazard Brothers & Co. Ltd. - London
S. G. Warburg & Co. Ltd. - London
In the Netherlands: Amsterdam Rotterdam Bank N.V. - Amsterdam
In Switzerland: Crédit Suisse - Zürich

The Financial Statements, the Board of Directors' Report and the Board of Auditors' Report will be available to shareholders at the Company's Head Office from October 12, 1972 during office hours. Additional information will be given upon request.

THE BOARD OF DIRECTORS

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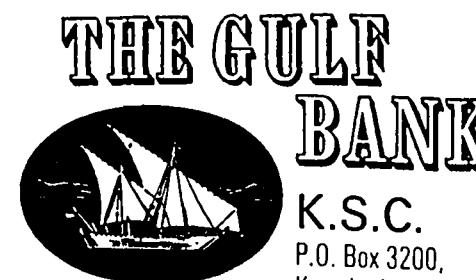
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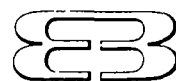
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THE WORLD

American Survey

President above Congress

Washington, DC



Tell it to Congress's leaders: Scott (R), Albert (D), Nixon, Mansfield (D), Ford (R)

Massive, opulent and authoritative, the campaign for the re-election of President Nixon makes for the most part only incidental mention of the Republican party and pays, with some exceptions, little heed to the efforts of Republican candidates to get themselves elected to the Senate or the House of Representatives. In 1966 when the Republican party was virtually leaderless after the Goldwater debacle, Mr Nixon barnstormed the country on behalf of Republican candidates for state offices and congressional seats. In the ebb tide of the Johnson presidency they did well and Mr Nixon got the lion's share of the credit. Once President, he made, or at least allowed to be made, one further effort to build up Republican strength in Congress. The mid-term election campaign of 1970 saw a Republican drive to get control of the Senate and cut down further the Democratic majority in the House of Representatives. But the strategy was misconceived and the effort failed.

The idea that the opportunity which was muffed in 1970 might be seized in 1972 was much discussed in the spring and summer, but by now the steam seems to have gone out of it. A net gain of five seats in the Senate would

put the Republicans in a position to assume the role of majority party, with the help of the Vice President's casting vote, and take control of the committees. To achieve the majority position in the House of Representatives the Republicans would need a net gain of 39 seats—a more difficult feat, but still one that might have been thought worth the effort. Committee chairmanships in Congress are position of power and the Republican Senators and Representatives would dearly love the chance to take them over. What is not altogether clear is whether this normal political objective means as much to President Nixon and his staff as it does to Republicans in Congress.

But now, after a period of complaint and lamentation about lack of help from, and pre-emption of funds by, the Committee to Re-elect the President, Mr Nixon's rich and powerful organization is sometimes willing to lend a hand. There is still time, though barely, for things to change in favour of the congressional Republicans. It is, however, curious to see a conservative Republican publication, Human Events, trying to explain to the White House why it matters that the Republicans should be able to control the next Congress; the pivotal argument

is that a Republican Congress would support the President in his efforts to restrain public spending and abolish the deficit on the budget, whereas a Democratic Congress would not.

While there is something in this in a general way, what has been going on between President Nixon and the present Democratic Congress is not so much a struggle about how much money shall be spent, as a struggle for possession of the banner of thrift and fiscal restraint as a campaign issue. No politician facing re-election wants to be identified with high public spending and more taxes, inevitable and indeed necessary as these may be. Thus it was understandable that the House of Representatives, all of whose members face re-election on November 7th, should surrender to President Nixon's demand for power to cut spending at his discretion in order to keep federal outlays to an arbitrary limit of \$250 billion, while the Senate should put up more resistance, as it did. Only a third of the Senators face re-election; the other two-thirds were in a position to worry about the constitutional implications of Congress surrendering the control of public spending in large part to the executive branch.

They worried to such an extent that the 92nd Congress's last hours were spent in a bitter conflict with the White House. A compromise had been worked out which would have given the President authority to cut spending very much, although not entirely, at his discretion to keep outlays under his ceiling of \$250 billion. But on Tuesday the Senate rejected this and the House resigned itself to the loss of the ceiling. Both houses then passed the bill to which the ceiling had been attached, an unavoidable measure raising the limit on the federal debt. Once his budget ceiling was rejected the President vetoed as far too costly a water pollution bill which he had requested but which Congress had added to. The Senate over-rode his veto immediately and the House followed its example. So while Mr Nixon sustained defeats, he was presented with a handy campaign issue—

congressional extravagance. Perhaps more important he now has an excellent excuse for asking next year for the necessary new taxes which he had earlier promised not to seek.

In spite of all this, Mr Nixon, not intensely concerned with domestic reform or with domestic policy in general, can look back with reasonable satisfaction on the record of his dealings with the Congress now expiring. It is true that his reorganisation of the executive departments was blocked by forces of inertia which reside not only in Congress, but in the executive branch itself. His reform of the public assistance system came to nothing, but that was partly because the Administration's attachment to its own proposals became increasingly ambiguous.

When the President needed a new economic policy, even though it put huge powers of regulation of prices and incomes with the executive branch, he got it. He was frustrated in his first two appointments to the Supreme Court, but they were particularly provocative choices, and this setback has not prevented him filling four seats on the Court with men of his own way of thinking. The Senate killed his proposal to interfere with the jurisdiction of the courts over racial segregation in the schools, but he is better off without that interference; the defeat of his bill leaves him free to appear before the electorate as the opponent of busing children to distant schools and that is all that he really needed.

To the general surprise, a majority did form in Congress in favour of the President's proposals for sharing a portion of the federal revenues with the states and localities and this has been passed. Congress tended to vote more money for education, nutrition, public housing and employment policies than Mr Nixon wanted voted, but it did not push its opposition to extremes when the Administration adopted a policy of simply impounding the funds which it judged excessive.

President Nixon got his foreign treaties ratified, his requested appropriations for defence were passed regularly without any grave reductions and a succession of attempts to attach firm restrictions on the uses that might be made of the funds in controversial theatres of military action, especially in Vietnam and the rest of South-East Asia, came to nothing, one after the other. At the end of Mr Nixon's first term, which opened amid a popular cyclone of anti-war feeling, the war-making power is as firmly in the

President's hands as ever. These things are what matter to Mr Nixon.

The truth is that, interesting as the formal control of Congress is to the congressional veterans on either side, the working control of Congress has been fairly settled in Mr Nixon's hands for at least the past two years. The aggressive campaign which he organised against the liberals and the other dissidents in 1970 did not produce a formal change of majority in either house, as this year's campaign probably will not, either. It did, however, set off a stampede for the hills among southern moderates and also among liberals in some of the northern states where the incumbent politicians felt out of tune with the mood of their constituents.

Mr Nixon, unless all the signposts have been turned round the wrong way, is about to enter his second and final term as President—a term in which he will be able to afford to attend to the matters he cares about (which are matters of foreign policy) while the domestic condition of the country is viewed with philosophical detachment and the future of his party is left to the exertions of those Republicans who are still eligible for elective office. For a political leader in such a situation, numerical majorities for his party in the Senate and the House are not of the first order of importance. Against many expectations, Mr Nixon's first term has seen the presidential power (in relation both to Congress and to the Supreme Court) increase. In these circumstances, the maintenance of a Democratic majority in a Congress which is manageable and amenable may well seem as interesting to the President as a Republican sweep that might displace the existing committee chairmen and open up the unknown.

Pals with Russia

The signing of a detailed reciprocal trade pact with the Soviet Union had been expected soon—but not quite so soon. However, on a quick look it does not appear that the Americans made concessions in order to reach agreement in time to polish up the Administration's election image. The United States has done fairly well out of the Lend-Lease settlement—\$722m to be repaid by mid-2001—given the need to get this sticking-point out of the way before normal trading relations could begin. Now credits can be made available and Congress can be asked

to grant most-favoured-nation treatment to tariffs on Russian imports; it will probably do so early in 1973. The agreement settles other technical questions and as a result it is forecast that trade between the two countries will treble during the three years of the agreement, reaching a total of \$1.5 billion. To begin with the balance will be greatly in America's favour, as Mr Peterson, the Secretary of Commerce, was quick to point out.

He also expects thousands of new jobs to open up in the United States as the Russians will, he thinks, be buying chiefly manufactured goods. The jobs to be created on ships and on the waterfront were also Mr Peterson's great selling-point for the shipping agreement announced a few days earlier—the "indispensable first step" into the "new era of expanded commerce with the Soviet Union." Trade is to be shared equally, with one third of the shipments being carried in Russian vessels and one third in American, leaving one third for other countries. This was the price charged by the dock workers' leaders for their co-operation. Strongly anti-communist, they have in the past refused to allow their men to service Soviet ships, which have not called at Gulf or East Coast ports, which will now be open to them, since 1963.

But at the last minute the American negotiators, luckily for them, realised that there was a snag in this arrangement, arising out of the sharp increase in world cargo rates as a result of the heavy Russian purchases of wheat in the United States. Originally the Russians had agreed to pay \$8.05 a ton for transport of grain in American bottoms; but as rates went up, it developed that the Russians would be getting a bargain when using American ships. Since the difference between what they pay and what it costs to run an American vessel has to be made up by government subsidy (around \$10 a ton at present), this would obviously have caused the Administration much embarrassment, especially when it is already being accused of having fallen into a similar trap in connection with the export subsidies paid on the Soviet purchases of the wheat itself. With a co-operativeness that suggested that they must be desperate for the grain, the Russians have now agreed to pay \$8.05 a ton or 110 per cent of the market rate, whichever is higher, and also to reduce their unloading costs. So if they bought their 17m tons of wheat cheap they are paying a premium to get it home.

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October 17, 1972

ELECTION '72

Two Republicans

1. Unwanted Senator

Durham, N. Carolina

President Nixon's decision not to endanger his own appeal to Democrats by campaigning for Republican candidates for Congress relieves him of the need to take up the political cudgels for Mr Jesse Helms, the Republican choice for the Senate in North Carolina. Mr Helms may snuggle up to the President (one of his campaign stickers reads "Nixon needs Helms") but there is no answering warmth from Washington. A victory for Mr Helms would be a step toward Republican control of the Senate but, apart from that, he would be a grievous embarrassment.

Mr Helms is far to the right of the President. As election day approaches he is moderating his tone but, as an accomplished broadcaster of some influence in the state capital, he is firmly on record as attacking the President for selling out to the "murderous Chinese communist regime" and he has accused the President of waging a "no-win" war in Vietnam. Mr Helms has already been responsible for a full-page advertisement, accusing his Democratic opponent, Mr Nick Galifianakis, of indifference to drug-addiction and the crime which flows from it. Less brazenly, but still with an unpleasant undertone, Mr Helms pleads "vote Helms—he's one of us." North Carolina has probably the lowest proportion of recent immigrants of any state and Mr Galifianakis, though the son of an immigrant from Crete who sold hot dogs in Durham, was born and educated in North Carolina.

His long name is a stumbling-block (his stickers say "Pick Nick," or "Nick for the Senate") but Mr Galifianakis has been a member of the House of Representatives since 1966, speaking for one of the handful of really liberal districts in the south; it includes Duke University and Durham, where blacks have been voting since the 1930s. Naturally Mr Helms has tried to tag the former college professor with radical beliefs; a recent Helms advertisement was headed "McGovern-Galifianakis." But the Democrat is stating the literal truth when he argues that his position is closer to that of President Nixon than is the Republican candidate's.

Boycott on the ballot

FROM A CORRESPONDENT IN CALIFORNIA

In the curious way that election year politics have of affecting unlikely segments of daily life, the American public tends this year to divide into lettuce-eaters (usually Republican) and non-lettuce-eaters (usually Democratic), depending on attitudes to the nationwide boycott of lettuce which has been inspired by the United Farm Workers' trade union. At the presidential nominating conventions, the Democratic viewpoint was dramatised when Senator Edward Kennedy addressed his "fellow lettuce boycotters!", while six weeks later Californian Republicans paraded signs with their party symbol boasting "Elephants eat lettuce!"

The struggle over labourers in the lettuce fields began in 1970 just after most grape-growers had capitulated to Mr Cesar Chavez, the leader of the Mexican-American farmworkers, and signed contracts with his trade union. He is now trying to force growers of lettuce in California and Arizona to do the same; they produce about 90 per cent of the iceberg, or head, lettuce eaten in America (a product which has long been boycotted by gourmets for its lack of flavour). The situation is confused because at one point a number of lettuce growers signed up with the International Brotherhood of Teamsters instead.

About 15 per cent of the growers, however, have already signed contracts with the UFW. Their lettuce is in great demand from people who will not cross the picket lines set up by the farmworkers. They have strong support all across the country; the Roman Catholic Archbishop of Washington, DC, recently urged everyone to back the boycott. But in the state where it all started, the UFW is in a fight for its very existence, threatened by an initiative, proposition 22 on the ballot, which is being put before the voters on November 7th. The controversy over a measure intended to regulate the farmworkers for the benefit of the growers has broken the apathy which surrounds the presidential election campaign, stirred up tempers and attracted heavy spending on publicity.

The measure itself, which would become law if approved, circumscribes the farmworkers' right to organise by requiring them to be employed on a single farm for a long period before they qualify for union membership, something which the seasonal worker cannot normally achieve. Strikes at harvest time could be nullified by restraining orders and consumer boycotts would be banned. The initiative was organised by the California Farm Bureau Federation and other growers'

groups after the measure had been rejected by the State Legislature. It is being claimed that thousands of the 325,000 signatures needed to get the initiative on the ballot were obtained by canvassers who hid its real purpose and told potential signers that it would bring down the price of food. California's Secretary of State, who is responsible for election procedure, has gone to court arguing that "widespread fraud" justifies the removal of the initiative from the ballot; but apparently nothing will happen until after the election.

Most of the falsification seems to have been done in black districts, taking advantage of the ignorance of voters there. This has outraged black leaders, who are strong politically in California and have identified themselves closely with Mr Chavez and his crusade for the poor. Thus, as a result of this initiative, more blacks as well as more Mexican-Americans than usual in California are likely to vote in November; drives to register voters are meeting with a good response in both communities. Not only minority groups but also the churches, the consumer movement, the Democratic party and particularly the other trade unions have reacted to this threat to the migrant farmworkers and their famous leader.

To Mr Chavez it is "a direct vicious attack on our union. If it is not defeated, it will wipe us out." But agricultural interests consider that the measure is a much-needed protection against strikes at harvest time and against boycotts by consumers. The Californian initiative is very similar to a law passed in Arizona last May which has given rise to similar political excitement there, threatening the Republican dominance of the state and also the tenure of the Republican Governor.



Chavez pleads with New York

Mr Galifianakis has never been as progressive as the nature of his constituency would have allowed him to be and a couple of years ago, with his eyes on the Senate, he began edging further right. He appeals particularly to voters in the cities and suburbs of the industrialised centre of the state. But the contest may be decided by followers of Governor Wallace of Alabama, who won this year's Democratic presidential primary election in North Carolina; they are particularly strong in the rural, impoverished coastal strip. These people would seem to be natural supporters of Mr Helms, whose most recent television spots have appealed to farmers and to parents frightened of racially integrated schools. But the Democrats seem confident that Mr Galifianakis will do well in Wallace country.

They also dismiss the idea that the big vote which President Nixon is expected to win will drown their candidature. The splitting of votes among candidates of different parties for different offices is a growing habit among North Carolina's more politically sophisticated voters and it is easy; there is a separate ballot for the presidential contest. In spite of his relative lack of campaign cash, Mr Galifianakis is running about 20 per cent ahead of Mr Helms in statewide polls. Blacks have no choice but to vote for Mr Galifianakis and he has a vigorous ally in Senator Ervin, the state's distinguished upholder of personal liberty. Mr Ervin would lose his committee chairmanship if the Republicans took control of the Senate.

2. Renegade Representative

New York

While the polls indicate that many Democrats will be voting Republican in next month's elections, two prominent New York politicians, both once Republicans, will be countering this prevailing trend. One is Mayor John Lindsay, whose political future seems uncertain since his poor showing in the Democratic presidential primaries. The other, Mr Ogden "Brownie" Reid, congressional representative for a large part of suburban Westchester County, is running for re-election on the Democratic-Liberal ticket in a district that he has held for almost 10 years as a Republican. If he manages to win in what promises to be a Republican year, his future as a Democrat could match his ambitions.

Both Mayor Lindsay and Con-



Reid: party switcher

gressman Reid are liberals who felt increasingly isolated in the ranks of the Republicans. They were opposed to the Nixon Administration's domestic policies and perturbed by Governor Rockefeller's shift towards conservatism. With the Governor in firm control of the party in New York State, they had no place to go. So Mr Lindsay, who has had a running personal feud with Mr Rockefeller, made his switch to the Democrats last year. Mr Reid, who had even more impressive Republican credentials—his grandfather was a founder of the party, his family owned the now defunct Herald Tribune, the voice of moderate Republicanism, and he himself had served as President Eisenhower's ambassador to Israel—waited until March; he switched when he was threatened with a battle for renomination in his district by Republicans furious over his lack of support for the Administration.

Mr Reid is a former member of the Governor's cabinet as well as a personal friend, and has incurred Mr Rockefeller's wrath by his break with the party. The Governor is providing strong financial support and deploying the party's machinery to aid Mr Carl Vergari, chosen to try to hold on to the district for the Republicans. But defeating Mr Reid will not be easy. In the past two elections, he has won close to 70 per cent of the total vote, running far ahead of President Nixon in 1968. His support, it is plain, has run across party lines. His district is surprisingly varied in its ethnic and economic composition. Westchester, which adjoins New York City, contains some of the richest citizens of the United States, but it also has a substantial urban population—in Mount Vernon, Yonkers, White Plains—of poor and lower middle-income

residents. Over 40 per cent of the district's voters are Roman Catholic, including a large number of conservative Italians; about 20 per cent are Jews, mostly liberal in their politics; and some 10 per cent are blacks.

Mr Reid, aged 46, is attractive and hard working. He has built a considerable personal following as a result of years spent cultivating his constituency and possesses the advantages of being well known and having an experienced staff that stem from his long incumbency. In his present campaign, he is stressing his independence and his own record in Congress. He has endorsed Senator McGovern but in his appeals to voters he prefers to discuss his own plans for tax reform, help to the aged and stronger support for education and mass transit, all important issues to his constituents.

He also faces some formidable obstacles. A majority of voters in the district are Republicans and Mr Reid's campaign managers fear that the tie of tradition may prove particularly strong this year. Mr Vergari is not a polished campaigner, yet he is an established vote getter in his own right, winning very handily (also running well ahead of Mr Nixon) in his earlier races for the District Attorney's office. He has ethnic appeal for the big Italian block and may be attractive to voters concerned about the rise of 170 per cent in Westchester's crime rate over the past five years, much of it the result of drugs. Mr Vergari is focusing on Mr Reid's apostasy rather than on his own programme, although he is a hawk on Vietnam and favours reduced spending on social projects. Informed observers think that the race will be close.

Fixing the Mob

According to popular legend members of the Mafia are either too careful or too influential to fall into police traps. Yet this week in New York large numbers of mobsters fell in head first. The trap was a surprisingly simple one. Acting under court orders police bugged a caravan standing in an unusually neat and well guarded junk yard in the heart of Mafia territory in Brooklyn. They also tapped telephone conversations coming from it.

This, it seems, was the society's headquarters. Although the New York families have been fighting it out among themselves—18 gangsters and two innocent by-standers have been murdered since April—they still have



Headquarters of organised crime

business interests in common. According to the evidence of the police the mobsters used the caravan to discuss their operations; these involved narcotics traffic, extortion, counterfeiting, prostitution, gambling, insurance, fraud and other crimes.

So far subpoenas have been served on 677 people who used the junk yard at one time or another over the past year. Their comings and goings have been recorded in 54,000 still photographs and on 36,000 ft of film. Some 100 policemen have also been issued with subpoenas. All of them will have to appear before a grand jury which is investigating organised crime. It is also reported that 200 businesses plus politicians and judges were named in the recordings on 1.6m ft of tape.

The swoop is a major triumph for Mr Eugene Gold who has been the prosecuting attorney for Brooklyn since 1969. In the past Brooklyn has been a safe haven for the Mafia. Now Mr Gold has proved that this is no longer so. He has also cleared himself of the implications contained in the recent report by the Knapp commission that New York City's five district attorneys were incapable of dealing with police corruption in their areas. But Mr Gold still has a long road ahead. Another popular legend about the Mafia is that it is difficult to put its members behind bars.

Although the federal government has no jurisdiction in this case the latest crackdown on crime will please President Nixon. Last weekend he gave an election speech on the radio in which he claimed that his Administration was well on the way to keeping the promise that he made in 1968 to

restore law and order. He pointed out that the latest figures showed that violent crimes increased by only 1 per cent in the first six months of this year compared with 7 per cent for the same period last year. He also drew attention to the sharp drop in the crime rate in the District of Columbia where he has made a specially concentrated effort to control crime. Crime has also been on the decrease in other cities.

But the President was selective in his use of statistics. As Senator George McGovern has pointed out—law and order have also become one of his campaign themes—violent crimes have risen by 30 per cent since Mr Nixon took office. While such crimes as robbery and car thefts have gone down incidents of rape have gone up by 14 per cent. Crimes in the suburbs and rural areas are rising much faster than ever before and there are twice as many drug addicts as four years ago. Furthermore Mr McGovern claims that a large part of the \$1.5 billion that President Nixon has spent on his Law Enforcement Assistance Administration is still tied up in red tape or has been squandered on useless projects.

ELECTION '72

Voter, go home

Next month more Americans than ever before who live abroad will be voting by postal ballot for a President and Vice President. More, but by no means all, in spite of the liberalised terms of

the voting rights amendment act of 1970. Voting in the United States is a procedure handled separately and variously by each state. There is no national ballot. As a spokesman of the American Embassy in London puts it simply, "you have to come from somewhere." And to qualify as a resident of a state, a citizen must swear that his absence is only temporary—difficult for someone who has been out of the state for years.

There are 1.5m to 2.5m Americans living in other countries. While many of these are servicemen, business executives, civil servants or students with clearly defined periods of absence, many others have settled down abroad, with no idea of going home. Senator Barry Goldwater, who led the movement to reform the voting act, wanted "to clear away a barrier of outmoded technicalities" that deprived millions of Americans, most of them within the United States, of their right to vote because they had moved from one place to another and could not meet residency requirements in their new states. So far as the ordinary mobile American and the businessmen abroad are concerned, Senator Goldwater has achieved his objective. But as for the literally stateless Americans, he has not and it is not easy to see how he could.

There are two obstacles. One is that the states retain the right to define for themselves what constitutes residency. Already in this year's pre-election months, it has become clear that one state's resident is another state's foreigner. New York and California have been particularly disdainful about recognising claims sent from abroad. The other is that states like to levy income tax on their residents. Some states are happy enough to reclaim a long-lost resident and send a bill for accumulated back taxes along with the absentee ballot. (American citizens living abroad for more than 18 months are, in general, exempt from federal income taxes but no one is sure whether this exemption extends to state taxes.) In spite of the uncertainties, however, the American Embassy in London received thousands of queries about absentee ballots, before the recent deadline. Presumably the interest was created not only by the reformed law but by the concerted efforts of the overseas committees behind each of the major presidential candidates. As Americans become even more mobile and the margin in elections continues to narrow the importance of procedures to catch the voter on the move will increase.

Chase slips

New York

The abrupt changing of the guard last week at Chase Manhattan Bank, which was once the biggest of New York's major financial institutions, draws attention to the dominant role now held by its rival, First National City Bank. In recent years, Citibank has been outstripping Chase in many aspects of banking and other big banks, like Manufacturers Hanover Trust and Morgan Guaranty, are also providing increased competition. Acknowledging the slipping role of Chase last week, Mr David Rockefeller, its chairman and chief executive officer, announced the resignation of Mr Herbert Patterson, aged 47, who had been its personable president only since 1969, and his replacement by Mr Willard Butcher, aged 46, who had been its equally personable vice-chairman.

It is doubtful whether this change can close the gap between Chase and its chief rival. Under the able and aggressive Mr Walter Wriston, Citibank has built up an impressive array of managerial talent. This has enabled it to advance in traditional banking areas, particularly abroad, and to undertake profitable new ventures, from management consulting to a full range of financial services. As a result, Citibank has moved well ahead not only in its operations but in the acclaim of investors; Citibank's shares sell at 20 times earnings, Chase's at 11. Apparently Chase has neither the tough leadership nor the depth in management to do battle on anything approaching equal terms. Mr Butcher may be more of a goad than his predecessor, but his promotion appears to be the treating of a symptom rather than a positive cure.

In the view of many outsiders, Mr Rockefeller is to blame for the shrinking of profits and the recent departure



Rockefeller: largest shareholder

of skilled personnel that have lost ground for Chase. The job of chief executive officer appears to be too big to be carried out part-time, especially when his most important rival, Mr Wriston, does little else. So, unless Mr Rockefeller is prepared to shed his multiple outside activities—philanthropy, public service, politics—and devote more time and energy to the bank he controls, the prospect is that Citibank will hold or increase its lead. Chase, under Mr David Rockefeller's rather diffident, publicly-oriented guidance, may have gained more friends through its policies of helping to find jobs for members of minority groups and through its statesmanlike practices. Citibank, however, has won more customers and profits. Clearly, Mr Rockefeller has the breadth of experience and the qualities of leadership needed to give Citibank a hard fight for banking supremacy. But has he the will?

Fish clammed up

FROM A CORRESPONDENT IN BOSTON

Under the gilded dome of the eighteenth-century Massachusetts State House in Boston hangs the Sacred Cod, a large gilt replica which signifies the dependence of the Commonwealth—and that of its neighbouring states in New England—on the sea for food and commerce. But for two weeks last month that commerce plummeted because a ban was placed on digging softshell clams, called in New England "steamers" (because that is the best way to cook them). The ban was lifted with the disappearance from the ocean of the red tide of algae that had poisoned clams and mussels. But the confidence of the public in all types of fish had been poisoned also and is still at low ebb. Producers and sellers of seafood believe that the losses to Massachusetts, Maine, New Hampshire and Rhode Island will ultimately amount to as much as \$200m.

Only some \$250,000 of that sum came from stocks destroyed when the public health authorities in the various states ordered clams to be dumped. The marine organisms called dinoflagellates were found in only one area—a 50-mile stretch of the Atlantic coast just north of Boston. But from Newport, Rhode Island, down to Eastport, Maine, on the Canadian border, a complete halt was called to "digging the tide down" for clams as the water recedes. Clam-diggers, a hardy breed who rise before dawn and work in water too chill for anyone but child-

ren to swim in, blame over-zealous and inexperienced state officials for the all-encompassing ban and their charges are echoed by the sellers.

The publicity given to the ban has meant that people have stopped buying all kinds of seafood in shops and restaurants—and seafood restaurants are a feature of New England's coastal resorts. As many as 100 may close their doors in Massachusetts alone because of the shattered public confidence in eating even those ocean products, such as fish, oysters, shrimp and even hard-shell clams, which were in no way infected by the algae. A Massachusetts official estimates that sales of unharmed seafood are down by 50 to 70 per cent.

Retailers and processors of clams are eligible for loans from the federal government's Small Business Administration to help them over the lean times. But diggers, because they are self-employed, could get no federal aid until President Nixon, under pressure from the Governors of Maine and Massachusetts, declared the region a disaster area. This entitled the diggers to approximately \$47 a week in emergency payments—roughly the food bill for a family of four. The seafood industry and the Commonwealth of Massachusetts are putting into operation a national advertising campaign to help promote consumption of fish. But the harvesters, processors and sellers of New England's great, self-replenishing natural resource believe that it will be a long time before the area recovers from the economic flotsam of the red tide.

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This spectacular advance in sales had been made possible only because a number of investments, concerning which a decision had been made at an earlier date, had been completed since the beginning of the year.

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Books

Great wit and madness

VIRGINIA WOOLF: A BIOGRAPHY,
VOLUME TWO: MRS WOOLF, 1912-1941

By Quentin Bell.

Hogarth Press. 312 pages. £3.

The second volume of Mr Quentin Bell's admirable life follows the principles of his first (*The Economist*, June 17th). It is pure biography, with no literary criticism. He is frank, where frankness is needed; he does not shrink from judgment, even where (as so often happens) his own parents are concerned; and his thumb-nail sketches of subsidiary characters are a delight. It is well written and concise. But he has a very different story to tell from last time. This volume covers the period of her marriage and of the publication of all her books. The shadow of madness grows deeper and deeper; her serious novels brought her to the edge of a breakdown, and sometimes over the edge. The second volume also differs from the first in another way: there is much more quotation, since Mr Bell is able to draw on her diary, all unpublished except for the passages on her writing that appeared in "A Writer's Diary."

The central theme during this period was her marriage to Leonard Woolf. All the dice seemed to be cast against it. Mr Bell tells us (no surprise) that sex meant nothing to her; also (a great surprise) that when Woolf married her he had no idea how severe her attacks of madness were. She longed for children, but accepted her husband's advice that, with her background of mental instability, they ought not to have any. He had to see her through recurrent and sometimes very long periods of madness. Yet a more devoted marriage could not be imagined. The last words of the note which she left for him when she went out to drown herself were: "I don't think that two people could have been happier than we have been." That was no exaggeration.

The second theme that runs through this volume, as it did through the last, is her close relationship with her entirely different sister Vanessa: the lucky one—until her son Julian was killed in Spain—who took life easily,



Virginia Woolf: darkness lightened

did what she wanted and was wholly sane. The third, of most public importance, is the writing of her books and her reaction to the task and its reception. Thanks to the publication of "A Writer's Diary," this is the most familiar part of her life.

Virginia Woolf remains, not surprisingly, a mystery. Much is clear: her beauty, her sense of mischief, her curiosity, her capacity for affection, her wit and sense of mirth. Leonard Woolf guarded her from visitors in her black periods; in the light ones, their memories are of laughter. All these qualities, which were not merely superficial but which she allowed to be seen, were known to everyone: her friends revert again and again to them in the recently-published "Recollections of Virginia Woolf." But deep down, the key is more difficult to find. There were the hidden times of darkness. There was the exercise of her talent which she kept to herself and her diary. And there were certain reactions which, if not abnormal, seem exaggerated, such as her intense preoccupation with personal motives and causes, overriding all public issues: witness her total incomprehension of what drove her nephew to go to Spain, knowing what

torture his decision was to his mother. At the end, one can only echo a remark of Mr Bell's:

Virginia's mind was so constituted that it is very hard to know what would have been supremely important to her.

But he, who knew her so well and yet remains objective, gives one as many clues as can be found.

Germany's conscience

HELMUTH VON MOLTKE

By Michael Balfour and Julian Frisby.

Macmillan. 400 pages. £5.95.

Mr Michael Balfour and Mr Julian Frisby are to be warmly thanked for having compiled so sensitive, authentic, and full a record of the cosmopolitan German aristocrat whom Mr George Kennan singled out as "the greatest person, morally, and the largest and most enlightened in his concepts, that I met on either side of the battle lines in the second world war," adding:

The image of this lonely, struggling man, one of the few genuine Protestant-Christian martyrs of our time, has remained for me over the intervening years as a pillar of moral conscience and an unfailing source of political and intellectual inspiration.

Mr Balfour and Mr Frisby duly amplify that impressive tribute.

The outstanding part played by Helmuth von Moltke in confirming German resistance to Hitler has been discussed by several contemporary historians, most notably by a Dutchman, Mr Ger van Roon, in his study of the Kreisau Circle (*The Economist*, August 7, 1971). But it has never been treated before in such intimate detail as it is now. The authors have derived much of their material from 580 of the 1600 letters that Moltke wrote to his wife Freya between 1929 and 1945, over 400 of them in the course of the war. The last was written from prison on the eve of his execution. They convey with memorable vividness not only the hopes and misgivings of Moltke and his friends but also the flavour of day-to-day private and public life in wartime, both in Germany and occupied Europe. A staff officer specialising in international law for military intelligence, Moltke was comparatively free to travel. He tells, for instance, of a "fantastic dinner" with the commanding officer in Belgium, General von Falkenhausen, at a restaurant in a Brussels park in August, 1940:

... caviare, ham in burgundy, duck, crêpes. The drink was obviously out of this world ... the only people really sober were Falkenhausen and myself. He was "irritated" by being offered



Moltke: martyr's memorial

such lavish fare in a country on the verge of starvation, and "bothered because I didn't want to be rude and yet didn't want to seem to be giving the proceedings my blessing." While the others guzzled themselves into stupefaction, Falkenhausen and Moltke exchanged heretical confidences into the early hours of the morning.

Moltke was not one of those Germans who sided positively against the nazi regime only when disaster was seen to be inescapable. He opposed national socialism consistently from the moment of its emergence as a force. Convinced that Hitler and his accomplices would be overthrown sooner or later, Moltke devoted his energies to planning the kind of constitution and government he deemed would come nearest to satisfying the worthiest aspirations of the German people as a whole. He recognised that persons like himself were not qualified to carry out a coup. "It would go wrong, we would make an amateur job of it." But as resistance grew he came to associate increasingly with conspirators resolved to stage a coup. Long suspect to the nazi security service he himself was already under arrest when they struck ineffectively against Hitler on July 20, 1944. Most of them preceded him to the gallows. Moltke followed as late as January 23, 1945. "Right to the end," reported Hans Lilje, the future bishop of Hanover, who was in prison at the time, "he was completely free in soul, friendly, helpful, considerate, a truly free and noble man amid all the trappings of horror."

The daily dose

MEDICINE TAKERS, PRESCRIBERS AND HOARDERS

By Karen Dunnell and Ann Cartwright.
Routledge and Kegan Paul. 204 pages. £3.25.

Other studies have shown that the people who feel ill at any one time by no means correspond with the people seeking medical advice at any one time. There is a so-called clinical iceberg, which has obvious implications for health service planning and for medical education. This book, from the Institute for Social Studies in Medical Care, gives the most comprehensive picture yet available of the extent to which British people diagnose and treat themselves—and their children.

Based on a sample of 1,412 adults living in 14 areas selected at random, the study sought to find out how people rated their health, and their children's, if they had any living with them, how this opinion corresponded with any symptoms they subsequently admitted to, what action, if any, they took about these symptoms, the pattern of medicine taking, whether prescribed or not, and how this pattern is affected by the doctor-patient relationship. A smaller sample of doctors was also interviewed, in an attempt to find out how far the professional attitude to self-treatment coincided with the patient's and whether doctors felt that a more sensible attitude to medicine taking could be encouraged by health education.

Though full of tables, the book is not heavy going. Perhaps it is not quite so readable as Dr Cartwright's earlier studies in medical care—there are, for instance, fewer verbatim comments from patients—but it is certainly full of interesting material. A few of its findings may be mentioned here. One of the most encouraging is that there has been a dramatic fall in the dosing of children with laxatives in the past 10 to 20 years. Another finding is that the middle class does not, as so often alleged, make more use of the health service (at least, the general practitioner component of it) than the working class, and, though more knowledgeable about health matters, it is just as likely to take over-the-counter medicines—in fact, it has a bigger store of them. But, as regards prescribed items, doctors are more likely to give their middle class patients than their working class ones sedatives or sleeping tablets. The study also confirms that a great deal of

prescribed medicine is wasted—either hoarded or thrown away.

Possibly the most reassuring general finding is that British people are not so hypochondriacal as is sometimes made out. They may like dosing themselves, but two-thirds of the adults in the survey rated their health as excellent or good, even though they subsequently reported an average of three symptoms in the fortnight before they were interviewed. And the health of nearly half the children in the sample was rated by their parents as excellent and of over a third as good.

Watered marsala

PRINCES UNDER THE VOLCANO

By Raleigh Trevelyan.
Macmillan. 553 pages. £6.

It is difficult to decide just what Mr Trevelyan was about in writing this book, and to judge from the nervous tone of his prologue he is not quite sure himself. Uncertainty has produced a deplorable vagueness and clumsiness in his use of language, which can be illustrated from his title. Sicily, the scene of the action, in 1841 boasted 127 princes (not to mention lesser ranks) and Etna is of course the greatest of the Italian volcanoes. Yet "Princes Under the Volcano" is not about Sicilian princes but about expatriate English mercantile families, and it centres not on Etna, or even Messina, but on Palermo, which is a hundred miles away at the other end of the island. Then the book is far too long, and confidence in Mr Trevelyan's scholarly accuracy is severely shaken by the astonishing statement that in 1836 Martin Van Buren challenged Andrew Jackson for the presidency of the United States.

"Princes" will have a certain charm for those with happy memories of the Conca d'Oro, and for admirers of "Il Gattopardo." Mr Trevelyan's merchants—Inghams, Woodhouses, Whitakers—made a great deal of money in post-Napoleonic Sicily, chiefly from the export of marsala, and their descendants spent it as leaders of Palermitan society. Consequently the book will be useful to anyone studying the background of "Il Gattopardo" or the life of its author. But it is less Lampedusa than Firbank whom Mr Trevelyan unconsciously resembles. At times, indeed, he provokes the thought that the author of "Cardinal Pirelli" was a mere social realist:

Last week we had a visit from Maude Valerie White, composer and author of popular songs, including "Home Thoughts

from Abroad," "Ye Cupids," "Soft Lesbian Airs."

The book is infested with royalty, aristocrats (English and Sicilian) and Whitakers—so many that they remain mere names, without faces or voices. A reader only gathers, vaguely, that most of the women were beauties, most of the men homosexual, and that nobody ever got married.

The trouble is in the sources. Mr Trevelyan had at his disposal the surviving business papers of Benjamin Ingham, Sicily's greatest businessman in the first half of the nineteenth century, and the diary of Mrs Tina Whitaker (1858-1957), who married Ingham's great-nephew. The two materials—iron and mother-of-pearl—simply do not match. The Ingham papers would be of considerable interest to economic historians, who have indeed begun to use them; the Whitaker diary is of little interest to anyone except as a source of mildly interesting anecdotes about the rich and famous. To shape this heterogeneity into a satisfying oneness is necessarily beyond Mr Trevelyan's art.

Nevertheless it must be admitted that, thanks to its author, this book does have one virtue: it is full of the sort of information that the writers of travel-books can use. For instance, we are told that the Sicilians believe that Anne Boleyn, no less, is paying for her sins underneath Etna, like Enceladus himself. This is just what the makers of books about places love to learn and report. In the future those of them who tackle Sicily will have reason to plunder Mr Trevelyan's pages, and to pledge his health in marsala.

Relationship unspecialised

PRESIDENT KENNEDY AND BRITAIN

By David Nunnerley.
Bodley Head. 254 pages. £2.50.

The 1000 days of John Kennedy's presidency were also the Indian summer of the special relationship between Britain and the United States. Rooted in wartime co-operation, it flowered again in 1961 and 1962 because of President Kennedy's "temperamental rapport" with Mr Harold Macmillan, then Britain's prime minister, and President Kennedy's complete confidence, based on old and close friendship, in Sir David Ormsby-Gore, then British ambassador to Washington and now Lord Harlech. Their help and advice was, as this book makes clear, invaluable to the young, untried president catapulted



Kennedy and Mac: rare rapport

into a series of explosions abroad—the Berlin wall, Cuban missiles and Congo crises. But to John Kennedy what really mattered, both at home and abroad, was the reality of power and, as he gained experience, he realised that to single Britain out was a luxury America could no longer afford.

Dr Nunnerley begins by quoting Mr Dean Acheson's contemptuous indictment of December, 1962: Britain's "attempt to play a separate power role—that is, a role apart from Europe, a role based on a special relationship with the United States . . . is about played out." The outrage this provoked in Britain only showed how right Mr Acheson was. The final proof came shortly after, with the confrontation, confused by an almost unbelievable breakdown in communications, over Skybolt, the American missile which was to have kept Britain in the nuclear club but which Washington decided was not worth having. Dr Nunnerley gives a clear, well-written and pleasantly brief account of all this and much more. His readable book is based on interviews with the best-informed people although, since many of them required anonymity, there are no direct quotations. This certainly makes the story flow more easily. But the editors should have checked the exuberance of the author's exclamation marks.

Irresistible satire

THE CALL GIRLS

By Arthur Koestler.
Hutchinson. 192 pages. £2.25.

One of Mr Koestler's characters "cannot help thinking of Juvenal. 'Why do I write satire? Say rather, how could

I help it?'" On the chosen subject of his first novel for years, an academic cross-culture symposium in the Alps in the out-of-ski-season months, Mr Koestler did not even need to load his pen. Heaven knows, there are plenty of self-satirising conferences in real life. The dialogue between the director and chairman, in which they choose a conference title, should be pinned up in every foundation board-room:

" . . . We can't call a symposium just SOS, full stop. . . . It's undignified, sensationalistic, unacademic, apocalyptic, we might as well call it 'The Last Trumpet.'"

"Or 'The Four Riders'. That would convey the idea of the circus."

"For Chris' sake be serious for a moment. How about 'Strategies for Survival?'"

"No. It sounds like computer-war-games about second strikes and overkill. Call it 'Approaches to Survival.'"

"Fine. Make it 'Scientific Approaches.'"

"I don't know what 'scientific' means. Do you?"

Nor did Mr Koestler need much imagination—only wonderful wit, intelligence and memory—to compose the professorial contributions: the brilliant puffballs of opinionated pseudo-erudition that conceal and reveal his own opinions. These are a

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Peregrine Worsthorne
in the Sunday Telegraph

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treat. Stereotyped attitudes are exposed—never burlesqued. Mannerisms, antipathies and academic politicking are tucked into them, but the speakers read believably sensible-silly papers, bow to recognised gods (Professor Skinner, for example), and altogether show that Mr Koestler is not a novelist who needs to use tricks of characterisation to hide the fact that he knows even less about what they are discussing than his mouthpieces.

But the theme is not, in the end, politics, but people; and that, in a way, is a pity. It is not so much that the characters are lightly drawn as that they have to be, if the book is to serve its satirical purpose. Once they have been put through their hoops, providing Mr Koestler with examples of the close-to-the-president man, the protagonists in the nature-nurture battle and all the other academic performers on what he calls the call-girl circuit, we have really seen enough of them. It adds nothing, for example, to learn from one American behaviour theorist that his son is a dope addict and his daughter makes plaster casts of pop stars' phalluses; it is just a bit too obvious that the children of these symbols should be symbols themselves.

The collaborators

CHINA AND JAPAN AT WAR, 1937-45

By John Hunter Boyle.
Stanford University Press; London:
Oxford University Press. 430 pages.
£8.25.

Mr Nixon's visits to Peking and Moscow, and Mr Tanaka's to Peking, give this book a topicality the author can hardly have foreseen when he planned it. We have here a perennial reminder that there is a third power hovering over China. The postwar eclipse of Japan was not likely to endure.

Most modern historical literature about China dwells on the rise of communist power; even studies of the Nationalist regime tend to see in Chiang Kai-shek nothing more positive than wrongheaded obstruction of China's destiny. Historians have neglected the third China, of the collaborators with Japan. It led nowhere, of course, because of the death in 1944 of the third Chinese leader, Wang Ching-wei, and because of Japan's defeat in 1945; but in the late 1930s collaborationist regimes constituted an alternative in Chinese politics of equal weight with the regimes headed by Chiang and Mao.

Mr Boyle has interviewed several of

the surviving politicians of the period, both Chinese and Japanese, and has built up an unusually dispassionate record of their motives and relationships. He points out that just as in wartime France the *collabos* vastly outnumbered the *résistants*—even French communists courted the nazis in Paris—so collaborationists in south-east Asia were actually honoured after the war because they were also anti-colonialist. To Wang Ching-wei, collaboration with Japan presented itself as a traditional national policy of smiling to the one of China's three enemies (or friends) which threatened it least. On the Japanese side, although there was hesitation over policy and rivalry between army and cabinet—even the ultimate enemy was Soviet communism, the immediate and implacable one the Nationalist regime: Chiang, more than Mao at that time, blocked the road to economic development of China by Japanese interests. Wang was talked into presiding over a puppet regime (the initiative came from Tokyo) for the duration of Japan's war in south-east Asia. Premier Tanaka's ritual apology to Premier Chou for the war (to which, ironically, the latter owed his premiership) no doubt heralds a new phase in China's triangular strategy. Mao, or his successors, will forge the links with Japan which they used to revile Wang Ching-wei for contemplating.

Via Dolorosa

RUSSIAN LITERATURE UNDER LENIN AND STALIN, 1917-53

By Gleb Struve.
Routledge and Kegan Paul. 470 pages. £3.75.

This would be a most depressing book, if the author had not promised us a sequel. Dedicated to "the memory of Osip Mandelstam, Isaac Babel, Boris Pilnyak and all other Soviet writers who were 'illegally repressed' and died 'unrehabilitated'," it traces with scholarly precision the destruction of Russian literature under Stalin. The turbulent and variegated streams of Russian literature in the revolutionary years peter out in the arid monotonous desert of the Zhdanovshina, the witch hunt of Stalin's last years when the rule for the writer was "denounce or be denounced."

Although few of the pre-revolutionary writers stayed on after the revolution and fewer still sympathised with the Bolsheviks, the lively literary movements of late tsarism, symbolism

and futurism competed with new revolutionary "isms," cosmism, constructivism, *proletkult* and Agitprop poetry. Blok in his famous poems "The Twelve" and "The Scythians" and the symbolist Bely reflected the eschatological excitement of the revolution. Mayakovsky and then Esenin, both soon to commit suicide, dominated the poetic scene. Controversy was violent and bitter as the proletarian writers tried to impose a uniformity which their colleagues and Lenin's cultural dictator, Lunacharsky, rejected.

From 1925, despite a party resolution laying down that "in a class society there can be no neutral art," the so-called fellow-travellers took over literature. The result was perhaps the most interesting period of the Soviet novel with such writers as Fedin, Kaverin, Olesha, Leonov, Pilnyak and Zamyatin publishing varied and stimulating works. But it did not last. In 1929 RAPP, the Russian Association of Proletarian Writers, took over and sought to mobilise the writers as the "shock workers" and "artistic brigades" of the Five-Year Plan. Pilnyak and Zamyatin were the first to suffer denunciation for the very modern offence of having books published abroad. Pilnyak made a characteristically ironical and ambiguous apology. Zamyatin, the author of "We," the forerunner of Orwell's "1984," resigned from the writers' association declaring Solzhenitsyn-like that it was "impossible to belong to a literary organisation which albeit indirectly takes part in the persecution of a member." He managed, without sycophancy, to get permission from Stalin to emigrate; just in time, for the writers' Via Dolorosa was just beginning.

In 1932 Stalin proclaimed the obligatory style of "Socialist Realism," denouncing "rotten bourgeois formalism" and describing writers as "engineers of the human mind." Engineers can be charged with sabotage and in the late 1930s and 1940s hundreds of writers were to perish or disappear in camps and prisons. The war, with the encouragement of more spontaneous patriotic writing, was a brief respite on the road to Calvary. By the death of Stalin in 1953 the destruction of Russian literature was, to all outward appearances, complete. But the signs of resurrection were there beneath the surface too.

From the earliest days of the revolution the more perceptive writers recognised the threat to their freedom

—"not," as Alexander Blok put it just before he died, "the childish freedom of being a liberal," but "the freedom of creation, the secret freedom. And the poet dies because he can no longer breathe. Life has lost its meaning." Similarly Zamyatin—"Heretics are the only (bitter) medicine against the entropy of the human mind"—and the Serapion brothers, some of the most lively young writers of the 1920s, demanded only one thing:

... that the tone be not false. That we may believe in the work whatever its colour.

It will be a long time before any Russian writer can again publish such heresies in Russia. But as Mr Struve shows, the stream of Russian literature flowed on underground later to surface in the great works to be published abroad by Pasternak, Akhmatova and Solzhenitsyn, whose Nobel prize lecture is a splendid testament to those who perished in Stalin's camps. The author's sequel will be eagerly awaited. Meanwhile, the present book, although with its wealth of detail it does not make easy reading, is an indispensable work of reference, worthy in its combination of devotion and objectivity of a place alongside Mr Walter Kolarz's "Religion in the Soviet Union." The publishers are to be congratulated on issuing such a work of scholarship at an unfashionably reasonable price.

Short list

Inside Number Ten by Marcia Williams (Weidenfeld and Nicolson, £3.95). Mrs Williams, who was for many years Mr Wilson's secretary, was the most influential personal political adviser any British prime minister has had since 1945 with the possible exception of the late Lord Egremont. She was not liked by many in the civil service (largely because her influence was so feared); and in this book she indicates her own lack of



Marcia, with Balogh and Kaldor

enthusiasm for some of the officials who advised the last Labour government. Neither are altogether fair to the other. Certainly Mrs Williams is still underestimated by many in her own party. She had better judgment than anyone else specially recruited into No. 10 or into the cabinet office during the Labour government's period of office. Mrs Williams is rather charitable in her judgments on ex-colleagues. It is just possible that if she tries her hand at another book after Mr Wilson has retired from politics, the next may be rather rougher.

The United States and the Industrial World by William Diebold (Pall Mall, £5.75). This is a scholarly, thoughtful and detailed study of the foreign economic policy of the United States—at a time when the policy that America put together during and just after the second world war (in a form that was "reasonably clear-cut and fairly consistent") is fading away; and when there might be some danger that an unequalled 25-year period of international economic co-operation could be replaced by an era of economic nationalism. Mr Diebold hopes, and on balance believes, that there has become engrained a "rationality in the pursuit of ends and enlightened self-interest," but he is under no delusion about the strength of the forces working the other way.

Moshe Dayan; The Soldier, the Man, the Legend by Shabtai Tevet (Weidenfeld and Nicolson, £3.95). This is just about as detached a biography as one could expect of Israel's famous general from an Israeli journalist and war correspondent while his subject is not only still very much alive but minister of defence. It is a serious piece of work, well-researched and crisply written, with clear accounts of his campaigns and only occasional lapses into sentiment. The story of Dayan's early life is fascinating.

The International Who's Who, 1972-73 (Europa Publications, £10). Only slightly more expensive than last year's, this new edition must still be one of the most useful reference books for anyone needing quick and authoritative information on the leading personalities of the day. A large number of Japanese businessmen make their appearance among the 1,000 new entries and the editors have been quick to include such VIPs as Huang Hua, China's United Nations representative, and the President of Bangladesh, Abu Sayeed Chowdhury.

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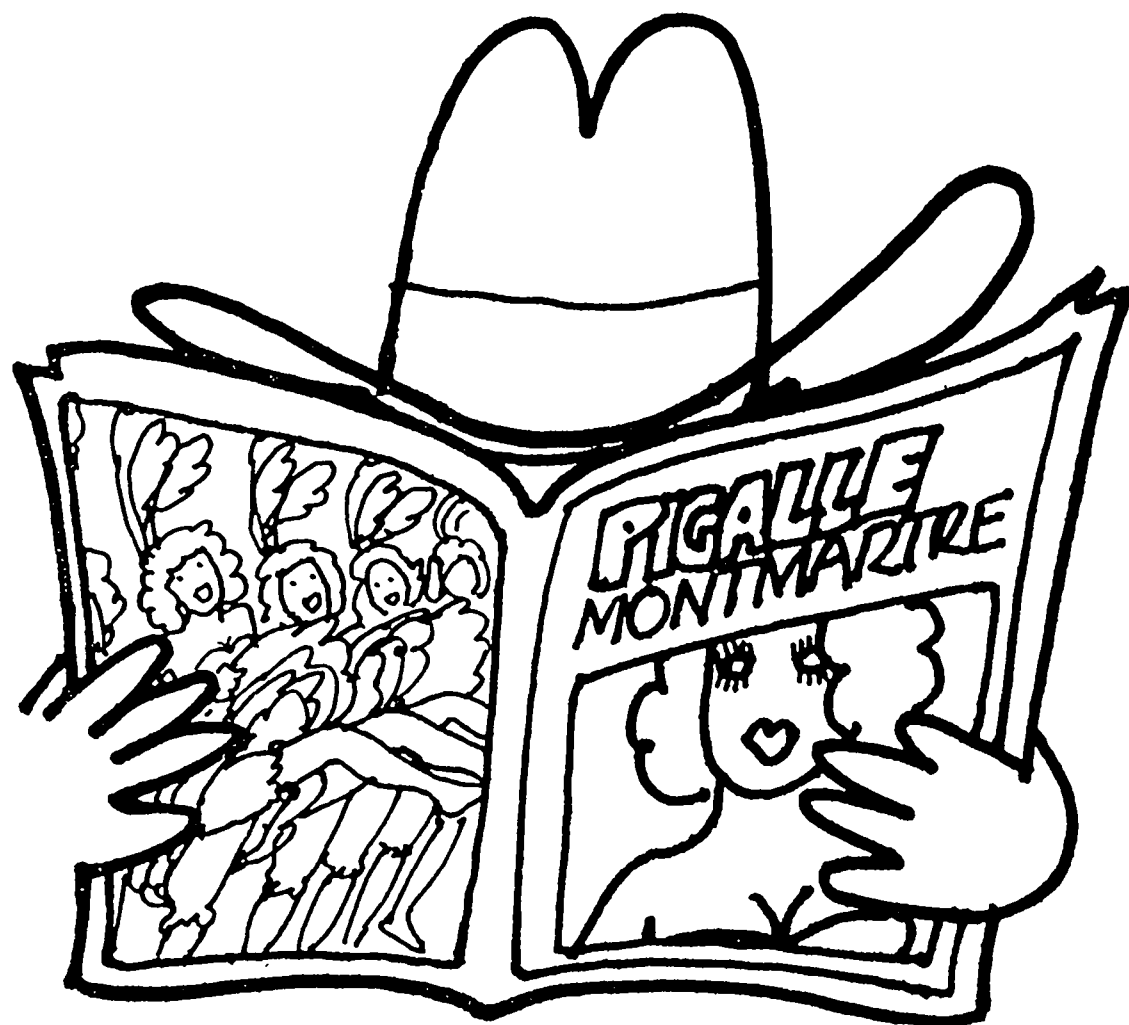
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Business Brief

Propping up Europe's regions

Britain's immediate problem in Europe, at the summit in Paris and after, is to get a proper European regional policy. Britain needs help for its rundown industrial areas, and creating new jobs on Tyneside and in the west of Scotland would be the most useful way of sweetening entry to the common market. Besides, such a policy would help to recoup some of the foreign exchange cost of paying for the common agricultural policy. Neither of these arguments by themselves are likely to pull much weight. But the EEC's ambitions for economic and monetary union (Emu) could provide a lever.

The Hague summit of the Six nearly three years ago set a target for the complete union of the EEC currencies by 1980, to be achieved in stages. Europe is in the middle of the first troublesome stage this year, with the second coming in 1974. In a full economic union capital moves easily to the more favoured areas, leaving such unprofitable places as the west of Scotland, South Wales, West Virginia and Northern Indiana.

So when the British, Irish and Italian prime ministers left for the summit, all three were determined to bargain over Emu in return for a serious crack at setting up a European regional policy. The Italians submitted a rude memorandum to the council of ministers last summer, lambasting the failure of the EEC to deal with the problems of the Mezzogiorno, but no action followed. The commission did submit some new ideas on regional policy last May, such as a regional development fund to provide grants and interest subsidies for regional investment, which would be run by a committee staffed by the commission and individual governments. It also wants to exploit the agricultural fund as an instrument of regional policy, using money from the fund to attract new industry to poor farming regions.

The commission suggested a budget of \$50m a year for each of these; but this was peanuts compared with the \$1,500m or so Britain alone spends on regional aid now. Even so, when the council discussed the plans, the French and the Germans opposed a fund from which grants could be made direct to the regions and insisted that what money there was be used merely to reimburse national governments for what they had spent. If this is allowed to happen, every government will demand back as much money as it has put in, and the new fund will get no further than the old Social Fund (see below). The French also wanted the regional fund to be administered by the European Investment Bank because they are not keen to see any more power given to the commission. But to most of the others the idea of having bankers take major political decisions is even more distasteful than letting bureaucrats do the job.

Industrial slums

The emphasis in any emerging EEC regional policy is still on helping poor agricultural rather than declining industrial regions, which are not really a problem yet to the present Six. Under the commission's present plan not only the agricultural but also the new regional fund could be used to channel money to needy agricultural areas. Outside some rural areas in Northern Ireland, this would be of virtually no use to Britain. However, Ireland would benefit considerably: the proportion of the population in the west that works on the land is even higher than that of farmworkers in the south of Italy.

Britain is in a difficult position because, although unemployment in some British regions is among the highest in the EEC, in terms of income per head its regions are not too impoverished. Scotland is still nearly twice as rich as southern



Borschette's in charge now; Thomson next?

Italy, so Britain may have trouble convincing the rest of Europe that more money is needed in, say, north-east England than in either the Mezzogiorno or western Ireland. Britain can argue that because one fund already exists specifically to help the agricultural regions, the other should be used exclusively to help the declining industrial ones. Britain will certainly be pressing for a much larger regional fund than the commission has in mind, and for a date to be set for the introduction of a regional policy. Both the French and the Germans are worried that a European regional policy might cost them a lot of money, and will therefore be reluctant to go along with any elaborate British ideas. But they realise that they will have to make some concessions, if only as a quid pro quo on further progress towards monetary union.

The EEC's record on regional policy is not striking. The European Investment Bank has provided large loans for regional development. Among other projects, it has financed much of the autostrada network in southern Italy. But as these loans have been made at commercial interest rates, they do not readily fall into the aid category.

The European Coal and Steel Community has given substantial aid to such regions as southern Belgium and northern France, where coalmining has run down rapidly. The money has been used to compensate redundant workers, rehouse them and attract new investment. This policy has been outstandingly successful, and could serve as a model for future regional policy.

The Social Fund is designed

to help unemployed workers, mainly by financing training schemes. Until this year, it merely reimbursed member governments for part of what they had already spent. Now that it has its independent budget of \$50m a year, which the commission hopes to raise to \$500m by 1975, it should be able to intervene directly, politics permitting. Money from the fund can be used to help workers either in depressed areas or in industries which are suffering under the impact of other EEC policies. But its effects will probably continue to be fairly limited. The British are not too enthusiastic about it. The fund is likely to be administered on a basis that treats each declining industry as a separate emergency, calling for redundancy and training schemes tailored to the need of the moment—which is roughly what the French do now—while Britain prefers to operate redundancy and retraining schemes that are standard for all parts of the country. The Department of Employment, working out how much money it ought to be able to claim back from the EEC, is not at the moment planning to set up new projects specially to qualify for aid.

Finally, Feoga, the agriculture fund, has been used to help farmers in depressed regions.

The commission has done its best to prevent countries from outbidding one another in an attempt to attract new investment to their sick regions. Last year, the council of ministers agreed on a code of practice for regional aids which laid down that investment incentives in the "central" areas of the EEC should not exceed 20 per cent of the value of any investment.

The Mezzogiorno, south-western France and Germany's eastern border region were excluded from this rule. The ceiling did not matter very much because, France and Italy apart, most countries had been keeping inside it anyway. What did matter was the general agreement that if there was no regional problem there was no justification for aid of any kind.

The commission, which has the job of enforcing this policy, has clashed with the Belgians, the Germans and the French who have tried to introduce investment incentives in some of their prosperous areas. The Belgian government planned in 1971 to give aid to 41 out of the country's 43 regions, mainly because it was bending over backwards not to discriminate between the Flemish- and French-speaking areas. The commission decided that the Belgians were justified only in giving help to 28 regions, and got the plans modified.

The Germans wanted to give aid to a depressed patch of the Ruhr, but the commission queried this on the ground that unemployment in the area as a whole was trivial. The Germans did not give way, so the commission has for the first time applied to the European Court of Justice to get its policy enforced. The French came under fire because they amended their regional aids without explaining why. Talks with them are still going on.

For Britain, agreement has not yet been reached on which areas of the country fall within the definition of "central," but it may be the whole of England and Wales. The 20% ceiling will not be a big problem. Whitehall calculates that existing incentives in most regions add up to less than that. But two other features of British regional policy will come under sharp attack from the commission. First, the new selective aids under the Industry Act are not, in the commission's jargon, "transparent"; ie, they are not clear and predictable. The British Government's first use of these powers has been to induce an American company to set up in Manchester rather than in Belgium. If the British want to get positive help for their regions they will have to accept restraints on this kind of poaching.

Second, Britain's regional

employment premium is considered unacceptable in Brussels. This measure effectively cuts wage costs in the regions and has been a success in encouraging employment. The Government is committed to phasing it out by 1974, but is having second thoughts. M. Albert Borschette, the present commissioner in charge of regional policy, has publicly disapproved of the premium, claiming that it is a production subsidy rather than an investment subsidy. The commission's view is that aid to get industry into an area is permissible, but permanent subsidies to uneconomic industries to go on producing there are not. Yet in parts of Scotland and southern Italy, where it will always be more costly to operate than in the centre of Europe, permanent subsidies may be the only alternative to depopulation or high unemployment.

Free marketeers vs interventionists

If Britain's new commissioner, Mr George Thomson, gets the regional portfolio in Brussels, he should be able to press the British view more effectively. There is a conflict at the moment within the commission's regional policy department between the free marketeers who run the negative, no-poaching side of policy and the more interventionist-minded officials, who are working on the positive side. The tide now seems to be running in favour of the interventionists.

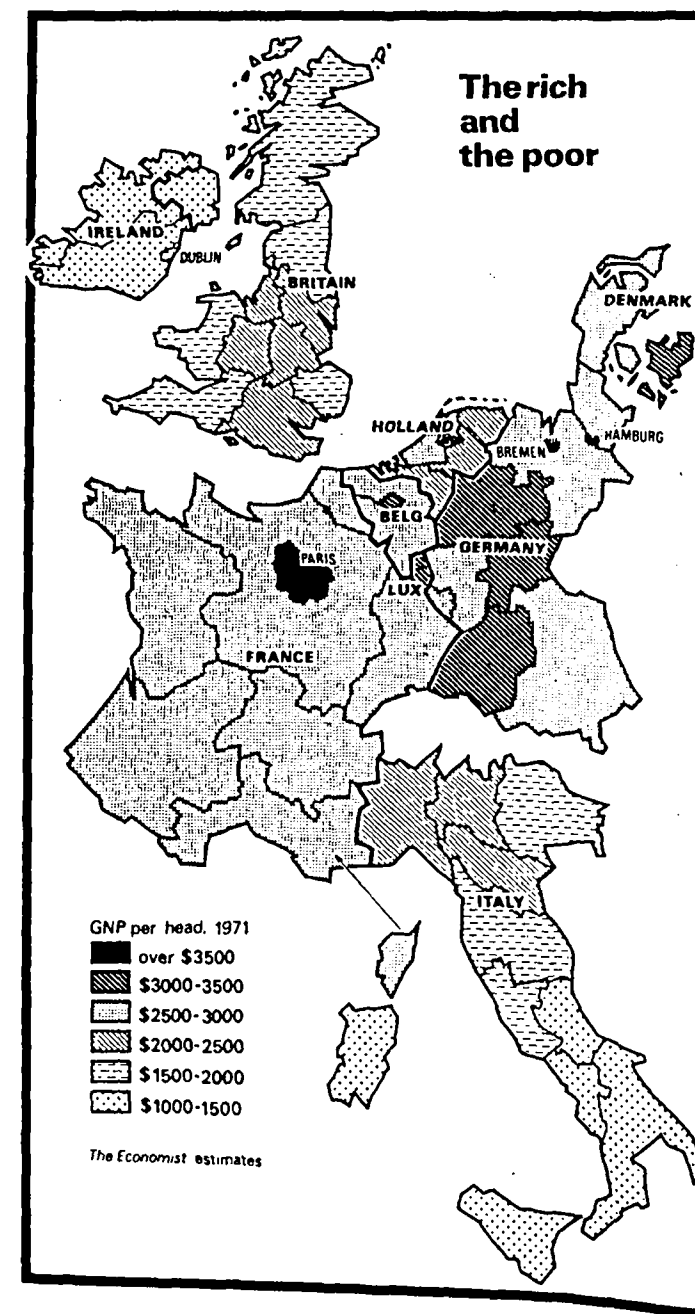
When the British sought tacit approval from the commission for the Industry Act, they discussed their plans only with the interventionists, who had little quarrel with the act. Now that the Queen has signed the Treaty of Accession, the free marketeers are likely to become more vociferous in condemning Britain's selective intervention. Mr Chris Chataway, the Minister for Industrial Development, may have to overhaul the Industry Act to fit in with a European framework.

The eventual aim of a European regional policy will be the gradual replacement of aid financed nationally by aid financed at the European level. Rich countries with few regional problems, like Germany and Holland, will have to accept that such a policy will

be very costly but that it is the price of monetary union. The commission's present plans look reasonable, but the projected budgets for the first five years are hopelessly inadequate. At \$50m a year, the European regional budget will be about 30 times smaller than the current British regional budget alone. The aim should be to raise the European regional budget to something like \$1 billion by 1975.

At the moment, the European fund recognises four kinds of depressed area: agricultural, industrial, border and peripheral. But since nearly all the peripheral areas are agricultural, and the border area is purely a German political problem, the

list can be reduced to two: agricultural and industrial. It seems more sensible either to incorporate the aid under the agricultural fund into the main regional fund, or to exclude agricultural aid from the main fund entirely, concentrating on the declining industrial regions. Over the next decade other European countries may have to grapple with British-style regional problems in industrial areas, and it would help them then if these had high priority. The British should oppose the French and German view that the regional fund should merely reimburse national governments. European aid should be a genuine addition to national aid.



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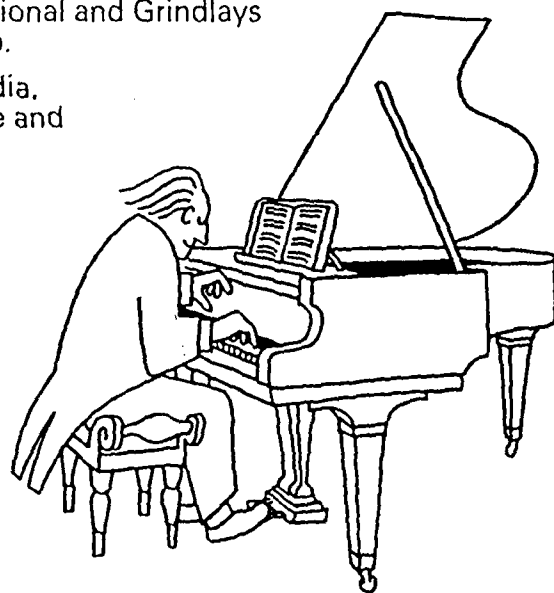
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BUSINESS

No rush to volunteer

Wage inflation is now running at 17 per cent a year, but the unions are still split on the need for any wage restraint at all. Mr Jack Jones, however, may have got the message

The Government's proponents of a voluntary incomes policy should be grateful that Mr Frank Chapple is delaying his plans for an electricity strike for 10 days or so. On Wednesday the Electricity Council refused to make any pay offer and the union threatened to strike. But the union executive will not meet as a whole until next week, so an official strike will not be called before the next round of talks at No. 10.

The council workers who want 43 per cent were told on Thursday that they must wait, too, and the police (who want 20 per cent) got the same message on Tuesday. The police are patient men and the council workers may be ready to wait a bit, but the electricians are in a hurry. If they are going to strike they want to do so before the weather and the public grow cold.

The figures published on Wednesday (see page 92), showing that wage inflation has rocketed by an unbelievable 17 per cent in a year, mean that the wage issue cannot be ducked or postponed any more. But the trade unions have still not admitted that there is a major crisis. Many of them are happy to believe arguments (like Mr Powell's) that wages do not cause inflation. The TUC itself published a paper this week which argued that British wages were rising no faster than abroad, but prices were; so that blame should be put on rising profits.

The majority of the TUC still seems hostile to any kind of incomes policy. Partly this is a result of the Industrial Relations Act and other Conservative measures, but the Labour party, which has promised to repeal these, has not been able either to extract even an agreement in principle from the TUC that an incomes policy is necessary. The unions fear that any anti-inflationary

package will restrain wages more than prices, and they are convinced that this happened under Mr Wilson.

They also suspect that an effective incomes policy might make trade union leaders redundant. The main job of an individual union leader is to improve the wages of his members, and this will not be necessary if wages are determined jointly by the Government, TUC and CBI. If individual unions cannot influence wages, union membership may begin to drop. Indeed, the non-unionised may find it easier to evade an incomes policy. Ever since 1900, trade union membership has grown fastest when inflation was high.

Only three members of the TUC general council are so opposed to any wages deal that they want to call off any talks with the Government: Mr Alan Sapper (filmworkers), Mr George Doughty (engineers) and Mr Richard Briginshaw (printers). Mr Jones and Mr Hugh Scanlon have repeatedly condemned the idea of an incomes policy on broad ideological grounds, but Mr Jones's position is changing fast. At the Chequers meeting this week he came up with the unexpected suggestion that instead of discussing an increase in the basic wage rate it might be better to think in terms of a flat-rate bonus to be tucked into the wage packet after the week's pay had been made up. This would prevent overtime and other bonuses from being calculated on a basic wage rate that had already been increased by whatever sum is finally agreed (if one ever is), and it obviously hits Mr Scanlon's engineers, whose earnings consist of a complicated series of additions and percentages on top of their basic rate. The Government itself had calculated that the result of all this would be to turn its original £2



Still militant Scanlon (engineers), Daly (miners), Fisher (dustmen), Jenkins (staffs). Doubtful Jones (transport), Chapple (electricians)



Mainly moderate Cooper (general), Allen (shops), Anderson (local govt), Crawford (mines), Jackson (post), Britton (teachers)

offer into something more like £2.60, and to some engineers it would actually have meant £3-£4 in all.

Mr Jones's suggestion opens the door to a higher offer by the Government without loss of face and without contributing too much to inflation at the same time. Even more significant, it suggests that Mr Jones is beginning to be ready to think seriously about some form of wage restraint, and to side with the moderates. Several other union leaders, such as Mr Dan McGarvey (boilermakers), would only do that if the Government conceded their very stiff terms.

The rest of the TUC is more willing to consider a deal, but is worried by practical problems. There are those unions who have claims pending in the next three months and fear that any deal will mean that their members will be worse off than the builders, the engineers or the busmen who got big wage rises during the summer. Among these are the electricians, the council workers, the farmworkers, the miners and the teachers. Others are afraid that if they agree to wage restraint they will lose control to the militants in their union. Mr George Smith of the construction workers, a moderate, found himself outflanked by his militants during the building strike and Mr Jones had the same trouble during the dock strike. Other union leaders are worried that the same thing could happen to them, including, in particular, Mr Chapple.

The better-paid workers fear wage restraint will narrow differentials (which is inevitable if the low-paid are to be paid more) and these include the technical and managerial staffs and the railway drivers, both of whom may be more inclined to flout a deal agreed by the TUC because they have no representatives on the general council. They also include the teachers and the civil service unions. All the public sector unions fear that any deal will bear most heavily on them, since the public sector is the easiest for the Government to enforce wage restraint: in theory there is less room for evasive productivity deals which helped much of private industry to circumvent the Wilson wage restraint policies, although after Lord Wilberforce went to work this year and last it might be hard to believe so.

These practical problems give almost every union leader on the general council some reason to want to avoid a deal with Mr Heath. The only leaders who have a clear individual reason for backing a deal are those who represent low-paid workers in under-unionised industries, such as Mr Alf Allen of the shopworkers or Mr Reg Bottini of the farmworkers. Other moderate unions tend to be those who do not enjoy very powerful

bargaining positions (ie, cannot do much damage by going on strike), such as the postmen, the local government officers, the clerical workers and Lord Cooper's all-important General and Municipal Workers' Union.

Lord Cooper will soon be retiring, but the other two GMWU men on the TUC general council are likely to continue his long record of moderation. Mr Alex Donnet was brave enough to say at the TUC at Brighton that double-figure wage increases were madness if they were not accompanied by increased productivity.

The rough TUC arithmetic at the moment is that there are about 11 men on the general council who are ready for a deal; 14 who have serious doubts but would agree if the terms were right; 10 who seem likely to oppose anything that Mr Heath might be ready to consider; and 3 who will oppose any deal on principle. The critical men, who might swallow the principle but not the terms, are the ones Mr Heath has to win over, and to do that he must have Mr Jones and, if possible, Mr Scanlon on his side.

Yet even if an agreement is reached at No. 10 next Thursday, this will not necessarily end the prospect of power cuts. Mr Chapple is moving towards the moderate camp, but remains more afraid of his own militants than he is of the Government and the TUC, so it cannot be assumed that he would go along automatically with any agreement the TUC struck. One by-product of the Industrial Relations Act has been to make a strike in the power stations legal, which previously it was not.

There are three other major unions in the power industry besides Mr Chapple's, even before counting the various staff associations: the Transport and General Workers, the Amalgamated Union of Engineering Workers and the General and Municipal Workers. If any of these backed a deal, they might find it awkward then to turn round and back an electricity strike. But Mr Chapple's men are numerous enough to shut the power stations down on their own with less chance this time that the 30,000 electrical engineers who kept the turbines running last time would do so again.

The electrical engineers, in fact, have grown more militant in the past two years and are at this moment getting hot under their white collars, threatening a one-day strike on Thursday, although the power stations could probably get by without them for 24 hours. Rumbling disturbances of this sort, with overtime bans and go-slows that just stop short of disrupting the economy to a degree that would qualify for a cooling-off order from the National Industrial Relations Court, are what the Government has to prepare for over the next few weeks.

What shall we do with IBM?

The American Justice Department has called once more for the break-up of International Business Machines, but its nerve could be weakening again

The Justice Department's failure to recommend any specific line of action annoyed the judge who is presiding over this particular anti-trust case and started a fresh round of speculation about there having been political pressure from Washington to slow it up. The Nixon Administration is already thought to be soft on business—one of many illustrations being the settlement highly favourable to the International Telegraph and Telephone Company in another anti-trust case.

But the Justice Department deserves a little sympathy. IBM is a complex company and computer-making is a complex industry; while almost everyone agrees that IBM should be broken up, no one is particularly forthcoming with ideas about how to go about it. To swing in, Lizzie Borden-style, is all very well, but who picks up the bits? After six years of studying it, the Justice Department is, blushing, as much in the dark as ever. Also, it has complicated matters for itself by introducing some fresh issues, the most important of which is the inclusion of IBM's overseas business in the lawsuit.

IBM's public defenders point to its profitability, efficiency and service to customers, but not all these arguments stand up well under scrutiny. No one will contest that IBM is one of the most profitable large industrial corporations the world has yet seen, and this is all the more remarkable in that it operates in an area of high technology, where losers tend to be more numerous than winners. Efficiency is another matter, depending on whether you mean IBM is efficient in reaching its own goals or efficient in helping its customers attain theirs. The company's goals are high sales and high profits, and it achieves these all right: \$8 billion of sales last year and \$1 billion of profits on them, after tax. But when it comes to the customers something seems to be wrong, for business firms, which make up the largest group of computer buyers, are woefully inefficient in using the expensive machines that IBM and the other computer companies sell to them.

The manufacturers, including IBM, predictably blame the customers for continually overestimating what computers can do and for failing to allow for the changes that must be made in their organisations before computers can usually be installed. Computer consultants are full of tales about getting the sack for telling a customer that the computer scheme on which he is about to spend millions of pounds is an unmitigated disaster. Salesmen for IBM and other manufacturers cannot be blamed for exploiting their clients' naivety in the process of notching up some tidy commissions for themselves. The trouble is that the salesmen sometimes do not only go along with their customers' illusions: they have had much to do with creating them in the first place. IBM is probably no more to blame for this than other manufacturers: it just happens to be more successful at it, as its sales figures attest (by value, IBM in 1971 won 57.4 per cent

of the market for new computers in America and 45.50 per cent of the market outside it, according to EDP Europa Report, one of the industry's newsletters).

Customers are oversold because computers are not yet capable of doing many of the things that companies need to have done, or at least are not capable of doing them reliably and economically. Much more work is needed on the design of computers and the way they are programmed. This is where IBM's near-world monopoly becomes dangerous. Huge amounts of money need to be spent on research and development to explore the many possible solutions to the computer's problems. Yet probably only IBM, with an annual research and development budget of roughly \$500m, has enough money to spend. In fact, it probably has several times more than it can properly make use of. But while IBM has money to burn for research, every other computer company is scratching around for pennies, and has nothing like the funds that a full research programme requires. Honeywell, the second largest company in the industry, spends only \$50m annually on computer research and development. Britain's International Computers Limited is even worse off. Its annual research budget is just \$41m and it has needed help from the British Government to maintain even this rate of expenditure. It is estimated that ICL will need \$250m to develop a new range of computers.

Consequently the technical choices made at IBM exert a strong influence over the decisions made by every other computer company which must spend much of the budget simply keeping up with IBM, never mind investigating fresh paths. IBM's competitors are also inhibited from striking out on their own by another aspect of the IBM monopoly. If they come up with computer systems radically different from IBM's for a market that has largely been conditioned and educated—some would say brainwashed—by IBM's salesmanship they are going to have a harder time selling the new idea than if they had copied IBM designs. The outcome is less progress in computer design and engineering than there probably should be. Occasionally one manufacturer does break for freedom; the current example is Burroughs, which in the past few years has carved out a distinctive share of the market with computers that are utterly unlike anything made by IBM. But it was hard sledding for a long time, as every Burroughs executive knows.

When it comes to customer service the situation is not as simple as it might first appear. IBM's service to customers is probably better than any other company's but the general standard is not that high. IBM may be the best there is but that still leaves it a long way from ideal, and customers often stay with it out of fear of what might happen if they came to depend on another company that could decide to get out of the business well before its service contract had run out (this has happened). IBM's very size is partly responsible for the

quality of service it gives and if some of its operations were hived off to some of its competitors, making them bigger, then their service might improve too.

It is no wonder, in these conditions, that the Justice Department is having trouble recommending what to do with IBM. Past American anti-trust actions offer little guidance because their situations were so different. Still, after six years of study you would expect the Justice Department to have worked out some plan of attack.

Other men's Enochs

What happens to industry when politicians succeed in banning immigrants and foreign workers is happening now in Switzerland

At Zürich's newest hotel, the Nova Park, guests shift their own luggage, using a cart labelled "Don't tip me." This, in a country renowned for smothering its guests with hospitality, shows the state to which the Swiss economy is now being reduced by the policy of "stabilising" the number of foreign workers. The hotel industry is one of its main victims; one out of every six jobs is said to be vacant, and the hotels could use 30,000 more foreign workers immediately if only they could get in. But an even greater sufferer is manufacturing. The official figures show that all the unemployment in Switzerland could be accommodated on a couple of buses; the few thousand job vacancies listed are meaningless, since employers do not bother to register at the labour exchanges vacant jobs they know cannot be filled. Between 50,000 and 100,000 additional foreigners, on a conservative estimate, could probably find jobs in industry if the authorities would let them in.

This the authorities dare not do. During the industrial boom of the early 1960s Switzerland followed a liberal immigration policy and 112,836 foreigners arrived in 1961 alone; now, just over 1m foreigners account for 16 per cent of the population, a figure unequalled (and unlikely to be tolerated) in any other country. Retribution came at the end of the decade. Switzerland's Enoch Powell, Herr James Schwarzenbach, campaigned, single-minded and virtually single-handed, to call a halt. The referendum he instigated showed that he was supported by a dangerously large minority of the population. Now he plans another referendum which may reveal that his minority has become a majority.

A sizeable chunk of the Swiss population is fed up with having to compete with Italians, Spaniards, Yugoslavs and Turks for lower-priced housing, hospital beds, seats on the trains and trams; and with classroom teaching time being hogged by large numbers of foreign youngsters who often do not know the local language. So now Switzerland is committed to stabilising the foreign element in the population. The number of foreigners is actually dropping. Only 40,000 new residence permits are issued every year, and every year twice that many foreigners leave Switzerland.

The number with work permits in June was 611,600, compared with 624,400 a year earlier and a peak of 720,901 in 1964. In particular, the proportion of Italians

Small, medium and large computers are almost three independent markets, so these operations could be split up into separate companies. Or IBM's activities could be divided according to the different industries they serve. Customers might then be offered products better tailored to their particular applications. One trouble with the present set-up is that it encourages IBM to produce general-purpose computers for customers whose interests have not that much in common.

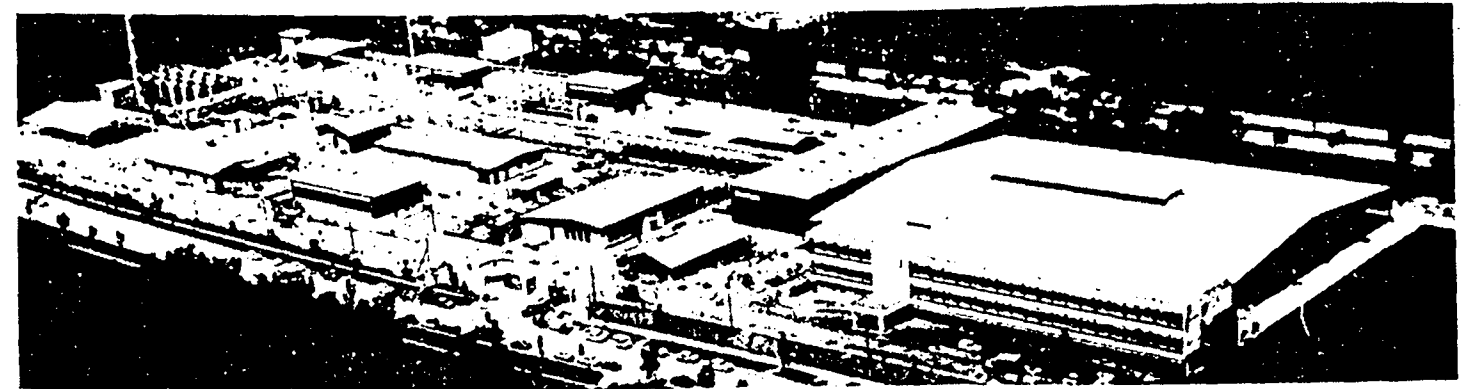
is declining, having fallen from 60 per cent of the foreign labour force in 1969 to under half in June. It is the Italians whose religious and social habits grate most on the two-thirds majority of German-speaking Swiss.

Swiss industry is feeling the pinch. There are empty work bays at big metal and machinery firms, such as Brown-Boveri and Sulzer, and even premium pay rates will not persuade people to do dirty foundry work. The tourist industry admits to having lowered standards by charging for room service (where room service is still provided) and by replacing the boot boy with a shoe-cleaning machine and the concierge with an automatic vending machine. Industry accepts the political expediency of stabilisation. But it needs foreigners, because the Swiss themselves can afford to choose, in an over-employed society, what work they do and they have been deserting industry in droves for white-collar jobs. Nine out of every 10 school-leavers opt for jobs in service industries.

Obviously, a large number of Swiss industries have already learned to live with a smaller labour force, and for this reason the government's gamble in setting a ceiling on foreign labour will probably pay off. However, much grief might have been avoided had the authorities acted earlier by, say, imposing a head tax on foreign workers early in the 1960s—paid by employers and spent on infrastructure. This idea has since been picked up by Herr Schwarzenbach's followers. Had action been taken earlier, industry would have been able to rationalise gradually, without the present panic.

Even under panic conditions, a good deal has been done. The 16 per cent drop in employment in the textile industry since 1966 has been met by increasing capital investment fivefold, up to the present level of £50,000 a head. British supporters of a tight curb on immigration might seize on this as a way of stimulating investment in new plant and machinery in British factories too. But would they feel quite the same about the switch of production abroad? Swiss textiles are going to countries like Spain and Portugal; other industries are investing heavily in Italy, Greece, Singapore and elsewhere. Giants like Nestlé, Ciba-Geigy and Brown-Boveri have always done this, but now medium-sized businesses are doing it as well.

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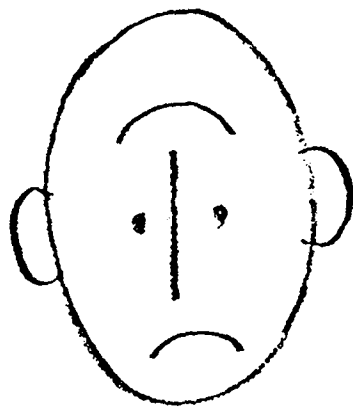
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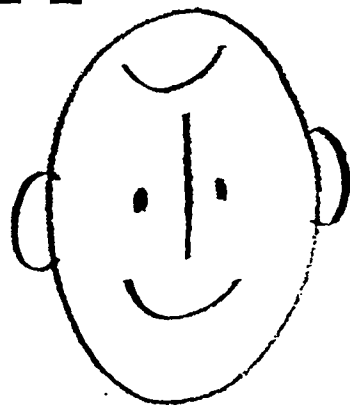
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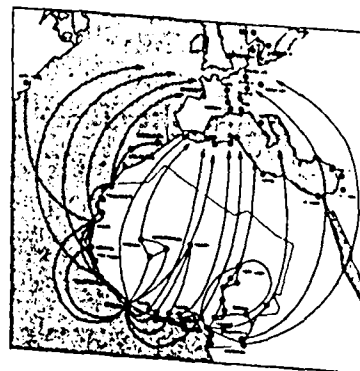
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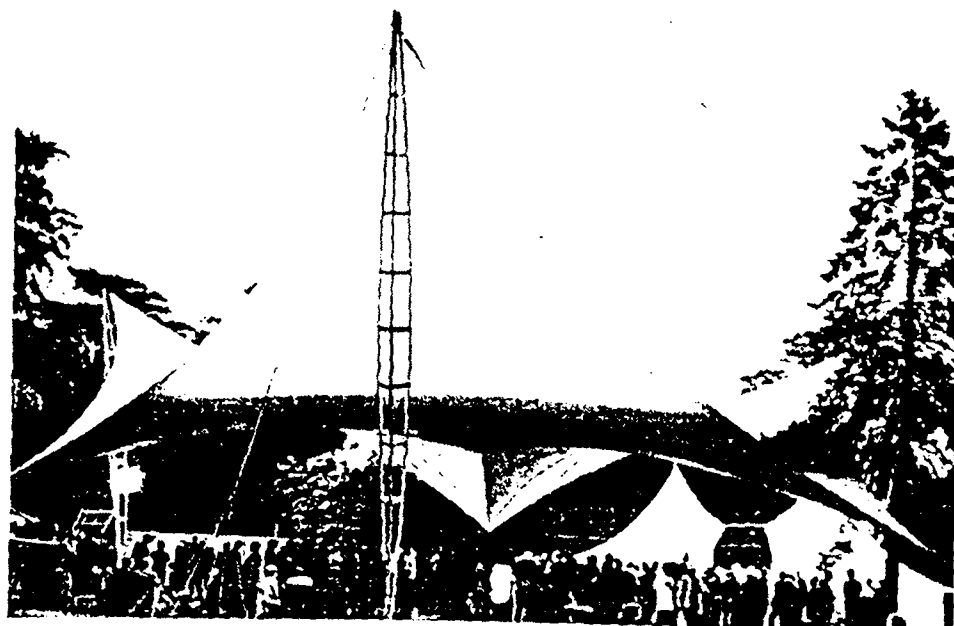
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BUSINESS

International

Before the storm?

It is playtime again for foreign exchange dealers. It only needed a top-level international meeting for the starting signal to be given. On Thursday, as the great men gathered for the opening of the common market summit in Paris, the pound fell out of bed and dropped through its psychological floor of \$2.40, the rate that, rightly or wrongly, most observers believed Mr Heath has had in mind for his eventual refixing. At one point it went as low as \$2.39, but closed above its worst at \$2.39½, after the Bank of England had come in to steady the rate, although it was not thought to have been buying heavily.

That sterling broke through the \$2.40 mark even before the Chequers saga was over demonstrated how vulnerable it remains, though rumours, almost certainly ill-founded, that the pound would be repegged at the summit gave the final jolt: figures of \$2.20-\$2.30 were being bandied about. Major sellers on Thursday were thought to be the Scandinavians, who tend to use the London market as a substitute for broad domestic money markets. A good deal of that money may have simply

gone home. But some funds were also flowing into Germany, partly reflecting the pull of hardening interest rates there, partly the widely held belief that the D-mark is always a safe bet. German bankers, however, reject with one voice any argument that their currency is undervalued; they say that the mark will become a weak currency if Herr Brandt is re-elected.

Although probably not much money got into Tokyo, that the yen will be upvalued, sooner or later, is taken as a fact of life. European bankers reckon that the Bank of Japan has recently been picking up something like \$40m-\$50m a day (or \$1 billion a month) on the Tokyo market in the attempt to keep the rate from breaking through its Smithsonian ceiling. Then, on Wednesday, a Japanese official revealed that, but for investments in longer term securities and funds placed with foreign and Japanese commercial banks, the country's reserves would be over the \$20 billion mark, instead of \$16.5 billion. But the pressure on the yen has come largely from the strength of Japan's overseas accounts, from shifts in the leads and lags, and from pur-

chases by foreigners of Japanese company securities. The inflow of straight speculative short-term capital has been limited by Tokyo's tight exchange controls.

The dollar weakened in sympathy with sterling but by Thursday had not come into the direct line of fire. Still, especially with the long holiday weekend for Veterans' Day looming, no one was willing to bet heavily on the dollar.

EEC

Frozen food

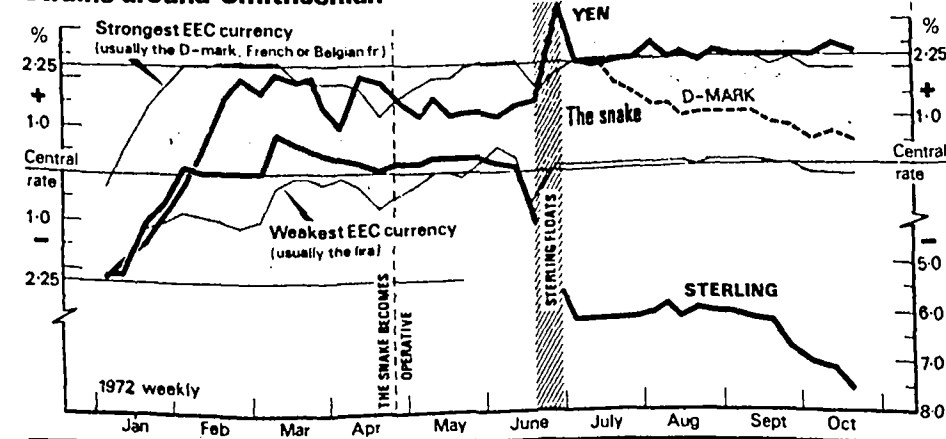
Brussels

The finance officials of the Nine will meet to discuss inflation next week, with a rather lower profile than the summiteers, followed, on October 30th, by the finance ministers. Ringing in their ears will be the swansong from M. Raymond Barre, the commissioner for economic affairs, who presented his fellow commissioners at Strasbourg last week with his plan to fight inflation at community level: by freezing farm prices and cutting tariffs.

The original French idea was that all should agree to hold down public spending. But this found little favour with the Germans and Dutch, both with elections pending, and, indeed, Germany's federal system makes it difficult for public spending to be cut at a stroke. Hence M. Barre's suggestion for a farm price freeze. Food prices in Europe have soared since the previous two-year freeze was relaxed in 1970. Next he proposed cutting the EEC tariff on certain manufactured goods by 15 per cent, equal to an average cut of 1½ per cent in the prices of imported manufactured goods, which would help to hold domestic prices down. It might, incidentally, also help the Americans in their fight to get the Japanese to upvalue the yen or open wider the door to imports.

A freeze on farm prices would also go down well in Washington. The Nixon Administration has now taken the point that the EEC will not allow the common agricultural policy to be dragged into the 1973 trade talks as

Strains around Smithsonian



such, just as America will not allow its own system of subsidising farmers to be discussed. So the present Washington thinking is that the best way to blunt the protectionist character of the EEC system is to press for European farm prices to be held down.

The commission will not wear M. Barre's ideas as they stand, although if they were suitably watered down they might be acceptable. If they were, it would be the first attempt by the commission to use the EEC's external tariff and its farm price system as a weapon against inflation, and would even be its first try at a credible anti-inflation policy at all. But, farther up the pecking order, the council of ministers will almost certainly jib, however great the dilution. Bonn will scotch any talk of pegging farm prices this side of the election. M. Pompidou, too, has even assured French farmers that they will not be the victims of any anti-inflation measures. Most important of all is the feeling that a tariff cut would be a free gift to America and Japan, which ought preferably to be saved for bargaining in next year's trade talks.

Where M. Barre gets most support is among senior staff of the commission, including those dealing with agriculture. Even the competition department of the commission did its bit this week by repeating its doubts about export limitation deals between industries in Europe and Japan. It wants these to be registered so that they can be studied. It dislikes the feeling that they are fixed up between businessmen in Europe and Japan. It equally dislikes their impact on the community's free competition rules, and—most topically just now—on price levels within the EEC.

Bye-bye, budget

Britain has been in on the inflation talks from the start, and when the full

council of finance ministers meets on October 30th will also be in on discussions about the annual report on the economic situation in the community, which is, in effect, the equivalent of a Chancellor of the Exchequer's review of the economy at budget time. The report's guidelines for 1973 at present cover only the original Six. Nonetheless Britain will probably be asked to step into line, giving it its first real taste of what it means to be part of the movement towards economic co-operation which has been gathering momentum in the community since the Hague summit of 1969. It is not generally recognised in Britain what a radical change this will mean for the way in which the economy is traditionally managed.

From January 1st quite a number of the British Government's economic secrets will have to be revealed to the commission and its staff in Brussels. This will be part of the consultation procedure laid down by the council of ministers on February 9th last year as the first stage in the development of economic and monetary union. But this obligation to reveal forecasts and consult on tax changes is not as dramatic as it appears. Governments cannot be forced to be very forthcoming. The forecasts can be "normative"; ie, what a government would like to see happen. They are not used neat, but diluted to become the commission's views, which actually see the light of day. The section of the commission dealing with economic and financial affairs is pretty leak-proof, and that is something of an exception in Brussels.

More important is the fact that the community's procedures are geared to a very different form of budget. The Six have all harmonised their fiscal years on the calendar year; Germany and Italy have had to come into line. Their budgets are announced in the autumn, debated, voted upon, and only then implemented from January 1st each year. The annual report is

intended to give a community dimension to national budget debates. The British budget, with all its ceremony and secrecy, is presented as a fait accompli each March or April. By 1980, at the latest, this will have to change.

But other pressures are moving Britain towards the European model. Economic management by fiscal dictat has already been undermined by its failure to deal with the balance of payments and inflation. Britain, through the Chequers talks, is already moving towards a more open, social-contract approach to economic management. Tax changes are increasingly discussed in advance—in green papers and the press. Chancellors can seldom spring surprises. Nor, judging from European economic performance, is prior announcement of tax changes prejudicial to the national interest. It is a fair bet that the traditional British budget, like Bank rate, will soon pass into the pages of history.

Japan

Sony'll sell for you

In the increasingly frenetic scramble to prevent another upvaluation of the yen, Japan Inc.—as disgruntled rivals call the powerful partnership of government and business in Tokyo—is hooked on the new game of import promotion. That star exporter, Sony, has jumped in with an offer, made first to the Americans and now to the British (and next month to be extended to continental Europeans as well), to put its 8,000 domestic retail outlets at the service of would-be importers.

It could suit both sides. British manufacturers with suitable products will be able to deal directly with the final retailer, instead of having to go through one or more of Japan's 14 big general merchanting houses or one of the thousands of smaller ones.

Sony, on its side, will get its commission, increase the variety of goods in its shops, and, with luck, take some of the heat out of protectionist lobbies abroad. But British manufacturers of, say, colour television sets (who watched Japanese sales in Britain jump more than threefold in the first six months of this year) are unlikely to be much impressed by new opportunities to sell cookers to Tokyo. Sony wants to handle only imports of high-class household goods that will

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Key indicators: world commodity prices

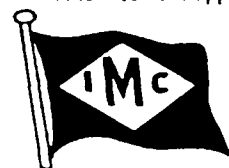
Breaking new ground

The Economist commodity index at 155.2 has reached a record high. Although metal prices continue depressed, the copper glut does not help, there have been rapid rises in the other components of the index. Wool, which has gone up 80% since September, has boosted the fibres index. Food is unusually high because of the huge Russian grain purchases, while rubber seems at last to be recovering.

	Index 1963=100		Percentage change on	
	Oct 11	Oct 18	one month	one year
All items	153.7	155.2*	+ 8.9	+34.7
Food	162.8	164.8*	+ 2.7	+31.8
Fibres	148.8	149.2*	+30.3	+73.7
Metals	184.0	184.5	- 0.2	+ 4.7
Misc	134.0	137.6*	+13.3	+38.4

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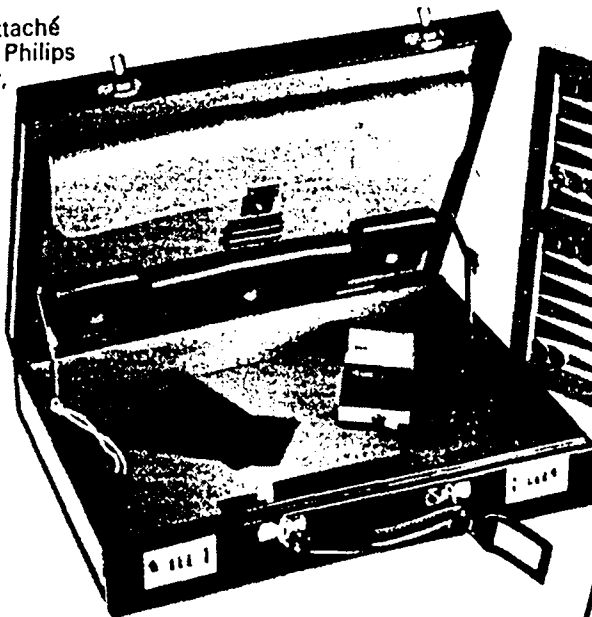
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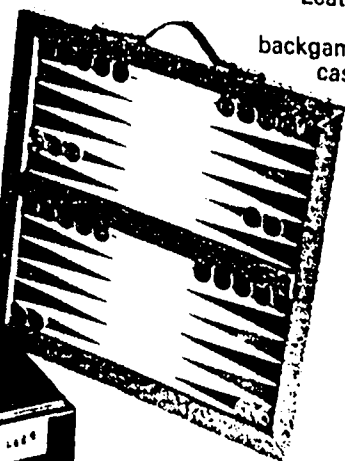
Hand-sewn calf hide attaché case lined with leather. Philips Memo 85 tape recorder, Sinclair electronic pocket calculator. Combination locks. In black, antique brown or tan. £207.00 (or without calculator, £128.00); export £197.50 (without calculator, £117.50).



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complement its own domestic lines. Since the scheme was launched a month ago in America, Sony has got 1,000 proposals from American suppliers, of which it has so far accepted two, one for refrigerators and freezers, one for saucepans, etc.

Selling through Sony will therefore not make much of a dent in Japan's massive trade surplus, now running at \$10 billion a year. Nor will the government's own import-boosting schemes. Faster domestic growth will help, but pen has not yet been set to paper on Mr Tanaka's plan to cut tariffs on industrial goods by 20 per cent. And now the EEC commission, for quite different reasons, is talking about proposing a cut in its own external tariff by nearly as much. As for non-tariff barriers, even if there were the best will in the world, in Tokyo (which there isn't), it would take time to unravel the tangle of legal, administrative and cultural triplicords on imports into Japan.

Last week Mr Tanaka ruled out an export surtax as anything but a last resort. He is holding another ministerial meeting on Friday. Japan's export drive will not be held back sufficiently by the present panoply of voluntary pacts and cartels, which are often leaky, always suspect and now increasingly under fire in Japan as "monopolistic." The Keidanren, Japan's version of the CBI, is beginning to argue that flat legal ceilings, under a foreign trade control ordinance, may be the only other way to slow down sales. Japan's exports over the past six months have been growing at an annual rate of 15 per cent. Even if Japan's imports rose at 30 per cent, more than twice the average of the past decade, it would still take two years, at the current rate of exporting, to wipe out Japan's huge surplus on current and long-term capital account.

Bearings

Sunrise in Düsseldorf

Japan Inc. has gone on to the offensive on another front in the meantime. The first Japanese manufacturing operation in the Six was opened on Wednesday at Mettmann, near Düsseldorf, by a subsidiary of the Toyo Bearing Company. The highly-automated £3m plant will turn out up to 12m bearings a year, in the most profitable standard size ranges. A large

part of the bearings are to be made in Germany, including the high-precision bearing rings. It is planned to import from Japan only the balls or rollers on which the bearings run and some other small parts. So the boost to Japanese exports will be slight.

This should allay some of the fears of rival European manufacturers. They had believed that the plant would only assemble imported parts, brought in under the existing tariff barriers and adding to the growing wave of Japanese bearing imports. The Japanese have not agreed to limit exports to European countries as they have for Britain. During the past few years, they have carved out large chunks of the market in west Germany and in France. Although for the past two years Germany has been a depressed market there are signs that it is now turning up again. Italian bearing makers have not been reassured by the news from Mettmann at all. Rigid import quotas had excluded virtually all made-in-Japan bearings from Italy, but these quotas are not designed to keep out bearings made elsewhere in the EEC.

The new plant will settle once and for all whether the Japanese have been successful in selling bearings in Europe because their wages and their costs were lower at home, or whether they are just so good at manufacturing that they can absorb even European rates of pay. The plant will be coming into production when European companies like SKF and FAG are commissioning their own new automated lines designed specifically to compete with Japanese imports.

Flying Russian

What's the risk?

The crash of Aeroflot's Ilyushin 62 outside Moscow last Friday probably killed 172 people: if this is ever officially confirmed it was the worst accident in the known history of civil aviation. The Russians will have to start paying attention to their safety record if they wish to attract passengers from the west. Aeroflot has recently been advertising its London-Tokyo air services as one of the cheaper ways of getting to the Far East, and it has also been making a bid for more of the charter business. But Friday's was the third major accident on Aeroflot this year of which news has leaked through to the west. Add the crash of another Il 62 in August, flown by an east German charter company, and some-

thing like 540 people have been killed in these four alone.

Elsewhere in the world, more than 1,100 people have been killed since the beginning of the year in something like 25 separate air accidents. Three, with a death roll of nearly 130, were caused by sabotage. Known crashes to Russian-built aircraft have therefore accounted for a third of the victims so far this year, although the Russians carry only a sixth of the world's air passenger and freight traffic. Aeroflot might agree that the (known) number of accidents to Russian aircraft is roughly in line with what one would expect. The record only looks bad because at least 100 died in each of them. But it could just as easily be argued that the record of the rest of the world looks worse than it is because it includes the large number of accidents to relatively small aircraft in Latin America where facilities are primitive, or in and around South Vietnam where civil operations are not exactly normal.

Anything from three to six Russian-built aircraft crash every year outside the Soviet Union, where the majority are flown either by small airlines, or under difficult conditions in the Middle East, or both. But the crashes reported to date this year have been on major air routes to presumably major airports. Aeroflot itself, as the biggest airline in the world, cannot be happy to have chalked up three big crashes in six months.

Zanussi

Washed-up

Italy's Zanussi is the largest manufacturer of domestic appliances in Europe. On January 1st it is to cede to Germany's AEG-Telefunken a 25 per cent share in its domestic appliances division, from which 75 per cent of its turnover comes. It insists that this will not mean any dilution of control, but its shop stewards do not believe it. They recently visited Frankfurt, to meet their colleagues in the German metalworkers' union, and were told what has been widely rumoured in Italy: that AEG is pushing for a complete takeover. Zanussi's management is resisting, but is in a weak position to do so. In 1971 Zanussi lost £13m, as home demand slumped. It is now heavily dependent on exports—both of its own brands and on its own-brand agreements with Hoover, British General Electric, ITT, Sears Roebuck and AEG. But even on exports, profits

have been cut to the bone.

Zanussi was hit badly by substantial wage increases in 1969, and has had as much labour troubles as other Italian employers ever since. Now the engineering wage agreement is again under negotiation. Since 1969 Zanussi has been sorting out and rationalising its former rival Zoppas, which had previously absorbed another ailing rival, Triplex, and got bad tummy-ache as a result. Zanussi has bought breathing space by a £35m loan from a consortium of Italian banks, headed by the Istituto Mobiliare Italiano.

This will have to be repaid. The hope is that the money will be raised by offering 49 per cent of Zanussi's shares to the public. At present almost all of its shares are held by the Zanussi family, who no longer play any part in running the firm. Conditions on the Italian stock markets have ruled out any such solution for the moment. This must increase the likelihood of an eventual German takeover, following the earlier pattern of Ignis, Zanussi's largest remaining competitor, which was bought by Philips of Holland this summer. This would mean the end of one of the brightest stars in the Italian economic miracle of the 1950s; ironically, the pieces would be picked up by an established manufacturer of electrical goods that probably suffered as much as anyone from the invasion of low-price appliances from the upstart Italian firms led by Zanussi.

Oil

How much trouble?

As expected, Saudi Arabia's partners in the oil participation talks are not rubber-stamping the agreement negotiated two weeks ago with the oil companies by Sheikh Ahmed Zaki Yamani, the Saudi oil minister. Assuming that Iraq would object, whatever the deal, that leaves Kuwait, Abu Dhabi and Qatar to be squared.

How to do it was the central question on Thursday as Mr George Piercy of the Standard Oil Company of New Jersey, the chief negotiator for the companies, met Sheikh Yamani in Riyadh, to discuss the countries' objections to the deal. It had been expected all along that the countries would want to negotiate the details themselves since none of them is in quite the same position as Saudi Arabia, for whom the agreement was tailored. However, the noises that came out of a preliminary



I'm as good an Arab as anyone

meeting last Sunday between the oil-producing states indicated much more serious differences.

Kuwait, Abu Dhabi and Qatar may simply be going along for the moment with the Iraqis and Libyans, but they could have fundamental objections of their own. No one is sure yet. Sheikh Yamani is still confident that he can deliver Kuwait, Abu Dhabi and Qatar, but there remain the Iraqis—and the Libyans, although not represented by Sheikh Yamani in these negotiations, are dramatising their demand for immediate participation to the tune of 51 per cent by bringing pressure on the Bunker Hunt operations in their country.

The Kuwaitis are at the centre of the riddle. They like being friends with everyone and, in particular, would not want to offend the Iraqis. They may be merely waiting for the Iraqis to let off a little steam before they sign. That is what the oil companies are hoping anyhow.

Paris property

Let them rise

European property developers were delighted by President Pompidou's announcement on Monday that he would not object to a "forest" of skyscrapers overlooking the Arc de Triomphe. It was a bolt from the wide, blue yonder that conservationist Parisians are fighting so hard to keep wide, blue and unscraped.

Office development in Paris has always been difficult and things have worsened with the furore over the few office towers that have been permitted. The reluctance of official planners to allow fresh developments, and high value-added rates in certain areas aimed at pricing new buildings off the

market, have often left companies restricted to refurbishing old properties.

Foreign developers (most of whom are British) face the additional problem of raising finance locally. Here things have eased recently. British banks and other institutions are now offering five- and even ten-year loans. In consequence, British developers have been swarming aboard the bandwagon. The British estate agents Weatherall, Green and Smith, with a big Paris office, recently counted 45. So with elections due in the spring, it was feared that when President Pompidou did pronounce on the high-rise controversy it would be to introduce greater curbs and heavier taxes on developers. Instead, he confirmed existing official policy and told *Le Monde*:

We cannot chain ourselves to the past. Paris is not a dead city. It is not a museum to be maintained.

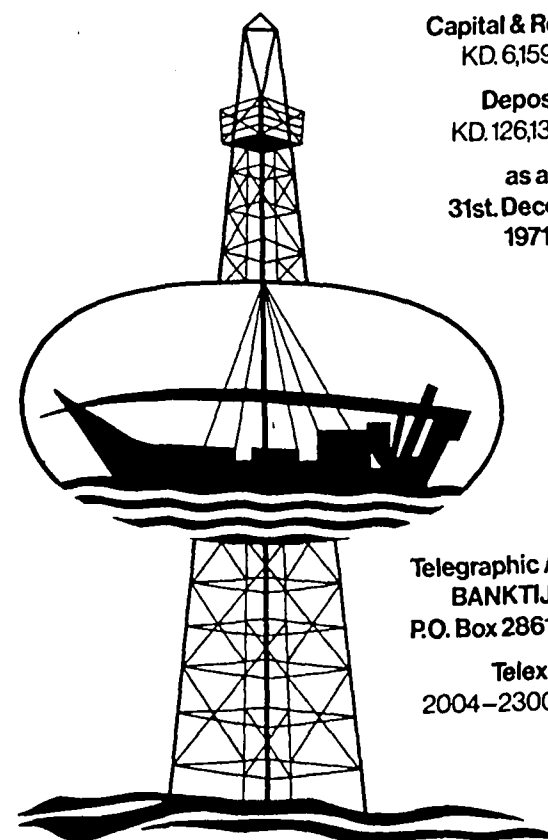
The occupants of office blocks are essentially international these days. Without the buildings to house their corporate images, multinationals will not choose Paris for their European headquarters. Paris rates particularly badly with the Americans and Japanese.

The big multinational concerns say they are not only swayed towards London by the advantages of the City and the English language, but are put off Paris by the cost of staff, the shortage of modern offices and the high key money that has to be paid when they are found. City rents, averaging £11 or £12 a square foot, are only slightly above those in the Champs Elysées. Priorities for choosing a site can differ widely. Brussels was selected by Mr Harold Geneen of ITT because there is nothing else to do there except work. The advisers of another company had to choose London because top managers wanted good golf courses.

Family considerations matter too. London, Brussels and Frankfurt are reckoned to have the best American schools. Paris can offer only flats, or terrible travelling problems for those who take a house outside, but Amsterdam is highly rated for housing. The Japanese also like Holland because of its advantages as a distribution centre, and the convenience of having head offices on the same spot. Geneva used to be another favourite, but difficulty over work permits has made it less attractive now. PA Management Consultants has recently recommended Switzerland to a client for a holding company, because of the tax advantages, but with the management services company in Holland. The second choice for both was Luxemburg.

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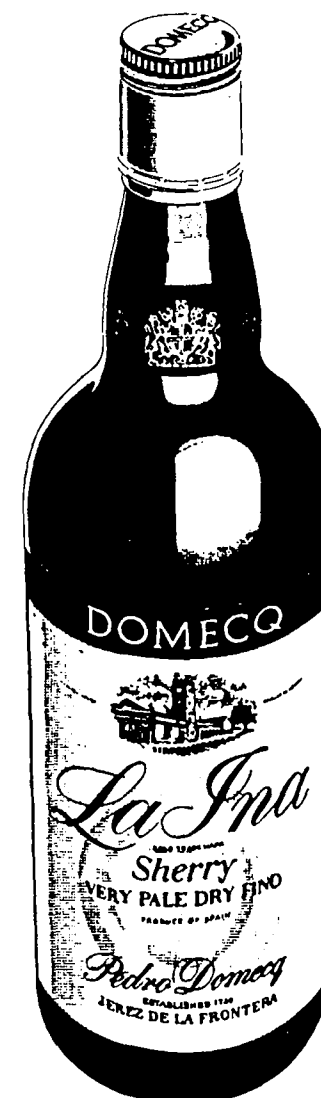
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BUSINESS

Britain

That rescue had better be quick

If the Government does pull off a deal on wages and prices next Thursday it will be only in the nick of time. Figures released on Wednesday show that wage inflation has already begun to rise again viciously. On September 30th the weekly wage rate index was up 16.7 per cent on a year earlier, while the hourly index was up 17 per cent; these figures compare with 14 per cent and 14.3 per cent respectively at the end of August. The September figures were heavily influenced by the building and engineering settlements, but these had to come into some month's figures; and the quarterly comparisons in our chart, which iron out the monthly bumps, show a decided upward trend.

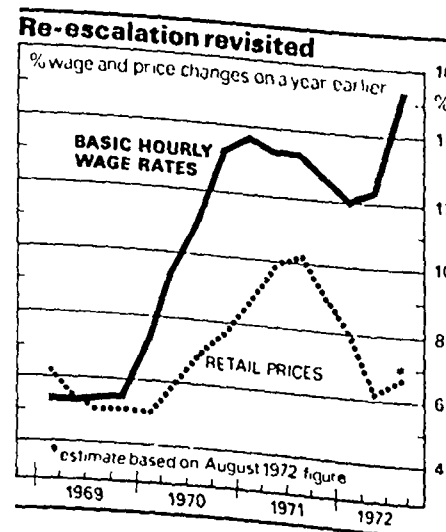
An acceleration of price inflation was always expected this autumn, but in the summer forecasters were hoping that wages would be slow to respond. The National Institute of Economic and Social Research, for instance, in its August Economic Review, forecast that average earnings would rise by 12 per cent a year through both 1972 and 1973. The latest average earnings figures, also released on Wednesday, show only a 10.9 per cent rise on a year ago, but they relate to August and not September. With wage rates rising so fast it is hard to believe that earnings will not soon be rising much faster than the National Institute anticipated.

Wage rates are not the only factor, of course, that affects average earnings. When the economy picks up, less short-time working, more overtime and extra wage drift all push them up too. The consumer boom began to be reflected in higher production from midsummer onwards; now the latest unemployment figures, for mid-October, confirm this spurt in activity in no uncertain way.

Between mid-September and mid-October the number of wholly unemployed (seasonally adjusted) fell by a record 39,000. On the raw count, not fiddled with statistically, there was an even sharper drop of over 70,000, bringing the jobless total to 807,000 (3.6 per cent)—or 845,000 when Northern Ireland is included. There was also a welcome improvement in the relative position of the development areas, Scotland, Wales and the north-west. Unemployment generally reflects the level of activity in the economy three to nine months earlier. These latest figures, therefore, following three months in which unemployment rose, are another sign that the economy is on the move again.

The wild fluctuations of unemployment in individual months—down 36,000 in June, up 5,000 in July—reflect this year's innumerable strikes and their aftermaths, when employers were in no hurry to fill vacancies while their production schedules were being disrupted. But taking the figures on a moving average, the underlying trend has been for the number of unemployed to drop by 10,000 in each of the past three months, bringing the total fall over the past 12 months to 80,000. And although employers are not crying out for labour, at least there has been a steady, small increase in the number of jobs on offer in Britain throughout the past ten months. Another indicator of expansion is that there were only 15,000 redundancies recorded last month, compared with 24,500 in September, 1971.

That is the good news. But on present forecasts, and in the absence of any check to inflation, the revival of economic activity is likely to prove short-lived and unemployment would then start rising again from next year. But in the meantime, at least, this



winter should be a big improvement on last, and the Government is now being assured that the spectre of the unemployed at the beginning of 1973 has faded. That should give it more confidence, if it needed it, to make next Thursday's talks at Downing Street decisive in the way it wants. It may also help the union moderates.

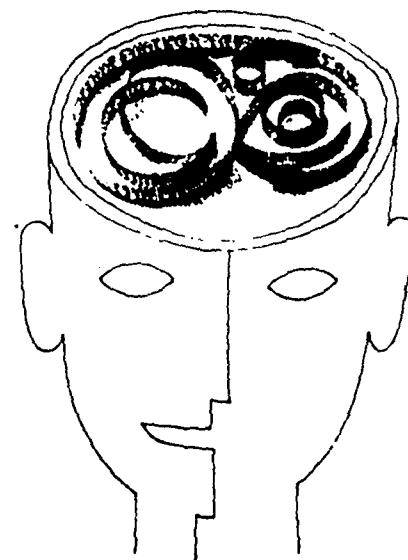
Docks

Almost a truce

A serious shortage of dockers is now likely before the end of the year. Of the 9,600 men eligible for the Government's voluntary severance pay, 5,500 have applied for it, at an average of £3,800 a head. Only 1,500 have actually left so far, but already shortages of men are developing. By the end of the year Manchester, the Clyde, Tees and Hartlepool, South Wales, Grimsby and Inningham, Bristol and the south coast ports will probably all be short.

Giving universal incentives to leave the industry, so as to cure the problems of London, Hull, and, to a lesser extent, Liverpool, has turned out to be all the more absurd because the men leaving are mostly fit and experienced; only about 10 per cent of the unfit seem to be applying.

However, this abundance of jobs has



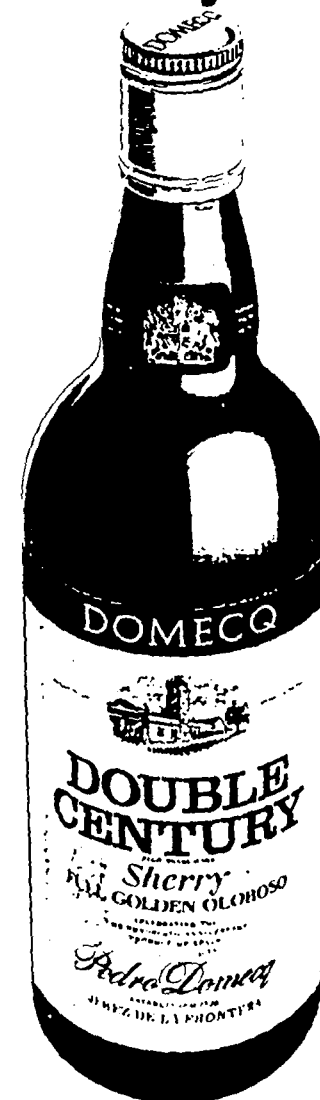
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The most popular sherry in Britain is one of a family of ten.

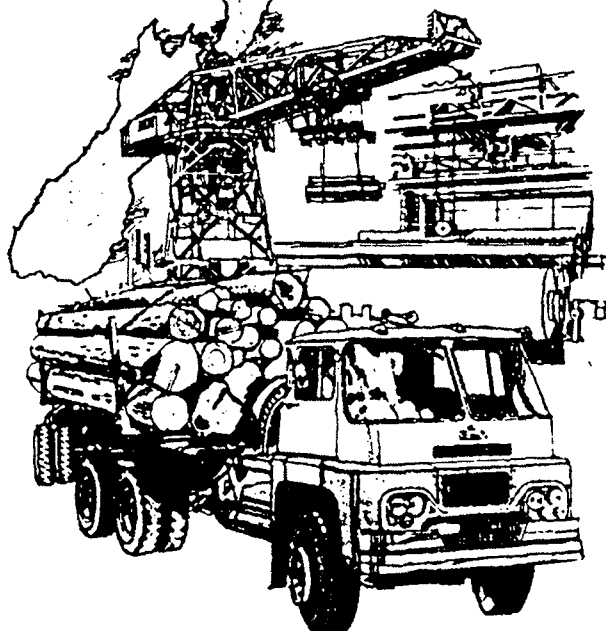


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is made of every girl's natural abilities; and where, over a period of years, she becomes a poised, thinking individual. Whether or not she graduates into a profession (as many do) Penrhos enables a girl to make the most of life and of herself.

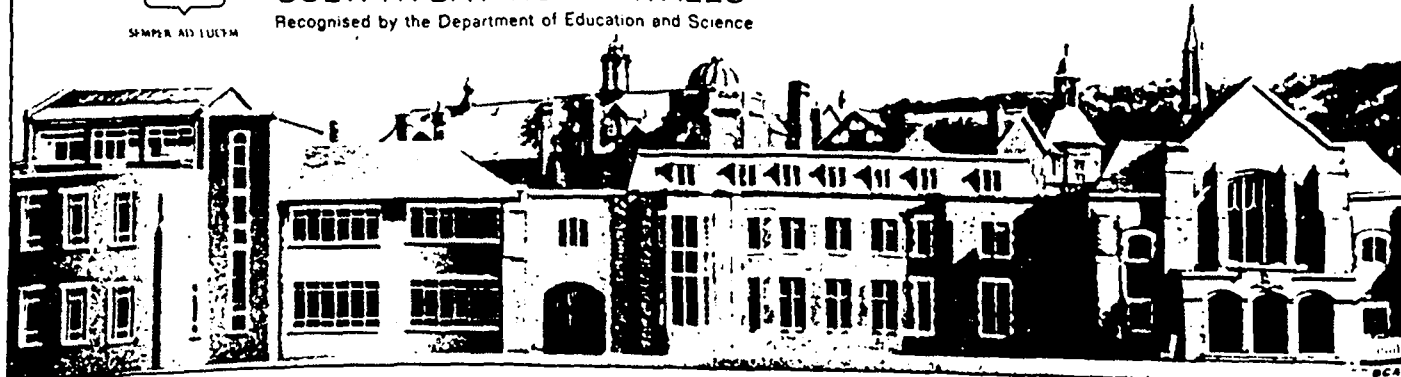
A PENRHOS EDUCATION PUTS A GIRL'S FUTURE IN HER OWN HANDS.



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made labour relations easier. There have been few volunteers for picket lines, and Mr Cornelius Clancy, leading the pickets at Midland Cold Storage, in east London, has sometimes only had one colleague to back him. Even the negotiations for reviewing London's productivity deal, due at the end of the year, are in a low key, with one observer suggesting that this is about the only sector of industry likely to go along with Mr Heath's £2.

The National Ports Council should now play fair by the little ports in the report on them it is supposed to make by the end of the month. The report was commissioned because the militants accuse these ports of taking their jobs away by using scab labour, and even the employers have suggested the small ports should pay a levy to the bigger ones. But the fears of unemployment are now groundless, and the small ports survive because they are giving a service the big ones do not provide. Indeed, London has raised its charges in a way that can only be regarded as an attempt to drive away small vessels. But Mr Jack Jones, general secretary of the Transport and General Workers' Union and also vice-chairman of the NPC, does not want to go to the dockers empty-handed.

Meanwhile blacking continues, although the jobs shortage that started it no longer exists. Here again it is a time to be tough, as Heaton's of Liverpool has done with more success than in the summer. Heaton's threatened to go to the Industrial Relations Court a week ago if the dockers did not stop their blacking, and the dockers complied (the management had great difficulty in dissuading its employees from going to the court off their own bat, without even allowing the dockers a 48-hour ultimatum). Further minor problems exist at Heaton's which may yet need recourse to the court. As for Midland Cold Storage, 27 employees have been given redundancy notices. When this was announced a truce was called. But Mr Clancy seems quite determined to serve another prison sentence.

Retail banking

Competing on telly

Presumably with good reason, each of the big banks reckoned that so long as it could count on its rivals staying off the box it could stay off as well. Now the one big maverick, the Co-op Bank, which has never been a club member, has decided to think again.

It is launching a test press and telly campaign in South Wales and Bristol which, if translated to a national level, would cost a cool £250,000, the first such television advertising by a single bank for eight years.

Admittedly, the Co-op is rather special, being very much a retail bank concentrating on small account-holders and the still-untapped fringe of potential customers who have no bank account at all. It also has some unique carrots to offer. It has long been one of the few banks in Britain to publish its charges for cheque accounts, one very good reason being that they are so competitive. Moreover, the great majority of its 4,000-plus banking points in Co-op stores stay open throughout normal shop hours, including Saturdays.

The clearers may not stampede after the Co-op in television advertising. But if the extra publicity given to the Co-op's services, coming on top of the challenge by newcomers like the United Dominions Trust's money centres, helps to persuade the giants to publish tariffs on charges and to return to Saturday openings, then hurrah.

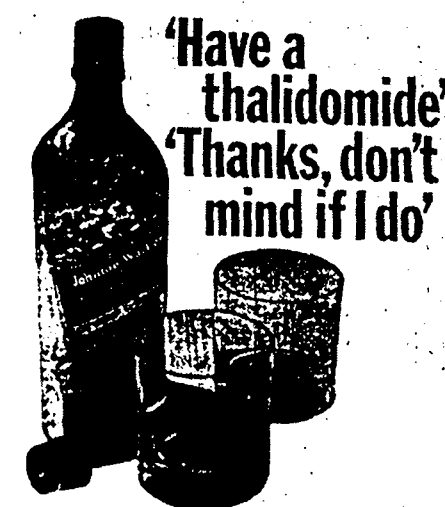
Thalidomide

Private enterprise

The campaign to get compensation for the 370 10- and 11-year-old children deformed by the doses of thalidomide that their mothers took in pregnancy more than a decade ago moved out of the courts this week and on to the hoardings. The first four of a promised series of at least 16 anonymous posters began to appear calling for a boycott of the Distillers Company's gin, whisky and vodka until the company, which had manufactured the drug under licence from the German patent holders, pays big damages.

Distillers can hardly feel happy about the turn of events; articles about the thalidomide affair in the Sunday Times have been suspended only by the writ issued by Sir Peter Rawlinson, the Attorney-General, and the Speaker postponed until Friday morning a ruling on whether the Commons could discuss the subject.

The complaints against Distillers seem to come down to two. First, the time that it is taking to settle—to which a fair answer would be that much of the delay takes place while 370 deeply-distressed families try to agree among themselves on a common course of action. Second, the size of the sum



Pillorying Distillers

offered. The 62 families that settled with Distillers out of court four years ago got awards made up of compensation for loss of earnings and loss of amenities: one of the biggest came to just under £20,800 for a child wholly without arms or legs, but some did not, apparently, reach five figures.

These sums, the parents of the remaining 370 children think, are likely to be the guidelines for any settlement offered to them. On Thursday a girl blinded at school and with a modicum of sight now restored in one eye was awarded nearly £80,000 damages by a High Court judge.

Herbert Ingersoll

A happy solution

The former Herbert Ingersoll machine tool plant at Daventry, which was put in the hands of a receiver in June, has been sold to the Cummins Engine Company, the British offshoot of the American diesel engine manufacturer. Initially, the plant will be used to machine high-tolerance parts for large diesel engines of more than 200hp and carry out some tooling work for the company's two other plants at Darlington and Shotts. This work will at first only occupy about half the capacity and employ around 100 men. But later the plant will be used to manufacture prototype and experimental engines, starting with a new range of large engines the company has on the drawing board. As it stands, the plant is almost ideally equipped for machining large engine parts and will only need some small new machine tools to make it perfect. It failed as a machine tool plant because its builders were over-

optimistic about the amount of work that would be available to keep the original capital of £4.5m working economically. Cummins will have a much better control of the workflow and will have to support less than half the capital overhead.

Cummins is believed to have paid the receiver around £2m for Daventry, which was cheaper than investing in comparable new machinery elsewhere, let alone paying for a building to put it in. The purchase has avoided a capacity problem which was beginning to appear, although its most immediate effect will be to postpone some new investment at the company's American plants, which have been undertaking sub-contract machining for the British operation.

Steel

Hirschfield's hobnails

A fine row is expected when the Department of Trade and Industry publishes the findings next week of an inquiry that has been carried out by Lord Hirschfield into complaints that the British Steel Corporation has been using its market power unfairly.

The private steelmakers said that BSC has been squeezing margins by increasing the price of billet while leaving alone the price of the product made from it. This was particularly noticeable last April, when billet went up by 7 per cent, while the rods and

section prices lists were left untouched. The Secretary of State for Industry, Mr John Davies, agreed there was apparently a problem and set up the inquiry; but he must be rueing his decision now.

Lord Hirschfield is believed to have supported the complaints, especially on three or four products. Two are singled out in his 60-page report: low carbon wire rods and reinforcing bar. There is also strong criticism of BSC's pricing policy on some sizes of narrow hot rolled strip and some sizes of steel sections. What Lord Hirschfield is in effect saying is that these products already need a price increase and probably well over 4 per cent. The Government will regard that as badly-timed advice, but it would be wise to take

What they didn't show at the motor show

Britain's motor industry really needs to do better than the glorified car park it unveiled at the motor show on Wednesday. Lord Stokes, who announced that next year British Leyland will launch a new model, or major facelift, every two months, made a virtual admission of the inadequacy of his present range. The two most interesting exhibits, cars of the future designed respectively by GKN and Mr Rowland Emmett, the cartoonist, are not on sale anyway.

It is fair enough to explain that manufacturers no longer hold new models up until they can be unveiled at motor shows, but what was disappointing was the lack of imagination with which they displayed their wares. The theory is that by letting the motorist clamber round the car you initiate

the process that eventually drives him to buy it. But he no longer needs to go to the motor show to do that, and modern cars are actually a lot newer than external appearances show. Manufacturers are continually introducing changes which aim at improving the performance, make maintenance easier and so on. This is the sort of thing they should present to a public that is increasingly value-for-money conscious. Indeed, one sales director admitted he had wanted to do this by displaying a range of working durability tests such as every engineers' workshop abounds with, but he could not get the idea off the ground in time. One stand devoted to that sort of thing would have stolen the limelight.

Motor shows are really more help to

importers, who have probably fewer retail outlets than the home industry. The British, for example, do very well at foreign motor shows. But they do now need some new cars to show. It cannot be coincidence that the biggest importer into Britain, Renault, has seven new models. Or that British Leyland, which has been struggling against labour troubles to get its one swan, its new Jaguar, on to the roads, has seen its share of the market drop 7 per cent. On the same argument, if Lord Stokes keeps his promise of a new car every two months, 1973 could be British Leyland's year.

The British manufacturers make a lot of excuses about why imports have risen in two years from around 10 per cent to nearly a quarter of the market, and most of them are justified. The current level is more in line with continental markets, they say, and has been partly spurred by a halving of the import duty. Britain has also become the world's fastest-growing car market: with some other markets rather disappointing this year, continental firms have switched their sales efforts here. The British companies, for their part, had grown used to a stable home market of 1m cars a year since the mid-1960s, and were not ready to meet a 70 per cent rise in demand when the Chancellor suddenly took the brakes off.

Strikes have caused a loss of output of up to 150,000 cars this year. Typical is the unofficial strike by 230 maintenance electricians which by Wednesday had made 6,000 of the Lucas work force idle, just for another £1 a week pay increase on top of the £4.25 the rest of the company has settled for already. Actually, most of the British car industry is quite well placed to avoid being hit by this one, at least for the moment, but only by expensive insurance measures.



You like that publicity, comrade?

This announcement appears as a matter of record only.

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Each Warrant when combined with one other such Warrant will entitle the bearer to purchase, up to August 15, 1977, one Trust Unit at the price of \$25.

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Applications have been made to list the Trust Units on The Toronto Stock Exchange, the Montreal Stock Exchange and the Vancouver Stock Exchange.

Price: \$25.00 per Unit

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LIMITED

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These Debentures will be entitled to interest at a rate of not less than 5½% nor more than 10% per annum depending on the net revenue (excluding gains or losses on dispositions) of TD Realty Investments after certain deductions.

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These Debentures will be convertible at the option of the holder at any time on and after August 15, 1973 into Trust Units of TD Realty Investments on the basis of one Trust Unit for each \$25 principal amount of Debentures or, if called for redemption, on the business day preceding the redemption date.

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Struggle and survive. Holland's history (and DSM's too)

It is not all plain sailing in the world, and certainly not in the world of chemistry. Competition is uncomfortably keen.

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So total sales will soon reach an amount of almost \$ one billion (£ 400 million).

DSM  **Holland**

DSM, Information Service, P.O. Box 65, Heerlen, Holland

To illustrate:

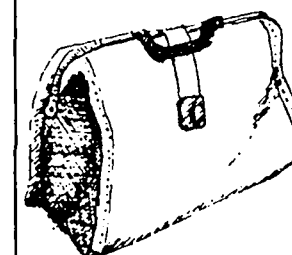
The third naphtha cracker is in operation: capacity 350,000 tons of ethylene a year. Ethylene is the starting material for making the plastic polyethylene used for domestic articles, toys, cable insulation and coating of paper.



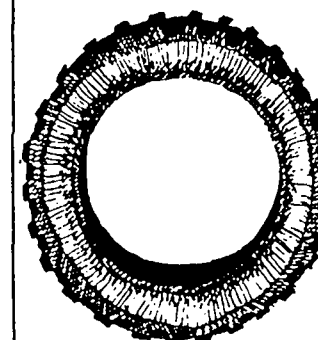
A new ammonia plant, one of the biggest in the world, is on stream. Ammonia is a raw material for the preparation of fertilizers, melamine (the lacquer for your car, for instance), caprolactam (for a downy overcoat, but also for bolts and nuts), acrylonitrile (for a smooth sweater or a warm blanket).



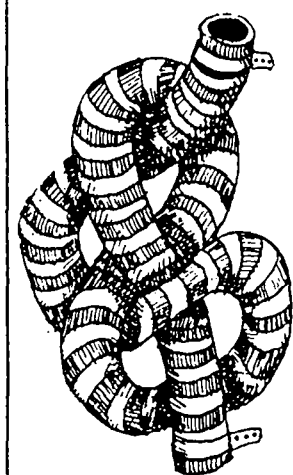
A plant has been started up for the production of polyvinylchloride. For garden hoses and tubes, for sheets and profiles used in the building industry, for handbags and boxes.



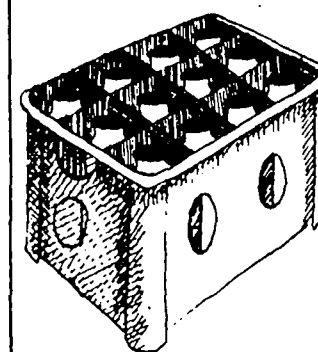
A unit has been commissioned for the production of butadiene. Butadiene is used as a primary for several rubbers and plastics, such as in tyres, fenders for ships and bridges and for foam rubbers.



In production is a second plant for synthetic rubber. For radiator hoses, gaskets, roof covering. And for a few hundred other applications.



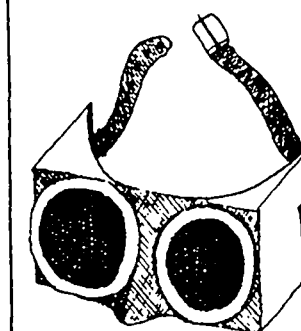
Production capacity of high density polyethylene has been doubled. Plastics for bottles and tubes, netting and sheeting, cables and so on.



A new plant for the production of carbon dioxide has come on stream. Mainly used in soft drinks and fire extinguishers; also in refrigeration.



Besides: units for the manufacture of argon and helium, inert gases, used, inter alia, as a protective gas in welding and in the generation of electricity by nuclear power.



DSM, makers of new matter

note of it. When Britain is in the common market, it will be against EEC rules for a large steel company to abuse its market power in this way.

Blight and compensation

Not falling on deaf ears

Much of the sting should be taken out of living near urban motorways, airports and the rest by the Government's proposals, put forward on Tuesday, for better compensation to those who suffer. Tenants will benefit, as well as homeowners, and the proposals are generous about many of the things on which governments have been mean in the past, such as noise, planning blight, compensating those still living next to the motorway for loss of property value as well as those whose homes are actually demolished, meeting removal costs of up to £1,500, and priority for local authority mortgages. The estimated cost of £60m-£70m a year will not be large enough to make road improvements prohibitively expensive, assuming they are well planned, and with new car sales going through the roof extra capacity is all the more needed.

It is increasingly difficult politically to resist cries for compensation, and it will be harder still now that the French government has apparently capitulated to the demands of those living near Paris's new, fourth airport. This is likely to set a precedent that other countries could find themselves obliged to follow. There is no doubt that the French made a great mess of planning the airport, and, under pressure from



Even airport noises sound sweeter accompanied by the rustle of cash

the locals at Roissy-en-France, the government has half-promised to pay compensation to those most affected. M. Robert Poujade, the environment minister, has said that any necessary legislation will probably be put to parliament before the end of the year. But what has not been revealed is who exactly will foot the bill, and how much it will be.

The site was chosen in 1964. Since then, both private and public building has been allowed to proceed without any reference to the carefully-prepared noise maps which established three "decibel zones," covering over 40,000 acres along the axes of the different runways. A new hospital was begun in 1969 which will be, in 1974, directly at the end of a runway. Earlier this year, the authorities stopped all new construction in zones B and C, which are the farthest away from the airport. The 21 communes that fall within the three zones are asking that somebody

pay: first, for rehousing residents of zone A (the noisiest); secondly, for sound-proofing houses in the other two zones; and thirdly, for lifting the building ban, as 150,000 people live in the area and some necessary public works must go on.

If the French government does pay it will set a precedent that will undoubtedly be quoted by residents near other airports. The financing of such large-scale compensation has hardly been thought about. In theory, money could be raised by higher taxes on the companies that are installing themselves around Roissy, from the villages that will benefit financially from the land boom in the area, and from an increase in landing fees. When it opens, Roissy will handle 6m passengers a year, but it will gradually be expanded to at least 30m before 1990.

Needless to say, the airlines are not pleased to think that some financial responsibility may devolve on them.



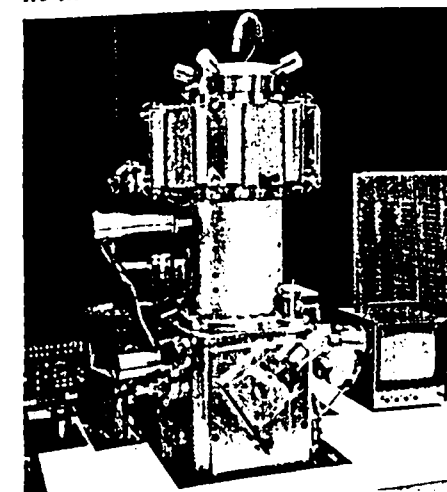
I am you.

Like you, I worry about cancer and heart disease. I know people who suffer from arthritis, arteriosclerosis and glaucoma. Like you, I catch colds and I worry about diseases my children could catch.

I have no cures. But as an engineer at Hitachi, I've helped develop a scanning electron microscope that's three times as powerful as any before it. It will help scientists in their search for the secrets of disease. And maybe even in their search for the secret of life.

Using this electron microscope, researchers have already studied and photographed the double spiral structure in the hereditary gene and a virus on the surface of a blood cell. Things no man had ever seen before!

I live in a family of four. But I also live in a world of over three billion. And when I work at Hitachi, I work for all of you. Because my work will benefit me. And I am you.



HITACHI
Resourceful people

Key indicators: British economy

Unemployment

Record drop of 39,000 this month strongly reverses recent upward trend.

Average earnings

A rather more modest August gain but only because of the building strike. Earnings in the docks and railways were still moving up fast.

Steel

A weekly average output of 536 tonnes in September was the highest for two years.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	August	130	-1.8	+1.7	+3.4
employment*	July	88.7	nil	-0.1	-3.7
productivity*	July	148.1	+1.2	+3.4	+8.5
Export trade*‡	September	155	+67	-1	-1
Retail trade*	August	118.4	-0.4	+3.8	+6.6
Unemployment*	October	154	-4.7	-3.6	-4.8
Average earnings*	August	207.6	+0.6	+2.7	+10.9
Retail prices	August	159.7	+0.8	+1.8	+6.6
Export prices	August	156	+21	+4	+6
Import prices	August	141	+2	+4	+6

Export trade, retail trade: in volume terms (value at constant prices).

Unemployment: wholly unemployed excluding school-leavers; latest rate 3.6 per cent. *Seasonally adjusted. ‡Provisional



Our air freight business isn't all in planes.

Heathrow seems to be the end of the road for most airlines. They seem to think their job is done once they get your goods to London. We know you want your cargo closer to home.

That's why we're in trucks as well as planes. It's all part of the BOAC Cargo service. In fact, BOAC is the only airline that links 11 major centres in Britain with 5 major UK airports. When your BOAC flight lands, your cargo, still

in bond, is transferred to a BOAC truck which then speeds to your local airport, where within a matter of hours your cargo is cleared through customs and ready for you to collect. That way we can save you time and trouble. Money too because in most cases the trucking charges are part and parcel of our freight rate.



the best way here

When money no longer talks

The number of big-money golf tournaments keeps growing but the supply of golfing superstars remains inelastic. There are only two right now: Jack Nicklaus and Lee Trevino. Without them no tournament can be called top-drawer, something that spells trouble for events like the Piccadilly world match-play championship, held at Wentworth last week.

Last year the Piccadilly had Nicklaus but not Trevino, even though Trevino had won the American and British Open championships. This year the Piccadilly had Trevino but not Nicklaus, even though for a good part of the season Nicklaus dominated the world of golf with his ambition to win all four of the world's major championships (of which he won the Masters and American Open, but finished a stroke behind Trevino in the British Open). He didn't need the Piccadilly's money. So although the tournament produced probably as magnificent a golf match as has ever been played—the semi-final between Trevino and Tony Jacklin in which Jacklin played the last 18 holes in 63 shots, 11 under par, and still lost on the last hole—the tournament as a whole seemed flat, especially in the final when Trevino lost a lacklustre match to the long-hitting but otherwise colourless Tom Weiskopf.

The Piccadilly, which started in 1964, was not always this way. In its first year, the field, always eight in number, included Nicklaus, Arnold Palmer and Gary Player, then the Big Three, as well as Tony Lema, who that summer had won the British Open. Nicklaus dropped out the next

year but in 1966 the Big Three were all on hand again, as well as Billy Casper, who many people then thought ranked with the best of them. Down through the years the fields also included Peter Thomson, Roberto de Vicenzo, Bob Charles, Bruce Devlin and Gene Littler, all formidable men. Some selections were criticised but not many, and in 1970 Nicklaus, Player, Trevino, Casper and Jacklin all took part.

This year not only was Nicklaus missing, but the selectors had to turn to two young golfers, Grier Jones and David Graham. True, Jones stands fifth on this year's list of money winners on the American circuit and Graham, an Australian, won an American tournament earlier this year, but neither has yet carved a big name for himself. Both lost on the first day.

What can the Piccadilly organisers do to attract the top stars? One idea would be to apply to the governing bodies of the game for official recognition of the tournament as the world's match-play championship. The field would probably have to be expanded to at least 16 and strict qualifying rules laid down, but otherwise the idea has merit. The tournament is one of the few match-play events around and is unique in demanding 36 holes of golf a day from each competitor. More tournaments need to be recognised as major championships. As matters stand now, there can be only a few superstars at any one time since superstardom seems to depend on winning two or more major championships within a season or two. Since there are only



The game needs more big winners

four major championships annually, only a few golfers can achieve this. If there were, say, eight major championships a year there should be more superstars, assuming that Nicklaus and Trevino did not win them all anyhow.

Of course, true championship conditions must apply and the best golfers must compete year after year. However, the governing bodies of the game could influence the situation mightily. They should take into consideration that interest in golf is rising rapidly in many parts of the world and that in not too many more years there is likely to be much resentment at the fact that all the present major championships are American and British. The Pacific Masters, held in Japan two weeks ago with £123,000 in prize money, attracted only one true star, Trevino. With this thought in mind, it might make sense to establish major tournaments both in the Far East and on the European continent.

Tourism

Losing packages

Is the package tour industry about to go broke? The terrible news that Clarksons, one of the market leaders, is likely to make a loss "much worse" than last year's thundering £2.7m, sets the seal on a pretty tough year for the travel trade. Although some operators insist that they have done average-to-good business in 1972, many others have found bookings slow to get going, customers choosy when they finally did show up, and costs rising very fast (in a trade where basic prices are fixed 18 months ahead).

Even so, after a wave of mergers and takeovers during the past few years, no one seems to want to get out of the business. Clarksons may

look in bad shape now, but it is unlikely that its parent company, Shipping Industrial Holdings, will allow it to go to the wall; nor would any of the other operators like to see it go, because a crash would lower confidence in the industry generally. Clarksons had been expanding very fast, and some of its troubles were probably caused by management problems. But insufficient margins have become common throughout the industry, so major price rises of 10-20 per cent have become inevitable.

It is too early to tell whether the customers will wear this. If the new cheap advance booking fares spread from the North Atlantic and Caribbean to other routes, some people may be tempted to strike out on their own; the new rules have certainly caused nervousness in the travel trade. Several

operators are now trying to trade up the market, offering something a little more luxurious at a higher price, rather than going for bulk in the cut-throat, fortnight-to-Mallorca market. The idea is that profit margins on the classier holidays are more attractive, and that as people's living standards rise they will want something more than just sun and sea. But the more people pay, the less they will be prepared to put up with the kind of petty misrepresentation in holiday brochures of hotel facilities, proximity to beaches and the like. Over the past few weeks these have led to successful prosecutions under the Trades Descriptions Act, the £125 damages awarded against Swan Tours on Wednesday follows a spate of cases that have involved Clarksons and Thomson, as well as other firms.

BUSINESS

Investment

When Nixon became president the Dow was 949.47. How now Dow?

New York

What bug has got into Wall Street? America's production, productivity, profits and real incomes are all expanding like a Republican candidate's lovely dream—and have been doing so for a full year now. There is a remarkable consensus among the Street's economists that 1973 will be another excellent year in which a continued upsurge in consumer spending, a large rise in business outlays and a very stimulative government fiscal policy will add about \$110m, or around about 10%, to America's mighty money gnp of \$1.1 trillion. Even those who think that another bout of inflation is unavoidable, and say that a stop-go policy will have to be reintroduced, do not foresee the real tightening of monetary or fiscal policy before late 1973 at the earliest. Next year's rise in real gnp, therefore, is expected to be about 6½%.

Yet the stock market grows more and more morose. By Monday's close the Dow Jones industrial average had shed 30 points in four trading

days, to touch its lowest for nearly three months and 7½% off that elusive high of February, 1966. Although it rallied 5 points on Tuesday and another 6 on Wednesday to 932.34, it was, pathetically, only trying to take a little heart from yet another peace mission; nobody was chancing his arm much.

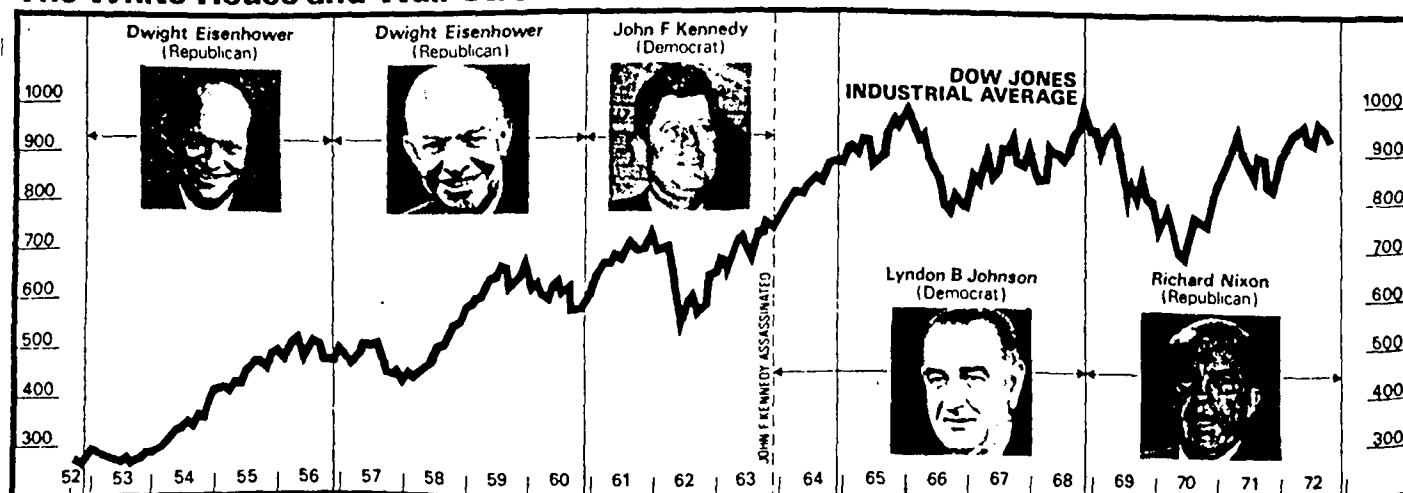
Why not? There is, of course, the Vietnam war, and the attendant hopes and disillusionments created by Mr Henry Kissinger's "secret" movements. There are the ripples from the Watergate affair, and the allegations of corruption and dirty practice in Mr Nixon's Administration and campaign. The presidential election, however predictable its outcome, is a stay-away signal for some—although, as the chart shows, American elections seem to have no effect on the Dow.

Some of the gloom springs from technical factors. The leading newspapers now publish the price/earnings ratios of listed securities—and many investors are scared at seeing how expensive some of their favourites really

are: Disney is on a p/e of 67, and SS Kresge on 48. The prospective Dow p/e is only about 15, but the bears are remembering the 1950s, when it was nearer 10. While the smaller savers are withdrawing from stocks and mutual funds into bonds and safe old savings and loan (building society) deposits, the flood of new equity issues continues unabated; another \$13 billion will probably be the total for 1972, about the same as last year, but a huge increase on the \$2 billion or so a year in the early 1960s. Some brave bulls, who have borrowed to stay in the market, are having to find the cash to maintain the required margin with their brokers; investors are only allowed 30% of the market value of their securities for a continuing loan, and many pay 1½% over prime rate, or 7½%. Since the volume of margin loans total \$7.8 billion (together with another \$2.8 billion of bank loans for securities), margin calls have nasty effects.

The malaise is compounded by a change in the pattern of trading. The big institutions have been flocking from one stock to another in great confusion. The stocks that form the indices have, in fact, performed less badly than the market as a whole. Since the first of April, the Dow Jones has fallen 2% and the Amex index 8%. Investors' liquidity has been hit by the volatility of particular shares. All brokers say

The White House and Wall Street



Metropolitans go regional

Some of the fastest-growing companies in the United States are, as one would expect, in the fastest-growing regions. They are quoted on the local stock exchanges, or on the over-the-counter market, but the only way the Wall Street brokerage houses are going to be able to find and follow them is by cultivating the regional brokerage houses. Thus in such places as Atlanta, Dallas, Chicago and Los Angeles the slickers from New York are listening instead of talking, and are buying local research, particularly in boom areas like the south-eastern states, centred on Atlanta.

A typical local brokerage firm is Dain, Kalman and Quail in Minneapolis. In the past five years its research staff has trebled from four to 12—still

one-third the size of an established Wall Street firm. It follows 86 locally-quoted companies, all of which have net earnings of more than \$1m and many of which rank in size with the more substantial stocks on the London exchange. Wall Street would usually keep only a distant eye on about 20 of these companies, though the larger firms are now building up their own teams of regional analysts, especially for the west coast.

Recently the Atlanta, Baltimore and Chicago Regional Investment Trust raised £3m in a float in London with the idea of investing principally in fast-growing companies in the centres from which it takes its name. As one Wall Street broker put it, "the provinces investing in the provinces."

that trading volume by small investors is disappointingly low.

The relatively few economists among the bears say that they are worried about inflation. They think that, during Mr Nixon's second term, the authorities will feel bound to continue to keep controls on prices, and that companies will then run up against their profit-margin ceilings. They point out that interest rates are rising. But this is more a sign of growing activity than that the squeeze is due to begin: it is unlikely that the first half of next year will see a very restrictive monetary policy in the United States.

As Professor Paul Samuelson once said, Wall Street has signalled 10 out of the last four business downturns. Once the election is out of the way, it still seems logical to expect the Dow to rise. A surge in productivity should keep manufacturing prices under control, and produce the profits. By next year, the guidelines on prices and margins should be loosened to allow the companies to show these profits instead of spending them, as is fashionable at the moment, on buying executive jets.

Special situations

Go for Giltspur?

The London market is drifting. The Financial Times ordinary index closed on Thursday at 484.9; 4 points down in a month. Brokers have already begun reading significance into daily changes of only a fraction of a point. Trading has dried to a trickle and their clients have vanished. Most people

agree that the market could shed 30 points as readily as it could climb back past the 500 mark again. Maybe it will decide which to do after next Thursday's "decisive" meeting on incomes (including dividends) policy, but maybe not. Individuals and institutions with cash are keeping it firmly on deposit, regardless of inflation.

But for the investor who cannot keep away from the market the equities to go for are carefully chosen special situation stocks: the ones the market has got totally wrong, or where a bid is in the offing or whose merits have simply been too little noticed. In September it would have been nice to have noticed the potential bid victim, Associated Leisure, which in the past three weeks has improved by 62% to 43p. That fire is now out. From time to time, we will be looking at other possible "special situations"—ie, gambles it seems worth going for.

One of the best tips in these dull days could be Mr Maxwell Joseph's

Giltspur Investments. At 168p, Giltspur is on a prospective p/e of 11, which is pretty low for a company that has reported a 50% increase in earnings for each of the past three years. Giltspur is spurned by institutional buyers because at least a third of its earnings come from the bookmaking business through its stake in J. Coral. Money made on the turf is still not considered quite respectable by unit trusts and pension funds; some will probably turn more horsey soon, especially as there presumably won't be price control on bets.

The more solid part of Giltspur's earnings comes from its industrial holdings—especially in transport, motor distributing and exhibition display. These are now contributing profits which should push this year's earnings beyond the £3m that has been forecast. Mr Joseph, who started the company as a stockpot for the acquisitions that could not be easily moulded into Grand Metropolitan Hotels, has begun to take renewed interest in Giltspur. A policy of acquisition is already under way, and is almost certain to accelerate.

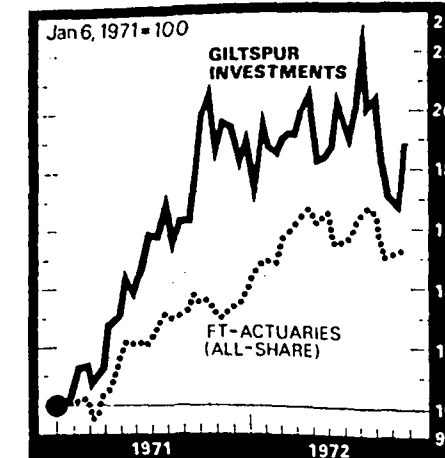
Giltspur's assets at the moment are valued at about 75p a share; but 30p should be added next month when the merchant bank, Robert Fraser, in which Giltspur has a 20% stake, is reintroduced on the market. By the time of the annual results next March Giltspur at the present 168p would then be on a prospective p/e of less than 10; a price of nearer 200p seems more likely, even if the rest of the market recedes.

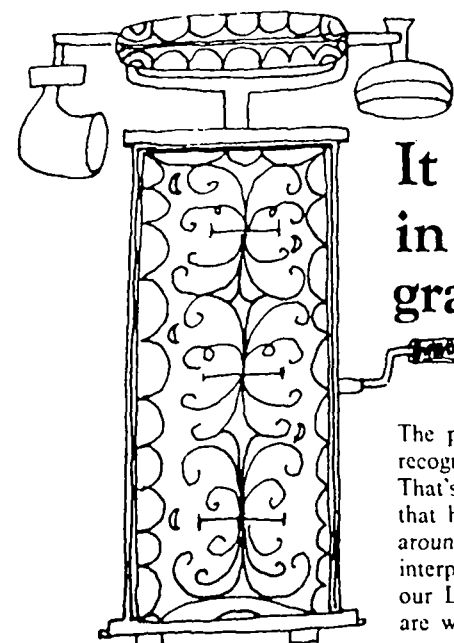
Cavenham

Société Générale de Goldsmith

Unless there are any last-minute snags, Mr Jimmy Goldsmith's Cavenham will be announcing a major deal soon after *The Economist* appears on the bookshelves. The deal is with that giant European octopus, the Société Générale de Belgique. Together they will share control of Sanders International, a Luxembourg-quoted food and pharmaceuticals company with major interests in France, Spain and Belgium; and they will co-operate on food developments in Spain and Benelux.

Mr Goldsmith has again demonstrated his talent for being more Roman than the Romans. Much of European industry is controlled by interlocking family shareholdings and holding





It was all very well
in
grandpa's day

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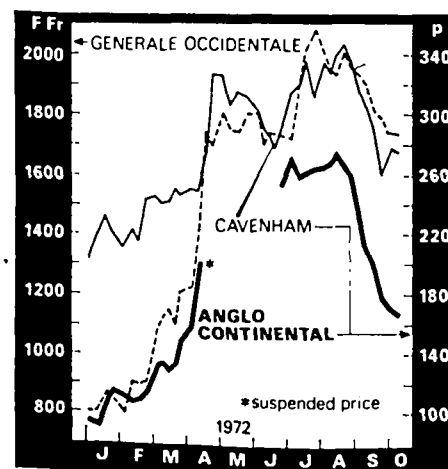
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company stakes. The only way for a foreign company to break into these industries in a sizeable way, and in a way that prevents resentment, is to enter into an alliance with the major domestic merchant banks in each country. This is difficult in Germany, which has not got any major merchant banks, and in which Cavenham therefore is not active. By making an ally of Belgium's générale, Mr Goldsmith has got himself some powerful friends.

His new deal means that he is establishing closer relations with one tentacle of the great octopus, with which he was already holding hands. One of the générale's holding companies, the Compagnie Financière du Katanga, already controls Sanders International; and Cavenham already has a stake in Sanders's French subsidiary. Cavenham will be taking a large slice of a new rights issue to be made by the Sanders company, which in turn will increase the capital of its subsidiaries. The groundwork is being laid for another series of food companies. Sanders's Spanish partner is the Banco Urquijo, a domestic near-merchant bank.

Yet another deal is due to be announced next week, which hardly gives anyone time to catch up with the current deal, or the one before that: the sorting out of Cavenham's French interests promised in its accounts. Cavenham's 66%-owned subsidiary, Fipp, is selling its trading interests to Générale Alimentaire, and will emerge with nearly half of a food group with annual sales of £100m and expected annual profits, once GA's poor diversifications have been eradicated, of around £8m. The results for the first year of the merged operation, 1973, will be poor, which could provide an opportunity for buying GA shares cheap. Another way into GA is

through the Goldsmith ultimate holding company, Générale Occidentale, which owns 20% of GA. Anyone who can sort his way through the typically continental profusion of names and initials in the Goldsmith empire should probably make a portfolio of Goldsmith company shares. The British ones are: (1) Cavenham, which has cash and near cash of £70m and whose profits this year could be over £15m, putting the shares on a prospective p/e of 18 at 276p; and (2) Anglo-Continental Investment and Finance, which has bought so many companies this year that its last accounts are no guide to its size. Recently, however (October 7th), we estimated Anglo-Continental's profits at £2m after tax, which was arrived at in the following way:

Banking	£m
Insurance	1.5
Property Argyle (highly geared)	1.8
Investment trusts (now mostly cash, £33m worth)	nil
	2.5
Loan stock interest	5.8
	1.8
Pre-tax profits	4.0
Tax and minorities	2.0
	2.0
Earnings (7p per share)	2.0

At 164p the shares are therefore on a prospective p/e of 24. This is just about in line with the other ex-glamorous financial flyers.

Jessel Securities

Oliver's conglomerate

The trouble with Jessel Securities is that it is neither fish nor fowl, and does not pretend to be either. Most merchant banks are growing upwards and outwards into all kinds of things. Mr Oliver Jessel's outfit does not have a bank which takes deposits and makes loans and could justify the title.



Nimbler than he looks

But it competes with merchant banks in some financial services; it provides advice, runs an insurance company, runs a large unit trust management group, does insurance broking. It is not an industrial holding company of the Thomas Tilling type; some of its long-term holdings are sold for short-term profits, and it makes a lot of money out of share-dealing. But its rag-bag is a profitable one, and the latest figures prove it. Profits before tax for the year to the end of June were £6.3m, against £4.2m in 1970-71; at the per share level, this is 21p against 13½p. The p/e at 313p is an unfancy 15p.

The confusion between fish and fowl is made more muddling because the Jessel figures do not break the various activities down in any sensible way. We make an attempt below to guess where the profits came from:

	£m
Life insurance	nil
Unit trust management	.2
Franked investment income	1.0
Insurance broking	.3
Share dealing profit	1.5
Fees	.3
Share of associated companies	1.5
Industrial subsidiaries	1.5
	6.3

Since Mr Jessel is a lot more nimble than he looks, it is hard to forecast what the group will be doing in a year, or how its profits will grow. But they are likely to multiply. Since the year-end the group has borrowed £5m, in addition to the £5m capital injection just before. Thus its "long-term" investments in associated companies, and in other equity situations, are probably now nearer to £20m, which should mean that investment income will just about double in 1972-73. Part of the increase should come from reinvesting the £5m capital profits made during the year, half from dealing profits which did not go into the profit and loss account, and half from the floatation of Newhome-Veritas.

Next year should see the insurance subsidiary start to make profits, after 10 years of build-up; the life funds are at £100m and the actuaries should see their way to allowing a profit of £½m a year on that from now on.

An increase in dealing profits will cause the stock-watchers to bring up the old question about the quality, not just the quantity, of Jessel's earnings.

Unit trusts: Pan Australian's growth over five years is 117.6% and not, as was stated in last week's survey, 43%.

This argument is beginning to look old-fashioned; the quality of the gritty industrial products made by the Richard Johnson and Nephew subsidiary, 53% owned, did not prevent a profit slide from £2.8m down to £1.3m last year. Surely it is easier to make money on the stock market than out of wire-drawing?

Those who prefer Jessel's expertise to its Securities should buy the Overseas Unit Trust. This was bottom of the league table in our unit trust survey last week, and we recommended it on the ground that Mr Goldsmith's Anglo-Continental Investment and Finance company had bought the management company. This week the management company has been sold to Jessel Britannia, and that star of the unit trust field, Mr Mark St Giles, has been appointed managing director.

British Lion

Best for Shepperton

In the next week or so the chairman of the National Film Finance Corporation, Mr Robert Clark, will pronounce on the fate of Shepperton studios. British Lion, which is lumbered with the studios, is now controlled by Barclay Securities and Mr John Bentley, who is called an asset stripper by some and an industrial reorganiser by others. He wants to rename the company Lion International and turn it over to outdoor posters and cinema publicity films, with feature film interests very much on the side. The financing of the new Lion is heavily dependent on realising the property potential, estimated at £4m, from Shepperton's 60 acres in stockbroker-belt country.

The NFFC is lumbered with an obligation. In 1964, when British Lion was re-created, the NFFC made British Lion promise to continue to provide finance, distribution and studio facilities for British independent film producers (so far as the condition of the market permitted). In addition, the NFFC was given a special £1 share with powers to veto the disposal of Shepperton unless film-making there could only continue at a loss and unless alternative studio space could be found. Attention has been unduly focused on the studios, to the detriment of the more important point: the continuance of finance for British films.

British Lion has proposed several schemes to the NFFC, which rely on sharing Rank's Pinewood studio. They

would free the company to divert the £4m realised from Shepperton out of films. This is the point that the film industry should concentrate on. Most sensible people (which does not include the film union) realise that studios are not only unnecessary but an actual drag on the film industry's overheads. Shepperton is not needed; films can be made in the streets, which look more like streets than studio streets anyway. But money is very much needed.

The solution that is fairest to all is that Lion should be free to do what it likes with Shepperton, provided that any money it gets for the studios is invested in film production and distribution over the next five years. Under this plan, Lion would get the use of the money for much of the period and could revalue the properties in the balance sheet (important for the new Lion group's financial structure); more films would be made; the union would get more jobs, and the NFFC would discharge its obligations honourably.

Discount stores

Unstatic Status

Paint and wallpapers are the latest goods to benefit from discounting, at least in the Midlands and north where Status Discount has its stores. Status came to the market on Thursday with 2.8m shares at 115p, raising £2.9m for the sellers of the shares and £320,000, less expenses of £76,000, for the company.

Status learned many of its tricks from the Kwik Save Discount Group, whose shares have trebled since the beginning of 1971, and seven of its 41 sites are together with Kwik Save. The tricks of discounting are: aggressive pricing, small numbers of big-selling lines of goods, minimal service, car parking

space (out of town), and tight management control over stocks and sales.

Although Status's profits have quadrupled to £880,000 in two years, the question is whether its supernormal rate of profits (12% on sales) and its turnover growth can be kept up much longer. The pioneers of this retailing revolution will soon be joined by many competitors, who can learn the tricks of the trade without too much sweat. Comet Radiovision Services, which is applying the techniques to hi- (and lo-) fi equipment, came to the market in July, and Allied Carpet Stores arrived last year. Their prospective p/ces are 12 and 15, compared with Status's 11 on 1973 profits of, say, £1.4m, so the issue price wisely does not make Status out to be too exceptional.

Status does have a special status thanks to the leisurely ways of the wallpaper industry. Retailers normally buy in May, issue pattern books in September and withdraw all patterns after a year. Status orders a few good sellers from the manufacturers' new patterns in May to freshen up the previous year's range, but does its main buying in November when it has had a few weeks to see which of the new patterns are going well from other retailers. So it does not need to carry plenty of dud patterns, and sells paper direct, rather than from a pattern book, so that there are no ordering delays for the customer. In paints, Status has been increasing its margins by selling its own brand, now 35% of sales. Future growth will come from more stores—175,000 sq ft are to be opened in 1972-3, which compares with total space of 213,000 sq ft now—and a wider geographical spread. A move into kitchen furniture will extend the range, with concentration on do-it-yourself units. But how many people are going into do-it-themselves discounting?

Key indicators: world bourses

	Stock price indices			Percentage change on			
	Oct 18	1972 high	1972 low	one week	one month	one year	record high
Wall Street recovered some of its recent sharp loss on the latest							
London	486.1	543.6	481.6	+ 0.5	- 0.6	+17.9	-10.6
New York	932.3	973.5	889.2	- 1.5	- 0.9	+ 9.0	- 6.3
Canada	229.2	243.0	187.5	- 5.6	+ 0.5	+35.3	- 5.7
Australia	579.2	639.3	490.1	+ 1.8	+ 1.8	+31.9	-12.8
Japan	327.6	330.5	199.9	- 0.3	+ 3.5	+92.1	- 0.9
H'Kong	530.6	538.1	324.0	- 0.9	+11.3	+40.9	- 1.4
Belgium	119.3	120.8	96.9	- 1.2	+ 2.1	+25.1	- 1.2
France	86.1	89.3	67.6	- 1.6	+ 0.1	+26.1	- 7.2
Germany	109.1	121.3	97.1	- 2.4	- 2.8	+16.6	-27.8
Holland	148.3	155.3	105.4	- 2.4	+ 2.2	+46.0	- 4.5
Italy	48.3	49.9	43.9	- 1.4	- 2.2	+ 2.3	-58.6
Sweden	350.9	366.5	308.7	- 1.0	- 1.5	+26.0	- 6.6

Stock prices and yields are on pages 117 and 118

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LIABILITIES 31 DEC. 1971

ASSETS 31 DEC. 1971

		L.D.			L.D.
CAPITAL & RESERVES	2,250,000		CASH & BANKS	14,352,629	
DEPOSITS	26,992,647		LOANS & DISCOUNTS	20,914,623	
OTHER LIABILITIES	11,390,416		OTHER ASSETS	5,365,811	
CONTRA	47,638,614		CONTRA	47,638,614	
	88,271,677			88,271,677	

BRANCHES TO BE ESTABLISHED:

GASR BEN GASCIR - HOON - SABRATA - NALUT - ELABIAR

CHAIRMAN'S STATEMENT

Atlantic Assets Trust Limited

Outstanding Record of Asset Growth

THE SIXTIETH ANNUAL GENERAL MEETING OF ATLANTIC ASSETS TRUST LIMITED will be held on 9th November, 1972 at the registered office of the Company, 1 Charlotte Square, Edinburgh.

The following is the Review of the Chairman, Sir Alastair Blair, K.C.V.O., W.S., which has been circulated with the Report and Accounts for the year ended 30th June, 1972.

Our annual meeting this year will be our 60th and it is perhaps an appropriate moment to take stock of the progress made in the past and the prospects for the future. As regards the past, we should perhaps confine our thoughts to the eight years which have elapsed from the time when our shares were offered to the shareholders of British Assets Trust Limited and Second British Assets Trust Limited with an asset value equivalent to 13½p per today's share. This compares with our asset value at 30th June 1972 of 100p per share taking Edward Bates at cost or 140p per share taking Edward Bates at 20 times net earnings.

This growth of assets per share has been achieved through taking a long view and being prepared to make significant investments in areas which seemed to have outstanding growth possibilities.

Important Tax Concessions

The 1972 Finance Act contains important tax concessions for investment trusts and unit trusts which have effectively reduced the rate of tax on capital gains for the trusts to 15 per cent and have also reduced the capital gains tax for shareholders selling investment trust shares to 15 per cent. The Government have thus removed the element of double taxation which previously existed and have restored investment trusts to a position where they are an ideal form of investment for individuals. The Finance Act has also quite rightly tightened up the rules for a company qualifying as an investment trust. One of these is that ordinary shares of an investment trust must have a quotation; it will, therefore, be necessary for the ordinary shares of The Independent Investment Company to have a stock exchange quotation and we have plans to achieve this by offering new ordinary shares of Independent to Atlantic shareholders.

Most Successful Investment

We also have plans to carry out a similar exercise for Edward Bates which has been our most spectacularly successful investment of the last year. For the year to 31st March Atlantic's

share of the Bates after tax profits increased from £95,000 to £547,000 and this momentum has continued into the current year.

The Accounts this year are considerably more complex in that the consolidated accounts include the figures attributable to Atlantic of a number of associated companies. This results from the wish of our auditors to comply with the directive of their Institute regarding the principles of consolidation of accounts.

You will notice that we have valued our holding in Save & Prosper at £20 per share, which reflects the progress made by that company. It also effects a change in the geographical distribution of our investments. This revaluation, together with the fall in the dollar premium, and the relatively flat American stock market, has resulted in a considerable rise in the proportion of our investments invested in the U.K.

During the year we acquired 50 per cent of the ordinary shares of Mount St. Bernard Trusts Limited, a property group which has concentrated on the development of large 'Euroway' sites at important motorway intersections. With the changing pattern of distribution dictated by motorways in the United Kingdom and Europe we see great opportunities in this company in the future but I would stress that like other Atlantic investments it is essentially long term and will take time to mature.

The Future

Your Board take the view that shareholders are looking for a continuation into the future of the growth we have enjoyed over the years and they believe that this can best be achieved by continuing to seek out the kind of investment opportunities which we have found so successful. Atlantic has, however, grown into a large company and, to be significant, investments have to be of a correspondingly larger size. The Directors are, therefore, considering some possible changes in the pattern of management to meet these requirements.

The final commitment to entry of the United Kingdom into Europe and the floating of the pound sterling must rank as the two most outstanding events of the year. Both will have a profound effect on our business but we believe that the opportunities for successful investment are as great as ever and we hope that Atlantic can continue to occupy a special place in the investment trust movement in the future as it has in the past.

APPOINTMENTS

Volunteer Economists required to serve as District Development Officers in Botswana. Apply to I.V.S., 91 High Street, Harlesden, NW10 4NU. Tel: 01-965 1446.

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Applications as soon as possible to The Secretary, Development Planning Unit, School of Environmental Studies, University College London, 10/11 Percy Street, London W1.

For further appointments

see pages 5, 111 to 115

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APPOINTMENTS

Academy of the Social Sciences in Australia

The Academy wishes to appoint a full-time EXECUTIVE DIRECTOR at a professional level for a period of five years in the first instance. Present salary (September 1972) \$A15,369 p.a. and is under review. The present part-time Director wishes to retire early in 1973. Terms of appointment could be the subject of negotiation and provision would be made for superannuation. For further information apply to:

The Secretary, Academy of the Social Sciences in Australia, National Library Building, CANBERRA, A.C.T. 2600. Closing date for applications: 30 November 1972.

University of Reading IN COLLABORATION WITH THE Swiss British Centre

SEEKS

Director of Agricultural Studies to take charge of a Centre for European Agricultural Studies, which is being established at Durrenäsch in Switzerland. Candidates should (preferably) be bilingual (English/German) and should have suitable university qualifications and experience in agricultural economics. The director will be responsible, under the guidance of University of Reading, for developing and organising courses in the structure of European agriculture suitable for university students. Initially the director will be stationed in the University Department of Agriculture, University of Reading, but it is expected that he will take up residence in Switzerland during the early part of the summer 1973. Salary according to age and experience, will be based on British lecturer/senior lecturer scale with a generous overseas allowance.

Applications, including the names of two referees, should be sent to the Registrar, University of Reading, Whiteknights Park, Reading RG6 2AH.

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Establishments Section, House of Commons, London, SW1A 0AA. Closing date 13th November.

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HOFF & OVERGAARD
47 KOBMAGERGADE
1150 COPENHAGEN K
DENMARK

CHAIRMEN'S STATEMENTS

LOUIS NEWMARK LIMITED

The Chairman, Mr. Herbert H. Newmark reports:—

The Board are delighted to report pre-tax profits of £1,119,486, showing that the important milestone in the Company's progress of £1,000,000 profit (forecast last January) has been passed comfortably.

Manufacturing and Merchandising Activities: These continued to expand in turnover and profitability, but the rate of profit growth in 1971/72 must be regarded as exceptional as we were fortunate in experiencing an unexpected increase in turnover in the last months of the financial year.

The policy of heavily depreciating existing plant and machinery and investing in new equipment whenever possible has been continued.

Group Balance Sheet: Group Capital and Reserves are augmented by £378,000, so that they now for the first time exceed £4,000,000.

Dividends: Your Board recommend a Final Ordinary Dividend of 17% (against the forecast of 14%) making a total of 25% for the year compared with 18% and 15% for the two previous years.

Prospects for Current Year: I am confident that, subject to the usual provisos as to unexpected adverse economic conditions, profits will be comparable with those for the year 1971/72. Figures for the half year will be published in January when I shall assess again the prospects for the full year 1972/73.

Domestic Matters: I would again extend our thanks to all members of the staff of all Companies for their work during the year. Shareholders will be pleased to hear that we have been able to improve materially the pension facilities provided for a wide cross-section of employees and will continue to keep these under review.

THE ANTOFAGASTA (CHILI) and BOLIVIA RAILWAY CO. LTD.

At the Annual General Meeting of The Antofagasta (Chili) & Bolivia Railway Co. Ltd., held in London on 12th October, 1972, the Chairman, Mr. W. T. Caulfield said that a new Commission had been appointed last week to consider the question of the future of the Railway and that in response to a request from the Chilean Government the Managing Director had flown to Santiago. The first Meeting was held last Monday, 9th October, when it was stated that the Commission possessed wide terms of reference and that the ultimate objective was to arrive at firm proposals for the sale of the undertaking to put before both the Chilean Government and Stockholders. It was however too early to predict the future course of events. Meanwhile the current operating situation was difficult, with recent inflationary surge, and the Company was faced with the possibility of a strike at the end of the month through its inability to meet increased wages then due. An application for increased tariffs had already been submitted but might not become effective until mid-November.

APPOINTMENTS

University of Leicester

Appointment of Registrar

The University invites applications for the post of Registrar, which will become vacant on the retirement of Mr H. B. Martin on 30 September 1973.

The Registrar is the senior member of the administrative staff under the Vice-Chancellor, and exercises general supervision and control over the whole administration of the University.

The post will carry a salary in the upper professional range (not less than £8,528) with contributory pension rights under the F.S.S.U.

Further particulars may be obtained from the Vice-Chancellor to whom applications are to be sent by name not later than 20 November 1972.

Fraser Noble,
Vice-Chancellor.

The National Farmers' Union

Has two vacancies in its Economics Division both offering interesting and varied work.

(1) **ECONOMIST**: To analyse the economic developments in the Common Agricultural Policy and participate in the formulation of the Union's EEC policy. He/She would also be involved in work covering international trade negotiations and commodity agreements and be expected to keep in touch with FAO and OECD developments.

Applicants, who should preferably be aged 30 to 40, should have a good knowledge of French and have worked on international trade problems.

(2) **ASSISTANT ECONOMIST**: Aged 21 to 25 with a good degree to assist in all aspects of the Division's work. Salaries are negotiable, and the working conditions are congenial. Application forms to be completed and returned by not later than 4th November 1972, are obtainable from the Personnel Director, The National Farmers' Union, Agriculture House, Knightsbridge, SW1X 7NJ.

London School of Economics

(UNIVERSITY OF LONDON)

Applications are invited for appointment from 25 early a date as possible to a Research Officer in the Centre for Urban Economics at the London School of Economics in connection with a project on the economics of physical planning with special reference to the evaluation of urban renewal. Candidates should be trained economists and able to handle data; preference will be given to those experienced in research. The appointment will be for 18 months and will be at a starting salary of £1,764 a year rising after one year's service to £1,923 a year, with the addition of London Allowance at the rate of £162 a year and superannuation benefits.

Applications should be received not later than 10 November 1972 by the Administrative Officer (Room H410), London School of Economics and Political Science, Houghton Street, London WC2A 2AE, from whom application forms should be obtained.

Economic Models Group of Companies

An expanding economic consultancy based in London, Peterlee New Town and New York and specialising in the use of quantitative techniques requires a consultant economist.

Candidates should have high academic qualifications in economics and experience in the application of quantitative analysis to economic and/or social problems. Of particular interest will be experience in the management and development of econometric forecasting models.

Applications setting out qualifications, details of experience and income required should be sent to:

Managing Director, Economic Models Limited, 19, West Eaton Place, London, SW1X 8LT.

APPOINTMENTS

ROBERT GORDON'S INSTITUTE OF TECHNOLOGY

SCHOOL OF BUSINESS MANAGEMENT STUDIES

LECTURER IN ACCOUNTING

Applications are invited from persons able to make a positive contribution to degree level teaching in the field of financial accounting.

Candidates must be qualified Chartered Accountants and preferably possess a university degree. Relevant business, professional or research experience would be an added recommendation.

SALARY SCALE (under review)—£1482-£3309. Initial grade and salary placing according to experience and qualifications. Assistance with removal expenses.

Details and application form from Director, Robert Gordon's Institute of Technology, Schoolhill, Aberdeen, AB9 1FR.

Numerate Beavers

With computer connections

A leading international technical organisation in the City providing sophisticated advisory services to an engineering industry urgently needs two Senior Technical Computing Specialists to spearhead its central technical computing unit.

Essential Requirements:

A good relevant degree
Experience of Computers in structural analysis
Knowledge of technical computing languages
Beaver attributes of inventiveness, total involvement and "business whiskers"

A powerful computer is available and additional facilities will be installed as required. The users are sophisticated and the challenge is to ensure optimum utilisation of the equipment.

Salary obviously depends on qualifications and experience—probably in the £3,000/£4,000 range.

Please do not write a book. Just tell us briefly how you would match up to this unusual challenge.

JMB Associates Limited,
20/21 Princes Street,
Hanover Square,
London, W.1.



AFRICAN DEVELOPMENT BANK

The African Development Bank, an international institution with headquarters in Abidjan, Ivory Coast, invites applications for interesting and challenging positions in its Operations Department which is involved in the preparation, and evaluation of projects, the negotiation of loans, and their supervision. Qualified candidates are needed in the following fields:

— Economists

Advanced degrees, M.A. or equivalent, are required. General economists must be able to evaluate the economic prospects and financial position of member countries. Project economists specialising in agriculture, transport and public utilities must be familiar with the techniques for forecasting demand, evaluating policies, measuring benefits and costs, and calculating the economic rate of return on projects.

— Engineers

A university degree, B.Sc.(Eng.) or equivalent, is required. Specialists in power, highway construction and railway operations are needed. Experience in the preparation and execution of projects, including the evaluation of proposed techniques, cost estimates, construction schedules and procurement practices is essential.

— Financial Analysts

Specialists in agriculture, industry, public utilities and transportation are needed. Candidates must have basic training in accounting, finance and economics and preferably have a degree in Business Administration. Experience in preparing and analysing financial statements, forecasting financial results, and evaluating the adequacy of financial systems is essential.

Applicants must be of African nationality, between the ages of 28-50; proficient in English or French with preferably a working knowledge of the other language; have a minimum of 3 to 5 years of recent and relevant experience and an ability to write clear and concise reports. Salary will be commensurate with qualifications and experience. Benefits include medical coverage, home leave privileges, and allowances for housing, dependants and education. Salary and benefits take into account that staff members are exempt from income tax. Interested persons should send their curriculum vitae and photocopies of diplomas and degrees, as soon as possible, to the Personnel Officer of the African Development Bank, B.P. 1387, ABIDJAN, Ivory Coast.

Crown Agents

The posts described are partly financed by Britain's programme of aid to the developing countries administered by the Overseas Development Administration of the Foreign and Commonwealth Office.

THE MALAWI GOVERNMENT

have vacancies in their Economic Common Service for

A SENIOR ECONOMIST

to advise the Secretary for Works and Supplies in the economic aspects of the Ministry's operations, with special reference to road construction.

A Degree in Economics is necessary plus either a civil engineering qualification or at least 5 years' experience in that field.

Salary up to £3,045+Gratuity. M3A/720941/EN

AN INDUSTRIAL ECONOMIST

to advise the Secretary for Trade, Industry and Tourism on economic matters generally, including internal and external trade, price trends and industrial and tourism development.

A Degree in Economics is necessary plus at least 2 years' post graduate experience in Commerce, Industry or Economic Research.

Salary up to £2,826+Gratuity. M3A/720942/EN

Free passages are offered with liberal leave, interest-free car loan, appointment grant, subsidised housing, etc.

Apply to: CROWN AGENTS, M. Division, 4 Millbank, London, SW1P 3JD for application form and further particulars stating name, age, brief details of qualifications and experience and quoting the relevant reference number.

A Different Challenge for Systems Salesmen

Reuters Economic Services are the principal suppliers of news to business throughout the world, specialising in distribution of fast information on finance, commodities, industry and trade. Its clients are bankers, brokers, traders, and industrialists.

The executive salesmen we want to interview have to be high level achievers. They will be selling sophisticated information services—mainly computerised data retrieval and up to the minute news services—at top management level.

Candidates will be professional salesmen who have thrived in a competitive environment. They are likely to have a degree, preferably in economics or science, and experience of data handling for business.

These positions, based in London, will interest those capable of earning around £4,000 a year. They will be given the opportunity to develop their abilities, expertise and initiative in a company whose policy of developing talent to maximum advantage ensures good career development.

Please write or phone for an application form to:
Brian Heywood, Reuters,
85, Fleet Street, London E.C.4.
Tel: 01-353 6060

APPOINTMENTS

University of New South Wales

Faculty of Commerce

SCHOOL OF ACCOUNTANCY

SENIOR LECTURER—management accounting and business organisation
LECTURER—finance
SENIOR LECTURER—legal studies or taxation
LECTURER—financial accounting
SENIOR LECTURER—information systems
TUTOR—accounting

SCHOOL OF ECONOMICS

LECTURER—economic history
LECTURER—industrial relations
LECTURER—economics
LECTURER—econometrics
TUTOR—economic history
TEACHING FELLOW—industrial relations

SCHOOL OF MARKETING

SENIOR LECTURER—international marketing
TUTOR—marketing

Applicants for the positions of lecturer and senior lecturer should hold appropriate academic qualifications. Teaching and/or relevant professional experience advantageous. For the position of tutor applicants must hold appropriate degree; initial appointment is for one year with prospects of annual renewal. Applicants for the position of teaching fellow must hold appropriate honours degree; the successful applicant will undertake research for a higher degree and have some teaching duties. Initial appointment is for one year with prospects of annual renewal for a further two years.

Salary: \$A9771 range \$A11234 per annum (senior lecturer), \$A6801 range \$A9390 per annum (lecturer), between \$A4011 and \$A5406 per annum (tutor), between \$A4200 and \$A5821 per annum (teaching fellow). Commencing salary according to qualifications and experience.

Details of appointment may be obtained from the Secretary-General, Association of Commonwealth Universities (Apsus), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close in Australia and London on 30 November 1972.

Dublin

Salary negotiable

FINANCIAL CONTROLLER

Córas Iompair Éireann, Ireland's national transport organisation, operates railways, buses, road haulage and hotels with an annual turnover in excess of £50m. and a current labour force totalling twenty thousand.

A recent management restructuring, designed to equip C.I.E. better to fulfil its commercial and social objectives, has given rise to the need for an outstanding accountant to fill the position of Financial Controller.

He will be responsible to the General Manager for the development of C.I.E.'s financial control and management reporting systems as well as for the more traditional accounting functions. As a member of the top management team, he will be expected to play an important role in the formulation and execution of policies and plans as well as having a particular responsibility for negotiations with the Government on investment grants and other financial matters.

Candidates should have had extensive relevant experience in one or more large commercial organisations, not necessarily in the transportation or public sectors. Proven management ability and sound commercial judgement are more important than age, although it is unlikely that candidates under the age of 35 will have acquired adequate experience.

Initial salary will be negotiated to attract candidates currently earning more than £5,000.

Interviews can be arranged in either Dublin or London.

Brief but comprehensive details of your career and salary to date, which will be treated in confidence, should be sent to MEO10, Executive Selection Division.

Cooper Brothers & Co.,
Fitzwilliam House,
Wilton Place, Dublin 2.



ECONOMIST

Salary £4,800 — £6,000 p.a.

Required by international consultants in January 1973, to take up duties in English speaking central African country with relation to urban development programmes. The work will cover all phases of the programme for the completion of Master Development Plans; this embraces complete infrastructure, diverse residential areas and community centres.

The successful applicant will have a minimum of FIVE years post-graduate experience including work in this or a related field; and experience in the writing of reports.

The initial contract will be for ONE year with free passages for employee and family. Other benefits include free accommodation and interesting incentives.

Please write, giving full details of age, experience and qualifications to:

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NOMENTANO
ROME, ITALY

For further announcements
see pages 5, 110 to 115

Nottinghamshire

Statistician

£2565-£2994

Applications are invited for this new post in the County Treasurer's Department which is in a small team under the direction of the Principal Technical Assistant. The work will involve overall responsibility for the investigation, preparation and dissemination of statistical information and contributing towards the development of longer term financial planning.

The successful candidate will also be expected to help promote developments in the use of analytical techniques to produce more effective, and more efficient, solutions to resource allocation problems. There is likely to be some involvement also in research into the use of computer models for financial planning. Candidates are required to hold a degree in Statistics or associated discipline and/or be members of a relevant professional body such as the Institute of Statisticians. In all cases they should have had substantial practical experience, preferably in the financial planning field. For the right candidate there may be a prospect of an alternative post graded £2994-£3324.

Applications, stating full relevant details and giving the names of two referees should be sent to the County Treasurer, Nottinghamshire County Council, County Hall, West Bridgford, Nottingham, NG2 7QP, by 1st November, 1972. Please quote reference 759.

APPOINTMENTS

University of Essex

Department of Economics

Applications are invited for two posts of

Lecturer in Economics (£1764-£2143) from 1 October 1973, in any field of Economics or Economic History.

Applications (six copies, quoting reference SS/27/E) must reach the Registrar, University of Essex, Wivenhoe Park, Colchester, Essex, CO4 3SQ, from whom further particulars are obtainable, by 3 November 1972.

Thames Polytechnic

LECTURER IN MARKET RESEARCH

Applications are invited from graduates with relevant experience to teach the subject to undergraduate and post-experience students.

The post is available at Lecturer II grade or, for applicants with extensive practical research experience, at Senior Lecturer grade.

The appointment is tenable from 1 January 1973 or as soon as possible thereafter.

Salary: Lecturer Grade II £2355-£3083, plus £118 London allowance; Senior Lecturer £3131-£3495 (bar)-£3768 plus £118 London allowance.

Application forms and further particulars can be obtained from the Secretary, Thames Polytechnic, Wellington Street, London, SE18 6PF, to be returned by 8 November 1972.

For further announcements
see pages 5, 110 to 114

Economic Consulting

The Economic Studies Group of a leading British management consulting firm has further opportunities for outstanding economists to work on challenging and important assignments in the U.K. and overseas.

Successful applicants will have good honours degrees and several years' experience in one or more of the following types of study:—

- Regional and urban planning
- Transport
- Tourism
- Industrial development
- Project evaluation
- Corporate planning and P.P.B.S

Of particular interest will be applicants with experience of leading major projects in developing countries.

Starting salaries will be negotiated in the range £4,500-£6,000 and there are excellent prospects for career development in this rapidly expanding field.

Applications, giving details of age, qualifications, experience and salaries to date, should be sent to Position Number ACE 3340, Austin Knight Limited, London W1A 1DS. Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Position Number Supervisor.

CONFERENCE HOTEL

New 160-seat conference hall

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Fine quality modern ready-for-service shoes for men at very reasonable prices. Foster's, 83 Jermyn Street, S.W.1.

Anti-colds mouthwash

Advertiser seeks strong lively organization open to early marketing decade tested toiletory for sure cold prevention and relief of oral orientated ills. Approved self-mix powder/water formulation. Principals please reply BOX 2529.

Alternatives in Industry

Two important initiatives in investment policy and in common ownership will be discussed at a weekend meeting November 3-5. For further information write to The Alternative Society, 9 Morton Avenue, Kidlington, Oxford.

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and other external degrees of the University of London. Specially prepared courses for the Federation of Stock Exchanges, for Accountancy, Company Secretaryship, Law, Costing, Banking, Insurance Marketing, GCE. Also many thoroughly useful (non-exam) courses in Business Subjects. Write today for details or advice, stating subjects in which interested. Metropolitan College (Dept. G92), St Albans, or call at 30 Queen Victoria Street, London, EC4. Tel. 01-248 6874. (Founded 1910.) Accredited by the Council for the Accreditation of Correspondence Colleges.

LECTURE

British Air Transport in the Seventies

Stephen Wheatcroft: Group Planning Director, British Airways Board, SATURDAY, OCTOBER 28th, 3-6.30 p.m. Admittance: 20p (fulfilling students and pensioners 10p.). Goldsmiths' College, Department of Adult Studies, New Cross, SE14. (Nr. New Cross & New Cross Gate Stations.)

APPOINTMENT WANTED

Common Market

British graduate with post-graduate specialisation in Common Market policy. Multi-lingual, German, Dutch, French and Spanish. Seeks interesting position related to E.E.C. affairs. Box No. 2528.

BUSINESS NOTICE

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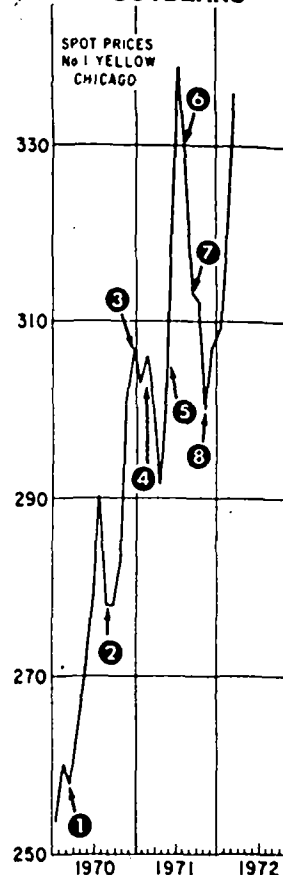
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SOYBEANS



Recommendations of:

- 1 March 1970 - BUY.
- 2 August 1970 - BUY.
- 3 December 1970 - lower prices first quarter 1971.
- 4 February 1971 - make major commitments around 287 - 290.
- 5 June 1971 - prices above 340 soon.
- 6 August 1971 - BUY late October early November.
- 7 September 1971 - prices at 285 undervalued.
- 8 November 1971 - BUY. Significantly higher prices.

For over a quarter of a century, our basic research has enabled us to anticipate well in advance a major reversal in the price trend. It is indicative of the commodity work performed by us for many large corporations in industrial and agricultural commodities.

GOLD... for two years we have remained broadly bullish on gold! Your inquiry on your corporation letterhead is requested addressed to:

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122 East 42nd St., New York, N.Y. 10017
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39th Year World Wide Service

United Europe: the impossible dream?

Next Thursday, in the week following the Paris summit, Roy Jenkins and Raymond Aron have an hour to air their conflicting views on the future of Europe in Thames Television's discussion programme, *Something to Say*.

Jenkins believes that the long term aim for a united, outward-looking, socially responsible Europe is a realistic one.

Aron would like to agree with him, but remains sceptical in the light of his own reading of Europe's history.

The discussion is chaired, as usual, by Bryan Magee.

Something to Say
Thursdays 11.00pm
on London ITV

Thames Television
306-316 Euston Road London NW1 3BB

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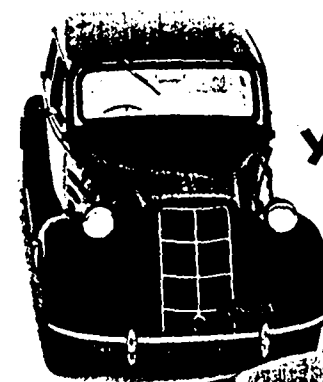
STOCK PRICES AND YIELDS

Prices, 1972		British funds		Price, Oct. 11, 1972	Price, Oct. 18, 1972	Net red. yield, Oct. 18, 1972	Gross red. yield, Oct. 18, 1972	Eurobonds		Last week's prices	This week's prices	Yield to maturity %
High	Low											
98 1/4	97 1/4	British Electric 3 1/2%	1968-73	98 1/4	98 1/4	4.025	6.105	Anglo-American 7 1/2%	1987	97 1/4-8 1/4	97 1/4-8 1/4	7.53
89 1/4	75 1/4	British Electric 3 1/2%	1976-79	76 1/4	76 1/4	6.160	7.170	Amoco (L) 8 1/2%	1987	94 1/4-5 1/4	94 1/4-5 1/4	8.37
109	96	Treasury 8 1/2%	1980-82	100 1/4	100 1/4	5.180	8.730	General American Trans. 8 1/2%	1987	101 1/4-2 1/4	101 1/4-2 1/4	7.84
108 1/4	94 1/4	Treasury 8 1/2%	1984-86	98 1/4	98 1/4	5.455	9.055	General Cable 8 1/2%	1987	101 1/4-2 1/4	101 1/4-2 1/4	7.92
96 1/4	80 1/4	Funding 6 1/2%	1985-87	80 1/4	80 1/4	5.875	8.860	International Utilities 8 1/2%	1987	100 1/4-1 1/4	100 1/4-1 1/4	7.95
66 1/4	54 1/4	British Transport 3%	1978-88	56 1/4	55 1/4	6.330	8.125	Kleinwort Benson 8 1/2%	1987	102 1/4-3 1/4	102 1/4-3 1/4	7.52
84 1/4	69 1/4	Funding 6 1/2%	1993	71 1/4	71 1/4	6.050	9.140	Motorola 8 1/2%	1987	101 1/4-2 1/4	101 1/4-2 1/4	7.75
111 1/4	94 1/4	Treasury 9 1/2%	1994	94 1/4	94 1/4	5.855	9.585	N. American Rockwell 8 1/2%	1987	102 1/4-3 1/4	102 1/4-3 1/4	7.52
58	46 1/4	British Gas 3 1/2%	1990-95	47 1/4	47 1/4	6.190	8.180	Pennwalt 8 1/2%	1987	101 1/4-2 1/4	101 1/4-2 1/4	7.62
89 1/4	74 1/4	Treasury 6 3/4%	1995-98	74 1/4	74 1/4	6.030	9.410	Queensland Alumina 8 1/2%	1987	101 1/4-2 1/4	101 1/4-2 1/4	7.97
73 1/4	54 1/4	Treasury 5 1/2%	2008-12	60 1/4	60 1/4	5.960	9.425	Wellcome 8 1/2%	1987	102 1/4-3 1/4	102 1/4-3 1/4	7.88
43 1/4	36 1/4	War Loan 3 1/2%	after 1952	37 1/4	37 1/4	5.665	9.585	Williams & Glyn's 8 1/2%	1987	101 1/4-2 1/4	101 1/4-2 1/4	7.81
30 1/4	25 1/4	Consols 2 1/2%		26 1/4	26 1/4	5.730	9.560	Inter-American Devel. Bank (DM) 6 1/2%	1987	98 1/4-7 1/4	98 1/4-7 1/4	6.70
								Malaysia (DM) 7 1/2%	1987	96 1/4-7 1/4	96 1/4-7 1/4	7.28
								Slater Walker (L/DM) 7 1/2%	1987	98 1/4-9 1/4	98 1/4-9 1/4	7.36

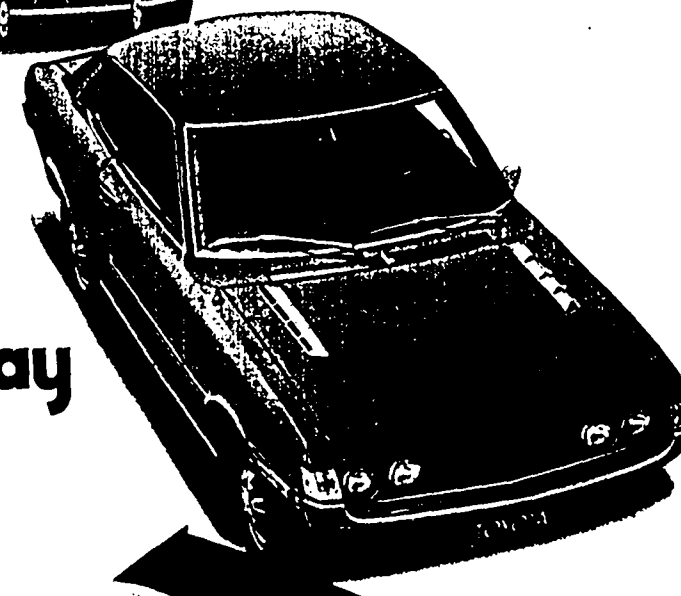
Prices, 1972		Ordinary stocks		Price, Oct. 18, 1972	Change on week	Yield Oct. 18	Prices, 1972		Ordinary stocks		Price, Oct. 18, 1972	Change on week	Yield Oct. 18
High	Low						High	Low					
383 1/4	268	Banks, other financial					118	89	Breweries, etc.				
84	57 1/2	Algemeen Bank	Fr 350	-1	4.9		69	55	Allied Breweries	96p	2	3.6	
370	257	Aust. & NZ Bank	Fr 70 8	2.6	4.8		194	148	Anheuser-Busch	\$59 1/2	1	0.9	
49 1/4	37 1/4	Bank of America	340p	1.0	2.9		165	132 1/2	Bass, Charrington	163p	1	3.1	
500	370	Bank of Montreal	440p	1.2	2.9		217	106	Bols NV	Fr 147	5 1/2	2.4	
11 1/4	8 1/4	B. of Mexico	410p	1.5	3.5		212	153	Courage	199p	3	2.1	
116 1/4	84	B. of Montreal	£10 1/4	1	3.1		212	106	Distillers	167p	3	4.0	
480	298	B. of Nac de Mexico	P 93	1.1	3.1		41 1/4	33 1/4	Distill Seagrams	\$38 1/2	1	1.8	
740	525	B. of NS Wales	480p	1.5	1.9		390	244	Dortmund Union	DM 390	29	2.6	
2990	2310	B. of Scotland	670p	1.0	3.0		182	139	Guinness	Fr 197	10	3.7	
238 1/2	183 1/2	B. Bruxelles	Fr B 2920	60	4.3		349 1/2	234	Heineken	Fr 313	10	1.1	
492	298	B. de Paris Pays Bas	Fr 209	6 1/2	5.4		207	154	Kirin Brewery	Y 318	6	2.4	
15 1/4	11 1/4	Bankers Trust	\$61 1/4	4 1/4	4.6		127	88 1/2	Nat Distillers	\$16 1/2	1	5.6	
121 1/4	78	Barclays	438p	3	2.2		103 1/2	70	Scottish & Newc	93p	6	3.6	
66	52	Can Imp Com	£13 1/4	1	2.0		114 1/4	84 1/4	Sch African Br	103 1/2p	1	3.5	
59 1/4	48	Charterhouse Group	103 1/2p	1	4.0								
257	224	Chase Manhattan	\$56 1/4	1 1/4	3.6								
182	148 1/4	Chemical Bank NY	\$52 1/4	1 1/4	5.5								
450	370	Commerzbank	DM 224	4.2	3.8								
4550	3695	Credit Commercial	Fr 167 1/4	4 1/4	4.9								
289	255	Credit Foncier	Fr 424	10 1/2	5.3								
350	310	Credit Suisse	Fr S 4060	160	2.0								
73 1/4	43 1/4	Deutsche Bank	DM 324 9	3.4	2.7								
652	355	Dresdner Bank	DM 262	5	3.4								
490	335	First Nat City	\$70 1/2	2 1/2	1.9								
208	142	Fuji	Y 623	2	1.0								
1 1/4	1	Hambros	415p	5	2.1								
23 1/4	13 1/4	Hill, Samuel	158p	1	2.7								
209	130	IOS Pgmt	\$1	1	1.5								
7420	5830	Hongkong & Sh	£23 1/4	1	1.5								
410	330	Kleinwort Benson	150p	10	2.5								
2500	1840	Kreditbank	Fr B 7410	20	2.7								
457	320	Kundenkredit	DM 398	7	2.5								
880	601	Lambert L'Ind	Fr B 2420	3	3.5								
39	30	LBI	370p	16	2.7								
82405	6270	Lloyds	69p	40	2.3								
146 1/4	99	Manuf. Hanover Tst	L 79000	1	4.4								
256	170	Mediobanca	107p	2	3.5								
530 1/4	348	Mercantile Credit	172p	2	3.0								
440	202	Midland	438p	4	2.7								
327	205	Mitsui	Y 380	4	1.3								
112	71 1/4	Montagu Trust	263p	1	1.9								
150	89	Morgan J P	\$107	3	2.6								
4-30	2-80	Nat. & Grindlays	125p	1	3.3								
250	176	Nat. Australasia	\$A3-65	0.01	2.5								
492	300 1/2	Nat. Com. Grp	210p	2	2.4								
152 1/4	120	Nat. West	432p	1	2.1								
18 1/4	13 1/4	Norsk Creditbk	%141	1 1/2	6.3								
915	608	Royal Canada	£17 1/4	1 1/2	2.1								
309	229	Schroders	740p	1	1.5								
3295	2910	Slater Walker Secs	247p	6	3.3								
2935	2640	Soc Gen de Banque	Fr B 3250	45	4.5								
550	328	Soc Gen de Belgique	Fr B 2860	75	4.9								
399	280	Standard & Chart	490p	40	2.9								
655	362	Suez	Fr 368	6 1/2	5.1								
4440	3670	Sumitomo	Y 630	8	1.0								
4805	3885	Swiss Bank Corp	Fr S 3950	110	2.0								
637	430	Union Bank Switz	Fr S 4350	210	2.3								
148 1/4	107	Union Discount	450p	20	5.3								
		United Dom Tst	126p	1	3.4								

Prices, 1972		Ordinary stocks		Price, Oct. 18, 1972	Change on week	Yield Oct. 18	Prices, 1972		Ordinary stocks		Price, Oct. 18, 1972	Change on week	Yield Oct. 18
High	Low						High	Low					
74.9	58.7	Hoescht	DM 61.2	-1.8	4.9		185 1/2	132 1/2	AEG Telefunken	DM 151 1/2	-5.2	3.3	
27.7	60.9	Hooover	Fr 16.4	+2 1/2	5.2		295	236	ASEA	Kr 267	-	3.7	
99.0	145 1/2	Manneberg	DM 187	-6 1/2	5.3		218	155	BICC	168p	-	4.6	
91	52	Nippon Steel	DM 177	-3 1/2	5.5		558	402	CCE	Fr 525	-11	4.4	
104.8	65.2	Rhein Stahl	DM 72.1	-2 1/2	4.8		110 1/2	101	Chloride Group	\$58 1/2	1 1/2	3.8	
85.8	68	Thyssen Huetten	DM 72.1	-2 1/2	4.8		75 1/2	52 1/2	Comsat	\$90p	-20	2.9	
34.4	27 1/2	US Steel	\$27 1/2	-	5.8		403	260	Decca	186p	-11	4.1	
117.1	85.9	Usinor	Fr 108.4	-0.4	8.3		232	163	EMI	Kr 300	-2	3.3	
52.2	40	Wendel-Sideler	Fr 46	-1.1	10.6		232	181	Electrolux 'B'	Kr 260	-4	2.1	
							295	256	LM Ericsson 'B'	\$42 1/2	-1 1/2	2.2	
							70 1/2	45	General Electric	151p	-2	2.7	
							195	142	GEC	\$27 1/2	-1 1/2	5.7	
							33	25	Gen Tel & Elec	Y 198	-3	3.0	
							198	106	Hitachi	\$135	-2 1/2	1.0	
							167 1/2	122	Honeywell	\$31 1/2	-	1.9	
							41 1/2	16	Hoover	\$379	-1 1/2	1.4	
							423 1/2	331 1/2	IBM	88p	-1.2	(n)	
							155	82	Int Computers	Fr 81.2	-2	1.6	
							91	76	Machines Bull	Y 610	-25	1.3	
							769	507	Matsumita	\$46p	-12	2.6	
							905	537	Philips	150p	-4	3.3	
							179	133	Plessey	\$32 1/2	-	3.1	
							45	32 1/2	RCA	109p	+1	4.0	
							129	104	Rediffusion	DM 262.3	-6.2	2.7	
							122	73	Reyrolle Parsons	Y 5100	+150	0.3	
							296 1/2	204 1/2	Siemens	\$47	-1 1/2	1.3	
							5420	324	Sony	\$166 1/2	-3 1/2	0.5	
							189 1/2	117 1/2	Sperry Rand	Fr 175 1/2	-8.2	3.9	
							190	95	Texas Instruments	489p	1.6	1.4	
							552	458	Thomson-Houston	Y 109	-4	4.6	
							118	68	Toshiba	\$47	-2 1/2	3.0	
							68 1/2	41 1/2	Western Union	\$42	-	2.2	
							54	39 1/2	Westinghouse				

Prices, 1972		Ordinary stocks		Price, Oct. 18, 1972	Change on week	Yield Oct. 18	Prices, 1972		Ordinary stocks		Price, Oct. 18, 1972	Change on week	Yield Oct. 18
High	Low						High	Low					</

[illegible]

Yesterday



Today



Tomorrow

Ever since the day we began making autos 40 years ago
Toyota has faced one fact we can never get around.
Our home country is one of the most densely populated in the
world. So right from the start we've had to meet the consumers'
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October 28, 1972



The inflation nation

The high and the mighty met at No. 10 on Thursday and talked on into the night. The semantics were important for public opinion, but the real solution for the inflation nation remains a statutory incomes policy, page 11.

How did Britain get into its present mess? By 20 years of continuous economic mismanagement by both parties and a weak Treasury, page 71.

The power station unions made it apparent on Thursday that they meant to fight for their full wage claim, black-outs or not; and in the motor industry settlements are being struck at £5 or more. The inflationary scene, pages 75 to 78.

The stock exchange marked time, distrusting the unions, page 97. The pound slumped again to yet another lowest-ever, page 90.

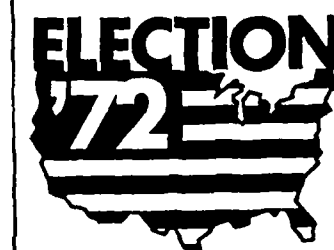


Hope at the summit

Mr Heath did well at the EEC summit in Paris, but then so did President Pompidou, and so did the European cause; but there are still going to be plenty of fights in Brussels next year, page 13. What happens now in trade, currencies, regional policy and the commission itself, pages 85 to 94.

The pressure's on

The communists in Hanoi are intent on branding President Thieu as the man responsible for preventing an early and easy peace in Vietnam. But although his stiff-necked rejection of the terms is unpopular with his American allies, he is right not to encourage a sell-out, page 16.



That non-campaign

Senator McGovern has failed to bring President Nixon to battle, and the swing away from the Democratic party by many of its white working-class supporters of past years suggests that the President may, indeed, win a landslide victory, page 14. How the campaign is going in the South, in key congressional contests and among the farmers of Wisconsin, pages 47 to 55. Baseball's world series has been more exciting, page 57.



Art goes boom

The international art market promises to lurch upwards in the coming year beyond the experts' forecasts. Some of the signs to follow, page 104.

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Letters

Bank rate

SIR—Upon reading your strictures against the abolition of Bank rate (October 14th), I was mildly surprised to find them based on your admiration for the demonstration effects of changes in Bank rate. Is it not at least possible that these effects are sometimes perverse?

Certainly a rise in Bank rate may inhibit investment, with a lag of up to two years, but this seems hardly anything to cheer about. Presumably you have in mind the balance of payments. In this respect, however, the demonstration effect may be simply to advertise the crisis, without convincing anyone that anything is actually being done about it. Hence, a fall in the value of the forward pound, a decrease in the margin on inward covered arbitrage, and an outward flow of funds.

One may not dispute the importance of demonstration effects, but one would be well advised to consider just which way they work.—Yours faithfully,
Oxford

JOHN V. HATCH

Ireland

SIR—Mr Harold Wilson, and those English who think like him, must decide on whether there is a United Kingdom or whether there is just England with Scotland, Wales and Northern Ireland, not to mention the Irish Republic, as appendages. Why should it be assumed that the Northern Ireland question can be settled without profound changes in the rest of the United Kingdom and, indeed, the whole British Isles?

Northern Ireland is of strategic importance to the whole island group. A Northern Ireland UDI with a consequent offer of facilities to Russia in exchange for financial assistance would, undoubtedly, be viewed with concern elsewhere within the group. Again, if a rabid nationalism, with the demand that citizens of the Irish Republic be expelled from England, were to develop amongst the English Mr Lynch would find himself confronted with a very serious problem. He should be publicly reminded of this, as should certain persons be reminded of the other.

The United Kingdom as constituted is somewhat untidy, and many Ulstermen behave as Northern Irish first and British second, as many Englishmen behave as English first and British second; but scolding and threats will not help the situation. It seems to me that as the British Isles—which title includes the Irish Republic—are economically and socially integrated, recognition should be given to this fact by the establishment of a common council

for the whole British Isles. The council would be concerned with common social and economic issues, and the reconciliation of sometimes conflicting interests which cannot be easily reconciled at Westminster. It might also help the English to realise that they do not govern the other British, but that they govern with the other British.—Yours faithfully,
Khartoum

W. A. MILLER

Consensus Ted

SIR—Thank you for your perceptive and thought-provoking leader (October 14th) on Mr Heath. The militant fish are certainly swimming, and those best placed to drain the pool by pulling out the plug are managers.

When all staff are treated as partners and not just as hired hands; when they are led by example; when managers accept that part of their job is to release and ignite the best in all around them; when both workers and managers have a common purpose bigger than the private aims of either; then both may realise how much they need each other.

And the militant fish will be gasping for air.—Yours faithfully, M. A. CAMERON
Haywards Heath, Sussex

SIR—Your anodyne editorial on Consensus Ted (October 14th) gives the view of a party which is not genuinely a conservative one—but that of the middle. The divorce between the leaders of the party and its voters, now denied, will eventually be disclosed when the election finally takes place.

I predict that millions will abstain because they like neither the right of the Labour party nor the left of the Conservative. These are now meeting in the middle with the soft bump of foam plastic against plastic foam, and when the sticky mass combines—what then.

Mr Heath will get a surprise all right and he will not even have to go to the woods like the teddy bears. And it won't be a picnic.—Yours faithfully,
London, SE1

CHARLES DAWES

Bank charges

SIR—The letter from Mr A. L. King-Harman which appears in your issue of October 7th followed correspondence between him and one of our branches.

I have examined the correspondence and find that the branch was at fault on two counts. First, they were wrong to say that the charges for security work for foreign residents were the result of an agreement between the clearing banks. There was such an agreement some time ago, but none exists now and each clearing bank is free to quote whatever terms it feels appropriate. Secondly, the quotation of 1 per cent of the market value of the security as the charge for the receipt or delivery of certificates was a typographical error; the

THE ECONOMIST OCTOBER 28, 1972

correct quotation is 0.1 per cent of the market value.

I am asking our branch manager to explain the correct position to his customer.—Yours faithfully,
J. B. REES
Deputy Chief Accountant,
Lloyds Bank Limited
London, EC3

Iran

SIR—I feel that a misleading passage in your article on Iran (October 7th) needs to be elucidated.

The passage in question must have led your readers to assume that the very foundations of Iran are being undermined by a small band of terrorists and guerrillas. The gang of terrorists and murderers originally numbered a little over one hundred, the majority of whom have since been dealt with by the laws of the land. I am certain that those who keep abreast of events in Iran would not believe that the remaining few could be of any threat to the stability of a country like Iran.—Yours faithfully,

A. M. SHAPURIAN

Press Attaché,

London SW7 Imperial Iranian Embassy

Ecology

SIR—Mr Nelson's letter (October 7th) explaining the recommendations of the Commission on Mining and the Environment on exploration drilling confuses rather than clarifies the points at issue.

At the moment exploration drilling is subject to planning control and an application for planning consent is obligatory. The commission proposes that it should be classified as permitted development under the General Development Order, 1963, for which no planning permission is required, unless the minister or the planning authority should direct that an application is submitted under article 4 of the order. Such a direction by a planning authority requires the approval of the minister.

Experience in the past has shown that the Department of the Environment, and its predecessor the Ministry of Housing and Local Government, is reluctant to confirm such directions, yet without one the planning authority cannot refuse a deemed planning consent. It can only refuse a planning application. The commission's proposals mean, therefore, that whatever the consultations exploration will go ahead unless the company can be required to obtain planning permission. There is also no legal backing to any special conditions which may be agreed between the parties to deemed planning consent.

Before accepting that *The Economist* (September 16th) was wrong in saying that it would be "unnecessary for the existence of exploration drilling to be made public" one would need to know how the commission proposes that the information would be made public. To say that copies of the relevant documents would be made available in the locality

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MANAGEMENT APPOINTMENTS

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Following a rationalisation of structure and methods an indigenous Nigerian bank is to make two appointments at a very senior level. The environment within the bank is such that firm direction and control are needed from the senior management functions. Scope will be given to ensure that each appointee may make his impact upon the organisation. The appointments, details of which are given below, will be on a contract basis for a period of 2/3 years. Should the appointees be Nigerian nationals the contracts could be renewable under terms and conditions which are mutually acceptable.

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Director of Finance

Candidates for this position should be well qualified and experienced in banking affairs generally with the emphasis on accounting and financial control.

As part of the rationalisation exercise already referred to, systems and procedures are to be introduced to improve the quality of managerial control in the bank. The Director of Finance will be involved in the introduction and implementation of these controls. In co-operation with his Board colleagues, the Director of Finance will participate in the future development of the bank and its resources during a period of change and expansion. The person appointed must be able to demonstrate a record of achievement in a similar position.

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Candidates for these appointments should submit career details clearly showing how each requirement is met and describing the contribution they would expect to make to the profitable development of the Bank. Applications which will be treated in the strictest of confidence should be sent to:



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The appointment calls for determination and real ability and his formal background is not paramount. He could be aged 38 to 45, the deputy in a substantial banking or computer-based financial group and possibly blocked from bigger opportunities in his present situation, would welcome this chance to demonstrate his top management skills.

Please write with full details of personal and business history. Your letter will be forwarded direct to our client and should there be organisations by whom you would NOT wish to be considered please list these separately: R. Llewellyn,

MSL ADVERTISING SERVICES,
17 Stratton Street, London, W1X 6BD.

For further management appointments see page 7

is not really sufficiently specific and could mean anything.

One can only ask, therefore, who will benefit from the commission's recommendation. It will not be the planning authority, who will have to go through the rigmarole of getting an article 4 direction if they do not like the proposals, and it can therefore only be the mining companies who will benefit from being saved a possible planning inquiry with its attendant delays. Certainly the CPRE is totally opposed to the extension of deemed planning consent for exploration drilling.—Yours faithfully,

A. F. HOLFORD-WALKER
Secretary, Council for the
Protection of Rural England
London, SW1

SIR—There are two rather novel solutions to the problems besetting those prophets of impending doom of the "pollution-is-going-to-see-off-mankind" and the "we-are-going-to-run-out-of-everything" varieties in your issue of September 23rd.

First, in an advertisement (Brazil survey, page 65) a large American bank predicts the coming of a perfect environment in which cities would be enclosed by gigantic transparent domes. If we design it right, maybe each such dome could be made of resonant material so that we could all be deafened before we become asphyxiated by the traffic fumes and the exhalations of homes and power-stations.

And, secondly, Mr Derek Ezra of the British National Coal Board calls for the maintenance of British coal output at its present level in order to avoid an American-style energy crisis in the late 1970s ("Ezra stirs a crisis"). Has the NCB secretly developed a stunning process by means of which a non-renewable resource can best be saved for the future by consuming more of it than we

need now? This is something that the Club of Rome should be told about.—Yours faithfully,
IAN THOMSON
Caracas

Sir John Betjeman

SIR—Though popular, Sir John Betjeman's appointment as the new poet laureate has not had the acclaim its appropriateness deserves (October 14th). Wherever modern life jars upon the nerves you will find a line or a stanza in one of his poems to perpetuate the feeling. In the fine and very poignant "Remorse" you will even find something as relevant to today as this:

Protestant claims and Catholic, the wrong and the right of them
Unimportant they seem in the face of death.

Shelley described Coleridge as a "hooded eagle among blinking owls" and even if not everyone shares my belief that this fits Sir John Betjeman in relation to living contenders two unique achievements are undeniably his. First, he rescued English poetry from becoming a sort of echoing chamber of literary allusions and, secondly, he has not budged an inch towards the bogus, towards today's trashy values. Rather the mountain of media publicity has moved to Mohammed's own undiluted and delightful ego.—Yours faithfully,
G. REICHARDT
Poole, Dorset

Ido

SIR—You write of the difficulty of finding translators for international conferences (September 23rd). This was to be expected because for a man to be able to translate a speech whilst it is being delivered, a speech which may deal with abstruse or technical subjects, he must be a real Mezzofanti in linguistic ability.

It is not surprising that men have dreamed of the use of one secondary language for everybody; and we in England have hoped it would be English. National pride, however, stands in the way of the acceptance of any national language. Moreover, although English has the easiest grammar of any European language, its pronunciation seems specially designed to confound foreigners.

The solution then seems to lie in the use of a constructed language which offends no national prejudice. Esperanto was a brave attempt, and deserves to be called an effort of genius. It was, however, the work of one man, and it suffers from many imperfections; it retains the accusative, which even most national languages dispense with; it makes adjectives agree quite unnecessarily with nouns, and its many accented letters give it an outlandish appearance to most Europeans. For some years past, however, we have had Ido, a reformed Esperanto. Ido was chosen by a delegation of over 200 British and foreign learned societies and academic bodies who considered all the

language projects, including Esperanto. Ido offers an object lesson in how little grammar suffices to enable language to convey thought precisely.

Business, of course, asks: "What use is Ido to me? How many people speak Ido?" If the early users of the telephone had stopped to ask such a question, telephones would never have come into general use. Can we not look beyond our short noses? Many of us spent long hours learning French at school, at an age when we were able to learn as easily as a young duck takes to water. How many of us could today discuss in French any one of *The Economist's* articles? Precious few. Yet if we had devoted a twentieth of the time to learning Ido, we could now discuss any subject that interests us, not only with Frenchmen but with those people of all languages who had sense enough to use the new invention.—Yours faithfully,
HENRY MEULEN
London, SW19

Negative income tax

SIR—The proposed tax credit system (September 30th) is excellent and should be put into effect as soon as possible.

The reason other countries (or at least Canada and the United States) cannot easily use tax credits is that they have no standard rate of tax. The rate goes up by a succession of relatively short steps, like surtax. As a result it is not possible to quantify the value of exemptions and allowances—the value varies from one tax bracket to the next.

This was intended to produce a delicately balanced progressivity. It has not worked noticeably better than the English system in providing progressivity, and serves mainly to make calculations of marginal rates a little more difficult.

One of the more esoteric benefits of a speedy and successful application of the system is that it may show other countries the advantages of a standard rate that covers a substantial range of incomes, combined with a tax credit system.—Yours faithfully,
TREVOR LLOYD
London, N6

Concorde

SIR—You say (Business Brief, October 14th): "the steel members that run through Concorde are as thick as tree trunks." And, presumably, as long as a piece of string?

There are no steel members running through Concorde. Admittedly Concorde, like all other supersonic aircraft, has a lower payload/all-up weight ratio than a subsonic aircraft of comparable size but this disparity is due to its proportionately heavier fuel load to cope with the "shock wave on the end of its nose," not to any marked difference in structure weights.—Yours faithfully,

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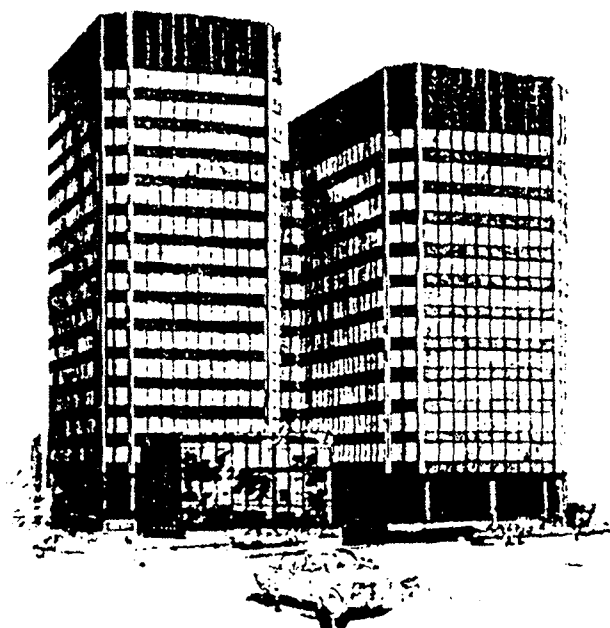
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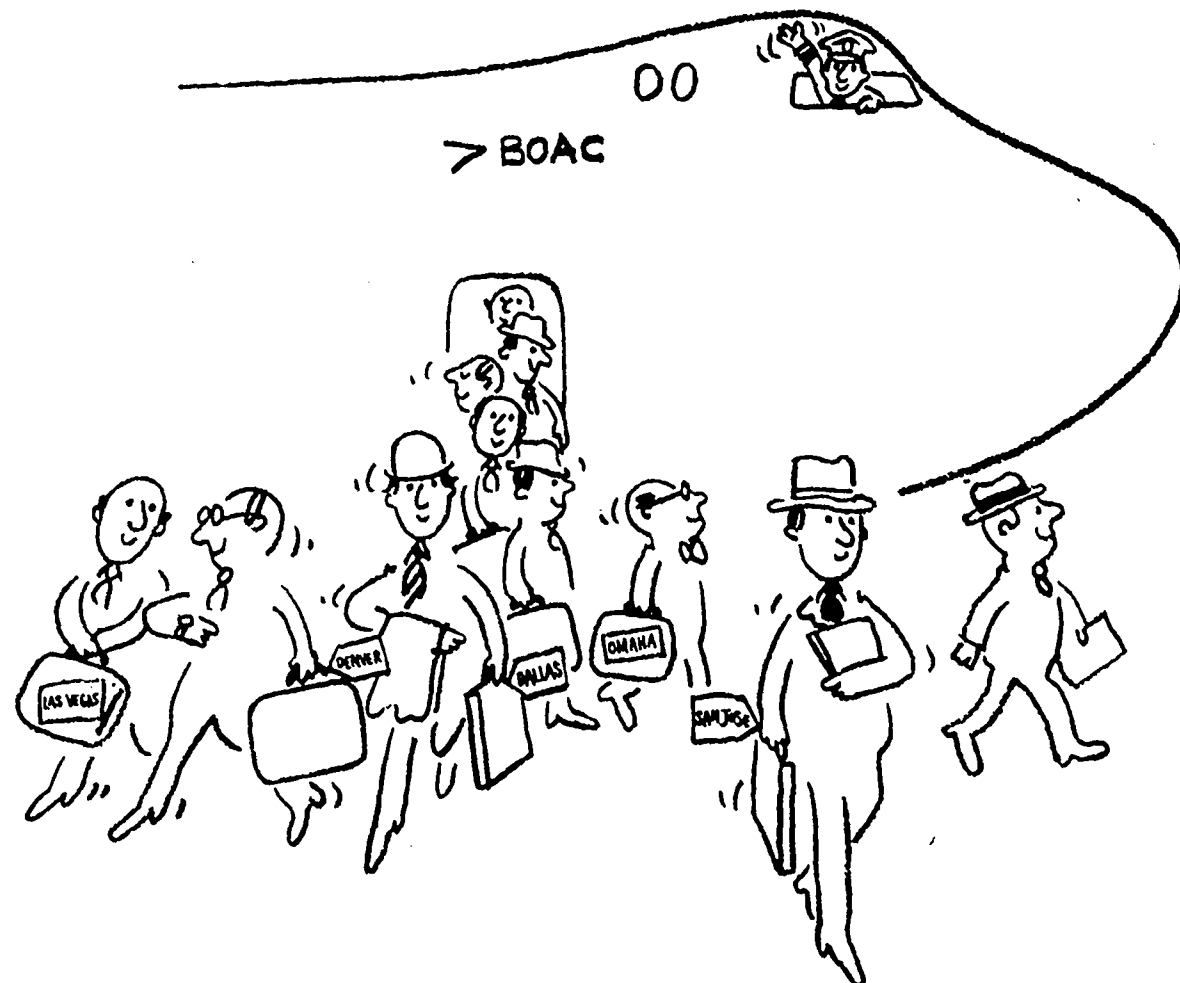
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The
Economist

October 28, 1972



Five minutes to twelve

Representatives of the Government, the Trades Union Congress and the Confederation of British Industry were still meeting in Downing Street when this issue of *The Economist* went to press. It was not yet known whether Britain was to have a nominally voluntary incomes policy (which will have to be buttressed by statutory policy eventually), or an admittedly statutory policy (based on Mr Heath's intended voluntary package). The country waited on Thursday night for the answer, but as usual concentrated on the questions (such as whether Mr Feather will indicate that he is satisfied or dissatisfied) which really will not very greatly matter. The real difference will be between either of these possibly effective statutory policies and a non-policy that will leave Britain drifting to disaster.

A non-policy could come about either through the Government and trade unions pretending that they have in some manner agreed, but saying that they will be "flexible" in interpreting individual cases (which would be the worst outcome, probably leading to more than 20 per cent per annum wage inflation this winter before a statutory policy is finally enforced); or through the Government admitting that it has not agreed with the unions, but saying that it hopes private sector employers will join voluntarily with the nationalised industries in pretending to enforce the Heath formula regardless (although in practice both would then compromise with it).

Under each of these four possible outcomes, there will have to be eventual confrontations. And it is those eventual confrontations that will matter. The Government is probably right in assuming that it will have more chance of winning them if the TUC says it agrees with some fixed formula, even though a lot of unions will then give notice that they intend to ignore it. Recent experience suggests that a union which is striking against the public but still retains some sympathy among the stricken (eg, the miners last winter) nearly always wins

a wildly inflationary award, while a striking union which retains no public sympathy (eg, the electricity supply unions the winter before last, and presumably any union that struck this winter for more than the TUC had said was justified) only sometimes wins a wildly inflationary award. The Government on Thursday was trying to buy the TUC's signature on a piece of paper—and paying it a fairly high price in terms of a lot of uneconomic distortions—in order to get into a position where, so long as incomes policy remains "voluntary," the nation would only lose some confrontations with militant unions instead of all of them. This is not a sufficient aim, especially since the loss of some battles would soon escalate into the loss of more and more of them. The loss of a battle in the electric power stations would be the most serious of all. It would be another step on the long road to the economic scrapheap that both major political parties and a weak Treasury have condemned Britain to over the past 20 years (see pages 71 to 78).

Methods of enforcement

The determination has got to be to proceed now either to the installation of some fall-back controls behind a voluntary deal, or to the enforcement of a statutory policy with a wide measure of voluntary support. The aim should be that a union which started a strike to try to get an award above the Heath maximum should know that it would not merely be courting unpopularity, but might actually make its members poorer than they would otherwise be. How?

Let it be said at once—and, once said, forgotten—that the best supporting statutory method of containing wage rises would be through the sort of tax surcharge that has often been suggested in this paper: whenever a firm's wage payments per man rise by more than an agreed norm in the year ahead, the whole of the excess could be taken back by a surcharge on workers' weekly national insurance payments in that firm, subject to appeal in

certain cases, but with a provision that the appeal would not be considered if the excess over so much a week had been gained after any strike action. The reason why there is no point in detailing again this argument is that the cries from Government against it bear all the hallmarks of politicians retreating into a technician's impermeable shell: it is said that such a scheme would be "too inflexible," and that "opposition to it might bring the whole mechanism of taxpaying into disrepute." Probably, therefore, any eventual statutory system will have to be one of two broad types.

First, some sorts of "fall-back controls" might be imposed, perhaps in conjunction with the monitoring system which the CBI has proposed for both price and wage increases. Some independent body could look at any increases which that monitoring system showed to be excessive, and could roll back any excess price increases, preferably with a penalty surcharge on the firm that had temporarily enjoyed them. And it could order that groups of workers who had enjoyed excess wage rises should not be allowed another wage rise for much more than another year, preferably with a penalty element in the ordered time lag if the excess over the norm had been achieved by any strike action. The relative attraction of such a scheme to the Government—and the relative disadvantage to the nation—is that the Government could choose discreetly which offenders to pursue through this mechanism, and which to run away from.

The tougher sort of enforcement would be through a statutory freeze of the 1966 Wilson type, mitigated by saying that this freeze would not be enforced against anybody who got only the norm in his pay packet during the coming year, although presumably with some mechanism for appeals. This would be very similar in effect to the 100 per cent excess surcharge on workers' national insurance contributions: except that there would not be any self-enforcing correctional mechanism, so that the Government would presumably have to shrimp through the monitoring system to try to find offenders to sue, although with the thankful remembrance that during the Wilson freeze there weren't any. There would be an equivalent freeze on all rises above 4 per cent in manufacturers' prices or 5 per cent in other prices.

Cost of controls

The Government, or its successor, will have to move to some variant of one of these types of control in the end. That prompts two questions. First, when? The answer here is: the sooner, the less disastrous. Secondly, which? The milder fall-back version that the Tory managers seem to prefer or the tougher freeze?

There are some serious arguments against a tough freeze, especially a long-lasting one. Logically, controls should be imposed only against price and wage rises that would not have taken place in a free market (ie, only against monopoly-determined prices and trade-union-enforced wages). It had better be realised that any 4 or 5 per cent limit on price rises is going to drive into bankruptcy (and into sackings) a haphazard cluster of

firms. A similar policy five years ago would by now have decimated the number of newspapers (many of which have doubled their prices since then) and would have savagely cut back some labour-intensive services (eg, many postal deliveries) which the public likes to have even at today's hoisted charges. A regime of price control makes most profitable the production of things which are so inessential that the price controllers do not really bother to run after them, or things which are unbranded so that tiny and unnecessary changes in their quality can lead to the pretence that they are entirely new products. Controls on things like retail food prices either have to be tight enough to drive small retailers out of business, or loose enough to give the big supermarkets a luscious killing.

Similarly, a limit on wage rises might cause a labour shortage in some jobs that are growing increasingly unpopular: often jobs which require inconvenient working hours, rather than "dirty jobs" (the unpopularity of these is a fastidious middle class delusion). The Heath formula of "concentrating on helping the lower-paid" sounds humanitarian in principle, but in practice it could have the effect of America's statutory minimum wage in pricing the least employable 10 per cent of the population out of jobs. It will not push registered unemployed up to the 10 per cent that would gravely embarrass politicians, because many of the least employable tenth are elderly ladies who then do not register, plus the one-fifth of most disadvantaged teenagers (especially from black or poor white families) who may then drop out to start unregistered employment as muggers. There are obvious long-term dangers in Mr Heath's grand strategy of tacking his boat to whatever wind the TUC favours at regular meetings, which are also attended by Mr Campbell Adamson's team from the CBI: this could be a strategy for guiding economic policy by the whims of an envious, cost-benefit-unconscious and change-resistant pressure group, as balanced by another conservative and unrepresentative one.

Cost of inaction

And yet it is necessary to say again why the toughest possible statutory enforcement package will be right, and why anybody who says that instead he "must fight a corner for his own people" is a fool playing with fire in a powder keg. The time in Britain is already five minutes to twelve. Hourly wage rates are now 17 per cent higher than a year ago. Unless there is statutory restraint, the earnings indicator will go into an annual rise above 20 per cent some time this winter. The eventual level of price inflation associated with that must be something like 14 per cent, going up. When prices are inflating at 14 per cent per annum, the professional man who retires on a pension at 60 will find that each £1 of his pension is worth only 6p if he lives past his 82nd birthday. All history suggests that countries which rip their social fabric with that sort of inflation go to political extremes to root it out. Britain is still a sufficiently class-ridden society for the usual rulers in a Latin American Britain to be more probably Enochite than Allende-like.

There is a danger that the government of Britain in the 1980s might then be a conservative populist one, seeking scapegoats in immigrants, long-haired leftist students, all trade union pickets, although no doubt interspersing the sport of trendy-liberal-bashing with occasional confiscations from the rich and successful, just to keep the flames of populism alight. If the nasty left did win the battle with the nasty right, to which a continuance of present inflation could soon lead Britain, the results would be equally unsalutary. The decent and

moderate trade union leaders, who have been planning to cut Britain's electricity again in order further to hoist their members' wages which have already risen by a third in two years, have not understood the dragons' teeth they are sowing. If Mr Heath enforces his package plan, the consequent checking of inflation will be abundantly worth the billion pounds or so a year of emollient economic sillinesses that look like being attached to it. If he does not enforce it, he will have led this inflation nation down another few fatal steps of its descent.



A summit of lively deadlines

Mr Heath did well in Paris. So did President Pompidou. So did Europe. But there are now going to be some momentous battles of Brussels during a very big year ahead

Europe's summit in Paris last week, as Holland's prime minister mournfully said at the end, was a success. True, it did not kindle much public fire. But then it was not a meeting about the sorts of project that fire people's minds. Even Herr Willy Brandt's too many words could not make them sound as if they were going to. Add to this the filibuster the Dutch staged over direct elections to the European assembly in Strasbourg, a cause they knew they could not yet win, and even the public relations of this summit, muffed in its beginning by boring speeches and lack of contact between politicians and press, were muffed magnificently in its end.

Yet the fact remains that, in its own terms, the summit was a success. The Nine have now marked out areas of action which, while they will not set the Thames on fire, may soon warm the water a bit on the Clyde, and will certainly light flames under a lot of negotiators' bottoms. The list of subjects that were discussed in Paris is examined in more detail on pages 85 to 94. This was a summit of deadlines. In one year's time, if Britain is still fighting the good fight, a European regional policy that benefits Britain, Ireland and Italy should be nearly in place. A year from now the embryo of a federal reserve bank will be in place, and shortly to have its resources enlarged. A year from now a deadline will be approaching that ought to concentrate Europe's mind after years spent dithering about how to pull its industries and technology together.

Just over a year from now, with all these things done, the Nine will enter the "second stage" towards economic and monetary union. All anyone yet knows about this second stage is that it will come after the first. We may not learn much more from the meeting of the Nine's finance ministers next Monday and Tuesday in Luxemburg. But the probability is that, after much wrangling, and thanks especially to pressure from Holland and Germany, this second stage of Emu will eventually include a set of community checks and powers that should (together with the projected European central banklet) take the Nine's economic policies a little bit further out of purely national control. Similarly, by the end of 1973, flannelly good intentions for a grander social

policy, an environment policy and so forth may be halfway towards meaning something more concrete than they do today.

In less than a year's time the Nine will have decided how better to pull their foreign policies into line, including an attempt at coping with the external effects of what the EEC does within its own borders. The foreign ministers will start straightaway to meet four times a year, twice as often as hitherto and in addition to the umpteen times a year they will see each other at the formal sessions of the EEC council of ministers. It seems likely that the formal links between the foreign policy functions and the council functions of Europe's ministers will be becoming increasingly blurred during 1973. A year from now the Nine's intention of bargaining as one on international monetary reform will have been put to the test at next September's IMF meeting in Nairobi, and the invitation sent out from the summit to reach a joint EEC position on trade negotiations in Gatt will have been either taken up or rejected. The European security conference—in which western Europe is still unsure how much it should work together—will in a year's time be either in full swing or moribund. The Commonwealth sugar agreement and the EEC's Yaoundé association agreements will both by then be coming up for renewal, so that the entire complex of Europe's preferential policies, including the Mediterranean ones, will be in the melting pot.

Setting the targets

So 1973 in Brussels will, one way or the other, be a pretty astonishing year—one of constant negotiation over an array of subjects. This makes the notion that there were those who won and those who lost in Paris last week seem rather silly. The single most important point is that Europe used the Paris summit to jerk itself beyond old policies towards the possibility—no more than that at this stage—of new ones. In the process the Nine have set themselves a grander target still, the "intention to transform the whole complex of their relations into a European union" by 1980. How much more this will mean than the "union sans cesse plus étroite" which the Six said they were aiming for 15 years ago in the

first phrase of the treaty of Rome has intelligently been left open to doubt.

If 1973 is to be such a slog, who will come out best? Mr Heath did well in Paris, and it is tempting, but wrong, to draw either of two conclusions about the future from his success. One wrong conclusion was promptly drawn by Mr Wilson in the House of Commons last Monday: that Paris produced nothing more than promises, and that Britain will sag back again once the real fight starts in Brussels next year. The equally wrong reaction, from many of the British newspapers, was the orgy of congratulation for Mr Heath, as though Europe were a lottery in which only one participant can win. Provided that nobody actually believes them, newspaper stories along such lines as "Heath batters market: French crumble" may be permissible fanfare blowing after the 15 less happy common market years which have gone before. But the facts of power are different.

Mr Heath did well in Paris because of the strange balance of mutual gain which the common market is about, and which Mr Heath knows so well. He did not, in the first place, get all that he asked for. His wishes on Europe's trade policy were, perhaps fortunately, toned down. His idea for helping poor countries, namely reducing the burden of their debt repayments, got lost.

The price Britain paid

Mr Heath only won agreement for what Britain needed by narrowing his ambitions to what was essential. The price paid for his success, therefore, was the sight of Britain sitting on its hands about subjects like the European parliament, in which its European friends (other than France) believe Britain has the largest contribution to make. This at a time in Europe's fortunes when two not altogether happy rules apply. The first is that Europe's smaller member states get a rough deal whenever they do not have one or more of the big boys on their side. The second is that the tacit understanding between Britain and France that has been maintained since May,

1971, and the tolerant view of their behaviour that the Germans have been obliged to adopt, are for the moment allowing Mr Heath and President Pompidou together to guide this stage in Europe's ascent pretty much as they want.

For France, too, did well in Paris. True, it gave away more than it meant to on the future principles of a European regional policy; when they heard about this, France's finance officials gave their foreign ministry colleagues on the drafting committee a severe wiggling. But M. Pompidou himself let this happen, with his eyes fully open to what he was getting in return. France had got in advance nearly all that it wanted on monetary union as a condition for holding the summit at all, and it got a little bit more in Paris itself. It had Britain's help in seeing that the debate about the EEC's future institutions moved nowhere pretty slowly. And M. Pompidou was able to shape Europe's policy towards outsiders, notably towards North America, into the sort of hard-nosed enlightenment which has become his particular hallmark in recent months.

So Britain did not somehow outFrench the French. Nor was it outFrenched itself. Deeper realities underlie the deals done in Paris. At present, small countries, even the bellicose Dutch, remain willing to fight and lose because they are the ones who gain most anyway from belonging to the bigger European union. Equally, the regional and other policies which may now be Europe's emergent last week not from a sour power play, but because the needs of its new members are so clearly Europe's needs if economic union is to succeed. Anyone who still thinks President Pompidou was unhappy about the outcome of Paris should listen to his partners. Even the Dutch, whom he squelched, were singing his praises as chairman of a summit which could easily have gone wrong. A happy foundation of real common interests underlies Europe's furious internal haggling. This is why Britain can and should march firmly into the battles of Brussels in 1973.



America's non-campaign

This year's presidential election was supposed to offer the United States a real choice but it has not worked out that way



As the American election enters its final week, President Nixon is still unbeatably far ahead, by 25 points at least—and more, according to most of the national opinion surveys. He is now hoping, it is said, to carry all 50 states, leaving only the District of Columbia, the nation's capital and his present home town, for the Democratic candidate. Only if the polls are completely wrong can Senator McGovern win. He continues to insist that they must be. After all they were last winter when he was campaigning for the Democratic nomination; moreover even they now show that he has been gaining on Mr Nixon a little recently. Mr McGovern

knows his cause to be righteous; so surely it must prevail as it did last spring.

But a national campaign for the Presidency is quite different from a series of state campaigns for a party's presidential nomination. From March to June, from New Hampshire to New York, Senator McGovern was fighting fellow Democrats who represented his party's establishment. He was the outsider, the underdog, who attracted all the protesters—the anti-war groups, the women's libbers, the drug legalisers, the students and many more. With the help of his efficient young organiser and of the reforms in the Democratic party's convention

procedures, they gave Mr McGovern his presidential nomination—but only just. And in the process they lost him the support of the main body of the party—the men who run the city machines, the trade union leaders who provide the money and muscle.

What's wrong with McGovern

To win the Presidency Mr McGovern had to woo these people back to work for him. In this he has had some success but not enough; many, but by no means all, of them are helping him out of party loyalty but few of them are doing it with real devotion. And in wooing them he turned off the activists for special causes who had backed him earlier and now felt that he had compromised with their ideals for the sake of political gain. For this Mr McGovern should be grateful. It was the belief that he supported these radical interests—amnesty for deserters, abortion on request, drugs without penalty, racial redistribution of pupils in schools, equalisation of incomes—which had driven so many of the traditional Democratic voters away from him. In fact Mr McGovern is no advocate of extremist policies and has made this clear again and again. But all that he has achieved by this is to shake the confidence of the activists without restoring that of the blue-collar workers, the Roman Catholic Italians, Poles, Hungarians who are increasingly conservative nowadays, increasingly afraid of losing what little social stability they have accumulated. The 80 per cent of blacks who are, as always, solidly behind the Democratic candidate do not make up for the loss of these ethnic voters. They are the people who voted for Mr George Wallace in 1968 and who, from present indications, are going to vote for President Nixon this year. His 60 per cent of the polls is the combined total of his and Mr Wallace's support in 1968; Mr McGovern's 34 per cent is slightly above the then Vice President Humphrey's figure at this stage of the 1968 campaign.

To gather back these alienated Democrats, the party bosses and union leaders as well as the rank and file, has been the task of Mr Sergeant Shriver, Mr McGovern's vice-presidential running-mate, a Kennedy brother-in-law who has brought much of the political charisma of his wife's family and his own energy and charm to bear on the problem. On the other side is Mr John Connally, the ex-Governor of Texas and ex-member of Mr Nixon's cabinet, who heads the Democrats for Nixon. Mr Connally has certainly succeeded in adding to the President's overflowing campaign fund but how many doubtful Democratic voters he has captured will not be known until after November 7th. While many of the people who now tell the pollsters that they are still undecided are probably Democrats at heart, the general view is that many of them will simply stay at home on election day, unable to bring themselves to vote for either presidential candidate.

Apathy is reported to be widespread in the United States this autumn, perhaps largely because the voters feel that the outcome has never been in doubt. But there has also been an absence of serious political debate. This year there is hardly any of the cathartic educational con-

frontation of opposing views which a presidential election is supposed to provide. This is because the challenger, preoccupied with his shortage of money and incompetent organisation, has found himself on the defensive most of the time. His campaign has never really got going, although he has been flying around the country indefatigably. Senator McGovern has been drawing larger crowds lately and financial contributions are coming in better, although mostly in small amounts. But the crowds are composed mainly of his supporters. Organisation rather than enthusiasm also explains the crowds which have been greeting President Nixon now that he has condescended to come down from the White House into the campaign mud. But even now he is not deigning to tell Americans what he proposes to offer them during his second term of office. He is standing on his record, particularly abroad, in China, Russia and the Middle East, and using all the opportunities which his presidential office provides to see that the best side of that record comes out.

Even if Mr Nixon does not achieve actual peace in Vietnam next week (and this now looks unlikely, see page 16), the continuous round of negotiation reminds the voters of how successful he has been in running down the war. They do not seem to mind that he has not ended it, although Mr McGovern constantly recalls that his opponent promised to do so when he took office four years ago. Unemployment may still be at 5.5 per cent of the labour force and the cost of living may have gone up again last month, but so did industrial production. Profits and earnings are rising too and this is more important, at least to most voters, than the fact that last year Mr Nixon broke his undertaking not to control prices and wages.

From all reports the average American still does not trust Mr Nixon; it is just that Mr McGovern is distrusted even more and he is an unknown quantity as well. On economic matters, particularly, people are frightened of what he would do in the White House. His early ill-thought-out plans for the redistribution of incomes, although abandoned long ago by him, have not been forgotten. Americans realise that a lot of things are wrong with their country—the welfare system, the health services, the transport facilities, the schools, the slums—but they are not yet reconciled to drastic change. Even when it comes to the Vietnam war, people seem to think that Mr Nixon would be able to end it more satisfactorily than Mr McGovern, although his presidential campaign was originally inspired by his opposition to that war.

So it's Nixon again

What it all adds up to is that Mr Nixon seems to be a better manager than Mr McGovern and a manager is

The campaign

Our correspondents report on the Republicans' hopes in the South, key congressional races in New York, Massachusetts and Rhode Island, and the campaign in the farm state of Wisconsin, pages 47-57.

what is wanted in the White House nowadays rather than an innovator. The Senator began badly, by making a mess of his vice-presidential choice and of his campaign organisation. Nothing that he has done since has convinced Americans that he could run their country efficiently. It is still possible, however, that Mr Nixon will be damaged by the well-authenticated stories now circulating about the wheat deal with Russia and the tapping of telephones at the Democratic party's headquarters by men allegedly connected with the White House. Mr McGovern has naturally gone to town with accusations of corruption which in the past would have caused the voters—or at least the more sophisticated of them—to rise up against the President.

But nowadays these are matters that seem to concern only a few liberals of distinctly anti-Nixon hue. The country seems either not to care or else to believe that politics has always been dirty and cannot be changed. This has actually been encouraged by Mr Nixon's method of government; he has reduced interference from Washington to a minimum (which is not altogether a bad thing). So the political activists are

concentrating in this election on local issues that they can influence, working for candidates for Congress and the State Legislatures whom they know, for bond issues to finance schools or sewage systems, for referenda on clean water or capital punishment. And the students, or most of them, are going to their classes instead of filling the gap left by the defection of the trade unionists who can normally be counted on to get out the Democratic vote.

Mr McGovern has offered, in a series of television addresses and position papers, a constructive alternative to President Nixon. But little attention has been paid to these proposals even by those who approve of them, because Mr McGovern's chances are so poor; moreover many people doubt whether he would be able to keep his promises if he were elected. Indeed, his reputation for changeability and inconsistency is so strong, probably unjustifiably, that few people even believe that he would want to keep his promises. This conscientious, high-principled, ambitious man has failed to provide a focus for America's genuine concerns. And so Mr Nixon looks like winning a second term by default.



Putting the heat on Thieu

It is not just Mr Thieu, but the whole non-communist majority in South Vietnam, that has to be taken into account at this stage in Mr Kissinger's negotiating process

President Thieu is being told on all sides, and not only from the north, that he is the one remaining obstacle to an easy and immediate peace in Vietnam. The North Vietnamese insist that an agreement has already been reached with the Americans, and they say they are ready to sign next Tuesday. It is very embarrassing for President Nixon. Mr Kissinger agrees that peace is within reach, although he does not see things quite the North Vietnamese way. But President Thieu's fighting talk last Tuesday has certainly gone down poorly with many of his American allies. This may do him an injustice. His stiff-necked stand may be a nuisance to Mr Nixon on the eve of the American election but Mr Thieu believes firmly that he is stopping a sell-out.

What he said really only amounted to what was until very recently one of the orthodoxies of the Nixon Administration. He said that there was no point in having a ceasefire unless the North Vietnamese, as well as the Americans, were required to pull their forces out of South Vietnam. He argued that the truce should apply to the whole of Indochina. And he insisted that free elections, rather than an imposed coalition including the Vietcong, should be the basis for determining South Vietnam's political future.

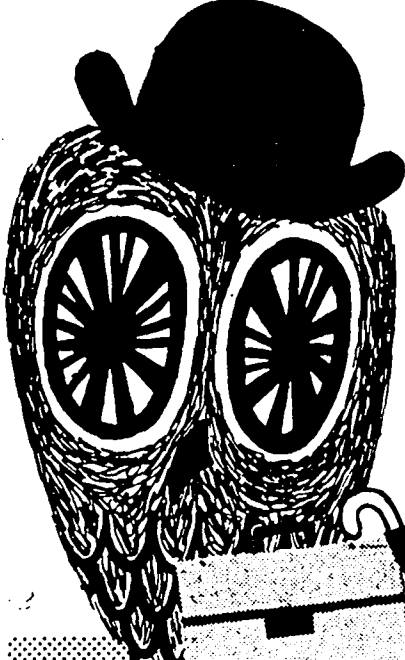
Mr Thieu's refusal to give an inch is being contrasted with the apparent readiness of the men in Hanoi to clamber out of their diplomatic trenches and advance a bit into no-man's land. Hanoi radio said on Thursday that North Vietnam's agreement with the Americans involved a ceasefire, the exchange of prisoners and the

withdrawal of all American forces from Indochina. Then Mr Thieu threw his spanner into the works. This was nicely calculated to encourage even more simulated shock over Mr Thieu's failure to see reason. But how much have the North Vietnamese and their clients actually conceded?

What Kissinger has got

It looks as if Mr Kissinger may have jollied three concessions out of the communists. They now seem ready to negotiate a ceasefire in advance of a political settlement. Second, they may be willing to accept Mr Thieu's friends (and possibly Mr Thieu himself) as partners in a three-sided coalition in Saigon. Third, they have said now they are ready to accept a six months' interval between the formation of a coalition and the holding of free elections in South Vietnam. This is an advance, since the communists have hitherto been reluctant to agree to any deadline for elections, presumably because they would really prefer not to have elections at all. Clearly, they would like as much time as possible after a ceasefire to infiltrate their strong-arm men into the 90 per cent of the country (in terms of population) which they do not hold and to eliminate their enemies through a campaign of terror and assassination.

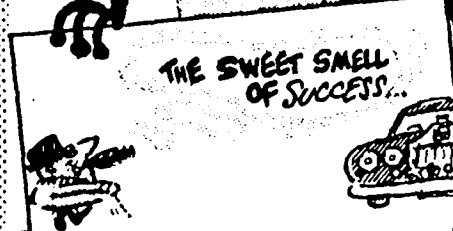
But they have refused to budge on the principle of a coalition government, to be composed of the Vietcong, Mr Thieu's supporters and a neutralist "third force." This is unacceptable to Mr Thieu. The judgment of the rest of the world should depend on whether a coalition



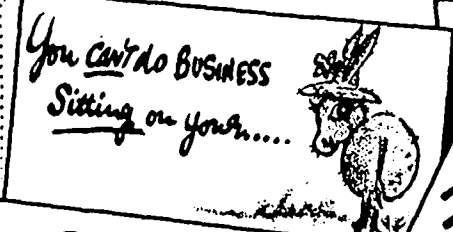
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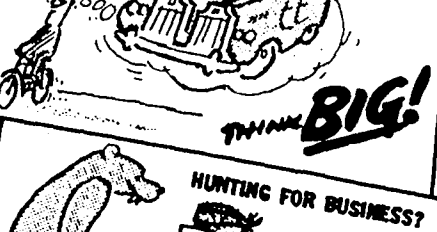
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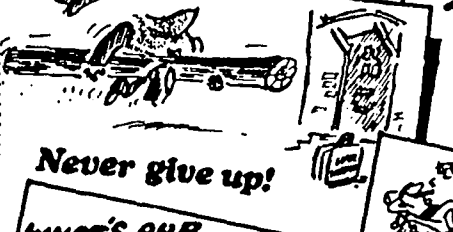
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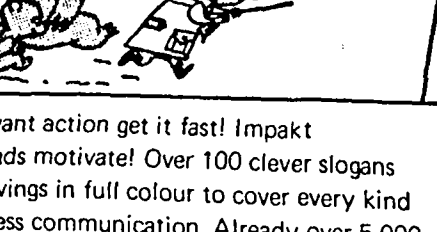




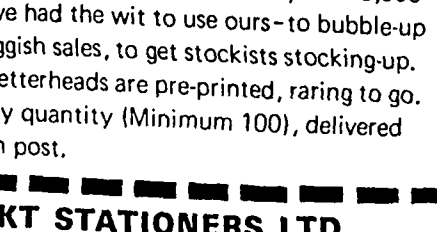















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would be merely a grouping designed to administer the country during a relatively short period before new elections are held, or a system that is supposed to set the pattern for the government after the election too. The former should be acceptable, and the latter should not be.

The dangers in a coalition

The magnitude of the danger that a coalition would turn into the latter animal would hinge on three things:

(1) The balance of forces within the coalition. The communists cling to the thesis that there are two administrations and two armies already in existence in South Vietnam. So they may therefore ask for an equal share in the coalition with the present government's supporters. Since no one believes that the Vietcong could get more than 20 per cent of the votes in a free election, and since the communists control less than 10 per cent of the country's population, they are patently not entitled to an equal share in a coalition. Mr Kissinger's peace plan appears to envisage that the "neutralists" should be separately represented. The idea of a third force in South Vietnam is largely illusory. Mr Thieu certainly has enemies among the country's political establishment—including some living in comfortable retirement in Paris. But nobody inside the country can really be neutral between the alternatives of a communist or a non-communist government. The idea of a three-sided coalition has been used by the communists to exploit the rifts among their opponents: witness the fate of the "neutrals" in Laos after the 1962 Geneva compromise. There may therefore be a better argument for making the coalition a two-sided one, with President Thieu's party and the communists each including some "neutrals" in their own representation.

(2) Who gets what jobs. It would be fatal for everyone else in Vietnam if the communists or their friends were to get operational control of the army or the police for even six months.

(3) Most important of all, the lifespan of the coalition. The only logical role for an imposed coalition whose members were picked arbitrarily, without any reference to the electorate, should be to hold the ring while preparations were made for an election that would reveal the true distribution of support inside the country. That election would have to be held as quickly as possible (the delay should not be longer than six months), and the government formed after the polling should emerge through a process of free bargaining between the groups that had proved their popular support by democratic means. The government after the election should consist of a combination of those groups that believe that they can work together effectively, provided only that this combination represents a majority of the electorate; and the minority that is left out of the government should be given a guarantee that it will be free to play the normal role of a democratic opposition. It would be both wrong and unworkable to prescribe in advance that any particular group should have a place in the post-election government irrespective of its voting strength.

It is doubtful if the communists are willing to swallow this interpretation. They know that a genuinely free election would expose the fact that they enjoy only

minority support. Although they are now saying that they would be ready to take part in some sort of election soon after the setting up of a coalition, they want the voting to provide the basis for a constituent assembly rather than for a future government. This would permit them to continue in power for an indefinite period and destroy the system from within. It is not in the interests of either Mr Thieu or Mr Nixon to give them that chance.

Even if the Americans (in the hope of producing a spectacular "agreement in principle" before November 7th) are determined to push ahead with a plan for an imposed coalition, Mr Thieu has now made it clear that he will not play along with them. This toughminded politician, so long derided as a puppet, has shown that he is not going to dance to anyone's string-pulling. And he has one or two tricks up his sleeve. While the North Vietnamese insist that they will not free their American prisoners of war unless captives held in South Vietnam are also freed, Mr Thieu has the power to prevent Mr Nixon winning timely applause by bringing those particular boys home. Of course, his personal survival and the survival of the whole regime depend on massive American military aid; and it could be suspended if he refused to play ball. But it is doubtful whether Mr Nixon would go as far as that in pursuit of a settlement that would hold very few advantages for his South Vietnamese allies, and which, despite his electoral preoccupations, he does not seem to need in order to beat Senator McGovern.

Something less than peace

There is unlikely to be any grand settlement of the war in these last 10 days before Mr Nixon faces the polls. But there could be a lesser agreement that would please American electors without exciting too much anger and alarm in Saigon. It might consist of an agreement on a standstill ceasefire coupled with some (suitably vague) assurances about future talks between the South Vietnamese and the Vietcong. A ceasefire that halted the American bombing, but left the North Vietnamese free to move their men about inside the areas they hold in the south, and to move supplies and reinforcements through Laos and Cambodia, would certainly be no famous victory for the men in Saigon. It would serve Mr Nixon's electoral purposes, not the military needs of the South Vietnamese. If it included the release of some of the American prisoners it would be joyfully welcomed by many Americans; but it would reduce, rather than increase, the capacity of the South Vietnamese to avoid losing their war.

No truly viable settlement can be negotiated and implemented over the heads of the South Vietnamese themselves. Mr Thieu is not the world's most democratic, or popular, president, but he has won a lot of support this week, even among his political rivals, by showing that he is prepared to stand up to his patrons. He has said he is ready to step down in order to hold free elections. The Americans fell once before for the delusion that, by casting aside a South Vietnamese president, they could find a solution for the war. It did not work with Diem in 1963, and it is even less likely to work now.



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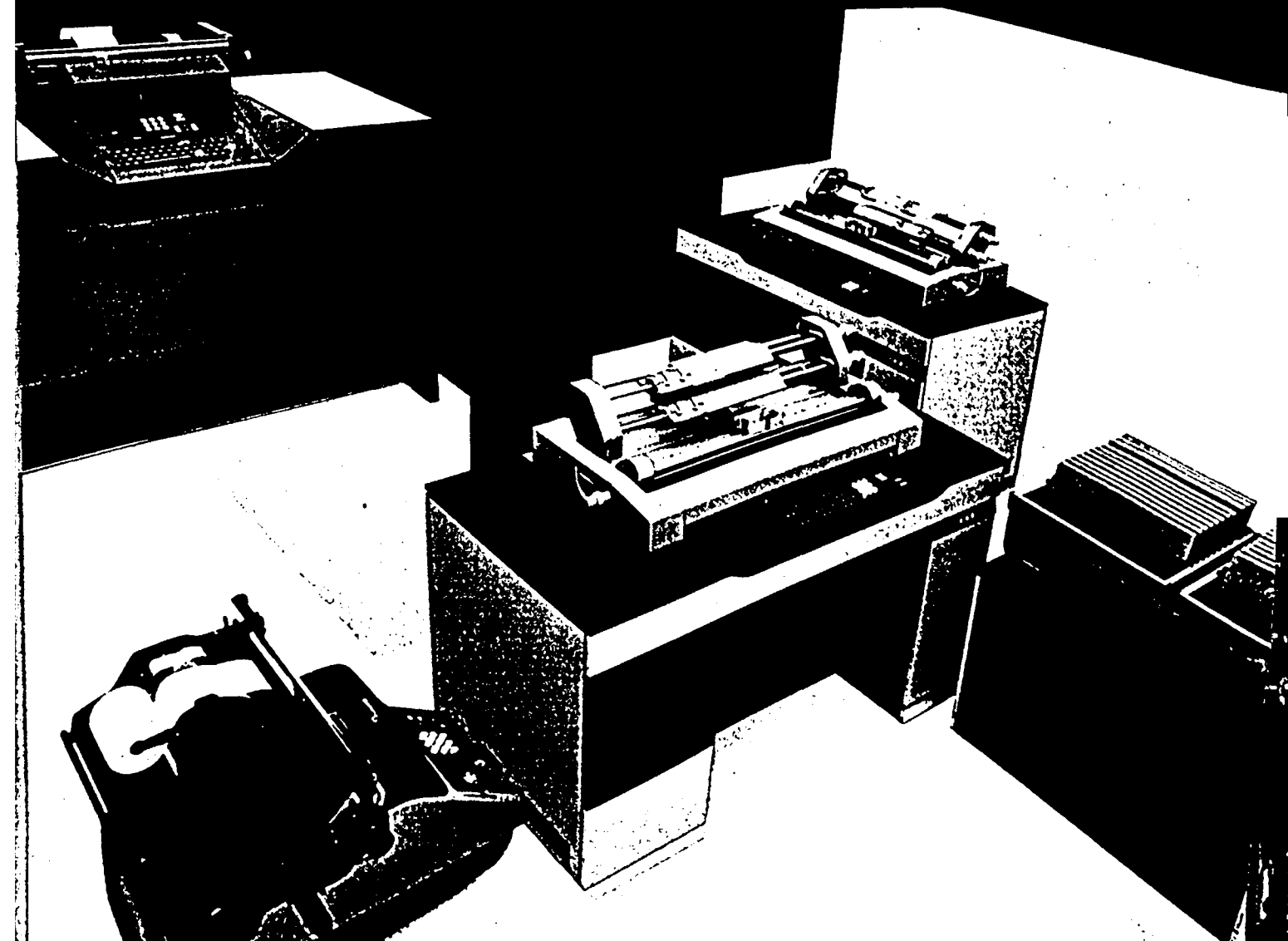
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THE ECONOMIST OCTOBER 28, 1972

21

BRITAIN

The other side of the Hill

Now that the House of Commons has once again voted against any experimental televising of its proceedings, the broadcasters of the land can devote even more of their energies to their other two favourite pastimes—forming consortiums to bid for commercial radio stations (particularly the London all-news station) and guessing who Mr Heath might appoint as the next chairman of the BBC. These are early days in the commercial radio struggle, but the indications are that vastly more people are interested in running radio news for a profit than in succeeding Lord Hill at the BBC for a pittance—although none of the people who have been reported as turning down the BBC job has actually been offered it.

In the opinion of some senior members of the Government there is a very direct connection between the Commons rejection of the television cameras by 191 votes to 165 and the top management of the BBC. At the Tory party conference, a week before the Commons rejected the television experiment, some senior ministers who had access to the whips' reports on backbench feeling were predicting, in private, that the motion would be lost. This prediction, which was surprisingly confident,

considering that the motion to have a closed circuit experiment had been lost by only one vote when it was debated in 1966, was based upon the widespread distrust of the BBC which they knew existed among Tory backbenchers, and particularly among the younger Tory MPs.

It is true that this distrust was not voiced during the Commons debate on Thursday of last week; the opposition then came very largely from the older generation of parliamentarians who were afraid of the effect that the television cameras might have on the character of the Commons. Yet the BBC and its supporters would be deluding themselves if they took that as evidence that such misgivings about the present conduct of the BBC are not widespread and did not play a considerable part in persuading many MPs on both sides either to vote against the television experiment or stay away from the debate altogether.

To follow Sir Hugh Greene, the former director-general of the BBC, on this issue is to be misled. In his recent Granada lecture on the future of broadcasting, Sir Hugh admitted that there seemed everywhere to be an "instinctive feeling that something is not quite right with the BBC." But Sir Hugh, while acknowledging there are quite genuine grounds for it, reckons that feeling can easily be cured by Mr Heath appointing a chairman who would persuade the governors to resume the old, passive role of not interfering with the professionals' prerogative of deciding which programmes should be broadcast, and restricting themselves merely to considering after the event, if necessary, whether the professionals had been right or not.

It is unlikely that Sir Hugh Greene's successors will ever see such halcyon days again, for the nature of the serious

political criticism of the BBC has changed drastically. That some in the Labour party believe the BBC is anti-working class and some in the Tory party believe it is pro-Labour is not very important; it is the feeling that too many BBC people and programmes are biased against the present party and parliamentary system which concerns many of the leaders in both major parties. Mr Heath, like Mr Wilson before him, regards television as too powerful a medium for the BBC to be headed by a man who is content to regard the chairmanship as little more than a dignified position.

But an interventionist chairman does not have to be a politician. Indeed, among those politicians who recognise that journalism is about criticism Mr Hugh Cudlipp, who is leaving the chairmanship of IPC Newspapers, would be an acceptable choice. Under Mr Cudlipp, the Daily Mirror has perfected the art of pungent, and sometimes thumping, criticism of governments and parties without bringing the whole political system into question (Mr Cecil King's aberration in that respect cost him his job). And some Conservative backbenchers, in particular, are canvassing support for Mr William Deedes, who has been both a Tory cabinet minister and a working journalist. Mr Heath is keeping his own counsel, if indeed he has yet made up his mind. What is certain is that Lord Hill's successor will be more a shirt-sleeved chairman than a stuffed shirt.

Labour party Shadow play

Although nominations for Labour's new shadow cabinet do not close until next week, the candidates' election campaigns are already well under way. Yet despite the fact that this year the struggle will be even rougher than last time, it will be surprising if there are many changes.

The reason for the vigour of this year's campaigns is that there are likely to be significantly more candidates, particularly from the centre and right.



Hill: Greene is far away

of the party. Last year, the pro-marketeters produced a slate of only nine candidates for the 12 seats on the shadow cabinet, and partly because of this succeeded in electing four of them—Mr Edward Short, Mrs Shirley Williams and the two who subsequently resigned with Mr Jenkins in April, Mr George Thomson and Mr Harold Lever.

Now that Mr Short has already been re-elected as deputy leader, the marketeters have only Mrs Williams's seat to defend and no one doubts that she will win easily; indeed there is an outside chance that she will come top of the poll (she was third last year). But it is clear that the marketeters are making no serious attempt to keep down their number of candidates. Men who last year stood aside so that a short slate could be produced quite reasonably believe that they have done their duty to the cause once, and that they must now be allowed to run.

As a result, it is rather unlikely that the marketeters will make any gains. Last year, Mr Cledwyn Hughes was the highest unsuccessful pro-market candidate, but although he will probably do rather well again it is difficult to see him winning. On the other hand, if Mr Harold Lever ultimately decides to stand—and this is a strong possibility—he may just squeak in.

The most likely casualty is once more Mrs Barbara Castle. Last year, she lost her seat, and retained her place on the front bench only because of Mr Wilson's generosity to an old friend. She eventually won her seat back after the Jenkinsite resignations had created three vacancies. The other member of the shadow cabinet under pressure is Mr Reg Prentice, a moderate anti-marketeter who has taken up that position largely, though not exclusively, for third-world reasons.

He is a man of moderation and determination, qualities which led Mr Prentice, who is shadow employment secretary, to speak out strongly against the militants in the docks earlier this year during their confrontation with the courts; a line which required considerable courage if one was also an East Ham MP. The Tribune group has neither forgotten nor forgiven Mr Prentice for such provocative behaviour, and a great deal of work will have to be done among the moderate majority of the parliamentary Labour party if he is to keep his seat.

Once again, Mr Eric Heffer seems



Prentice: immoderate pressure

destined to do fairly well. Last year, he obtained the same number of votes as Mrs Castle—and was then defeated by her in a run-off election following the resignations. It is difficult to see why he should do well on any rational grounds. Mr Michael Foot, Mr Callaghan, Mr Peart and all the others will hold their seats with ease, and so will Mr Healey, despite his disappointing showing as shadow chancellor.

There has been a great deal of huffing and puffing about Mr Anthony Wedgwood Benn. Awful threats of retribution have been made against him by a number of trade union MPs, but it is hard to believe that he is in serious trouble. What is all too easily forgotten is that last year he did remarkably badly, coming only 18 votes above Mr Healey, who was at the foot of the list of successful candidates. As only a handful of moderates voted for him then, why should anyone expect that he will do all that much worse this time?

As the shadow cabinet election campaigns opened, the marketeters were greatly cheered by the news of the re-election on Monday of the parliamentary party's chairman, Mr Douglas Houghton, who beat his opponent, Mr Norman Pentland, by 16 votes, compared with his majority of only seven last year. Mr Pentland received strong left-wing support, despite the fact that he is on all issues other than the common market to the right of Mr Houghton. But then, as Mr Jack Peel discovered to his cost in the elections to the general council of the Trades Union Congress, those on the left are prepared to vote for any candidate, however right-wing, if they believe that they can remove men of vigour and courage who disagree with them.

Ulster

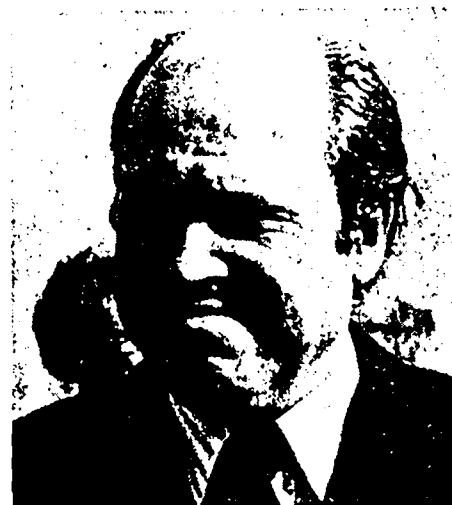
For those who will still listen

Moderates are thin on the ground in Ulster nowadays, but the few there are may have something to cheer about next Monday when the Government unveils its consultative document on the province's future. This green paper is not going to spell out exactly what Mr Heath and Mr Whitelaw have in store for Ulster; that must await the promised white paper, which may be out before Christmas. But it will lay down the limits within which a sensible political settlement might conceivably be worked out, if there were enough commonsense in Ulster. This could help inject some realism into the present war of words.

Many Protestants refuse to believe that a reunified Ireland is not one of Westminster's policy options, even though Mr Whitelaw has repeated in almost every speech since he became Northern Ireland secretary that the province can stay British so long as its majority want it that way. The green paper is certain to repeat that undertaking, but it is also going to make it quite clear that there can be no possible return to the old system of Stormont government which was suspended in March, and that complete integration with the United Kingdom is not the answer for Ulster, either.

That should then provide an opportunity for Mr Brian Faulkner to mend his fences with the Government and take a grip on what is left of the Unionist party. It is very likely that the ultra-Protestant leaders like Mr Bill Craig and Mr John Taylor will reject whatever proposals appear in the green paper. That is the only conclusion to be drawn from their talk of the bloodshed to come in their fight for an independent British Ulster if Stormont is not returned intact with security powers firmly in Protestant hands. If they do reject the green paper, then the Vanguard movement may well decide to desert the Unionist camp and set up a new political party of the right on the twin pillars of the Ulster Defence Association and the Loyalist Association of Workers.

Ever since direct rule, Mr Faulkner has attempted, with more and more difficulty, to steer a middle course. He brought Mr Craig into the Unionist policy committee, and he tried to get Mr Craig to join the party's delegation to the Darlington con-



Bradford: no pipe dreams

ference. The result has been to disenchant those moderate men in the party, like Sir Robert Porter, Mr Robin Bailie and Mr Roy Bradford, who took a leading part in the implementation of the old reform programme. Mr Stratton Mills, the Westminster MP for North Belfast, would like the Unionist standing committee to expel Mr Craig and his estimated 10,000 party followers in Vanguard and so would many other moderates. But whether Mr Faulkner could risk a decisive showdown with Vanguard at this stage is another matter. He would not have a majority party left if the Protestant working class hived off into a movement behind Vanguard and the UDA.

It was Mr Bradford who made most sense this week when he argued that the postponed referendum should not be a mere yes or no to the perpetuation of Ulster's border with the Irish Republic, but should face the Protestants of Ulster with the reality of either accepting whatever the Government finally proposes as a solution for the province or going it alone. In Mr Bradford's words, "to talk about negotiated independence which gives us the benefits of the United Kingdom without Westminster control is a pipe-dream."

Immigration

Rules for Europe

New immigration rules will, from January 1st, permit the free movement of EEC workers into Britain. This does not bring full rights of citizenship such as are available to "patrials" as defined in the 1971 Immigration Act, but it does place immigrants from common market

countries at greater advantage in finding jobs and bringing their families to live with them than immigrants from the Commonwealth or from foreign countries outside the EEC who were not already settled in Britain before the passing of the 1971 act. But the EEC commission may still require publication of the rules in a more positive form than the present Home Office standard instructions to immigration officers.

Although no one expects Britain in its present economic circumstances to be much of a magnet for EEC workers (the reverse is more likely to be true), these can if they wish come to Britain to seek work or set up business quite freely for an initial six months. If they succeed, they can then get a residence permit for five years and after four years here in business or employment no further permissions will normally be necessary. Up to that point an EEC national will still be required to register with the police as other foreign nationals are; and he would be subject to the same deportation rules. It is possible, however, that these may prove too stringent by EEC standards.

To allay fears of scroungers, residence permits will not be given to common market workers who live off public funds in their first six months and may be withdrawn from someone who does so while able to support himself. The point has been made that citizens of the Irish Republic, though they too will be in the EEC, will remain exempt from these and other residence rules—and there are very good reasons, politically as well as practically, why that should remain so. But deportation orders may be made for the first time against the southern Irish, unless, like Commonwealth citizens, they are exempt by reason of being "patrials" or by length of residence. But there is really no way of stopping Irish deportees coming back.

Commonwealth citizens who are "non-patrials"—ie, who cannot claim the right of abode in Britain by birth or descent, as defined in the 1971 act—will be admitted on a much narrower basis. They must, as at present, have work permits for specific jobs and these only, in the first place, for up to 12 months. The Department of Employment must approve if they wish to stay on after that. Apart from the fact that they will not have to register with the police they are more or less as restricted as foreigners from non-EEC countries in their job and residence rules. Neither, incidentally, may

be brought in from overseas to do a job which has not first been advertised for 18 days to EEC workers, but once in the country they will have the same priority as the resident labour force in job applications. More questions will be asked about dependants whom they wish to bring over than in the case of EEC workers. Commonwealth citizens who were resident in Britain before the passing of the 1971 act are less restricted, but they may go back to square one if they leave this country for more than two years and then wish to return.

The immigration rules make it clear that black Frenchmen or Dutchmen, who are French or Dutch only because of their birth in an appropriate colony, are not to be admitted as EEC workers unless they have some stronger connection with an EEC country. Similarly, Commonwealth citizens cannot seek jobs in other EEC countries unless they are patrials.

Jurors

Well, what about Parliament?

It was quite inevitable that the lowering of the voting age should have made MPs awfully hard to convince that anything should be denied to 18-year-olds—even something as burdensome as jury service. Last Friday, Mr Mark Carlisle, minister of state at the Home Office, failed to convince enough of them that the minimum age should remain at 21, even though the householder qualification was at last being abolished. An amendment to the Lords amendments to the Criminal Justice Bill was passed which lowers the limit to the new voting age. Mr Carlisle opposed it sitting as near to the fence as he could; and on Tuesday the amendment travelled unrejected through the House of Lords.

The Commons debate was not one of Parliament's finest hours. MPs put forward four arguments for lowering the age. First, consistency (but since it is unnecessary to apply for jury service, it hardly matters if the public is uncertain as to the minimum age); Second, that if 18-year-olds can take and risk life in Ulster they ought to be allowed to take away a man's liberty (but in Ulster, after all, they are presumed to be under order); Third, that the odds are against their being more than one or two teetotal on the jury, and these could not be challenged (which boils down



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the argument that it will not do much harm). Fourth and most oddly, that the ancient right to trial by one's peers implies that the sizeable proportion of defendants who are under 21 should have the chance of being judged by people in their age-groups. The logical conclusion of that argument, as one MP acidly pointed out, was 15-year-old magistrates on the juvenile bench. And no MP seemed bothered by the rights of any old-age pensioner who finds himself in court, though everyone over 65 is barred (or, as it used to be put, released) from jury service.

The speeches by the amendment's opponents were so watered down by a reluctance to offend teenagers that they were hardly more impressive—though the point was made that 21 is still the age of majority so far as the prison system is concerned. The conclusions of the Morris committee on jury service, whose report appeared back in 1965, were quoted in their support by both sides. That recommended a minimum age of 21 (and spent a long time convincing itself that it should not be higher) but, as two ex-members of the committee pointed out, there was then no real question of lowering the legal and voting age of majority. But no one thought it worth remembering that only three weeks ago a Government committee reported that it had been persuaded that there should still be a minimum age for would-be adopters, and it found no difficulty in deciding that that age should be not 18 but 21. That is almost the only restriction left on teenagers—except that MPs still preserve their House of Commons for the over-21s. When the members of the new Speaker's conference on electoral law get round to discussing that, they might remember that some people would think teenage MPs a much less risky innovation than teenage jurors.

Housing land

County companies?

Local authorities have recently been urged by the Government to use compulsory purchase on sites which are holding up urgent housing. A Government working party* this week goes further and says that widespread compulsory purchase orders may be necessary in the growth areas of the home counties if large-scale expansion

*Local authority/private enterprise partnership schemes. HMSO. 47p.

schemes are to be achieved at reasonable cost. (The point of the CPO procedure is that the price paid, even if eventually by agreement rather than compulsion, discounts the extra site value caused by the planned scheme itself.) But at present rates of land inflation this would deal with only part of the problem. So would other ideas put forward by the working party, though they are all worthy of consideration. Joint companies with land-owners, developers or other interests, should be considered and laws introduced to give local councils a general power to enter into this kind of scheme. The point would be to save the public purse from large-scale land acquisitions when, in planning terms, ownership of key sites might do the trick, and to enable some public works, such as sewerage, to be carried direct by private developers.

The working party was asked to consider new ways of promoting large-scale private housing schemes; the snag, of course, is that there are many large-scale sites, even in the prosperous south-east, where council houses are just as badly needed. If town centre schemes, where local authorities and private developers have joined hands, are to be taken as the example, there is good reason to fear that social factors will get too little consideration under the kind of arrangements envisaged. But the working party recoils from the obvious solution of giving local authorities in large-scale growth areas powers equivalent to those of new town corporations.

Fanfare for Europe

Joking apart

Lord Goodman could not have hoped to be taken too seriously when he said at a press conference on Tuesday that Fanfare for Europe, a national festival to mark Britain's entry into the European community, is non-political. Lord Goodman knows a thing or two about politics and he knows better than that. Fanfare has been conceived as an exercise in political public relations with the object of making British membership of the common market a cause for celebration, not lament or indifference. That is why the Government is paying for it, up to a maximum of £350,000.

There is no need to be defensive about it. Of course, as Lord Mancroft, Lord Goodman's co-chairman in organising the festival, admitted, some local authorities have felt too opposed



Goodman, Mancroft: just fun and games

to the European idea to join in. More surprising perhaps is just how many have decided to play a part to make Fanfare a festival for the whole country, not just London, and for all tastes. The celebrations last from January 3rd to 13th and by the time they come to an end most people will have had a chance to enjoy some part of them.

The committee headed by Lord Mancroft has had the job of organising the non-cultural events which, given the time of year, cannot have been easy. But the programme looks imaginative, ranging from a two-day conference on the implications for industry of Britain's entry and an essay competition for all schoolchildren within the community, to a fashion show, a Miss TV Europe contest, a vintage car rally to Brussels and all manner of sporting events. Not the least achievement will be the staging at Wembley of a soccer international between the Three (Britain, Ireland and Denmark) and the Six; choosing the Three's side will start Britain's membership of the EEC off on a nice rowdy note.

If, on second thoughts, Lord Goodman might hesitate before describing a European shopping fair in Birmingham, or a "Britain into Europe" project in Leeds, or a "Housewives and the common market" exhibition in Plymouth as non-political, he is entirely justified in commending the cultural festival planned by his committee for London and the rest of Britain. In particular, the music to be offered in the capital during Fanfare, both in the quality and the extent of it, is worth boasting about.

THE WORLD

International Report

At this rate, somebody is going to get killed

No, the British navy is not going to get pinned down off Iceland as seriously as the British army has been pinned down in Ireland. But it was announced on Monday that a second frigate, *Phoebe*, was joining *Achilles* on station just outside the 50-mile sea zone now claimed by the Icelanders; and it has been made clear that these warships will be ready to enter that zone if Icelandic gunboats make any further attacks on British trawlers there. And on Tuesday Mr Heath held a special meeting of the cabinet's defence and foreign policy committee, which was attended by the chiefs of staff of the armed forces as well as by the Minister for Agriculture and Fisheries. The new "cod war" launched by Iceland at the beginning of September has started to escalate.

Nobody has been killed yet, but that has been largely a matter of good luck. After a month-long lull, Iceland's gunboats resumed on October 16th their harassing of the 70-odd British trawlers in the disputed area, cutting their trawl wires (an action that in itself can cause fatal casualties), firing warning shots, and, according to the trawlermen, attempting to ram at least one vessel. The Icelanders claim that the trawler *Aldershot* was holed on October 18th while it was itself trying to ram their gunboat *Aegir*, but the trawlermen say it was taking evasive action when it was struck, and the fact that it was holed in the stern is suggestive. Even the most pugnacious trawler skipper might hesitate before trying to ram an armed vessel, both faster and larger than his own, by backing into it.

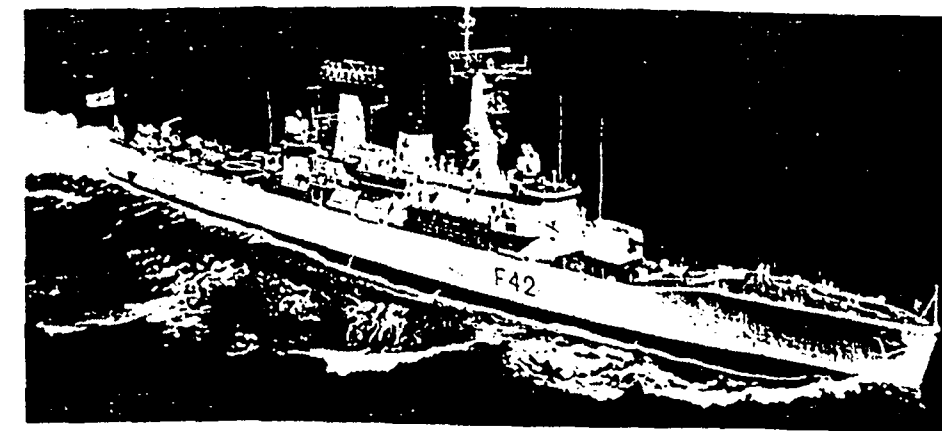
The Icelanders are no longer stressing their anxiety to avoid clashes. Their prime minister, Mr Olafur Johannesson, who had formerly shown more restraint than his communist

minister of fisheries, Mr Ludvik Josefsson, has called the cutting of trawl wires a necessary "police" action and has accused the British trawlermen of "criminal" resistance to authority. Mr Josefsson himself has derided the ban on the handling of Icelandic cargoes at British ports that the Transport and General Workers' Union dockers imposed last weekend in support of the trawlermen, and he is probably safe in doing so; in the first half of 1972 British sales to Iceland were worth about 60 per cent more than imports from Iceland, which now sends less than 13 per cent of its exports to Britain. There was no sign of readiness for compromise in the statement issued after the cabinet meeting held in Reykjavik on Tuesday.

On the same day the new Norwegian government headed by Mr Lars Korvald said in the Storting that it is going to consider extending the country's fishing limits beyond the present 12-mile line. There was, however, no real element of support for Iceland in this move. Mr Korvald himself indicated that Norway could wait until the next United Nations general conference on sea law meets toward the end of 1973—which is what the

British had been urging the Icelanders to do. And the Korvald government is a sorry stopgap, formed by the anti-EEC minority in the Storting after last month's abortive referendum on common market membership. It cannot actually do anything serious without the consent of the pro-market majority, who would block any move that further impaired Oslo's relations with Brussels. A unilateral extension of fishing limits would shut Norway off from access to the enlarged common market under a trade agreement, just as it is doing in Iceland's case.

Britain has invited the Icelanders to resume negotiations. It is willing to accept limitations on fishing in the area newly claimed by them since September 1st, although without recognising their full sovereignty over this part of the high seas. It can cite the 1961 agreement in which Iceland promised that it would not extend its claims beyond the 12-mile limit if the International Court at The Hague upheld an objection to such an extension; it can now also cite the court's interim ruling, given in August, which directs Iceland not to interfere with British trawlers outside the 12-mile limit. But none of this seems to have any effect on the coalition government in Reykjavik, which is now visibly being wagged by its communist tail. Mr Josefsson has sought, and looks like achieving, a "confrontation" drama in which big brutal Britain can be depicted as bullying gallant little Iceland.



Phoebe sails to join Achilles

Italy

What Valpreda means

FROM OUR ROME CORRESPONDENT

Italian justice seems to be grinding to a halt. It is now close on three years that Signor Pietro Valpreda and three other anarchists have been in prison awaiting trial, but no assize court has yet been found willing and competent to judge them. The southern town of Catanzaro, in Calabria, which was most recently chosen for the unwellcome job, has now asked to be excused on the grounds that it is not equipped to cope with such an important trial.

Signor Valpreda and his comrades are accused of setting off bombs in Milan and Rome on December 12, 1969, when 17 people were killed. The evidence against them was slender from the start, and much has now come to light which suggests that the outrage was in fact the work of members of a group of fascist terrorists. Two of these, Signor Franco Freda and Signor Giovanni Ventura, have actually been arrested on this very charge, and the case against them is being prepared. None of this, however, can help Signor Valpreda and his friends unless they are brought to trial. The case has been shifted from one court to another, each move delaying the start of the trial. And, under Italian law, one can be kept in jail without trial for four years.

The case was switched from Milan to Rome and back again to Milan on a legal cavil. The question was finally settled in favour of Milan, and the trial could have been held there this autumn had not the Cassation judges accepted an objection that disturbances were likely to occur which might disturb the serenity of the court. The judges therefore ordered the trial to be moved south. They must now decide whether to impose it on Catanzaro or transfer it elsewhere.

The law's delay is by no means the only unpleasant aspect of the affair. The judge who is preparing the case against Freda and Ventura has now accused three high ranking officials of the ministry of the interior (one of them is the deputy chief of police) of holding back information which would have thrown a different light on the Valpreda case. This information concerns the dispatch cases in which the bombs were left to explode. It now appears that the four cases were bought in Padua by Signor Freda, and that the one alleged



A long wait for Valpreda

to have been placed by Signor Valpreda was originally (before it was charred) brown—not black as the witness against Signor Valpreda alleged. It has also been ascertained that a number of clockwork timers similar to those used to set off the bombs had been bought by Signor Freda. The inference behind all this is that the police decided from the outset to fasten the crime on the anarchists and more or less deliberately held back evidence which could have put the magistrates on to the fascists. There is also the matter of Giuseppe Pinelli, another anarchist who was arrested immediately after the 1969 bombings. He fell to his death from a window in the Milan police headquarters while being interrogated. The police tried at first to suggest that he had confessed.

The social context in Italy has changed somewhat since 1969. The neo-fascists made big gains in the general election last May. The towns are plastered with their slogans and manifestos and the bookstalls are piled with apologetic literature on the fascist era. But they are not finding it easy to thrust themselves as allies upon the Christian Democrats and the other government parties, and they are spoiling for trouble. This week bombs were put under a train which was carrying workers' delegates to a big trade union rally in Reggio Calabria. Train bombings in 1969 which the police at first tried to fasten on the anarchists have now been proved to be the work of fascists.

The atmosphere today is less tense than in 1969 but much more wary, and the most influential part of the

press has given up anti-communist witch hunting and is giving warnings that the biggest danger is now from the fascists. Signor Valpreda is a sick man and, it is said, has given up hope of proving his innocence or even of being brought to trial. But there is a widespread feeling that this case must be properly sifted if democracy in Italy is not to go under. It is considered a test case for the government to show that it is stronger than any high bureaucrats who have been shielding fascists. It is also a test case for the magistracy.

Germany

Meanwhile, back home

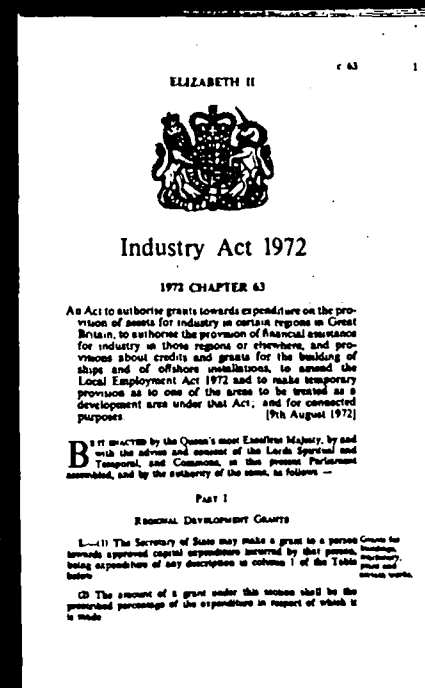
FROM OUR BONN CORRESPONDENT

The good President Heinemann, entertained this week by the Queen at Windsor and Edinburgh, is well out of it. Back home it is all go. In Berlin on Thursday the four victorious powers in the second world war met for the second time in the week to try to decide what their "rights and responsibilities" are for Germany as a whole. In Bonn this week the west German state secretary, Herr Egon Bahr, met his east German counterpart, Herr Michael Kohl, for the umpteenth time in an effort to complete a general relations treaty for the two Germanies.

All sides agree that completion dates are unimportant compared with the magnitude of the tasks that confront them. But it has escaped nobody's attention that the preparatory meeting for the European security conference is scheduled for November 22nd in Helsinki. That is just three days after the west German general election. So it might be good for all concerned if things were sewn up before November 19th and some precise notion of what Germany is and what it is not is agreed upon before the election date.

Both sets of talks are taking place against a background of extreme political uncertainty. The junior partner in the Brandt coalition government, the Free Democrat party, has this week suffered losses in local elections. They lost ground in both Hesse and Lower Saxony. The chancellor, Herr Willy Brandt, needs the Free Democrats to survive if he is to have any real chance of forming the next government. The party needs to get more than 5 per cent of the total vote if it is to be represented in parliament. In the 1969 election it got 5.8 per cent; it will be pressed to do it again.

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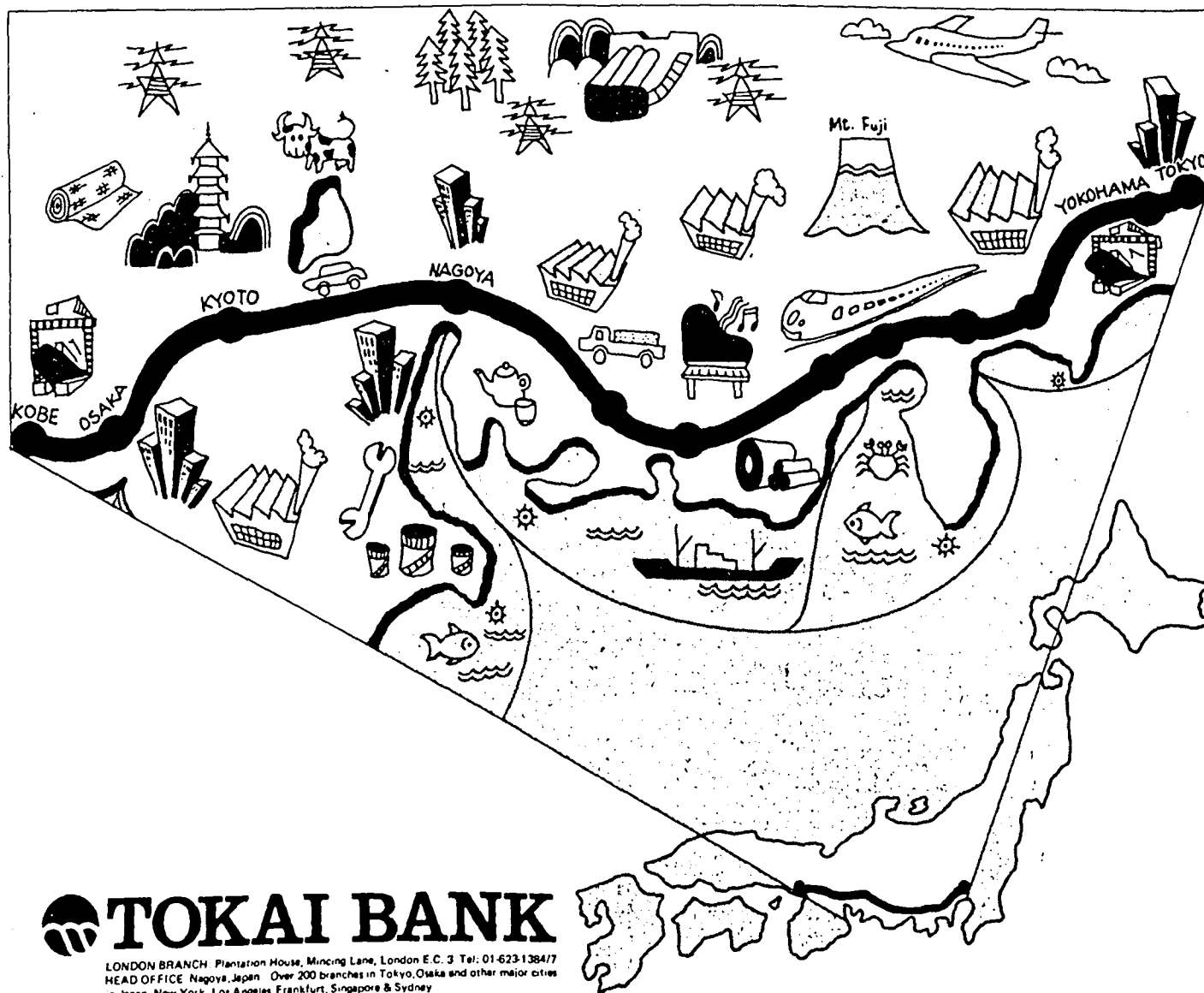
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Jugoslavia

Now Serbia too

FROM OUR EAST EUROPE CORRESPONDENT

First Croatia, now Serbia? The resignation last weekend of the Serbian communist party leaders, Mr Marko Nikezic and Mrs Latinka Perovic, looked at first like a dose of the same draught that shook up the Croatian party last year. But there is a fundamental difference between the changes last year in the Croatian party and the present Serbian crisis. Whereas the Croats were accused of pursuing a policy of nationalist chauvinism which threatened the political stability of the Yugoslav federation, the campaign against the Serbs is rooted in their disagreement with President Tito over his contention that a *laissez faire* economic policy has divided the nation into two—the rich and the poor—to a greater extent than national differences.

President Tito now takes the view that the economic boom of many Yugoslav enterprises is creating an ever larger class of affluent, privileged managers at the expense of the labour force. Over the years of burgeoning prosperity, he has come to feel that the manifestations of a ripaway socialist market economy are incompatible with the continued power of the party. When he insists that the only people who have not benefited from Yugoslavia's economic miracle are the workers, he has something of a case.

The average Yugoslav working man is undoubtedly better off than he was 10 or 15 years ago, but he has been left choking in the exhaust fumes of a gigantic middle-class take-off. Moreover, as one Yugoslav put it, you cannot expect much in the way of discipline at a lower level when there is so much graft, embezzlement, tax evasion and speculation higher up. Some 42,000 new country and coastal holiday villas and thousands of two-car and three-car families bear testimony to the new prosperity, but even professional families who stick closely to the rule book find themselves living four persons in a minute two-roomed apartment.

The Serbian leaders agree that the party should galvanise itself but insist that it should "guide not control" national affairs, and should not reimpose itself in the manner of other communist countries. This, President Tito has said, is not his intention—he is merely looking for "higher moral standards." The error of Mr Nikezic

and the other Serbian leaders is that they have continued unswerving on the course of economic liberalism which President Tito once espoused but now rejects. Politicians come and go in most systems and it is perhaps a sign of maturity that these differences in Serbia are now being sorted out publicly, in contrast to disagreements in other communist countries.

Turkey

Alive, and kicking

The four Turks who held ransom the passengers and crew of a Turkish airliner at Sofia airport for 40 hours at the beginning of this week failed in their attempt to bring about the release of any urban terrorists imprisoned in Turkey. After long and tense negotiations they surrendered on assurances that they would be given political asylum in Bulgaria. The Turkish government was as adamant in its refusal to meet any of the hijackers' demands as it was during an almost identical event last May.

But once again the Turkish People's Liberation Army, which seems to be the umbrella organisation for diverse terrorist groups, has succeeded in showing that despite the draconian security measures the Turkish government has taken over the past 18 months the underground opposition is very much alive. This latest episode will strengthen the Turkish security forces' determination to retain martial law in the 11 most populated provinces and to push the government to move faster in getting various amendments to the constitution through parliament. One of the proposals is to set up special courts to deal quickly and effectively with those accused of subversive activities.

But the prime minister, Mr Ferit Melen, is not finding it any easier than did his predecessor, Mr Nihat Erim, to persuade the political parties to co-operate in passing the legislation the service chiefs have been demanding since they took a hand in political affairs in March, 1971. He still maintains it will be possible for a general election to be held next autumn, but since the reforms are opposed by the conservative Justice party—the largest in Turkey's parliament—it seems less and less likely that the election will take place then. Mr Melen has denied that he is about to follow the example of Mr Erim and throw in the sponge, but it would be understandable if he felt tempted to do so.

Canada

Two keys to the kingdom

FROM OUR CANADA CORRESPONDENT

Monday, October 30th—polling day in the federal elections—will resound with the exhausted sighs of the pilots of chartered aircraft. The rival party leaders have sped from province to province in apparent attempts to be in all places at once. The jet chartered by the Conservatives has carried Mr Robert Stanfield the equivalent of five times round the world during the campaign. One reason for the frenzied shuttling has been the parties' awareness that Quebec, with its 74 federal seats, and British Columbia, with its 23, can tip the balance in the 264-seat House of Commons. The Liberals do not expect to make inroads into the Conservative fastness of the maritime provinces, where in 1968 they took only seven of the 32 seats. Mr Trudeau may gain a little ground in the Prairies and thus offset likely losses in Ontario. But if he is to retain his outright parliamentary majority (the Liberals went into the campaign with 147 seats) he has to hold his party's 56 seats in Quebec and its 15 in British Columbia.

There are problems for the Liberals in both places. Four years ago the Conservative standard-bearer in Quebec, Mr Marcel Faribault, showed little popular appeal, and he also promoted a "two nations" concept of Canada which suggested that the Tories were somewhat split on federal principles. This year Mr Stanfield has recruited an impeccable federalist who claims a strong personal following, Mr Claude Wagner. On the face of it the Conservatives should greatly improve on the



Wagner: one conservative convert

four Quebec seats they took in 1968; indeed, their spokesmen lay claim to at least 15.

Yet suddenly it is Mr Wagner rather than Mr Trudeau who seems to be in trouble. This is mainly because his conversion to the Conservative party was made public only in August. He had been Quebec's justice minister, a post in which he won a tough reputation, in the Liberal government of Mr Jean Lesage in the mid-1960s. Mr Wagner and Mr Stanfield were roughly handled by students at Chicoutimi last week, and instead of striding around Quebec like a conqueror Mr Wagner has had to concentrate on securing his own seat. He may harvest some votes from Quebec's English-speaking Canadians, but the net result of his campaigning could be a reduction of the Social Credit rather than the Liberal vote, and thus in some three-way battles the Liberals may capture some of the 14 rural seats which Mr Réal Caouette's men took in 1968.

Quebec's separatists have been asked by their leader, Mr René Lévesque, to show their strength by going to the polls and spoiling their ballots; their Parti Québécois is not contesting these federal elections.

While Mr Trudeau can enter his Quebec meetings to the strains of "Jesus Christ Superstar" and quote Hamlet from a Winnipeg theatre stage, in the far west he faces a sobering situation. In the five federal elections before 1968 the Liberals took on average only four seats in British Columbia. It is hardly likely that they can hold the 15 they won in that province in the first bloom of "Trudeaumania," especially since two of their best MPs there, Mr Douglas Howarth and Mr David Anderson, have left federal politics.

Mr Stanfield has gained some ground among the pioneer-minded westerners by attacking the large payments the federal government has made this year under unemployment insurance and suggesting that this has encouraged thousands of young people to laze at the taxpayers' expense. For his part Mr David Lewis has worked to build on the spectacular victory that the province's New Democrats won over its long-lived Social Credit government in August. The NDP leader has also wooed the elderly people who have retired to the warmer west coast with promises of higher pensions. Mr Trudeau found a bride in British Columbia last year, but his romance with the rest of the province seems to have withered.

Uganda Non-summitry

FROM OUR UGANDA CORRESPONDENT

Wearied by nearly two years of break-neck leadership, exasperated by "good friend and brother" Julius Nyerere, and bothered by a recurring throat ailment—the result, so the uncharitable have it, of an excessive devotion to the spoken word—President Amin took to his bed this week, leaving Ugandans to learn to live with the unaccustomed sound of silence. Whether the fiasco of last weekend's non-summit in Somalia with Tanzania's President Nyerere was really an important factor in his retreat to hospital is doubted—probably it was not—but it is one of the problems General Amin should now be rethinking in the calm of his hospital room.

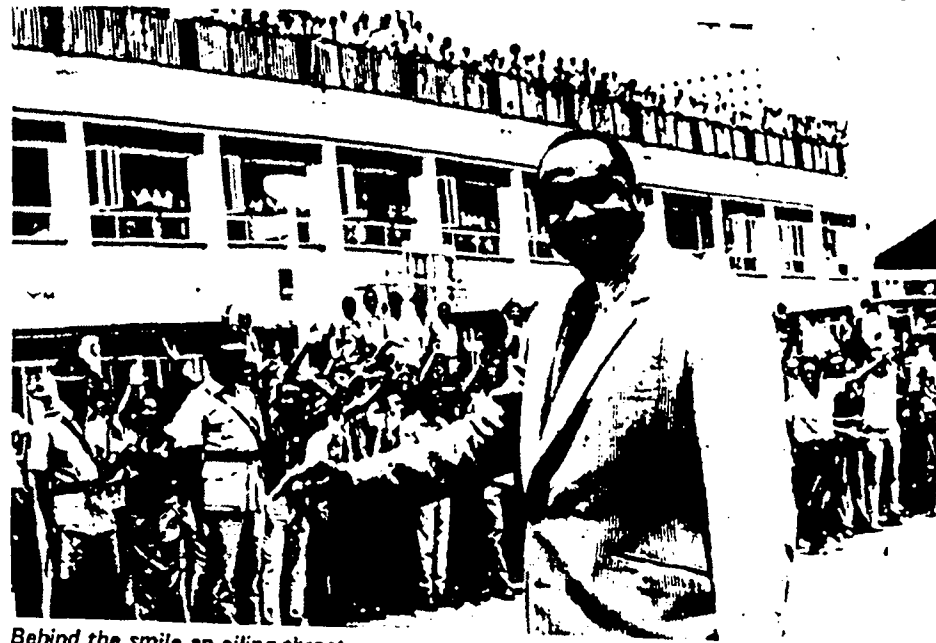
Much of the blame for the way events fell out at Mogadishu must attach to the unfortunate Somalia, which took immense pains to narrow the divide between General Amin and Mr Nyerere, only to drive them apart again by trying too hard to achieve instant reconciliation. Sincere and disinterested though Somalia's President Siad clearly was in his mediation efforts, he erred by giving General Amin the impression that Mr Nyerere would be willing to meet him on neutral Somali ground. He then erred again, when Mr Nyerere smelt a rat and decided to call off his visit to Mogadishu, by persuading him that General Amin was unlikely to go to Mogadishu.

The result was that when the great day came, and General Amin politely

applauded the Tanzanian president as he entered the pavilion they shared to watch Somalia's revolution day parade, Mr Nyerere refused to be introduced and flew home early feeling that the Somalis had tricked him. The affair has made General Amin think that Mr Nyerere is not going to co-operate, peace agreement or no. So much of the good that was done by the peace agreement engineered by the Somalis earlier in the month is now in danger of being undone.

From his bed General Amin has been able to watch the final round of the expulsion of Uganda's non-citizen Asians. With virtually all those eligible for British entry now processed—about 26,500 at the last count, of whom it still appears only about 20,000 will settle in Britain—the Uganda government and the United Nations are on the verge of agreeing on practical arrangements to fly out the stateless Asians who remain. The United States is taking 1,000 stateless Asians, Holland and Norway about 300 each and Switzerland 200; Denmark will receive 40 handicapped stateless Asians. If due allowance is made for the numbers going to Canada, India and Australia—and for the substantial numbers who have entered Britain as dependants of passport-holding Asians—that should leave just over 3,000 people who have nowhere to go.

The plan now being discussed here by Mr Robert Gardiner, the secretary of the UN Economic Commission for Africa, who has been acting as the United Nations' special envoy, is that either the International Committee of the Red Cross or the UN



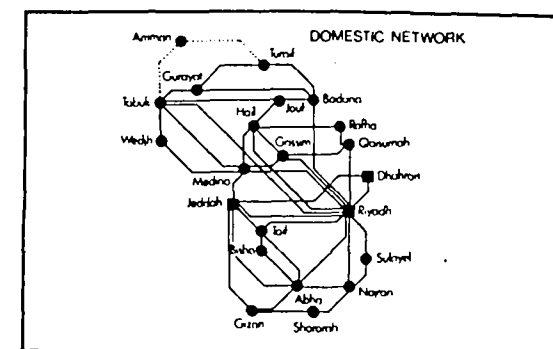
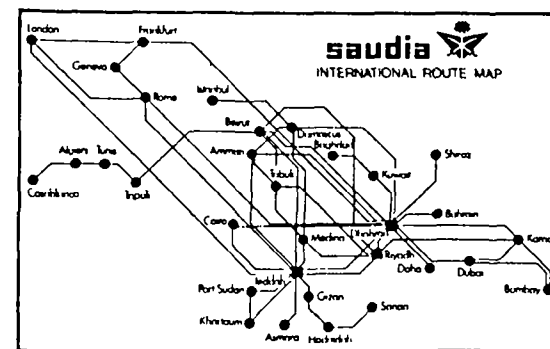
Behind the smile an ailing throat

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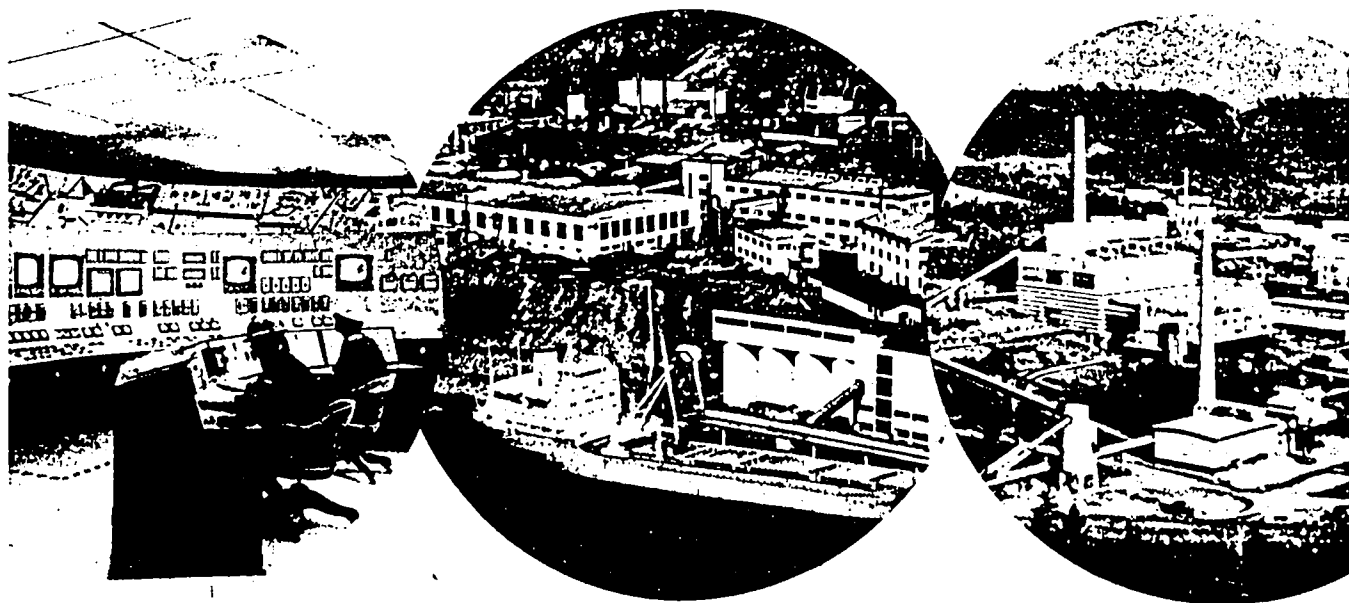
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High Commission for Refugees (UNHCR) should issue emergency travel documents, and that the stateless should be flown out to staging camps in Austria, Belgium and Italy. There they would become automatically a UNHCR responsibility. Uganda has already agreed in principle and all being well, the operation should get off the ground this weekend—10 days before the November 8th deadline. The UN is coming prepared, however, to move up to 6,000 stateless Asians, on the assumption that a high proportion of Ugandan citizen Asians may choose to lose their passports rather than miss this opportunity of getting out.

South West Africa

The UN's Lord Pearce

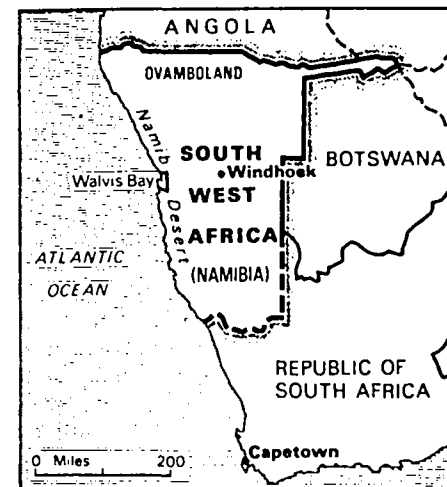
FROM OUR SOUTH AFRICA CORRESPONDENT

After more than a quarter century of fiery resolutions and international court actions stubbornly rejected by South Africa, the United Nations is making its first serious attempt to negotiate rather than scrap with South Africa over the disputed territory of South West Africa—or Namibia as the UN calls it. This is the purpose behind the present visit to the territory of a special UN envoy, Mr Alfred Escher, and two aides.

Armed with a security council resolution calling on him to "initiate contacts with all parties concerned" to establish conditions for Namibia's independence, the UN secretary-general visited the territory last March and met the South African government. His purpose was to assess whether there was any potential common ground between Pretoria's plans to balkanise South West Africa into 11 tribal bantustans and lead these towards separate independence, and the UN's own goal of unitary self-determination.

This preliminary exploration is now being followed by a more detailed study by Mr Escher, who is in effect trying to conduct a kind of Pearce commission task in the territory. He is spending 18 days there meeting as many people as possible to hear their views on the government's bantustan proposals and their own hopes for the future. He has also met leaders of the exiled South West Africa People's Organisation (Swapo) in Geneva before leaving.

The obvious danger, expressed by the Swapo leaders, was that opponents



of the government's plans would be too intimidated to come forward and that Mr Escher would therefore receive a distorted impression. As with the Pearce commission in Rhodesia, however, the dissenters have been surprisingly bold. Everywhere Mr Escher has gone he has been met by groups protesting against apartheid and urging the UN to free them. Even the tribal councils appointed under the bantustan system have been sharply critical—mainly on the ground that the government has cheated them in its allocation of land. The Damara council of headmen, for example, complained that the area mapped out for their proposed homeland was no more than "a chicken run." On the other hand a number have expressed their willingness to accept independence on the bantustan pattern provided the government meets their land demands.

Out of this Mr Escher will have to assess whether there is indeed any potential common ground when he presents his report to the secretary-general on November 15th. As he said on October 20th: "It is indeed a difficult task I have, as the starting points between the various groups are so very far apart." He also made it clear that if his mission failed that would be the end of this dialogue with South Africa.

Morocco

At the court of King Hassan

The Moroccan public is being given no chance of putting the two attempts to kill King Hassan out of its mind. The trial in Rabat of 12 well-known Moroccans, including six former min-

isters, for being involved in corrupt dealings is an aftermath of the attack on the king's birthday party at Skirat in July, 1971. The senior army officers involved in the attempt were in part prompted to act by the king's refusal to deal firmly with corruption in high places. It was only after the Skirat affair that the purge against corruption was seriously pursued.

But the Rabat trial has now been overshadowed by the intriguing revelations coming from the military courtroom at Kenitra where 220 officers and men of the Moroccan air force are being tried for complicity in the plot to shoot down King Hassan's aircraft on August 16th. Almost all the personnel of the Kenitra air base are facing the military judges, and although the evidence presented so far suggests that only two or three officers knew what was afoot, none of the accused can feel confident about the outcome. One of King Hassan's first acts after the suicide of General Oufkir, his defence minister, on the night of August 16th, was to dismiss the officers who had tried the young soldiers for shooting up his birthday party for being too lenient.

The first drama in the trial was the plea by the defence counsel that Colonel Ahmed Dlimi, chief of the king's aides de camp and now one of his closest confidants, should not be among the judges. It was argued that since Colonel Dlimi was on the aircraft with the king when it was attacked he was himself an intended victim, and that furthermore he was himself an important witness to the events of August 16th since he was present when General Oufkir died. The court did not accept the argument and Colonel Dlimi remained to hear Lieutenant-Colonel Mohammed Amokrane, a former commandant of the Kenitra airbase, who after the abortive attempt to shoot down the king fled to Gibraltar, allege that General Oufkir had told him that Colonel Dlimi approved the plan to kill the king.

Colonel Amokrane, who has admitted his part in General Oufkir's plot to get rid of the king, went on to name others whom General Oufkir had told him were party to the conspiracy. Among the officers who were to form the "revolutionary council" was General Belarbi, who is also one of the judges at the trial. The colonel alleged that the former director of the royal cabinet, Mr Driss Slaoui, and one of the leading political opponents of the king, Mr Abderrahim Bouabid, had both been



Dlimi: confidant and judge

involved in putting General Oufkir in touch with two Moroccans living in exile in France.

Colonel Amokrane said he did not think it odd that if Colonel Dlimi and Mr Driss Slaoui were involved they should have been in the plane when it was attacked. Observers at the trial are in two minds about whether the colonel is unbelievably naive or whether, knowing his fate is sealed, he is deliberately trying to sow further doubts in King Hassan's mind about the loyalty of those about him.

Egypt

Chewing sand on the canal

FROM OUR CAIRO CORRESPONDENT

Egyptians seeing no way out of their no-war no-peace impasse still argue that time must be on their side. But how much time does President Sadat have? Egyptian officials do not deny the simmering unease, a compound of frustration and humiliation, spread throughout the country. The army captain who took three armoured cars to the Hussein mosque on October 12th and harangued the crowd may have been mentally deranged, as the army now claims after exaggerated reports of an attempted coup emanated from Beirut. But he reminded his superiors that they cannot expect to keep 300,000 armed men "chewing sand along the canal" indefinitely without some of them demanding to know when the action is going to start or when they can go home.

The young officer's strong religious motivation is in keeping with the times. Many Egyptians have reacted in this way to the 1967 defeat and its long

aftermath. Under Mr Sadat's liberal regime there has been a proliferation of societies and sects for the propagation of Islam, and the Moslem Brethren, jailed and suppressed under Nasser, are active. This nationalist, religious reaction to the Nasser period is blurring the very real political confrontation between right and left. In an emotional atmosphere there is a feeling that anything could happen.

Egyptian security men are convinced that Israeli and American agents are trying to exploit the situation by stirring up unrest, particularly between Copts and Moslems, with the aim of provoking a right-wing coup to bring in a regime that would settle on Israel's terms. The government was sufficiently perturbed by the clashes between Copts and Moslems to recall the People's Assembly from its vacation in August to pass a law for the protection of national unity. But many Egyptians believe it will be the university students, who regard the unity law as aimed at them rather than at the religious groups, who will decide how much time Mr Sadat has.

Wall posters complaining of government inaction and vacillation appeared on the first day of the students' return on October 14th. Although the students have been warned that their political freedom is limited to university precincts, some groups, probably the marxists, are expected to step up the agitation when the month-long Ramadan fast ends at the beginning of November. In themselves the students are not a threat to President Sadat. What security men fear is their catalytic effect on industrial workers and young graduates in the army.

Gaza

Between devil and sea

In step with their efforts to give life in the occupied Gaza strip as normal a look as possible, the Israelis a year ago persuaded one of its more distinguished citizens, Mr Rashid Shawa, to become mayor of Gaza city. On Sunday they sacked him in circumstances that confirm the strip's total abnormality.

The immediate reason was Mr Shawa's refusal to extend the city's municipal services to the huge refugee camp beside the harbour on the grounds that this would prejudice the camp's refugee status. The Arabs suspect that the prime consideration

behind Israel's attempts to integrate the refugees is neither security nor improvement of the horrible living conditions in the camps; they see it as leading to the eventual integration of Gaza with Israel. If they are right in believing annexation to be the final target, the question of who now collects the camp's garbage is a lot less piffling than it sounds.

Mr Shawa has been working towards a very different target: the eventual integration of Gaza with the West Bank in line with King Hussein's declared policy of some kind of Jordanian-Palestinian federation after Israel's withdrawal. During his year in office he has established new links between Gaza and Amman, including the provision of 3,000 Jordanian passports for some of Gaza's 400,000 stateless Palestinians. Not all the Palestinians appreciate his efforts: for many of them King Hussein is the devil to Israel's deep blue sea, and Mr Shawa narrowly escaped assassination at the beginning of September.

Being mayor of smouldering, caged-in Gaza is one of the least inviting jobs in the world. When he took the job on Mr Shawa was as aware of this as anyone could be: his brother, who was mayor during Israel's previous occupation of the strip in 1956, was later imprisoned by the Egyptians for collaboration and died shortly afterwards. The Israeli military governor has now reappointed the Israeli official who held the post before Mr Shawa took over. Which just about sums up the normal peaceful conditions prevailing in the strip.

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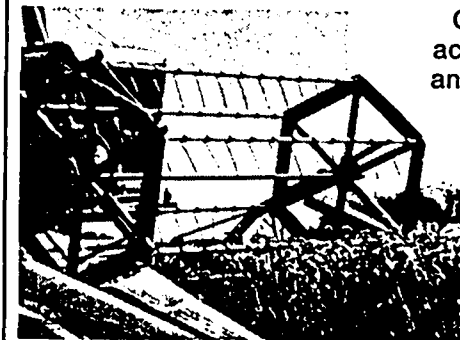
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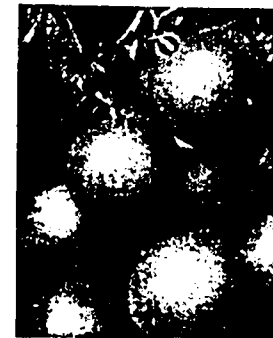
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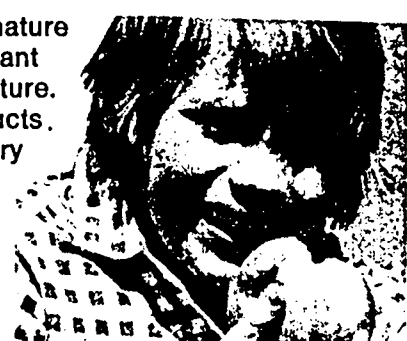
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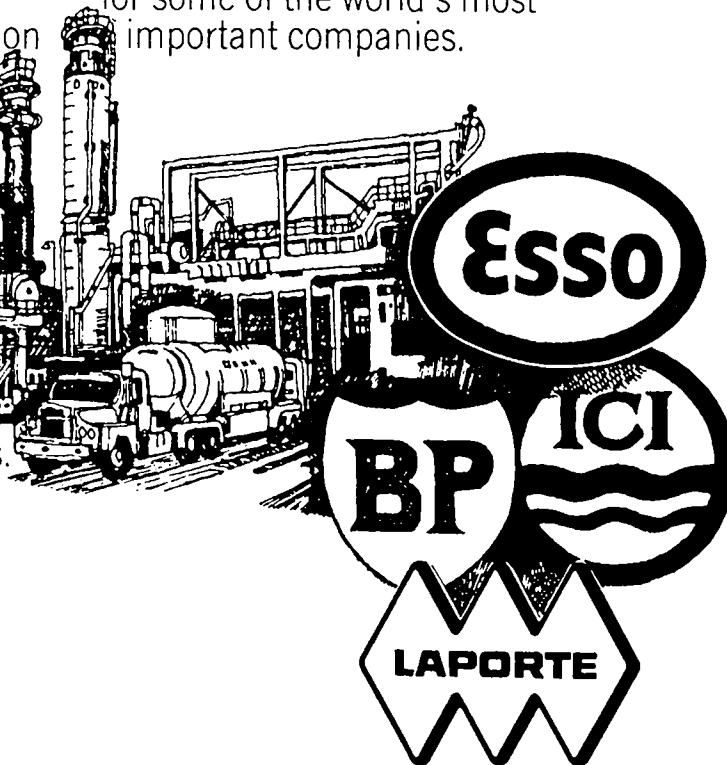
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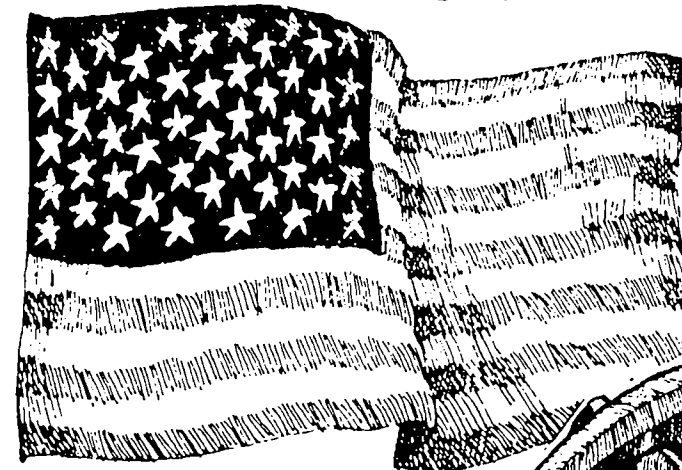
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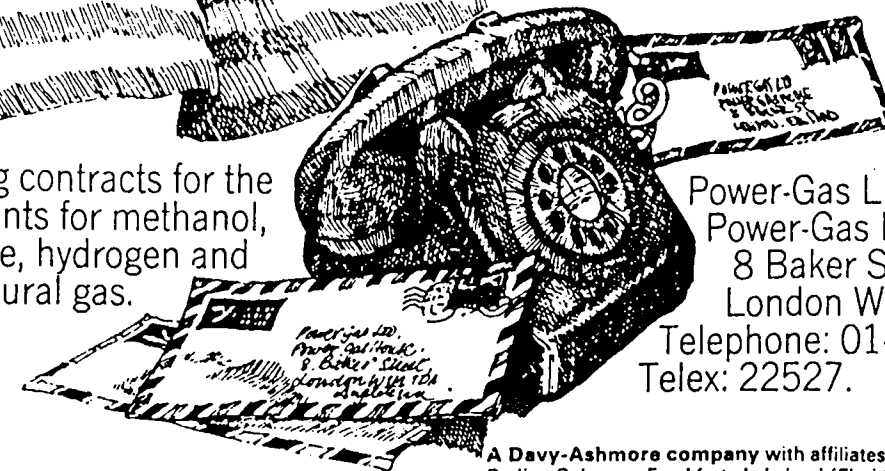


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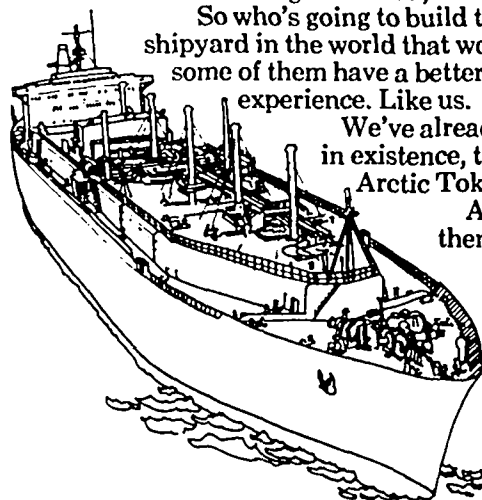
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Chile

The middle class on strike?

Last Tuesday was a day of silence in Santiago, in two senses. The opposition parties, as a demonstration of sympathy with the lorry drivers who have been on strike since October 11th, asked their supporters to stay away from work, and this gave some of the middle-class suburbs like Providencia the atmosphere of ghost towns. At the same time, the government closed down three radio stations in the capital that had refused to obey the order to broadcast only the programmes put out by the official network. The wave of strikes in Chile over the past three weeks resulted in the tightest censorship (at least for radio stations) that the country has seen since President Salvador Allende came to power.

The conflict also showed up how Chilean society has been polarised by the economic crisis and the government's inroads on the private sector. The National Transport Federation, with 40,000 members, first declared a strike when the governor of the southern province of Aysén tried to set up an official trucking company to take over from the owner-drivers who handle most of the goods that travel by road in Chile. This followed a declaration from the economics minister that "the business of transport is too important to be left in the hands of the private sector."

Two days later the shopkeepers' syndicates joined the strike. Their leaders complain of draconian price controls, shortage of basic commodities, and the "favouritism" of the state distribution agency, Dirinco. Over the past fortnight other groups also joined in: unions of professional men like the lawyers, doctors and engineers; pilots and bus drivers; bank employees and students; and peasants belonging to the Christian Democrats' agricultural confederation. In contrast, most factory and mine workers stayed at work, and so did state employees in the railways and ports.

In a sense, the lines of battle in Chile were drawn out clearly between the social groups opposed to the Allende regime and those that feel they have gained from it. But despite Dr Allende's attempts to characterise the protest movement as a "middle class strike," its class origins were rather more complex. The truck drivers' leader (who was sent to jail along with four other union leaders) is Sr Leon Vilarín, a former Socialist party militant who responded tartly when Sr Altamirano, the party's secretary-general, called him a "traitor." "I was already a socialist," he declared, "when Sr Altamirano was a lawyer employed by a north American company to defend its interests against those of Chile."

The truck drivers and shopkeepers were still on strike on Thursday, despite the order issued by General Héctor Bravo, the officer entrusted with the maintenance of order in Santiago under the emergency decrees, that their shops and lorries can be

"requisitioned" by the state. Dr Allende has never had to face a movement of civic protest on this scale, and he has resorted to exceptional measures to contain it. At one stage, the army was entrusted with the administration of all but one of the country's 25 provinces. It is significant that a marxist president has been able to count on the loyalty of the men in uniform during a political crisis of this kind.

How far the strike movement will go remains to be seen. The Christian Democrats have promised to follow it through to its "ultimate consequences" and on October 21st a committee representing almost the whole of private business tendered a list of demands to the government which included the restitution of companies that have been nationalised since August, an end to radio censorship and the expulsion of foreign extremists. Many small businessmen clearly feel that they are fighting a last battle for survival.

Pakistan

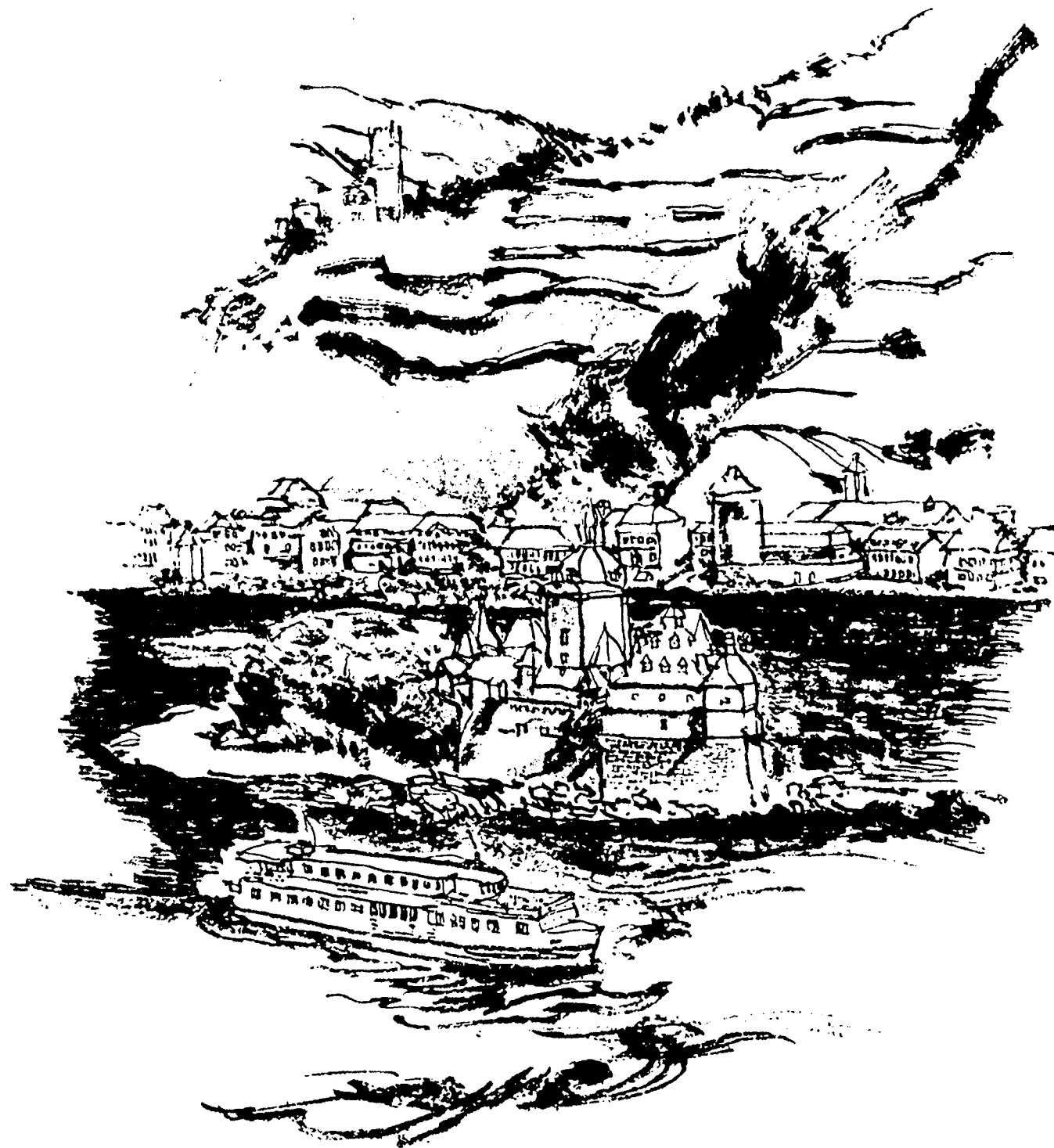
Bhuttostan?

The Pakistani constitutional agreement reached on October 20th does two things. By making no provision for the former eastern wing of the country, it gives—perhaps unwittingly—another piece of de facto recognition to Bangladesh. Equally important, it gives the four remaining provinces of Pakistan a federal, parliamentary system for the first time. This is what the opposition parties have been clamouring for, in particular the National Awami party which has at intervals during the past year threatened to turn the two provinces it controls—Baluchistan and North West Frontier—into another Bangladesh. But even Mr Wali Khan, the party's leader and the most vociferous champion of provincial autonomy, who was in London for medical reasons during the talks, has welcomed the agreement.

The federal element is provided by an upper house with equal representation for all provinces; the parliamentary element by reducing the president to a constitutional figurehead and creating a prime minister as chief executive who is, none the less, responsible to a 200-member lower house. There seems little doubt that President Bhutto will choose the prime ministership for himself. At first sight it looks as if Mr Bhutto has given up the idea of a gaullist type of presidency—which he was known to be hankering after



Tear-gas comes to Santiago

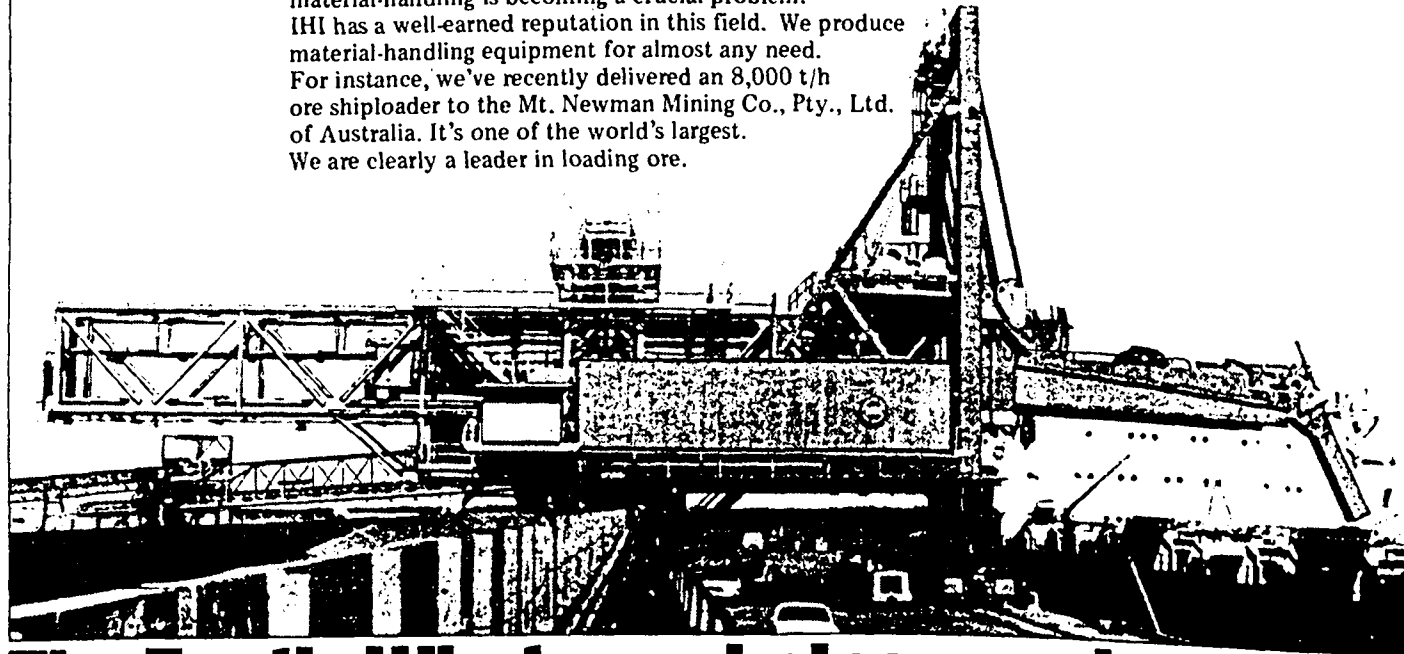


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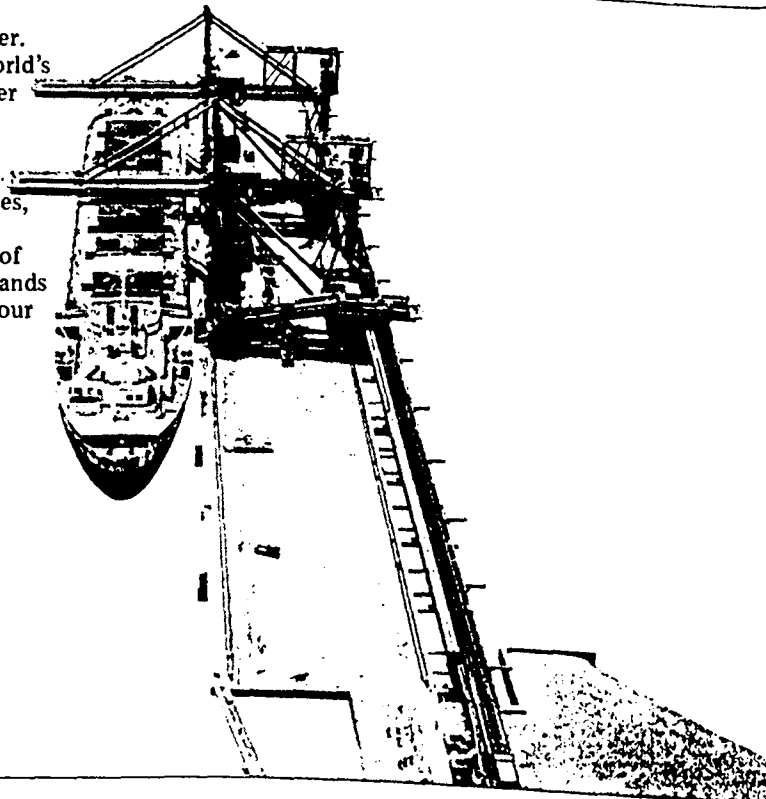
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and which so displeased the opposition. But in the small print are a number of special provisions which should shield him from the normal hazards of a parliamentary system. Votes of no confidence need a two-thirds majority of the lower house, cannot be moved during budget sessions, can come only at intervals of six months or more. In what looks like a leaf out of the west German constitution the agreement also stipulates that a vote of no confidence cannot be moved against the prime minister unless the same resolution also names his successor. The chances of Pakistan's heterogeneous opposition parties agreeing on such a man are slim.

Mr Bhutto can reasonably argue that these measures are essential to ensure political stability. Pakistan's last proper experiment with democratic government before 1958 was not a success. But the opposition parties may yet have second thoughts about something which gives them the form, but not really the substance, of parliamentary government. There is plenty of time for such thoughts. Clause by clause thrashing out of the constitution will probably continue until next March or April.

Malaysia

Guerrillas again

There are signs of life among the communist guerrillas who were driven up into the northern provinces of Malaysia at the end of the emergency in 1960. The government has announced that, from early next year, three more army battalions will be stationed in Kelantan, the sleepy, devoutly Moslem state in the north-east up against the Thai border, and some landowners in the area have complained of having to pay "taxes" to the rebels. But there has been little fighting around the border over the past year. The followers of Chin Peng, the communist leader who withdrew into southern Thailand in 1960, are pursuing a very opportunistic policy.

In Kelantan the Chinese communists have tried to win over Moslem Malays by kneeling in their mosques and buying their produce at fair prices. Over on the west coast the racial element in the conflict is clearer. Here there is a running feud between poverty-stricken Malay coastal fishermen and the more prosperous Chinese deep-sea trawlermen. The Chinese are told by the

communists that the government's programme for the economic advancement of the Malays will be paid for by them, in one way or another. The communists also play upon the fact that the Malaysian army contains very few Chinese. The under-officered Royal Malay Regiment bears most of the responsibility for counter-guerrilla operations both in Sarawak and in west Malaysia, and its relations with the Chinese community are hardly rosy.

The real worry for the government is that, in a situation where the Malays hold a virtual monopoly of political power and are using it to improve the economic conditions of their own people in relation to the more affluent Chinese community, some Chinese will come to regard the communists as "community defenders." The government has tried to promote Chinese interests by making Mr Lim Keng Yaik, a forceful young man from one of the favourite guerrilla stamping-grounds, minister for the new villages. These were the resettlement areas created by the British during the 1948-60 emergency and their residents have been more or less left out of development schemes since then. Mr Lim had an opportunity to wean the new villages away from hostility to the government but he has suffered from the jealousy of the established Chinese politicians of the Malaysian Chinese Association (MCA), which is part of the ruling coalition. Tun Tan Siew Sin, the MCA leader and finance minister, seems to view Mr Lim and his youthful, but not always tactful, friends as a threat to the vested interests of his party within the government. Whether the enthusiasm of the new guard, and the affection Mr Lim inspires among many of the poorer Chinese, will be sufficient to overcome both MCA opposition and Malay suspicion remains to be seen.



Chin Peng in emergency days

Papua New Guinea

Looking to the Japanese

FROM OUR CANBERRA CORRESPONDENT

With little more than a year to go to full self-government, Papua New Guinea is already casting around for new trading partners to challenge Australia's dominating position in the country's economy. And to whom would it be more natural for a Pacific island to turn than to the Japanese? So it came as no surprise to learn that at the meeting of Japanese and Australian ministers in Canberra a fortnight ago the people of Papua New Guinea were also represented. And it seems that their chief minister, Mr Michael Somare, and the two other ministers who accompanied him did not come away empty-handed. The Japanese seem to be most interested in any development which will increase the flow of basic materials such as timber and minerals to Japan.

The Australian government does not want Japan to have an economic monopoly, but is aware of its own present position as the one source of external aid to Papua New Guinea and of the interest which Japan is showing in Pacific island economies in general. The proportion of Papua New Guinea's imports from Japan has trebled in the past decade (it is now approaching 18 per cent) and Japan is taking a similarly increased proportion of exports (nearly 12 per cent), mainly timber, copra and fish. Japan is now expected to buy most of the copper from the great new mine on Bougainville when that is fully established.

Political leaders in Papua New Guinea seem to view the increase in Japanese participation equably, and even gladly. New Guineans do not have the same reservations about the Japanese as Australians have. At the same time they recognise what a small state Papua New Guinea will be by international standards and what a small part it will play in Japanese calculations. At present it accounts for less than 1 per cent of Japanese imports and exports. Papua New Guinea will probably want Australian support in negotiations with Japan even after independence. Australia, although also heavily dependent on Japan, is a rich and growing market which the Japanese want to cultivate. This will give it extra bargaining power to add to Papua New Guinea's.



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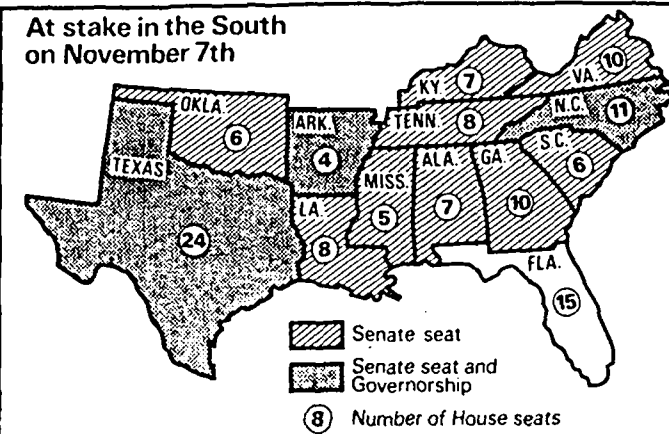
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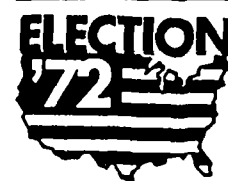
THE WORLD

American Survey

At stake in the South
on November 7th



Not everyone likes Nixon, even in Atlanta



Republicans look to the South

Birmingham, Alabama

Governor Wallace still flies the confederate flag from the dome of the state capitol at Montgomery, Alabama, relegating the stars and stripes to his backyard. But when the "Battle Hymn of the Republic," the northern anthem during the Civil War, can be played at a football game in Alabama and when a Republican President is about to sweep the South, the War between the States seems truly over. Eisenhower won in seven southern states in 1956, Senator Goldwater took five in 1964 and Mr Nixon seven in 1968 (Governor Wallace captured all the rest except Texas); but this year President Nixon seems almost certain to carry all 13 southern and border states. Unless all the prophets are wrong, he will do so by an immense majority, ranging between 60 and 70 per cent of the votes. He may do better in this solidly Democratic region than he does in traditionally Republican areas.

The wedge driven between southern Democrats and the rest of the party in 1948, when the Democratic convention first took up the cause of the blacks and many southerners walked out, has been hammered home by Senator McGovern. Even yellow-dog Democrats ("I'd vote for a yellow dawg if he was a Democrat") are deserting him while Mr Wallace's followers, with their leader still too paralysed to campaign, are turning

naturally to Mr Nixon. The Democratic convention deeply shocked the South which, with its multitude of churches and church-goers, is the squarest, least permissive part of the country. The very openness of the convention was its undoing. Southerners saw on their television screens a parade of homosexuals demanding their rights, long-haired students, abrasive women's libbers from the North and blacks speaking in the name of Mississippi. They concluded that their party had been taken away from them by alien radicals and they were ready to believe the Republican charge that Senator McGovern stands for abortion, acid and amnesty for conscription-dodgers. "The three As are killing us," mourned a McGovern worker in Kentucky.

The South Dakotan's flat prairie voice, the absence of the rhetoric and drama southerners love, his plan to cut the defence budget (southerners have a long military tradition and there are many defence installations in the area) tell against him. It is estimated that up to 80 per cent of the votes counted for the Senator in the South will be cast by blacks. This will not be because President Nixon is loved in the South—he is not—but because Mr McGovern is feared and hated, just as was Al Smith, an Irish-Catholic boy from the New York sidewalks, in 1928; Hoover took seven southern states that year,

splitting the South for the first time.

With a Republican presidential landslide of immense proportions all but in the bag in the South, Republicans have been looking hopefully to its 12 senatorial contests—the largest number in any region—for some or all of the net gain of five Senate seats which, with Vice President Agnew to break a tie, would give them all the advantages that come with control of the Senate and its committees. Four of these seats are held by Republicans (Texas, Kentucky, South Carolina, Tennessee), the rest by Democrats. There is also a good chance that the Republicans may gain some seats in the House of Representatives from the South.

The calculation has been that a number of the eight Republican aspirants to Senate seats now held by Democrats would be carried into office on the Nixon surge. Just possibly this dream may come true. Ticket splitting on a huge scale would be required if the South is to vote for a Republican President and Democratic members of Congress. In rural areas many unsophisticated voters are said to fear that splitting their votes would invalidate them. Even in Virginia where ticket-splitting is mechanically simple and where the Democratic incumbent, Mr Spong, a good, hard-working Senator, would normally be in no trouble, Democrats are uneasy. In other states, such as Kentucky, Democrats may be hoist with their own petard. In the days of their dominance they introduced a single lever to enable people to vote, in one easy movement, for all the Democrats, from President to local dog-catcher. Now it may be the Republican master lever which is

pulled most often. This may defeat the Democratic candidate for the Senate in Kentucky, although he is ahead in the polls in spite of the Wallace vote going to the Republican.

Against this disadvantage is the fact that in the South, under the present Republican presidential wave, there is a nearly impregnable Democratic structure, built up over a century. Its lynch-pin is the great power of southern governors, far greater than that of state governors elsewhere; but the cement consists of patronage, favours given and received, control over local governments and personal relationships (party loyalties have generally come second to personalities in the one-party South). Two small examples show how this power can be used. In Charleston, South Carolina, the polling-booths are placed inconveniently far apart in the Republican suburbs, while in Alabama the presidential electors, normally at the top of the ballot, are now at the bottom to improve the chances of the incumbent Democratic senator. And this year southern senators who do not have to face the voters (only one-third of the six-year senatorial terms expire biennially) are out campaigning to save the committee chairmanships which the South would lose if the control of either house of Congress passed into Republican hands.

A fortnight or so ago the White House let it be known that President Nixon would not endanger even an iota of his own tremendous lead by pressing for the election of Republican congressional candidates and thus offending the Democrats for Nixon. This above-the-battle stance should be taken with a grain of salt. Mr Nixon has already descended on Atlanta, Georgia, in a cloud of machine-made confetti and it surely did Mr Fletcher Thompson, the Republican candidate for the Senate, no harm to be seen parading down Peachtree Street in the President's wake. This week Mr Nixon was scheduled to speak in Ashland, Kentucky, a state in which there is a nip-and-tuck race for the Senate seat occupied since 1956 by a Republican, the internationally-minded Mr John Sherman Cooper who is retiring. To lose it in a great Republican year would be a humiliation; moreover, the Republican candidate, a former governor, Mr Louie Nunn, is well thought of in the White House. If Mr Nixon is going to intervene personally where Republican-held seats are in danger, he may pop up in Texas to help Senator Tower and, just conceivably, in Tennessee, where Senator Howard Baker, a moderate Republican, is being

hard pressed by a racist Democrat.

One Republican who thought he could count on a presidential visit is Mr Winton Blount, once in Mr Nixon's cabinet as Postmaster-General, who is campaigning with great energy and endless money to give an overdue retirement to 72-year-old Senator Sparkman; he has represented Alabama in the Senate since 1946. Mr Blount

has been aided by a flock of so-called presidential surrogates—Mrs Tricia Nixon Cox, Vice President Agnew, the President's brother—but there is no sign of Mr Nixon. Republicans are said to fear that if the Democrats hold on to their control of the Senate, and Mr Sparkman is defeated, his successor as chairman of the important Banking Committee would be the indefatigable,

Shoestring campaign

Columbia, S. Carolina

When 24-year-old Mr Billy Keyserling, nephew of the distinguished economist, Dr Leon Keyserling, began work as the co-ordinator of the McGovern campaign in South Carolina, the polls reported that 84 per cent of the voters were for President Nixon and only 11 per cent for Senator McGovern in what used to be a one-party Democratic state. Mr McGovern has an official fund-raiser who, to date, has raised \$300. Thanks mainly to Mr Keyserling's own efforts, this has gone up to the princely sum of \$7,000 for a state with a population of 2.6m. Yet the McGovern workers are now convinced that 40 per cent of the vote will go to their candidate. How has it been done on a shoestring so short as to be almost invisible?

The thrust of the young McGovernites has been toward registering new voters, most of them black. If they all go to the polls on election day, the Republicans are in for a surprise. Mr Keyserling, who wears a mop of flaming red hair, an emerald shirt and shabby jeans, naturally turned, too, to the young. He has had experience registering new voters in Massachusetts and in canvassing up north, where young volunteers turned out in great numbers. They turn out in South Carolina, too, though few

have any experience of how a modern campaign is run and it can be a bit scary to be for a "radical" like Senator McGovern.

The trouble is that although there are plenty of volunteers to send out mass mailings, there is little or nothing to mail to the voters. A box of 1,000 McGovern stickers was greeted as though it had been a box of \$1,000 bills. There is literally no money to secure commercial printing. More illustrative of Mr Keyserling's desperation—and his resourcefulness—is the problem of the state fair. He wanted a publicity booth but had no money to pay for one. A trailer might do, but none was forthcoming. What about a hearse, provided by a black undertaker? Or at least a funeral tent to cover the tables and banners if it rained? That had to do.

The desperation, and the economics, did not end there. There was no money for a proper headquarters, so Senator McGovern's representative in South Carolina rented an old house for \$25 a month—and the promise that volunteers would paint the whole place before they left it. Happily a scandalised sympathiser, thinking that the official Democratic candidate for President deserved something better, offered \$425 a month to rent adequate offices on Blossom Street. People who do not give money—which would have to be reported if the contribution was over \$100, and hence would become public knowledge—help in other ways.

The telephone company, burned more than once, is adamant in refusing credit, so a telephone credit card is of the greatest value. Someone else lent a credit card for petrol. Other people offered the use of a printing machine. If you get your office supplies from a local firm, you can also ask for the loan of used office furniture which is lying idle. Then at least you have typewriters, desks, chairs. Luckily Mr Keyserling is a native South Carolinian; he knows people and how things can be done in one of the poorest, and proudest, states in the South. But it is a far cry from the millions of dollars being spent elsewhere.



Tricia was at the fair, too



Norsk Hydro a.s

Oil, Gas, Fertilisers, Magnesium, Plastics, Laminates and Aluminium

North Sea Oil Prospect

It was resolved at the general meeting of Norsk Hydro a.s., held on October 20, 1972 in Oslo to split the company stock into three for one, whereby the nominal value of the shares was settled at N.Kr. 60. At the same time the articles of association were amended to increase the number of ordinary shares to 6,491,856 and of preference shares to 75,006. It was also resolved at the general meeting to pay a dividend of six per cent on ordinary shares and eight per cent on preference shares.

The following is an extract of the directors' report and the accounts for the financial year July 1, 1971 to June 30, 1972.

Financial Results

The consolidated accounts for 1971/72 show an operating profit before depreciation of N.Kr. 196m compared with N.Kr. 257m the preceding year. Ordinary depreciation accounted for N.Kr. 120m compared with last year's N.Kr. 138m, and operating profit declined from N.Kr. 119m to N.Kr. 76m.

Profit before taxes amounted to N.Kr. 44m as compared with N.Kr. 63m in 1970/71, the reduction being principally due to rises in wages, social security costs, and taxes on electricity and oil consumption.

The sales of the companies included in the consolidated accounts totalled N.Kr. 1,321m as against N.Kr. 1,220m the preceding year. The calculated share of the sales of other companies in which Norsk Hydro holds major interests amounted to approximately another N.Kr. 700m.

The number of employees on June 30, 1972 was about 7,200.

Operations 1971/72

Regardless of the persistent influence of over-production on the fertiliser markets, production of fertilisers continues to be Norsk Hydro's main and most remunerative activity, although profit has dropped despite further streamlining in the manufacturing and transport sectors. Complex fertilisers are still our most important product group, in terms of both sales and volume, amounting to some 950,000 tons as compared with about 910,000 tons the preceding year. Complex fertiliser capacity will be expanded by approximately 150,000 tons from the end of 1972. The market for light metals has been adversely affected by poor demand and low prices during the year under review, and the profits of the Magnesium Division were therefore lower than last year. As in the case of the aluminium industry as a whole, 1971 was a difficult year for Alnor Aluminum Norway A/S. Production was about 84,500 tons of primary aluminium – slightly up on last year's figure – but higher operating costs led to a lower result. A modest improvement in marketing conditions has been observed recently.

North Sea Oil Interests

Norsk Hydro's involvement in the oil sector has considerably increased in the year under review. One important event was the

announcement in April, 1972 that the Frigg structure could be commercially developed. The company immediately exercised its option to increase its participation in this and other Petronord licences. Norsk Hydro thus became the major participant of the Petronord group with a probable share of 32.87 per cent in the Frigg field. This structure contains a gas concentration of major dimensions extending into the British sector of the North Sea, the development of which, given favourable circumstances, can be put into operation in 1976. A new gas field, Heimdal, was discovered south of Frigg in the summer of 1972.

Present production at Ekofisk equals approximately 6,000 tons a day. A gradual increase in output is planned from the end of 1973, which at Ekofisk alone is expected to reach some 15 million tons a year from the commencement of 1975. The additional commercially valuable structures in the Ekofisk area could bring production up to twice this figure. If production is to be increased according to plan, however, it is essential that the oil transportation pipeline be laid as soon as possible.

The oil refinery at Mongstad near Bergen is scheduled to become operative at the beginning of 1975. Total costs are estimated to be around N.Kr. 1,000m, and the financing of this large investment is ensured through a U.S. \$ 100m loan abroad recently raised by Rafinor, the refinery company. The two partners, Norsk Hydro (60 per cent) and Norsk Braendselolje (40 per cent), will subscribe a total share capital of N.Kr. 150m, in addition to which Rafinor will have access to raise a long-term loan of N.Kr. 140m on the Norwegian market.

Participation in the Phillips' discoveries will provide Norsk Hydro with approximately two-thirds of the 2.4m tons of crude oil to be refined on our account by Rafinor. In addition to supplying its own plants with petroleum products, Norsk Hydro is also to sell a considerable quantity of refinery products on the Norwegian market, for which the necessary distribution system is now being built up.

The Current Financial Year

Events of vital importance to Norsk Hydro's oil interests are continually occurring. Operating conditions in the current financial year for the company's other branches of activity appear on the whole to be the same as last year. Production is expected to show some improvement, and the marketing of our merchandise is somewhat easier. The slight increase in prices registered sporadically is, however, inadequate to balance rising manufacturing costs. It is anticipated, therefore, that profits will be on a level with last year's figures.

The director's report was compiled before the national referendum rejected Norwegian membership of the European community. It had stressed particularly that if Norway failed to join the community, the going ahead for Norsk Hydro would be much heavier and that it would be more difficult to realise new plans.

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NEW ISSUE

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much more liberal Senator from Wisconsin, Mr Proxmire.

Mr Sparkman has been a distinguished Senator; he has brought benefits to Alabama, he is a courtly southerner, not a crude self-made millionaire, and he has been moving steadily rightward to appeal to Governor Wallace's following—as indeed have most southern Democrats running this year. Now Mr Sparkman has secured the vital endorsement of Governor Wallace and he is nearly out of the woods. Moreover, Alabama's 350,000 blacks count politically—as black votes do all over the South since the voting rights Act—and although they are reluctant to vote for Mr Sparkman, because of his conservatism on racial issues, Mr Blount has made it impossible for them to vote for him by plastering the state with racist posters: "A vote for Blount is a vote against welfare free-loaders". Like Republican candidates everywhere Mr Blount is trying to fasten the label of McGovern radicalism on his opponent, but in Mr Sparkman's case this is ridiculous.

A weakness of the Republicans in the South is the inferior calibre of a number of their senatorial candidates. This is true in Virginia, where Representative Scott is a negative-minded nonentity; in Georgia, where Mr Thompson has shown himself an inept member of the House of Representatives; and in North Carolina, where Mr Jesse Helms is almost out of sight on the far right. Purely as a politician Senator Strom Thurmond of South Carolina is a notable exception—but then he is a Democrat turned Republican. South Carolinians are saying unkindly that he has neglected nothing to secure re-election; he has even just become a proud father at the age of 69 for the second time. From a longer-term point of view, it is a pity that so many Republican candidates feel that to be elected they must be even more racist than their opponents. If a real two-party system is to be created in the South, the Republicans need a broader base; parties are not made from the top down or in country clubs.

Will Congress pay?

In a lightning campaign trip to New York on Tuesday President Nixon laboured home the point that the Democratic Congress was spending too much money, that it was his Republican duty to bring this trend to a halt



Bills for signing: Secretary of the Treasury considers the vetoes

—and that, if the voters want to avoid a tax increase, they should elect a Republican Congress on November 7th. Meanwhile it makes little difference that the departing Congress rejected the President's request that a ceiling be put on government spending; he will simply refuse to sign for anything over the limit of \$250 billion a year that he has set. The Administration estimates that the legislature has appropriated \$258 billion in federal funds for this year. So far Mr Nixon has not been specific about which other bills he will veto; he has already refused to sign a measure to clean up the country's waterways which both Democratic and Republican members of Congress then passed over his veto. But if the President fulfills his threats the record of the Congress that has just adjourned will look even thinner than it does at present.

There is a long list of measures that came to grief during the rush to get home—and to campaign for re-election. There were bills to reform the present system of health insurance, for a higher minimum wage, for an independent agency to protect consumers, for reform of private pension funds, for control of guns, for federal regulation of car insurance, for settlement of strikes in transport and other key industries. All these fell by the wayside. The prospects looked better for the bill providing federal funds for building roads; this included an extra \$3.4 billion for the development and operation of mass transport. But at the last moment the whole measure fell through when there was no quorum left in the House of Representatives.

This will be one of the problems facing the new Congress again early next year. Pressures will be brought to bear

for quick action by those states which are running out of money to build roads and by those who are fighting for money for public transport to be released from the well-endowed highway fund. The old bogey of foreign aid will also come up early in the new session. Because of the usual conflict over which countries should get aid and how it should be allocated Congress was only able to agree on a stop-gap measure to continue appropriations until February 28th at the present level of \$3.6 billion a year; this is lower than the Administration requested.

As they left for home Democratic Representatives also faced the prospect that those who return in January may have to elect a new man to head their party in the House. The present leader, Mr Hale Boggs of Louisiana, has been missing in Alaska since October 16th. He was out helping a fellow member, Mr Nick Begich, win re-election when their private aircraft disappeared on a journey between Anchorage and Juneau. There has been a massive search but so far without success.

ELECTION '72

After the gerrymanders

1. Ladies' race

New York

The only congressional race in New York City that is generating any excitement at all pits Representative Bella Abzug against Mrs Priscilla Ryan, the widow of William Ryan; he had won with surprising ease over Mrs



Bella v. Priscilla

Abzug in the primary election for the Democratic nomination last spring. When Mr Ryan died in September, the district's Democratic leaders, after considerable debate, chose Mrs Abzug to run in his place. Subsequently, the Liberal party, which exists only in New York and usually supports candidates from the group of reform (or left-wing) Democrats in the city, selected Mrs Ryan. So now the 20th district is witnessing a bitter fight between two progressives who are allied on most issues but are at loggerheads over personality and power.

Representative Abzug, a vociferous activist, is the controversial and abrasive personality in the race. When the boundaries of her own district in lower Manhattan were redrawn in a fashion clearly designed to victimise her, Mrs Abzug decided to oppose Mr Ryan, whose new district, spanning the west side of Manhattan and the Bronx, included a portion of her old constituency. There was a great deal of resentment among local Democrats who had been well served by Mr Ryan, a dedicated liberal, and they gave him a two-to-one victory.

Leaders in the Democratic party, however, consider that Mrs Abzug had justifiable claims to succeed Mr Ryan. Her record in opposing the war in Vietnam and in battling for civil rights and other issues important to reformers led many prominent Democrats to conclude that they could not withhold his seat from her. But she has also made enemies, especially in the ranks of the teachers' trade union, who were incensed at her championing of local school boards during the protracted teachers' strike of 1968. When Mr Albert Shanker, the powerful head of the union, promised to provide financial support for an opposition candidate, the Liberal party agreed to back Mrs Ryan. In doing so, they are also hoping to win sufficient votes to exercise influence over the Democrats.

The new district is heavily liberal Democratic in its composition. Jews

form the biggest single block of voters, with over 50 per cent of the total, while blacks and Puerto Ricans account for a third of the remainder. Although the economic range is wide—from welfare clients to those in the highest income brackets—the district is considered among the most politically active in the country, partly because of the proximity of Columbia University, but even more because it is the home of many leaders of the peace movement, women's liberation and other reformist or radical causes. In all, five candidates are in the field, including two other women running on the Republican and Socialist Workers' tickets, and a sole male, a Conservative. But it is freely acknowledged that the race is between Mrs Abzug and Mrs Ryan.

Since the district is so strongly Democratic, it is probable that the fight between reformers will also get more voters to the polls for Mr McGovern. But Mrs Abzug will have a tough time of it. While she is campaigning as vigorously as ever, she is also seeking to moderate her often strident personality in an effort to win over Democrats who have been hostile to her. Her campaign is stressing her incumbency (although she has served only one two-year term), her indefatigable activity and her endorsement by Mr McGovern. Mrs Ryan, who worked closely with her husband, is emphasising that she knows the district much more thoroughly and works effectively with people rather than for causes. Given the overwhelming lead in registrations held by the Democrats over the Liberals, it is probable that Mrs Abzug will keep enough of them to emerge as the victor. But the rancorous conflict is dividing New York's progressives still further.

2. Ivy League contest

FROM A CORRESPONDENT IN BOSTON

One of the closest election races in the United States this year is in the 12th congressional district of Massachusetts. A varied area, it covers prosperous Boston suburbs on the South Shore, the old whaling city of New Bedford and the summer resorts of Cape Cod, Martha's Vineyard and Nantucket. Staunchly conservative for years, the district has only once been represented by a Democrat. But recently, New Bedford, which long ago became a manufacturing as well as a fishing town, together with a growing independent vote along the South Shore, have made the 12th district a tempting one for Democrats. In 1970, a five-

term Republican Congressman, Mr Hastings Keith, won by only "a whisker," narrowly defeating his challenger for the Republican nomination, a lawyer named Mr William Weeks, who was then a state Senator, and taking the election itself by only 1,520 votes from the Democratic candidate, Mr Gerry Studds, a former teacher at St Paul's School in New Hampshire. When the district was gerrymandered (had its boundaries redrawn) to remove his own town and other Republican strongholds, Mr Keith chose not to run again.

Back to the fray this year came Messrs Weeks and Studds, both unusually upper-class for such a scrappy political contest. Mr Weeks, 46 years old, a graduate of Harvard College and of the University of Virginia Law School, is the son of the late Sinclair Weeks, President Eisenhower's Secretary of Commerce. Mr Studds, aged 35, went to both Groton and Yale University and had worked on John Kennedy's White House staff and on Mr Eugene McCarthy's New Hampshire primary campaign in 1968. When he returned to his old family home in Cohasset two years ago, Mr Studds built a strong organisation and nearly unseated Representative Keith by an anti-war, pro-workingman campaign.

Since 1970, Mr Studds has also learned Portuguese, the language of large numbers of New Bedford factory people. But his anti-war companion on the ballot this year is Senator McGovern, who does not appeal to all the Democrats in the 12th district. Mr Weeks was well behind until Mr McGovern came along. Now, linking Mr Studds's name to Mr McGovern's at every opportunity, Mr Weeks hints that Mr Studds, like Mr McGovern, is too radical. Several anti-McGovern Democratic leaders are supporting Mr Weeks and the most recent independent poll now shows him ahead—though by a mere 3 per cent. Mr Weeks urges voters to "be selfish" and elect him; Mr Studds urges them to be idealistic and choose him.

Yaleman Studds is supported by Senator Edward Kennedy; Harvardman Weeks has the help of Senator Edward Brooke; both Senators have summer homes in the district. Mr Studds has a host of volunteers, but Mr Weeks has nearly twice the campaign funds to spend on television. With 69,000 registered Democrats, 63,000 Republicans and 101,000 independents among the voters, the race in the 12th district will be decided by the independents.



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Pell challenged

Providence, Rhode Island

Mr John Chafee, a Republican who used to be Governor of Rhode Island, is contesting one of the state's Senate seats this year with the Democratic incumbent, Senator Claiborne Pell. Mr Chafee dwells persistently on the similarities between Senator Pell's views and those of Senator George McGovern: "political Siamese twins," he called them. Mr Pell rejects the comparison; he has said that he will vote for Mr McGovern himself, but that is as far as he will go. Democratic solidarity is in conflict with the need to survive. Thus he has criticised Mr McGovern's hypothetical defence budget, which "cuts too deeply into our defence muscle."

Rhode Island is one of the states where the Republicans hope to win a Senate seat from the Democrats in the November elections. But not much is said about this idea in the campaign. The thought of a Republican-controlled Senate would not fire the voters of Rhode Island with any enthusiasm. They regularly elect Democrats to most offices with large majorities.

But they are, for the most part, Democrats of a not very liberal stamp. Founded as a colony of English Calvinists, Rhode Island has since filled up with Roman Catholic industrial workers from Italy, Ireland and French Canada. The state is also heavily dependent on the navy. So the popularity which Senator McGovern enjoys in neighbouring Massachusetts comes to an abrupt halt at the boundary.

The flight from Mr McGovern does not mean that President Nixon or his Administration are popular. They are not: it is just that they are there, and in charge, and that a vote for Senator McGovern is regarded as a leap into the unknown. Mr Nixon is therefore expected to join General Eisenhower as one of the two Republican Presidents to

carry Rhode Island since Mr Coolidge pulled it off in 1924. Naturally the Republican candidate for Senator is counting on some coat-tail effects.

The reasons why Mr Pell faces the most formidable challenge to his political career are, however, more individual and personal. He is an enlightened, agreeable, diligent Senator but as a campaigner he is without distinction and the popular touch is not his thing. Mr Chafee has a natural talent for electioneering. He is also well known in the state, and well thought of, from his four years as Governor in the 1960s, a time when the navy grew, industry was fully employed and the state prospered.

This fact helps Mr Chafee to overcome the association of the Nixon Administration with a slack economy and high unemployment. He has also another association which helps him further: he was President Nixon's Secretary of the Navy until he left to challenge Mr Pell for the Senate seat. Thus, while Mr Pell carefully exempts the navy from any budget-cutting proposals, Mr Chafee can talk about naval power and navy yard employment with conviction and experience. Yet he is not particularly a Nixon man and his support does not extend to the Vietnam war.

The political currents of the day are adverse to Senator Pell. But his previous majority was huge and the erosion needed to defeat him would have to be spectacular. The trade unions, which are not giving Mr McGovern any perceptible help in Rhode Island, are backing Senator Pell as an old and trusted friend. For the electorate to dismiss a Senator who does his job, is not senile and has not done anything wrong is not usual. Mr Pell may also count on a kind of guilt factor to help him, in that, as the regular Democrats of this anti-McGovern state party are hoping, voters who vote for President Nixon against their habit may compensate by voting Democratic for other offices.

There is, however, another guilt factor which may work in Mr Chafee's favour. He lost the governorship in 1968 simply and solely because, as Governor, he was obliged to propose a state income tax. His Democratic opponent, Governor Licht, won the election and was re-elected two years later on the basis of a promise not to impose a state income tax. But the tax was in fact necessary, Mr Licht had to impose it after all (and has now been dropped by his party) and Mr Chafee emerged as an honest man vindicated.



Chafee v. Pell

Against the grain

FROM A CORRESPONDENT IN WISCONSIN

Along the banks of the Wisconsin river in the southwestern part of the state, the dairy farmers, traditionally conservative and numerically powerful, are angry. The object of their open hostility is the Republican Administration's handling of sales of grain to the Soviet Union which, in the view of many of the residents of this green and pleasant area, allowed a few farmers and exporters who had advance notice to make huge profits. Mr Lee Leffler, an organiser for the powerful National Farmers Organisation, says that, in the opinion of many of the smallholders (400 or 500 acres is a good size for a dairy farm in this area), "something dirty went on there. A lot of people lined their pockets." Mr William Wanek, who milks 45 Holstein cows in the rolling pasture country on Blue river, says that farmers are angry about this whether or not they are Republicans (as most of them are). But neither Mr Wanek nor Mr Leffler is willing to say whether this anger, which has been directed against the federal government for some time, can be translated into votes against Mr Nixon and for Mr McGovern.

Mr Nixon won the state by comfortable margins in both 1960 and 1968, because the farmers and the residents of the small towns which dot the state can, when enthusiastic about a candidate, outvote the residents of the cities which are clustered in the southeast. But this is 1972 and the McGovern forces in Madison, the state capital and home of the sprawling university of Wisconsin, believe that this year they can win the state, although not by much. "Things are humming," says the Democratic Governor, Mr Patrick Lucey, who is a hard-working campaigner for Mr McGovern. Registration of voters is high and some 70 McGovern headquarters have been deployed across the state. Also the Committee to Re-elect the President does not seem to have been busy so far.

As is true elsewhere in the United States, Mr Nixon appears to have few devoted and fanatical supporters in Wisconsin this autumn. But if Mr Nixon seems to have little but a hard core of voters in his corner, the same applies to Mr McGovern. In the cities where lies the basic Democratic strength the trade unions are not working for the Democrats as hard as they did for former Vice President Hubert Humphrey in 1968 or for President Kennedy in 1960. There is a

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NEW ISSUE

October 20, 1972

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widespread feeling in both Nixon and McGovern camps that a large number of voters are still in the process of making up their minds. What the McGovern organisers are hoping for is that the issue of the grain deal, political espionage and general dirty work by the Republicans will combine to inflame these undecideds and move them into the McGovern camp. In addition, they say that they have reason to believe that Mr McGovern's telethons—paid broadcasts in which he answers questions telephoned in by viewers—have given him a favourable image as compared with Mr Nixon's rare public appearances.

GM strikes again

The United Automobile Workers union has struck at a bad time for the General Motors Corporation. Its new 1973 cars are just coming off the production lines, they are selling well and the dealers are clamouring for more supplies. But employees in six factories have been out on lightning strikes already this month and the union has given notice to other assembly lines that their turn will come.

The real target is the new and hated General Motors Assembly Division which has taken over the operation of 10 of the corporation's assembly lines from the more easy-going managements of the Chevrolet and Fisher Body divisions. The directive from headquarters to the new unit was to make the plants more efficient. This meant consolidating managements which had previously worked independently and renegotiating the contracts that each had with the local branches of the union, cutting costs and speeding up the production. In most places this came down to producing more cars with less labour. At the St Louis plant which has already been out on strike the UAW claims that 1,600 men were laid off work last year but that more cars are being produced.

The first protests against the new regime came earlier this year when the Lordstown factory in Ohio went on strike. This was followed by a long strike at Norwood, Ohio, which ended last month after 175 days. The stoppages did more harm than good to both the union and the men off work. The Norwood strike cost the men \$19.2m in wages and the union \$3.5m in benefits. General Motors itself seems to have suffered little.

These are not the sort of figures that the UAW can afford when it is trying to build up its much depleted

reserves for nationwide bargaining on a new contract next year; it has still not recovered financially from the strike in 1970 to support the last round of negotiations. It is for this reason that short stoppages are now replacing long ones. Lightning strikes do little damage to the bank balance; the union does not have to pay benefits to its members until they have been out on

strike for a week. It is also hoped that the men will be able to make up their lost wages with overtime work. In its efforts to cut costs GMAD tries to keep overtime to a minimum but this may no longer be possible if the company is forced to make up production that it has lost during the strikes. But will the new strategy upset GM's production schedules enough to hurt?

Hitting for base

Crackerjacks and hot-dogs may be the fare at baseball games but it is apple pie that is conjured up in an all-American mind whenever the game is mentioned: baseball is very much a part of the American heritage. In spite of the ever-growing popularity of football and ice hockey, in spite of the ever-dwindling numbers going through the baseball entrance gates, the World Series—the annual contest between the champions of the rival American and National Leagues—usually manages to evoke enough nostalgia to bring out the crowds and revive interest in the ball game.

Few had expected the American League's Oakland Athletics to fare well against the National's Cincinnati Reds in the 1972 World Series which ended last weekend. Fewer still believed it when the As won the first two games in Cincinnati's own territory; they went on to win the Series, four games to three. That the betting was initially heavily in favour of the Reds is understandable. Cincinnati is regarded as one of the strongest offensive teams in baseball. Oakland, both the city and the team, are overshadowed by San Francisco and the Giants across the bay. The team is used to being the underdog and some of its best players were injured and out of play before the series began. Besides the Reds were

a solid, sane team, a safe bet. Not so the argumentative As.

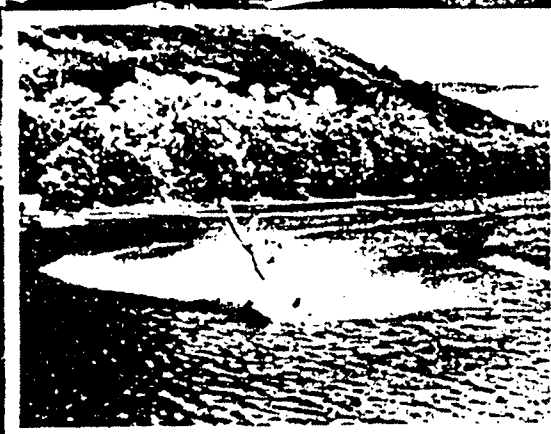
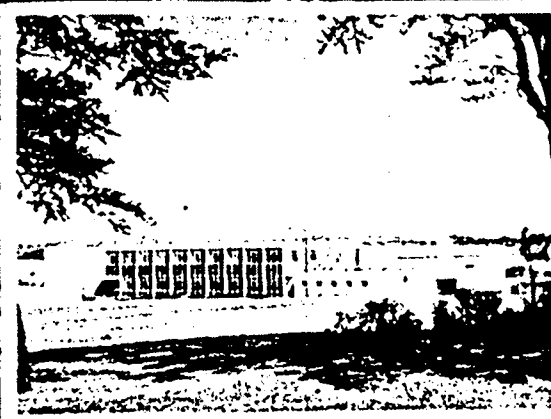
The team resembles a band of gypsies, not only in their wanderings—in 1968 they came to Oakland from Philadelphia via Kansas City—but also in their dress—a gold and green uniform. In a fit of promotional enthusiasm, the owner, Mr Finley, offered the players a \$300 bounty to grow moustaches and to these have been added beards and sideburns. He has committed some other breaches of orthodoxy as well, such as offering \$5,000 in what he calls retroactive salary increases (bonuses are illegal) to three Oakland players for game-saving feats during the series; this is a generosity that the commissioner of baseball will find it hard to overlook.

It is now being said that there is not enough room in the San Francisco Bay area for two major league baseball teams: either the Giants, who went west from New York in 1958, or the newly arrived Athletics will have to go. Ticket sales for the two teams combined are on the decline and add up to less than that of the Cincinnati Reds. In spite of the As clinching of the series and the crowd of 150,000 that welcomed the victors on their return in Oakland, it is the As who are expected to move on. Mr Finley's hockey and basketball teams will probably be going to New Orleans and the ball players may make it a trio.



The Reds are winning 8-1 in the sixth game

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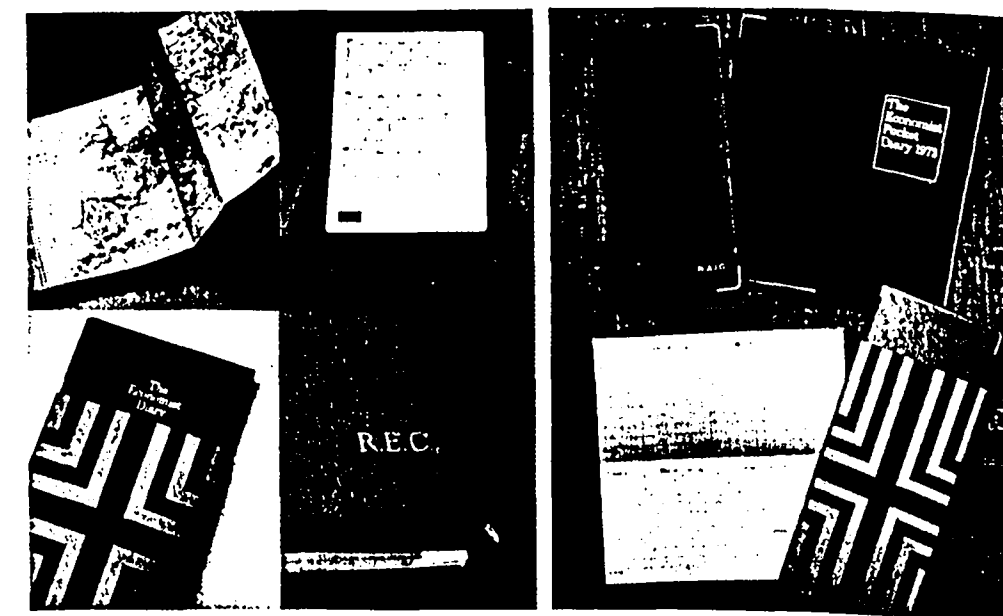
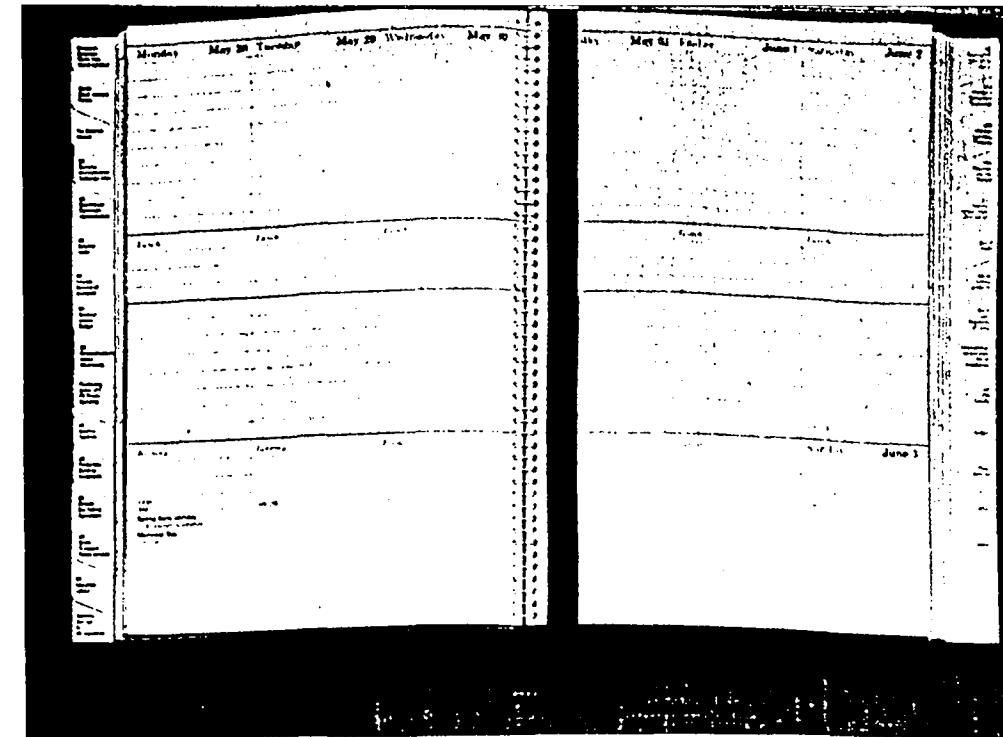
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Books

Revolutionary tourism

SMALL EARTHQUAKE IN CHILE
By Alistair Horne.
Macmillan, 335 pages. £3.95.

Soon after Dr Allende came to power and violence started to break out in the Chilean countryside, one native of Santiago had the bright idea of setting up a company to promote "revolutionary tourism." Why not charter a plane to fly left-wing students or political voyeurs from the United States and Europe to take a look at a guerrilla camp in the Andes, the seizure of a farm by landless Indians and get a whiff of the world of the *momios* (the local nickname for well-heeled conservatives) before it was torn to pieces? Of course, the scheme never came to anything. But Alistair Horne's book provides a sort of substitute for armchair voyagers.

Written with the author's habitual eye for detail and his masterly prose, his latest book will help to open up the Andean countries for many Anglo-Saxon readers. What Mr Horne has done is to write up the diary of a jaunt he made through the Andean foothills in the company of the dragonfly columnist, William F. Buckley Jr, and a mysterious Chilean lady whose name seems to pop up every few pages. He has talked to plenty of people, of all tendencies, and he quotes their remarks and drops their names with a nonchalance that will embarrass some of his sources. He has been up to Liquiñe (early last year) to see Comandante Pepe, the would-be Fidel of the Chilean Movement of the Revolutionary Left, and has talked with Bolivian generals, CIA chiefs and beachside playboys as well.

The end result is a book that captures a great deal of the colour and individualism of the "southern cone" and gives a fleeting impression of a society caught up in the currents of social change. Perhaps the most serious criticism to be levelled at it is that Mr Horne has not sufficiently explored what underlies the pressures for change in South America. Apart from a few hurried statistics on Chilean inflation and copper prices (which are now out

of date as the economy goes teetering along its Weimar course) there is nothing in his book about economics, and very little about broader social problems like the distribution of land or income. Equally, he is rather at sea when it comes to interpreting communist strategy in the Andean countries—although he rightly stresses the rivalry between the traditional Moscow-liners and the revolutionary “new left” as one of the keys to present political developments.

Mr Horne's very subjective bent sometimes leaves one wondering whether the actions of the leaders he writes about are not merely a kind of exotic ritual dance. The fact that so much of the book is given over to conversations with those who were the first to lose out when Dr Allende came to power in Chile—the very rich—might also lead some of his readers to believe that the old stereotype of Latin America as a continent of nasty oligarchs treading on miserable peasants is actually valid. That would be a pity, since recent events in Chile (where shopkeepers, peasants and truck drivers have come out against a marxist government) shows the reality to be rather more complex.

Mr Horne is aware of this. His book leaves many of the big questions about Chile unanswered, but after the heated ideological debate in France that has thrown up several marxist interpretations of Allende's progress, it is refreshing and succeeds in a more modest task: to bring part of South America to life for a public that has always tended to go to sleep at the very mention of that continent.

The equivocator

KENYATTA
By Jeremy Murray-Brown.
Allen and Unwin. 381 pages. £5.50.

Jomo Kenyatta has always been an enigmatic man. To the modern generation of Kenyans, most of whom had not been born at the time of the emergency in 1952, he is "Mzee"—the old man, patriarchal, authoritarian and conservative. It is hard to believe that 20 years ago he was regarded as a



Kenyatta the conservative

dangerous communist whose influence in Kenya was wholly evil. Many of the white settlers who were then muttering that all would be lost if Kenyatta should take over are those who are today muttering that all will be lost when he goes.

The context in which President Kenyatta is now most often mentioned by foreigners is the macabre but fertile one of who should succeed him when he dies. It is therefore a refreshing change to be able to read about the circumstances of his life, which has already been long and eventful, rather than of his death. Mr Murray-Brown, who has carried out a great deal of research, tells the tale with fairness and good judgment. His success in conveying so much of the circumstantial detail and atmosphere of his subject makes the book both informative and enjoyable to read.

The underlying continuity of Mr Kenyatta's extraordinary and disjointed life has been the strange coexistence of purposeful single-mindedness and equivocal ambiguity. It was his determination to be educated that made him leave the district in Kikuyuland where he was born for the Scottish mission at Thogoto, and the same determination that led him into politics, inevitably to jail and ultimately to the presidency of Kenya.

But it was his equivocal nature that got him into such trouble. People—at least Europeans—never quite knew where he stood. Was he for female circumcision (the centre of a great row in the early 1930s), or against it? Was he behind the Mau Mau (for which he was convicted in 1952) or did he have no part in it (as he claimed)? Regarded as a communist by the settlers, likened to Hitler by Elspeth Huxley, he was

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bafflingly ambiguous. Even today it is hard to judge whether he is more at home in his garden of English roses or at a Kikuyu tribal ceremony.

This book only covers his life up to Kenya's independence in 1963. His early life, his visits to Russia, his 16 years in Britain (during part of which he lived in Sussex with an English wife, horsed around in the local pub and passed himself off to bewildered bystanders at bus stops as an Eskimo), his return to the Kenya of the Mau Mau and the emergency, and, finally, his six years in jail are all described here. Another book will be needed for the later years, but, for a non-Kikuyu at any rate, Mr Murray-Brown has done a fine job on what went before.

Angola's agony

IN THE EYE OF THE STORM:
ANGOLA'S PEOPLE

By Basil Davidson.
Longman. 355 pages. £3.95.

Scarcely a week goes by without the publication of a book, pamphlet or article about Rhodesia, and scarcely a day goes by without a similar publication about South Africa. Perhaps that is as it should be. Yet it is strange that so little energy in the English-speaking world has been channelled into writing about the other white-ruled countries of Africa—the Portuguese territories. As far as black opposition is concerned, Rhodesia and South Africa are in a permanent state of coma, occasionally relieved by spasms. Angola, Mozambique and Guinea-Bissau are, by contrast, in a state of war.

Mr Basil Davidson has been at pains to publicise these half-forgotten wars for many years. There is probably no Englishman who knows as much about the three Portuguese territories as he does. In this book he draws on this knowledge, particularly where it concerns the developments of the past 10 years or so. But the book is mostly about Angola, that vast area of land—five times the size of Britain—that acts as a buffer on Africa's west coast between the black north and the deep white south.

Half the book is devoted to Angola's story before the uprisings of 1961 that set the match to the bush fires that have burnt ever since, not just in Angola but in Mozambique and Guinea too. Angolan history, where it concerns contact with the white world, makes pretty grim reading. Slavery, forced labour and general ill-treatment

seem to have been the rule rather than the exception. But the whites, though they have been established in some form or other on the coast for over 400 years, made little impact on the interior of the country until very recently. Mr Davidson, besides being an expert on Portuguese Africa, is an authority on African precolonial history and his knowledge of early Angola is skilfully applied.

The second part of the book concerns the struggle that has been waged since 1961 by what the author terms "the national movement." Interesting and authoritative, it provides one of the best-informed and most readable accounts of the war yet published in English. But there are still many large gaps to be filled in, and Mr Davidson's viewpoint is certainly not the only one. The Portuguese government will undoubtedly be at odds with him. So too will some of the African guerrillas, for one of the difficulties about the "national movement" is that in an important sense it is not national. Mr Davidson fully explores the rifts in the lute, but he is partisan to the extent that his sympathies lie strongly with the Popular Movement for the Liberation of Angola, led by the poet and doctor, Agostinho Neto.

As so many young African countries have dashed the hopes of their expectant admirers, the eyes of the incorrigibly hopeful turn toward countries still in the making. There seems to be a relationship between the length of the pre-independence struggle and the effectiveness of the government that finally comes to power. If this is so, Angola, Mozambique and Guinea may well have something to teach us. Mr Davidson believes they already have. He makes a convincing case, and in the process tells an interesting story with considerable skill.

Unpromising material

GEORGE IV: PRINCE OF WALES

By Christopher Hibbert.
Longman. 352 pages. £3.95.

George IV was the most unpopular monarch of England since James II. From the time he reached adulthood his spendthrift ways, his love life and his association with the political opposition of the day led the general public to look askance at him. His long relationship with Mrs Fitzherbert brought him no credit: he "married" her secretly, well knowing that the ceremony was invalid under the Royal Marriage Act of 1772, renounced her



George, Prince of Wales, with a "lady of quality"

to marry the more suitable Princess Caroline, went back to Mrs Fitzherbert but took another mistress. His treatment of Caroline, whom he hated, became the leading scandal of the age. His untruthfulness alienated his friends, as when he induced Fox to deny, to a sceptical House of Commons, that any form of marriage with Mrs Fitzherbert had taken place. When he became regent and subsequently king he betrayed the political friends of his early years, the Whigs, by refusing to entrust them with office; in consequence he delivered himself into the hands of the Tories, and despite frequent blustering enjoyed little of the authority wielded by his father.

What does Mr Hibbert make of this unpromising material? To his credit, he does not succumb to the occupational disease of biographers, that of whitewashing his subject. The present work, which is intended as the first of a two-volume biography, handles the Prince of Wales sympathetically but firmly. Although the narrative stops at the eve of the regency, the main lines of the Prince's career already emerge. Mr Hibbert deals in detail with the "Delicate Investigation," egged on by the Prince in 1806, which probed into the Princess's alleged extra-marital activities and adumbrated the full panoply of the Caroline Case of 1820. He brings out too the effect of this early investigation on the Prince's relations with the Whigs. Though anxious enough to please him, they could not bring themselves fully to endorse the investigating body's adverse report on Caroline's way of life; indeed one of their number, William Windham, to his eternal credit came out openly on her side. The Prince of Wales's dissatisfaction

at the Whigs' equivocal attitude was an important constituent of his later quarrels with them.

On the whole the author is more interested in the Prince's personal life than in his politics, an appropriate approach to the man who, in effect if not by intention, presided over the final withdrawal of the crown from the nation's government. George's role, as Prince of Wales, in the society of his day is well brought out.

Open-ended quest

THE FACE OF DEFEAT

By David Pryce-Jones.
Weidenfeld and Nicolson. 179 pages.
£2.95.

Some 3½m people, living in exile or under occupation, might have become lost voices in a world that absorbs and forgets greater tragedies. The Palestinians, by fair means and recently some foul ones as well, have forced remembrance of their cause. Knowledge or understanding are harder to come by: the Palestinians have in common their undiminished awareness of the injustice done them when they lost their land; otherwise the difference and difficulties of their circumstances leaves outsiders groping for an authoritative Palestinian viewpoint. Mr Pryce-Jones's search for the truth leads him from interview to interview—in Jerusalem, Nablus, Beirut, Amman—but the trail breaks off inconclusively.

As a good reporter, he was in a number of places at the right time: Jerusalem during the 1967 six-day war, Amman before and after King Hussein's crack-down on the guerrillas, the West Bank when allegations of Israeli torture during interrogation

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were widely prevalent. He doggedly tries to get at the reality behind the myths, in particular over the torture allegations, and is objective to the point sometimes of blandness. The Israelis he talks to come through as well-meaning and slightly baffled; the Palestinians as men with all passion spent. Name after name is mentioned but, as often as not, the author seems to be burrowing his way through cotton wool.

There are illuminating sketches but the end result is too episodic and fragmentary to suggest any conclusions. Mr Pryce-Jones is helpful on one or two specific subjects but his journalist quests do not really amount to the theme for a book or to any significant advance in our knowledge of a complex people.

Yours, disgusted

THE PSEUDO-REVOLUTION

By David Holbrook.

Tom Stacey. 202 pages. £2.80.

Mr Holbrook has complained lately of a hidden censorship, saying that liberals, being afraid to seem out of the fashion or ridiculous, have declined to publish his pieces against pornography. Fortunately, however, he has not been muzzled, and now we have his argument at book-length.

He started to be alarmed, quite suddenly, when "Oh! Calcutta!" played the London stage with sexy scenes, to few complaints and more voices rejoicing at how the frontiers of sexual liberation had been forced back. Deeply stirred, he seems to have collected newspaper cuttings of reviews, and then accounts of the Danish sex fairs. These two achievements of the entertainment industry in 1970 dominate the book, being referred to on nearly every page in tones of disgust. Pornography is seen as only a pseudo-revolution, and Mr Holbrook, as one who hoped for a more humane movement of sexual reform, points out the betrayal felt by the revolutionaries of his stamp. Pornography is seen as sadistic, full of insults, debasement and hatred against men, against women and against love. A true release would be humane, life-enhancing, private rather than orgiastic, and never on the stage. Real love would shrivel at the approach of commercial exploitation (assumed to be behind the pornography wave). Splitting sex from commitment of the whole personality is, says Mr Holbrook, a severe sign of schizoid personality disturbance (he

includes references to psychoanalytic writers which match badly with the hasty journalism of much of the book).

Few of us regard pornography as sensitively life-enhancing or a credit to our civilisation, and moreover now, a year or two later, we can see the tide receding a little out of boredom and hope we have passed the peak. Yet the book can only be described as a sorry business. The tone is miserable complaint, on and on about "Oh! Calcutta!", and there is personal hatred of Mr Kenneth Tynan. Love breaks through with a quotation from Lever-tov; almost the only occasion. There are signs of haste and many misprints, surely painful to a poet. Is the author manically fashionable himself? His publisher lists this as his sixth book in 1972. It comes nowhere near to filling the great need for a thorough exploration of the implications of sexual permissiveness for our culture. "In Bluebeard's Castle" and "Extra-Territorial" showed that Mr George Steiner is interested, and we know he writes beautifully; perhaps he could provide us with it.

A poor shepherd

FLEEING THE LAMBS

By Christopher Elias.

Pitman. 256 pages. £2.50.

It was high noon for the securities industry in the late 1960s. Not just because share prices rose—that benefits everybody, so long as it lasts—but because trading volume accelerated. In Mr Elias's opinion: "If all the money Wall Streeters made out of this bonanza had been converted to dollar bills . . . they literally could have wallowed in their gains."

Whatever they actually did with it, many broking firms did not use it to underpin their back offices, where the actual exchange of securities takes place. Trading so far outran their ability to settle up that at one stage over \$5 billion of securities were behind on delivery. The problem is far more daunting in New York than it ever could be in England, because the piles of paper slithering down behind the filing cabinets are bearer bonds, documents of immediate value, rather than registered certificates. It is temptingly easy to pick them up and walk off; a temptation by no means always resisted.

No doubt there is here the makings of a compelling book on the ambivalence of the New York Stock Exchange and the writhings of those brokers

overwhelmed in the aftermath of the bull market. Unhappily, it is not the book which Mr Elias has written. Here was matter, one would have thought, for a thoroughgoing exposé, so often well done by relays of journalists. But Mr Elias is short on detail and perfunctory in style, and his assertions come across with the urgency of last month's newspapers. Besides, he is suspiciously emotional, having lost his job as editor of the exchange's official magazine because of this book. But what alternative was there, other than the satisfaction of resigning, when he calls its members greedy, incompetent, shortsighted and dishonest? So they may be, some of them, but we still await an account worthy of that theme.

Short list

Participation in Urban Planning: The Barnsbury Case by John Ferris (G. Bell £1.75). Resentment at the middle-class "takeover" of a poor but elegant district in the London borough of Islington focused on the elaborate traffic management scheme sold to the council by a group of professional residents who formed the influential Barnsbury Association. The author helped to form the rival Barnsbury Action Group, whose members were mainly small shopkeepers and tenants, and whose existence at least proved that fashionable terms like "participation" and "amenity" mean different things to different people. Though partisan, Mr Ferris gives a convincing account of how politicians and officials reacted to pressures.

The New Government of London: the First Five Years edited by Gerald Rhodes (Weidenfeld and Nicolson, £10.50) is an assessment by the Greater London group of the London School of Economics, a team of academics formed to influence the formation of the new system prior to 1965. For performance, 1965-70, it gets a beta plus. The weaknesses are the Greater London Council's ill-defined roles in planning and housing, where it is hard to see how any satisfactory solution can be reached without amending the act to give the GLC more power. But this looks unlikely through a fundamental problem discerned by the authors: the system was not designed to cope with the political tensions arising from it.

Local Government Reorganisation: the first years of Camden by Enid Wistrich (London Borough of Camden

Libraries and Arts department, £1.50 plus 25p postage) is a subsidiary study. Though somewhat uncritical—the author is a local councillor—it is better value for money and more up-to-date than the main study, and because it deals with particular local conflicts it is also more readable. Camden counts as one of the successes of reform, and there is no harm in saying so.

Twentieth-century Coventry by Kenneth Richardson (Macmillan, £3.50 cloth, £1.50 paperbound). Mr Richardson has steered clear of the controversies over piece-work and measured day work in his account of Coventry's phenomenal growth. He provides a wealth of detail on every aspect of Coventry life, from its impressive housing record to its popular rugby union team, from its efforts to spread culture with the aid of the Belgrade Theatre to the churches, centring on Sir Basil Spence's new cathedral. He writes with a proper sense of filial piety. The best chapters deal with the giants who built up Coventry's wealth: men like Sir Alfred Herbert, Meyer Bettman, and Sir John Siddeley. There is also an interesting account of that parallel twentieth-century development in Coventry—the rise of the Labour party.

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Peter Isaacson Pty Ltd, Australia
Aus \$10.50.

Sir John Walley
SOCIAL SECURITY: ANOTHER BRITISH FAILURE?

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Business Brief

What deal for consumers?

A new deal for consumers will be announced by Mr John Davies, Secretary for Trade and Industry, in the debate after the Queen's Speech next Tuesday—almost exactly two years after the Government's decision to kill the Consumer Council. Two weeks ago Mr Davies told the Conservative party conference that "the Government means to arm itself to deal with those who persistently show a shoddy performance in goods or services, and we mean to take powers to intercept those who seek by abusive practices to gain unjustified profit from the public." He returned to the subject in a speech to the Advertising Association on Tuesday, without filling in any more details.

The betting is on a new semi-independent watchdog body, perhaps on the lines of the Monopolies Commission, to be set up under a new Minister for Consumer Affairs. He would take over the diffuse consumer functions now scattered among a number of ministries, but could himself work under the general aegis of Mr Davies's DTI.

During the discussions with the Prime Minister about inflation, the Trades Union Congress had been demanding the immediate re-instatement of the old Consumer Council, and now the new legislation will probably produce something like the old council

but not so large. When the Government scrapped the council in 1970, it argued that, since the establishment of the council in 1963, the consumer's interest had become more adequately represented by private organisations, so that, by implication, the £240,000 a year grant the council was getting from the Treasury was a waste of public money. The Government may also have been worried that under its director designate, Des Wilson of "Shelter," who was due to take over from Dame Elizabeth Ackroyd, the organisation might have taken a more radical Ralph-Nader-type line.

During the council's eight years of life it made remarkably little impact, partly because its brief was too restricted, also because its budget was pitiful. When it did try to give sensible advice, particularly on the drafting of legislation—where it was in a position to make a useful contribution—Whitehall generally brushed its representations aside. It was not a happy experiment; translating leaflets about dangerous nighties into Urdu and Punjabi is doubtless helpful but not what the staff of the Consumer Council thought they would be doing when they joined it.

Some civil servants, as well as incoming Tory ministers, thought the council had been more well-meaning than effective; but the truth was that it

had never been given the chance, and did not know how to make one for itself.

When the Government axed the council, it was expected that the private and independent Consumers' Association, publisher of "Which?" magazine, would take over some of its functions. But the association had neither the money nor the organisation. Its £2m turnover a year is entirely generated by the 600,000 subscriptions to the magazine and by the sale of other publications. The CA would be quite happy to accept government money for narrowly defined projects, such as research on common market entry, but it is very anxious to preserve its independence in its main function; the comparative testing of products.

Acts in support

Since the war, several acts providing safeguards for the consumer have been amended and some new ones added. But one of the most important pieces of legislation covering consumer transactions is still the 1893 Sale of Goods Act, which obliges the seller to supply goods which are "reasonably fit" for the purpose required, and of "merchantable quality." This means that a pair of boots should protect the feet and not fall to bits immediately. This provision covers only the immediate buyer of the article, and not the third person who may eventually use it. The buyer can be—and frequently is—deprived of his legal rights by being fooled into signing them away, usually under the guise of a guarantee which can take away more rights than it offers.

The wisest course for anybody who is asked to sign any guarantee for an electrical or other appliance, stating that he agrees not to be covered by

the Sale of Goods Act in consequence, is to delete or insert the word "not" in the appropriate part of the small print before signing. The issuer of the guarantee often will not notice this.

The 1963 Weights and Measures Act makes the giving of short measure a criminal offence for a shopkeeper. It also lays down the quantities in which certain goods may be sold. Thus, prepacked tea or coffee must only be offered in packets containing 1, 2, 3, 4, 8, 12, 16 or 24oz, and multiples of 1lb; but biscuits can be packed in any quantity the manufacturer likes, which leads to a lot of 7½oz packs trying very hard to look like 1lb packs. The Act will have to be amended fairly soon to prepare for the introduction of metric measurements. The opportunity should be taken to tighten it up considerably; and cut out, in particular, the very liberal allowance made for packing and wrapping. The act is enforced by local weights and measures inspectors who make spot checks on shops and garages.

Since 1968, these inspectors have also been responsible for enforcing the Trade Descriptions Act which was introduced in November of that year. This Labour measure, and the Act to get rid of resale price maintenance, introduced by the Conservatives in 1964, have been the two major pieces of consumer legislation passed in the last eight years. The Trade Descriptions Act makes it illegal to give a wrong or misleading description, either in writing or orally, of goods or services offered for sale. It has had a major impact in certain fields where previously there had been a lot of abuses, particularly secondhand car dealing (see chart).

Since 1968, there have been several hundreds of thousands of complaints under the Trade Descriptions Act, and over 3,000 convictions. Up to end-March this year, fines of more than £200,000 had been imposed and two people were given suspended prison sentences. The powers of the Act are very wide. They embrace misleading descriptions in advertising and of services such as holidays (where there have been several big fines for travel firms over false descriptions recently), laundries or banks as well as goods. They cover false descriptions of prices, to deal with spurious "4p off" claims in shops. But some shops now seem to be evading this rule by persuading manufacturers to supply them with two sets of recommended prices.

Other important consumer measures include the 1955 Food and Drugs Act, which makes it an offence to sell food that has become unfit for human consumption, and the 1961 Consumer Protection Act, which is concerned with the safety of goods such as oil heaters. A bill insisting that imported goods must be clearly marked with their country of origin went through Parliament earlier this year.

Too many cooks

At present, responsibility for consumer protection is spread among too many nannies. The Department of Trade and Industry looks after the Trade Descriptions Act; the Home Office after consumer safety; the Ministry of Agriculture after the Food and Drugs Act. The new consumer minister should be put in charge of all of them. He may also be able to push consumers' interests more forcefully, and should certainly be urged to implement the overdue reforms in

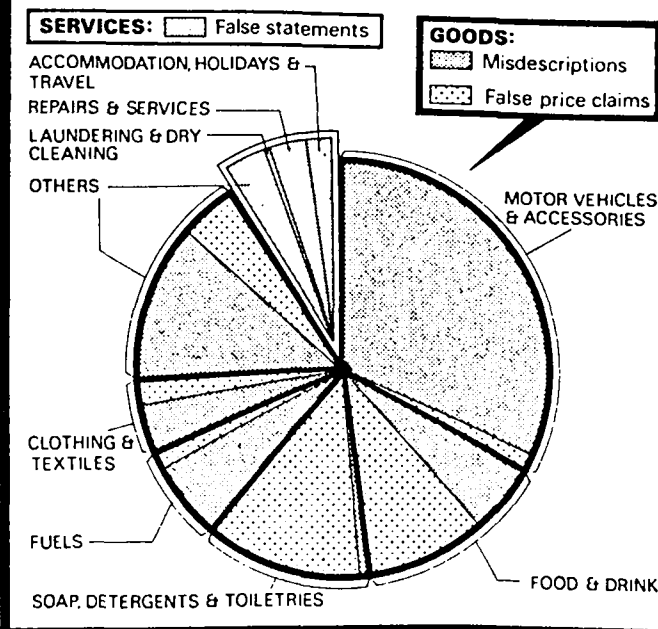
consumer credit, that were advocated by the Crowther committee 18 months ago. It wanted legislation to abolish the present confusing distinctions between different types of consumer credit (such as bank loans and hire purchase); and to make mandatory the declaration of the true annual rate of interest for the loan offered. Although the Government welcomed the proposals at the time, and promised to take action on them, there is no certainty that legislation will be introduced during the coming parliamentary session.

The Government also wants to arm itself with wider powers to deal with abuses in doorstep selling and pyramid selling of which Britain has suffered several bouts lately. It might be able to get them without going through a lengthy legislative process. A new minister might also put some steam behind ideas like open dating of food (putting non-coded information about the freshness of the article on the pack) and unit pricing (putting a price per pound on the pack, to make comparisons between prices of different weights easier). Retailers such as Marks and Spencer and Sainsburys are now starting their own voluntary schemes; the new minister might make others follow them.

There is a need for more local advice centres where shoppers can go for information and to take their complaints. Some of the more active local weights and measures offices provide a service of this kind, but they are still in a very tiny minority. Some local councils are now opening advice centres on the model of the "Which?" centre in Kentish Town in London. Half a dozen of these, run with the help of the Consumers' Asso-

Caught by the Act

Total convictions under the Trade Descriptions Act: 3294 (Nov 30, 1968—April 30, 1972)



ciation, will be open by the end of the year.

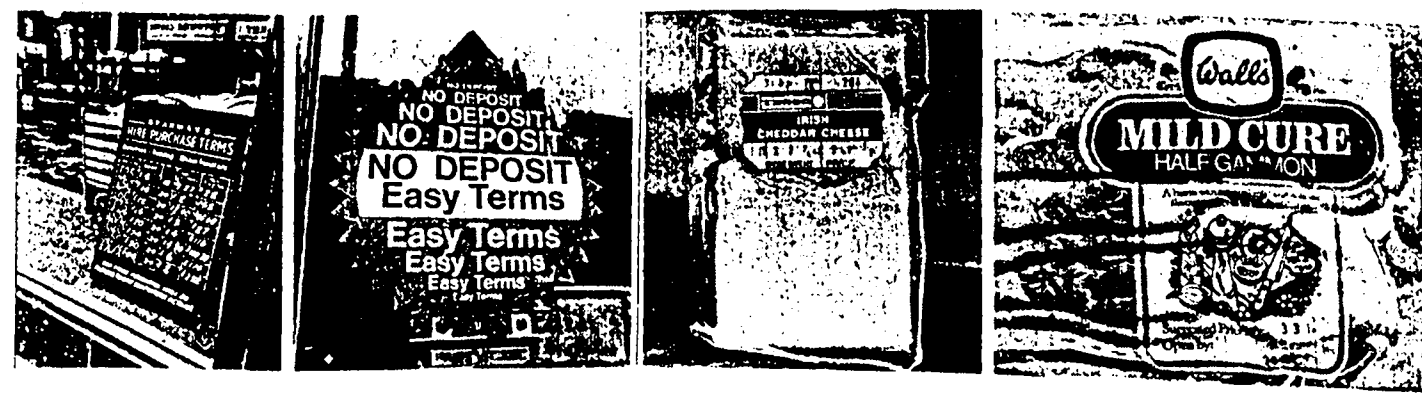
A month ago, a group of Conservative backbenchers, in a report called "Square deal for consumers," urged the Government to set up a network of comprehensive Consumer Advice Centres; made up of the weights and measures inspectorate, a citizens' advice bureau, an inland revenue information office, a legal aid centre and somewhere to complain about the services of the nationalised industries. Another useful reform might be a small claims court where complaints involving sums of up to £500 could be taken without incurring great legal expense, and without plaintiffs being intimidated by the aura of an ordinary court.

A major task for the new consumer minister will be liaison with the European

Economic Community. Mr Albert Borschette, the Brussels commissioner in charge of consumer affairs, intends to allocate over \$8m of the community's budget next year to help consumer organisations to analyse the effects of common market legislation on the prices and quality of goods. Individual countries in Europe have consumer organisations of varying quality, but there is no adequate liaison between them and the EEC. The Consumers Liaison Committee, which was set up in 1962, folded last February, mainly for lack of funds. In its ten years of life, it had not managed to find an office, a telephone or even a part-time official in Brussels. If Britain, as a new member, sets itself up as an active champion of the consumer, it could improve the quality of work done all over the EEC.



Ex-Consumer Council's Ackroyd; Consumers' Association's Goldman. Have cars, holidays and money-off deals been sorted out?



Shopping list for the new minister: consumer credit, unit pricing, freshness coding

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BUSINESS

How did we get into this mess?

The latest and greatest British inflation was on the operating table in Downing Street throughout Thursday and well into the night, with the success of the operation continually in doubt. The illness is the result of 20 years of economic nonsense

Anything emerging from Thursday's talks will need to be good to deal with wage rates rising at 17 per cent a year and prices at 8 per cent, with more to come. But how- ever did we get into this mess? Demand is not excessive; unemployment is still near to record levels; output is expanding rapidly; real incomes, as the Chancellor observed last week, are rising faster than at any time since the war; and taxes are coming down. The answer is that the present rampant inflation is the pay-off for some 20 years of unmitigated economic bungling.

Inflation, in essence, is the heat generated in the scramble between the different sections of the community for a share in the available real income. It owes its present intensity to distortions in the distribution of resources which were allowed to emerge when too much of a too slowly rising national income went to personal consumption in the 1950s and early 1960s, and to the crude and over-rapid readjustment in the second half of the 1960s when personal consumption was squeezed too hard for three years. The great British inflation falls neatly into five phases stretching over nearly 20 years, but with the tempo steadily increasing.

Phase one was the long gestation period in which imbalance was allowed to emerge. It began on July 26, 1955, when Lord Butler, then Chancellor of the Exchequer, committed the Conservative government of the day to the maintenance of a fixed \$2.80 parity for the pound. He did so to end a sterling confidence crisis. This decision followed a long semi-secret debate in White-

hall, later described by J. C. R. Dow as "like the cavorting of an elephant under a dustsheet." Britain relapsed into slow growth and stop-go policies to "cure inflation" and "make the pound strong." In this period of Mr Macmillan's boast that "you've never had it so good," however, personal living standards were allowed to advance—at the expense of investment, public spending and the balance of payments.

Phase two began exactly six years after phase one on July 26, 1961, when Mr Selwyn Lloyd, dealing with another sterling crisis, announced proposals for the formation of the National Economic Development Council. Widespread awareness of slow growth, and some resentment of "public squalor," caused economic planning to come into vogue. But planning made matters worse. Both the Neddly plan and Lord George-Brown's national plan spawned ambitious public expenditure programmes while doing nothing to create the resources they were to pre-empt. Maintenance of sterling's parity at \$2.80 remained the number one priority, to which economic growth was again to be sacrificed.

Phase three began five years later, on July 20, 1966, again in the teeth of a sterling crisis. Mr Wilson's freeze and squeeze began the readjustment process, but the amount required had become both massive and urgent. Over the following three years readjustment was indeed achieved, but at considerable cost in terms of the pressures and tensions it created in the economy. The tax system, and subsequently devaluation, were used to



Up they all turned: DTI's John Davies, Vic Feather with a last word, CBI's Campbell Adamson, Jack Jones, quite the elder statesman



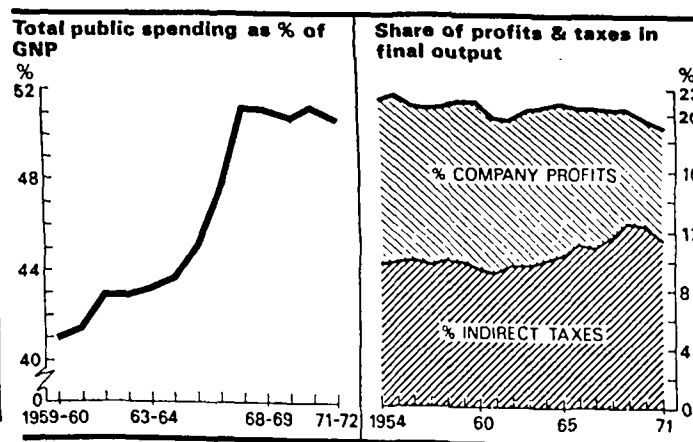
Clapham was there, and Scanlon on his birthday

switch resources from private spending to public spending and the balance of payments. While costs and prices were pushed up to achieve this switch, wages and manufacturers' prices were held down by statutory controls; all in the context of a relatively stagnant economy and a consequent doubling of the level of unemployment. For three consecutive years, real personal disposable income per head rose by barely 1 per cent a year.

This savage readjustment destroyed the delicate balance upon which the stability and manageability of the British economy had rested. When taxation was increased, in Keynesian style, to make marginal adjustments to the level of total demand, it raised costs and prices directly—but still, on balance and in the medium term, reduced inflation through its effect on the pressure of demand and the level of unemployment. But when the tax system was used to make a major redistribution of expenditure within a given total of demand, cost-push inflation was increased whatever the level of unemployment.

Moderate trade unionists, who went along with the Wilson incomes policy on the promise of jam tomorrow, were both disappointed and discredited. This led to a growth in union militancy, at a time when the bargaining power of both organised and disorganised labour was on the up and up. Meanwhile cost inflation, combined with economic stagnation and price controls, made severe inroads into profits. As the chart shows, the share of company profits in the cost composition of final output fell almost exactly in line with the rise in indirect taxation.

Phase four can be said to have begun on June 18, 1969, when Mr Wilson abandoned his Industrial Relations Bill. This capitulation to union pressure advertised the collapse of his incomes policy; there was a rush of what, at the time, seemed very large settlements of some public sector pay claims, detonating the open inflationary explosion. But while devaluation and tax increases are relatively efficient—in the sense that quite a small rise in prices secures a large shift in resources away from the private sector—wage inflation is very inefficient at grabbing them back. The initial impact of wage increases is to cut company profits; the wage-earner gains only until prices catch up, and even this immediate gain is whittled away by taxation. Income tax always takes an increased share of rising incomes; which is why at the present rate of wage inflation the whole of the £1 billion a year



reduction in tax rates in Mr Barber's last budget will have been offset by tax buoyancy within little more than one year. He should now have about another £1 billion a year to give away.

The struggle by the wage-earner to regain the ground lost during the Wilson squeeze in the late 1960s resulted in a rapid speeding-up of wage inflation. In 1970-72 this has been temporarily successful in pushing up real wages, but it also led directly to mounting unemployment. Faced with a new squeeze upon their depleted profits, which they were powerless to resist, companies were unable to recoup all the new costs in higher prices. Some industries—including engineering, machine tools, petro-chemicals, electronics, and textiles—suffered a cyclical slump in home and export demand coincident with the wage explosion. The results were to be seen in the epidemic of closures, redundancies and some bankruptcies which swept Britain in 1971.

Government policy, in this phase, was at best neutral. Demand was expanded sufficiently to prevent the emergence of a real slump, but not soon enough or dramatically enough to change the nature of the problem. Mr Jenkins did not realise that re-expansion was essential—indeed, he actually claimed credit that his pre-election budget was not a giveaway one—and Mr Heath did not act in time. Rapid reflation through tax cuts in 1970 could have eased the pressures on the economy, and during a period of 5 per cent economic growth perhaps de-escalation might have succeeded. Instead, the Treasury's hesitant orthodoxy won the day; and the new Heath Government, in pushing ahead with its longer-term structural reforms, often desirable in themselves, added a new dimension to the distributional problem and to the confrontation with the unions.

The result was that the fourth phase ended with inflation taking off from economic reality and developing its own momentum. Expectations of rapid price increases became the cause of large wage claims, thus providing their own justification. Every major wage bargain became a political exercise in confrontation.

Phase five began on September 26, 1972, when Mr Heath presented his £2 a week package deal. Here, for the first time in 20 years, the issue of resource allocation was faced squarely. The Prime Minister's doctrine was that inflation can be beaten only with the informed consensus support of all elements of society.

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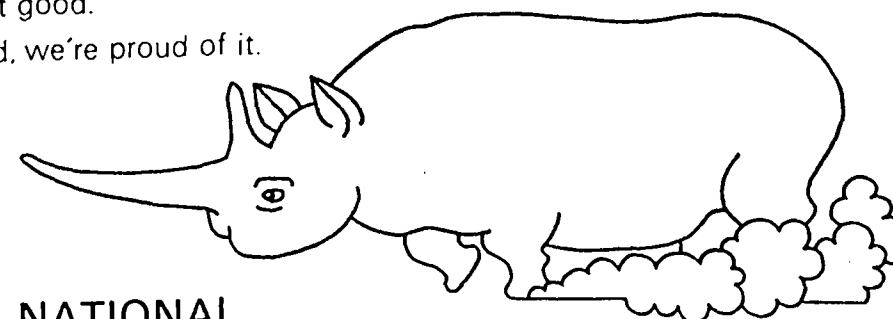
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BUSINESS

Living with inflation

When the lights go out again

The Government's troubles with the unions do not begin or end in Downing Street. On Friday, the day after the tripartite talks, the four major unions in the power industry were scheduled to decide what industrial action they should take to support their 37 per cent pay claim. Mr Frank Chapple's men in the Electrical and Plumbing Union, who are the bulk of the electricity workers, have already announced in advance that they intend to vote for trouble.

Britain may therefore face the disruptions that it experienced in December, 1970, when the electricity workers worked to rule, or, in the absence of many rules, made up their own to go-slow by. The electricians may just try to hit factories, but whatever they do the engineers who worked so hard to keep the power stations humming in 1970 are now also dissatisfied. On Thursday they called some of their men out on a one-day strike, mainly office staff and engineers on building sites; the men in the power stations turned up for work as usual. If the other unions called an official strike, the engineers would probably not join it, but neither would they step in and shovel the coal as they did before.

The unions certainly do not seem anxious yet to start anything as drastic as a go-slow. They could simply ban overtime. That by itself would not do much damage since overtime averages only two hours a week. The danger in such a ban is not its immediate effect, but the risk that it might spark off much more damaging unofficial action. Another, presumably, is selective strikes, which would only be felt in particular areas.

The main reason for thinking that Mr Chapple may go for only a moderate sort of disruption, which shows his strength without making his men too

unpopular with the public, is the almost universal belief that the Government will pay up, somehow or other, in preference to an expensive showdown that it is advised it can only lose. Troops cannot run modern power stations. There is growing Government talk of postponing the showdown yet again until the dustmen come into the firing line. Troops can shift rubbish and unblock drains. But that cannot happen before any voluntary incomes policy has gone down the drain first.

The weather will play a part in the power strike, but the full severity of the cuts will depend on how often the stations break down. Their operation is largely automatic until something goes wrong, and the power workers are there mainly to put it right. The older power stations, with their small turbines, have a higher manning ratio than the large new ones. It follows that in any go-slow they are likely to get back into commission more quickly than the newer stations with their massive generators, simply because there will be more men around to work—even to rule—on them. Something like 35 per cent of the country's electricity is produced by power stations with turbines of more than 500 megawatts, so you can draw your own conclusions.

On September 30th *The Economist* warned that it was time to start buying candles, but most shoppers seemed to have left it until last week. Industry learned more of the lesson of 1970, and from the post office downward has been buying stand-by generators all this summer.

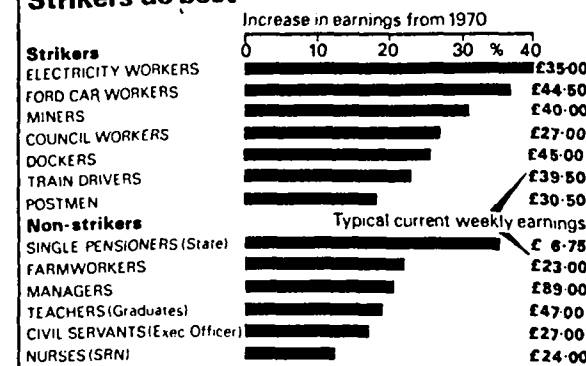
Virtue unrewarded

The sad story of the past two years is that nearly every strike has paid off. The chart shows how strikers have outpaced everyone else. They have had an average rise in earnings of 29 per cent over the past two years, which is 5 per cent more than the industrial average. The electricity workers top the bill, which is why they seem quite willing to take industrial action again. Only the postmen failed to gain from a strike.

Increases in the state old age pension have been comfortably bigger than the rise in the cost of living (which was 17 per cent during the same period). But some occupational pensioners have been very hard hit. Most large employers have voluntarily raised the pensions of those who have already retired, but plenty have not.

Wage-earners seem to have done better than most managers. According to figures supplied by Associated Industrial Consultants, a typical manager has had a rise of only 20 per cent over the past two years, so his real before-tax income has risen a paltry 3 per cent. Civil servants have actually had a marginal drop in real income, and so

Strikers do best



Chapple knows what pays

have nurses. The better-paid wage-earners tend to be more unionised and more militant than the low-paid, so the gap between them has widened in the past two years. Shopworkers, farm-workers and textile-workers have done worse than average.

In terms of wealth, the gainers have been those who have held real assets like houses or paintings, whose value has increased much faster than inflation. The losers have been those who have held money assets.

£5-plus men

In the motor industry wage deals are being struck in a hurry and great secrecy for around £5 a week. The unions in the past fortnight have been settling for that because they are afraid of being caught by a wage freeze if they drag the talks out any longer. The threat of a £2 freeze had a remarkable effect on, in particular, the shop stewards at British Leyland's Longbridge factory, one of the motor industry's worst trouble spots.

They had refused even to discuss the new pay system that the company was introducing plant by plant because it would have reduced shop floor power; the sweetener was a sharp increase in wages. Two days after Mr Heath's £2 offer, they were round the negotiating table. For the past 12 days they have been shut away with the management at the Chateau Impney hotel in Worcestershire, bargaining for all they are worth. The signs are that the deal is now settled except for a few dots and commas. The men are expected to move from their present piece rates on to a flat 40-hour week for £45, rising to £48 in two years. This is £5 on their present average earnings; but if they had not been argy-bargy over piece rates—to an extent that lost Longbridge 2m man-hours, 60,000 vehicles and 90,000 engines—their earnings would have averaged nearer £43. So perhaps the deal is not quite as bad as it looks. But Mr Chapple is likely to take note.

British Leyland is justifying the huge rises it has been giving all this year by saying that the industrial peace they and the new flat pay scales bring mean that the deals will more than pay for themselves in higher productivity. But Chrysler was the first company to try this system in Britain, on similar grounds. And what is Chrysler doing now? Why, introducing an incentive bonus at Ryton to make up for the lack

of the incentive that piece rates provided. In other parts of the company Chrysler's toolroom men have just won themselves another £3 a week, along with better holiday and sick pay, by the relatively new device of acquiring staff status. Toolroom men are an aristocratic group of specialists, and there are not many of them; but all this shows how unwise it is ever to assume that there might be an end to car workers' demands.

6%-plus prices

One man's wage increase is another man's price increase. But that does not mean that prices are affected only by wages: two other significant influences are Government action and the price of imports. Both have been benign for the past year. But the Government has been schizophrenic: while its short-term palliatives have been helping hold down prices its long-term policies are tending to push them up. The long-term policies on Vat, rent, food and so on, were not conceived in terms of an inflationary situation: they were intended to increase economic efficiency, albeit by altering the distribution of income in the process.

In the 13 months since July, 1971, when purchase tax was cut and the Confederation of British Industry pledged most of its members to price increases of less than 5 per cent, Government policy has operated, on balance, to keep down the prices, particularly of goods subject to purchase tax and products of nationalised industries, while continuing to exacerbate the inflation of food prices. The results are apparent in the table.

The problem about controlling food prices on the lines promised by retailers on Wednesday is that they all sell the same basic foods at wildly differing prices and the ceiling that allows one

Eating money

% increase July 1971-Aug 1972

All prices, including food*	6.4
Food*	8.1
Items liable to purchase tax	5.2
Nationalised industries	6.1

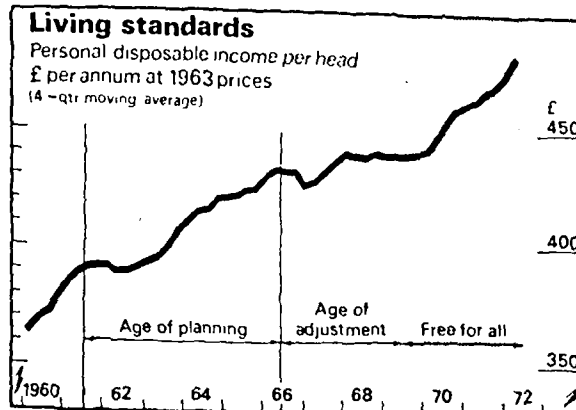
*excludes highly seasonal items.

man just to stay in business is an excessively high margin to another. That, after all, was why Mr Heath in an earlier government fought to get rid of resale price maintenance.

But in the next year or two the picture could be different. Import prices are bound to start hurting as sterling slides further and further from the old \$2.60 rate. Government policy is at present billed to be inflationary in terms of: food prices (the common agricultural policy takes over from import levies as the bete noire); rents, although the Housing Finance Act has been diluted; and indirect taxes if value-added tax is levied at 10 per cent. The outlook for the nationalised industries' prices is not clear; they will presumably have to be brought on to an economic footing sometime, so that subsidies keeping back the retail price index by nearly 1 per cent will be removed, but the present policy could be kept up for as long as the Government is prepared to go on forking out £500m a year, and even reinforced if larger subsidies are thought tolerable.

It is the prospect of an acceleration of prices from now on that has made the deceleration of prices in the past year so ineffective in restraining union demands. That deceleration was, anyway, always more pronounced on prices than on wages. Even with subsidies, nationalised industries' prices have practically kept up with the average.

One essential measure for the Government will be to set the Vat rate at 7½ per cent. This is not a step that will reduce inflation, but it is necessary simply to stop Vat adding to it. At 10 per cent, Vat will add about 1 per



CBI hasn't come out badly

cent to consumer prices, according to the National Institute of Economic and Social Research. This is not only because it will raise £100m in extra revenue, but because its impact will be more on consumer, and less on business, spending than purchase tax and selective employment tax; and because businesses are expected to pocket about 60 per cent of the Set that they are relieved of. A 7½ per cent Vat would cut out this 1 per cent extra on consumer prices.

Consumer spending is buoyant, having been rising by a 6 per cent annual rate for more than a year now. The latest figures, for the third quarter, confirm this. It has been a selective boom.

Pity poor dad

Living standards have improved sharply in the past two or three years despite inflation. The chart opposite shows the contrast between now and the second half of the 1960s when the consumer was being squeezed to free resources for exports and for the Wilson government's public spending. But a major factor in this spectacular improvement has been tax cuts. Between 1960 and 1970 the proportion of personal income taken in tax and social security contributions rose with rising incomes, from 14 per cent at the beginning of the decade to over 20 per cent by its end. This steady, progressive rise was arrested in 1970 and then dramatically reversed by Mr Barber in his 1972 budget. But unless tax rates are further reduced next year the ground gained will soon be lost.

Total personal income is currently running at £13,000m a quarter, with average tax and national insurance deductions at 18 per cent. But at the margin, the tax and insurance deductions on an extra £1 of income are about 35 per cent. At these rates a simple calculation shows that personal incomes have only to rise by as little as £1,530m, or 17½ per cent, for the average tax and insurance payments to return once more to 20 per cent without any change in tax rates or insurance contributions. But insurance contributions have already gone up to pay higher pensions. Thus, within little more than a year, Mr Barber's tax cuts will have been eroded by tax buoyancy, fiscal drag, call it what you like, but the simple fact is that as people's money incomes rise, they pay more taxes unless tax rates are cut.

The wage-earner, when putting in a pay claim, is not only interested in how much extra he will get in his pay packet, but also in how much it will buy. The impression that it is necessary to run fast just to stand still has some substance. Take a single man earning the average industrial wage over the past 10 years:

The hole in your pocket

% increase in	wages	take-home pay	what it bought
1961-64	+18.0	+15.4	+5.4
1964-67	+18.0	+13.7	+2.5
1967-70	+31.2	+25.0	+4.6
1970-71	+10.2	+11.0	+1.5
1971-72	+12.0*	+15.3	+7.3

*estimated

Comparing gross pay with net spending power gives a wage claim multiplier of sorts which suggests that to earn £1 extra in real purchasing power his gross pay would have had to go up by £3.33 in 1961-64; and by between £6.80 and £7.20 between 1964 and 1966. The poor old dad with two children did a great deal worse; a rough illustration suggests that in the latter half of the 1960s he might have had to earn £11 extra to improve his family's living standard by £1 a week.

Recently the tax cuts have begun to bite and, together with the relatively slower rise that has been taking place in prices, they have gone a long way to put the record right. Another £1.64 on wages now (or at almost any time in 1971-72) would increase real purchasing power by at least £1 for a single man. But it is no use telling that to the unions that have had the best part of a decade in which to learn the opposite, and who see prices now rising at 8 per cent a year or more and no immediate promise of further tax cuts to offset them. The multiplier must be rising again; it is anyone's guess by how much, and it is possible to see some circumstances in which it could be running for some people at close to 10. In these circumstances it is small wonder that those who put in 40 per cent wage

claims do not think they are acting unreasonably.

Virtue rewarded

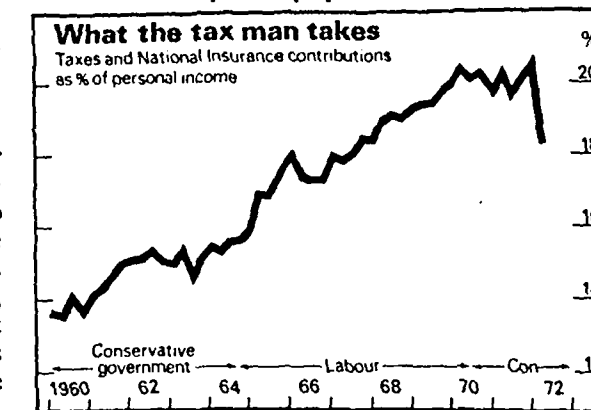
One act of anti-inflationary virtue in the past year has won its own reward. Most members of the Confederation of British Industry turn out to have made a painless gesture by the past year's price freeze. The table shows the movement of unit labour costs, import costs and manufacturing prices in the 12 months since it began in July, 1971. Since labour costs for manufacturing industry are about twice as important as import costs, a figure for combined costs can be calculated and it shows that prices outstripped these combined costs while staying within the 5 per cent limit. So most of these companies have built up profit margins as well, though from a low level.

Industry's costs: 2nd quarter, 1972

100=2nd quarter, 1971	
Unit wage costs	104.6
Import costs	100.6
Imports and wages	103.3
Prices	104.9

This does not detract from the courage of the CBI members in making the pledge, since they could not know any of this in advance. Import costs have been made even more unpredictable than usual by the fluctuations of the sterling exchange rate. The other main factor restraining costs has been the growth of manufacturing productivity. Output per man rose by 7 per cent in the period, reflecting heavy sackings more than increased output itself (up less than 2 per cent). As was to be expected, price restraint without wage restraint led mainly to higher unemployment.

One of the Government's fears is that any further big rise in wages, and for some industries, even the Government's original £2 proposal, would lead to a further shake-out of labour and worse unemployment this winter.



Barber gave it back

How they froze in the past

	Selwyn Lloyd vii.61-vii.62	Maudling vii.62-ix.64	Brown x.64-vii.66	Callaghan vii.66-vii.67	Wilson-Jenkins vii.67-xii.69
Wages	Zero to 2.62%, then 2-2½%	3½% from April, 1963	3-3½%	Zero to end '66; exceptions in '67	Zero with 3½% for special cases. Then 2½-4½%
Exemptions	Existing deals, productivity	Nothing formal	Low-paid, productivity	None in '66; productivity, etc. in mid-'67	Productivity
Other provisions	—	—	First attempted price freeze	Public sector, dividend freeze	3½% dividend freeze
Results (annual % increase)					
Prices	5	2½	4½	1	5½
Earnings	3½	6	7½	7½	8½

Too much money

"There is no monetary policy which will simultaneously stimulate expansion and moderate inflation." In so concluding his Mansion House address the governor of the Bank of England, Sir Leslie O'Brien, might be supposed to have slapped the monetarists down. But they would argue that there is at least a neutral policy: one that scrapped short-term discretionary manipulation of the money markets in favour of simply keeping the growth in the money supply in line with that in money national income. That rule-of-thumb would mean 12 to 13 per cent a year on present trends, or closer to 10 per cent on Mr Heath's target of 5 per cent real growth with 5 per cent inflation. In practice, the money supply in Britain has been growing at over 20 per cent a year in 1971-72. One does not have to be a convinced Friedmanite to agree that this has added to Britain's troubles. Indeed, Sir Leslie said quite frankly that he was unhappy about it, pointing to the froth in the housing market as merely the most blatant symptom.

The implication of his remarks was that, belatedly, the growth in the money supply will now be curbed. This also means that interest rates will have to go up, however much the Bank tries to fudge the issue by renaming Bank rate. Although short-term interest rates did move up very sharply between end-May and end-July (base rates by 2 full points and other representative money market rates by 3½ points), since then base rates have stuck and, Treasury bills apart, most other money market rates have actually

cased by nearly a full point.

The necessity for another rise in interest rates might cause a major political row when and if a prices and incomes policy does come into effect: especially as a report from the Nationwide Building Society has just shown that its 11,000 new borrowers between last March and May were on average already spending 23 per cent of their incomes on mortgage repayments (ie, mortgage repayments are by far the largest single expense for a large part of the population). But if you make money cheaper than it ought to be you make goods dearer than they ought to be; this is a tautology which the TUC might unfortunately think is a paradox.

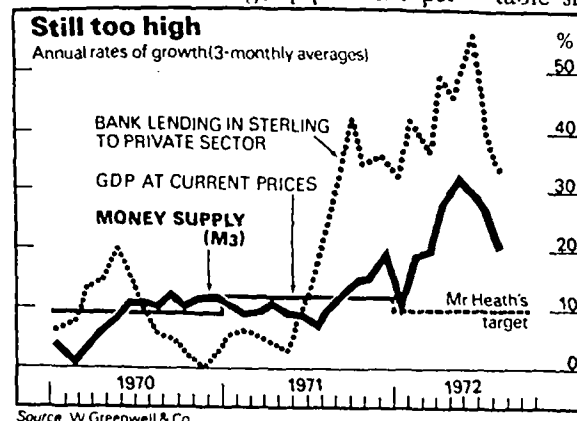
Cripps's ghost

In several ways the prices and incomes policy Mr Heath has been trying to achieve most strongly resembles the one Sir Stafford Cripps operated with great success from February, 1948. Using hangovers from the wartime controls, which still covered 50 per cent of retail spending, and on the back of above-average 4 per cent per

annum economic growth, Sir Stafford imposed what he saw as the fairness of austerity-for-all through a total freeze. With TUC support, it even survived the 1949 devaluation for a time. It finally collapsed at the 1950 Trades Union Congress.

There have been seven other attempts to achieve a balance between prices and incomes since then, six of them covering almost the entire 1960s. The weakest was the Macmillan policy of persuasion of 1956. This relied on pronouncements from on high by the three wise men of the Cohen council. The unions were unimpressed.

Another effective period of restraint came in 1958-60, following Mr Macleod's successful confrontation with the London busmen in the spring of 1958. Even though there was no formal policy, retail prices barely went up by more than a point during this time. It was also a period of rapid growth following three years in which output had been static. This experience clearly influenced the new Conservative government in 1959 to want to go for continuing economic growth and pay de-escalation. The table shows what happened then.



O'Brien on the brakes

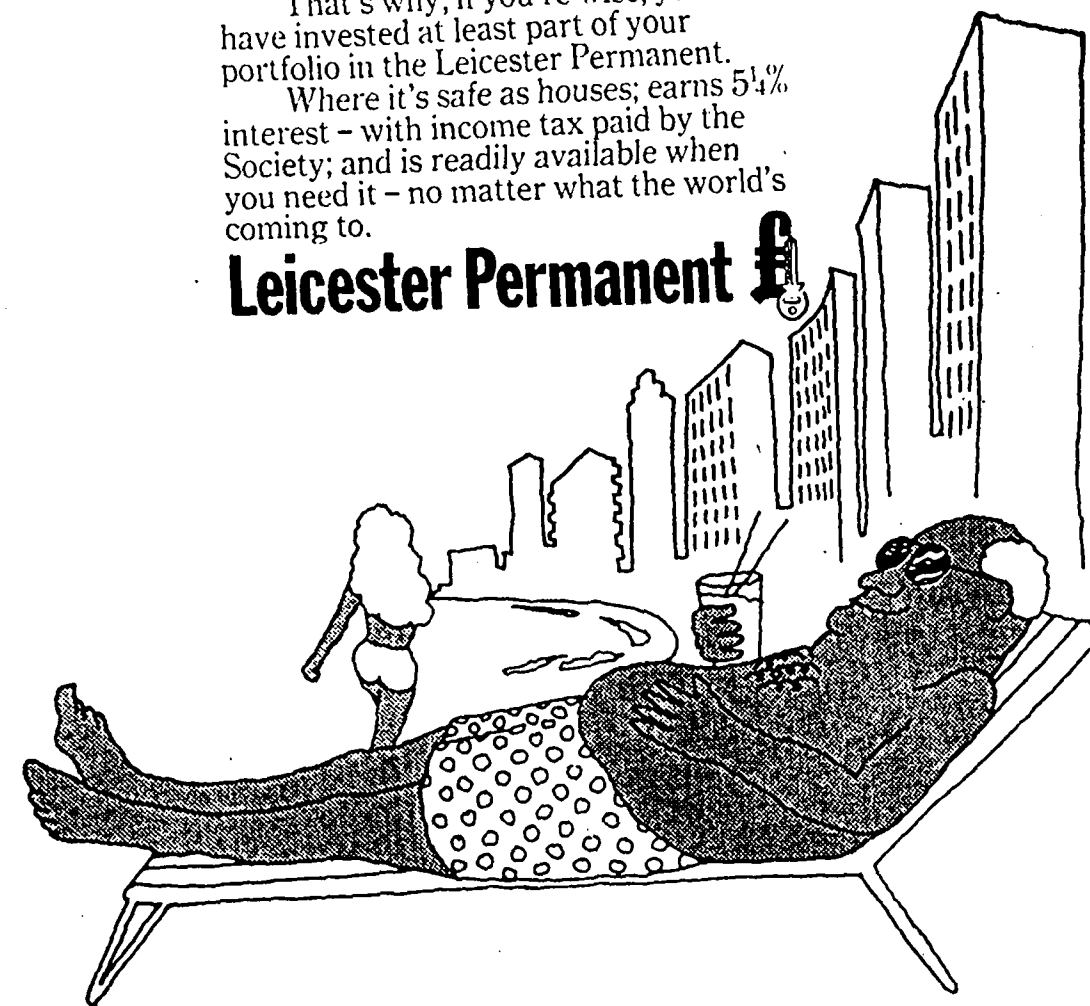
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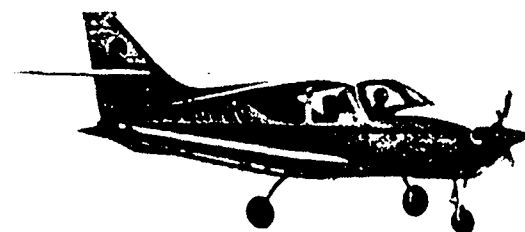
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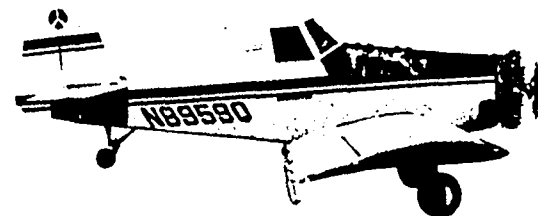
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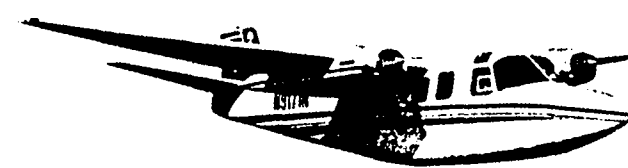
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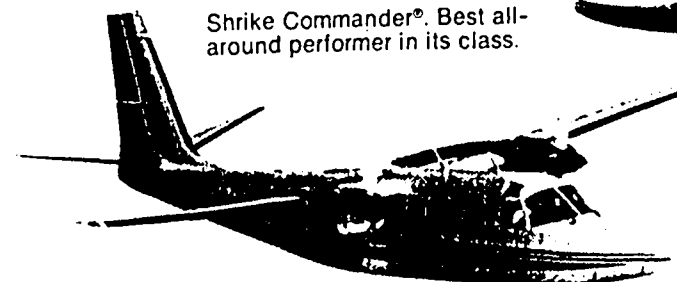
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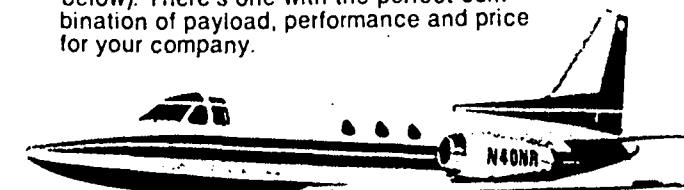


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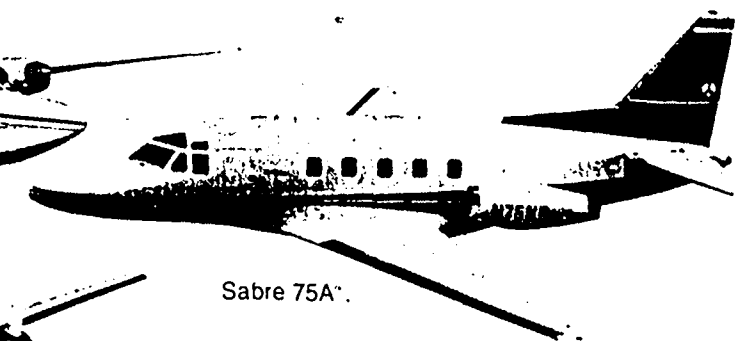
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BUSINESS

After the summit

Let's eat cake and have it too

There was an undercurrent of intrigue at the Paris summit about which jobs should be given to which of the 13 commissioners who will start work in Brussels on January 2nd. France has since nominated its two commission members. M. Raymond Barre, vice-president in charge of economic and monetary affairs, is due to leave. But France's junior commissioner, M. Jean-François Deniau, had hoped to stay on, be promoted, and so become president of the commission. This job is scheduled to go to a Frenchman for 1973 and 1974.

Paris, however, has decided that the former minister, M. François-Xavier Ortoli, is to fill the top job ; and M. Pompidou had some difficulty in persuading M. Deniau to carry on. It would have been inconvenient if M. Deniau had left. As probably the liveliest wire in the whole commission, he was put in charge of the negotiations with Britain and other members to enlarge the EEC. His job now is to handle relations with associate members, including the African territories. His brother, incidentally, is minister responsible for the overseas territories and dependencies in the French government. M. Deniau delayed the announcement of the French commissioners by almost a week.

When M. Ortoli takes over the presi-

dency France will have to give up one of the two commission jobs it has monopolised since the EEC began. It wants to hold on to M. Barre's old economic affairs portfolio: M. Ortoli, supported by some figures in the French government, therefore lobbied Mr Heath last week to back the idea that he should oversee that economic affairs portfolio as well as being president. In exchange, France would back Mr George Thomson for the job of running regional policy. This would mean that the British would have two important commission jobs; the other one being the external relations portfolio, which is virtually certain to go to Britain's senior member, Sir Christopher Soames, who will succeed M. Ortoli as president in 1975.

Mr Heath seems to have fought shy of any such deal, and President Pompidou himself kept out of it. Other member countries would have been furious; especially Germany which obviously has the best claim to take over the economic portfolio, but cannot appoint its commissioners until after its own elections.

The external affairs portfolio includes two departments, external relations and external trade, which may now be welded into one. But Sir Christopher, or whoever is in charge,

Who does what now

Sicco Mansholt (Netherlands)	President
Raymond Barre (France)	Vice-president ; economics and finance
Wilhelm Haferkamp (Germany)	Vice-president ; harmonisation of laws ; energy
Carlo Scarascia Mugnozza (Italy)	Vice-president ; agriculture
Albert Borschette (Luxemburg)	Competition ; regions
Albert Coppé (Belgium)	Social ; transport
Ralf Dahrendorf (Germany)	External relations ; external trade
Jean-François Deniau (France)	Aid
Altiero Spinelli (Italy)	Industry and technology

will have to work closely with M. Deniau or whoever has the portfolio for relations with the associates. The next two years will see the opening of the crucial Gatt trade talks, where the community's policy of preferential trade deals with Mediterranean countries and its African associates will come under strong attack from America and the Latin Americans. There will also be the renewal of the Yaoundé convention itself, the renegotiation of the Commonwealth sugar agreement and the question of relations with British Commonwealth countries in Africa and Asia.

Now that Britain has successfully elevated regional policy to high priority in the community's action programme, Mr Thomson will not be the only commissioner to want it. Ireland's chosen commissioner (its present foreign



EEC's new president Ortolí, disappointed Deniau, Britain's hopeful Chris and George, and Ireland's Hillery,



Changes for Luxemburg's Borschette, Italy's Spinelli, Germany's Haferkamp and Dahrendorf, and, perhaps, Italy's Scarascia Mugnozza

minister, Dr Patrick Hillery) does too. So do the Italians. At present, the Luxemburg commissioner, M. Albert Borschette, runs two departments. One has responsibility for the community's nearly non-existent regional policy. The other is the competition department, covering monopolies and restrictive practices. This also vets government aids to industry and is run by the very vigorous German director-general, Herr Willy Schlieder. One solution would be to split M. Borschette's responsibilities into two. Mr Thomson could take over regional policy and government aids. M. Borschette, who is staying on, would keep the anti-trust job and the expanding field (specifically mentioned in the communiqué) of consumer protection. If, however, a German commissioner ended up in charge of competition Herr Schlieder himself would have to be shifted, because of the rule that each director-general must be of different nationality from the commissioner he reports to. With Britain coming in there will anyway be some able and not so able director-generals who may now find themselves pensioned off.

What happens now to social policy, with its present Belgian commissioner leaving, is anyone's guess. A second best bet for Mr Thomson himself, maybe? Neither of the two British members is likely to bid for industrial and scientific affairs, or energy policy, even though Britain is pressing for action in both sectors. The Italian commissioner for industry and science (including protection of the environment), Signor Altiero Spinelli, may stay on. But he is notoriously uninterested in industrial matters and might prefer to move over to social affairs, for which he is better suited.

The department for industrial affairs works closely with the oddly named internamp market department. This is responsible for harmonisation of national legislation, ranging from company law to barriers to trade inside the EEC caused by varying govern-

ment regulations. This department is at present run by the German trade union leader, Herr Wilhelm Haferkamp, who has used his position to push the idea of worker participation. If Herr Willy Brandt wins the German elections Herr Haferkamp might well stay, but he will presumably have to give up one of his departments. The other German member, Herr Ralf Dahrendorf, might also stay if Herr Brandt survives, as he is a member of the Free Democrats, the junior partner in Herr Brandt's coalition. But he will probably have to leave the external affairs job to make way for Sir Christopher Soames.

The last major portfolio is agriculture. This was Dr Sicco Mansholt's personal domain for 14 years, until he became president last spring. Since then it has been run by the capable but not particularly distinguished Italian vice-president, Signor Scarascia Mugnozza. Denmark, backed by the French, wants it, since a farm-minded Dane might be more likely to preserve Dr Mansholt's legacy from sabotage by the British. Whether the Italians will give way, however, is another matter. Signor Scarascia Mugnozza looks like staying on. And Italy is getting increasingly fed up with being a net contributor to the farm fund, despite having severe agricultural problems of its own.

Tough trader Ted

The summit communiqué reflected the approach the community will adopt to next year's trade talks with the Americans and others. Oddly it was the British who were most keen to take the tough line, and had to be calmed down by their partners. At first Mr Heath seemed to be demanding a sector by sector approach. This would have been disastrous. No American Administration could then have got trade expansion legislation through

Congress. If industries are taken one by one, lobbyists and special pleaders in Washington get fullest rein.

But what Mr Heath really wanted was an across-the-board approach—covering tariffs and non-tariff barriers together—although with special attention paid to particular items about which Britain feels shirty. British civil servants, with memories going back to the Kennedy Round, are determined to assault some of the formidably high tariffs that America still maintains on some goods.

All that came out in the communiqué was "une conception d'ensemble." After everyone had gone home on Saturday night this was hopefully translated into "a global approach covering all aspects affecting trade," which seemed to go a little further. Germany, advocate of the soft line, failed to get the special committee it wanted to liaise with the Americans. But Mr Heath was talked out of demanding a semi-deadline for the start of the Gatt talks by July next year. This would have made life difficult for an American Administration trying to wheedle a trade mandate through Congress.

Mr Heath did get away with writing into the communiqué a demand to everyone to get the trade talks wrapped up by 1975. This, too, is intended to help an American president, and it is influenced by memories of the Kennedy Round, when everyone sat on their hands for five years until very near the deadline set by President Kennedy's trade expansion act before agreeing to anything. Unfortunately on this point Europe is not in tune with American thinking. Washington now favours a trade negotiation with deadlines set within a long overall negotiating period. This is the system that has been used, with success, in the strategic arms limitation talks with Russia.

On farm policy the Nine gave nothing away to their trading partners. The EEC's farm policy is no longer the Americans' main cause of bitterness.

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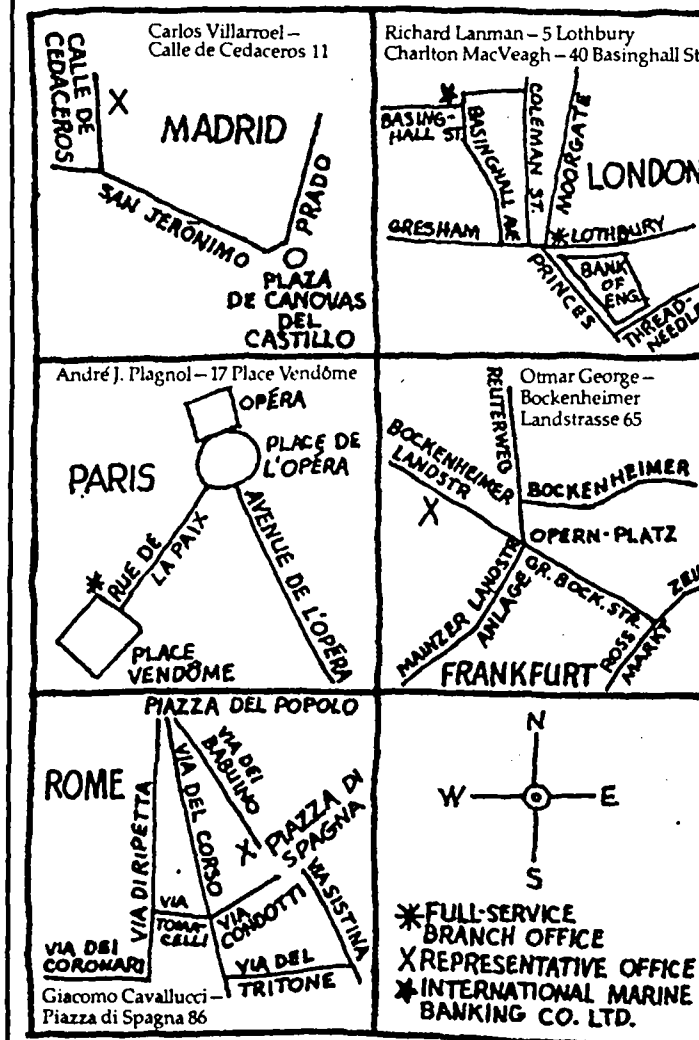
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MOËT-HENNESSY

The annual general shareholders' meeting, held in Paris on September 19, 1972 and chaired by Comte Robert-Jean de VOGÜÉ, approved the accounts and the balance sheet for the financial year which came to a close on June 30, 1972.

A net dividend of Frs. 6.60 per share was fixed for the financial year in question, to which is added a tax credit of Frs. 3.30, giving an aggregate dividend of Frs. 9.90. The dividend was paid out as of September 30, 1972, in return for coupon number 17. It is recalled that this dividend equal to that paid last financial year applies to a share capital increased by 20% due to the distribution of free shares.

The meeting also renewed, for a period of six years, Comte Robert-Jean de VOGÜÉ's service contract as well as that of Mr. Alain CHEVALIER, for which the co-option had been previously ratified.



Following the Annual General Meeting on September 19, 1972, the Directors of the Company held a Board Meeting.

Comte Robert-Jean de VOGÜÉ, the Chairman, informed the Board of his decision not to solicit his re-election to that office on account of his age.

Having reluctantly accepted his decision, the Board thanked Comte Robert-Jean de VOGÜÉ for all he had accomplished as head of the Group, to the formation of which he had so largely contributed, and they unanimously elected him Honorary Chairman. He retains his seat on the Board.

At the unanimous wish of his colleagues, Comte de VOGÜÉ invited Mr. Kilian HENNESSY to become the new Chairman of MOËT-HENNESSY, which appointment he accepted.

At the proposal of Mr. Kilian HENNESSY, Comte Frédéric de BRIAILLES was re-elected as the Vice-Chairman. He and Mr. Alain CHEVALIER were also reappointed as General Managers of the Company.

Comte Robert-Jean de VOGÜÉ remains Chairman of CHAMPAGNE MOËT & CHANDON.

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Both now realise that the best way to lessen its protectionist character is to peg farm prices and gradually introduce income support payments. This also happens to be the best way for Europe to help its poorer farmers without adding more fuel to inflation.

Foggy in the Med

The EEC's controversial Mediterranean policy cropped up in the summit communiqué, but the Nine carefully fudged the aspect of it which most annoys the Americans. France and others have been pushing in Brussels for a policy that would convert the network of preferential trade agreements with the Mediterranean countries into a comprehensive free trade area. The Americans dislike the "reverse preferences" by which the EEC's exports already get preferential tariff treatment in these countries (even though many of them have no prospect of ever joining the EEC), and have protested that under some sort of free trade system EEC goods would presumably enjoy even greater advantages. American hostility extends to the preferences to EEC goods given by French ex-colonial countries in Africa, who will shortly be joined in the club by Britain's ex-colonies in Africa and the Caribbean. Unsurprisingly, therefore, the reference to a Mediterranean policy in the Nine's communiqué does not say whether it is to include reverse preferences or not.

Clear to the east

By contrast, the community's east European policy has been brought more sharply into focus. Hitherto France has preferred to play the lone ranger and cultivate the east Europeans on its own. But it has now been agreed that the EEC will operate a common commercial policy towards east Europe from the start of 1973, as planned. This will cover things like tariffs, but will exclude the sort of industrial co-operation deals that France has just made with Poland and that figure in most east-west trade in Europe.

France made a point of backing the principle of a joint negotiating approach by the EEC to the European security conference, even though it has always opposed "block to block" negotiations in the past. When this all-European jamboree does finally

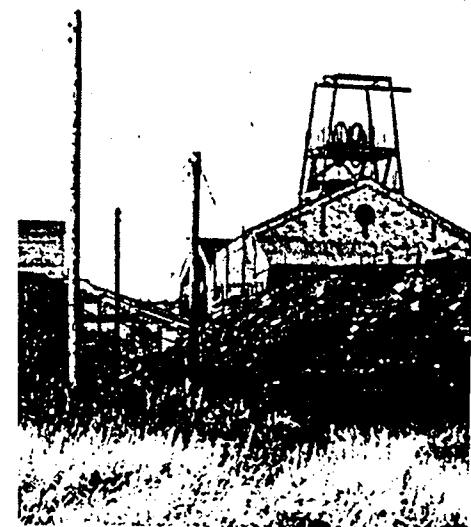
take place next year, it will plainly be concerned with trade, commerce and such intensely political economic matters as recognition by Russia and the other east Europeans of the EEC itself. Although the Rome treaty says the commission is supposed to speak for the EEC on trade matters, the east Europeans will probably not allow this at the security conference. But, as happened in the drafting committee at the summit itself, the commission will probably now be allowed the decisive role of chairing meetings whenever the Nine are finding it hard to work out a common line for the security conference.

Gone slumming

Mr Heath was well satisfied with the agreement reached on regional policy, and obviously regarded it as the most successful British achievement at the summit. The Nine agreed to set up a regional development fund before the end of next year, to be financed from the community budget and also acknowledged that Britain's industrial slums have as much claim for help as the rural slums of the present Six.

But there was no talk about either the size of the fund or how it will be operated. On Monday, Mr Heath came under fire from Labour MPs when he refused to answer questions about the fund's size. Mr Wilson wanted to know if Britain would get as much back from the regional fund as it would contribute to the agricultural fund. Initially, it obviously will not. But regional problems are likely to outlive agricultural ones. The sole indication of the size of the fund is the \$50m budget suggested by the commission last May. But this was designed only for the Six not the Nine.

The other big argument to be resolved is how the money will be spent. The French and the Germans have favoured using it just to reimburse national governments for part of their own regional spending. The British half-prefer this too. It keeps control over spending in governments' own hands; money given directly by community institutions like the coal and steel community means bureaucracy and delay. But it does mean rather more money is spent by rich countries on behalf of poor, so that there is a real transfer of resources within the community. If the regional fund is to do this, it will have to be able to take the initiative in channelling funds to



Where Britain could do with the cash

areas of greatest need, rather than just being an agency to reimburse part of what governments choose to spend, and with the contributions to each matching what is put in.

No further restrictions of investment aids in the so-called central areas are likely until the commission has produced its report. Eventually there will be a ceiling for aids to the peripheral areas too, although at levels high enough not to interfere with any government's policy. The commission may, however, begin asking embarrassing questions about the (British) Industry Act's selective aid provisions sooner than London expects.

Emu plus sense

France got a bit more at the summit on economic and monetary union than many expected. Before the summit began there seemed little chance that Germany, Holland, Britain and the rest would ever put any money into the "European monetary co-operation fund." But France managed to get agreement in Paris on two reports to be made next year: one by the end of September to update the arrangements on short-term support for out-of-line community currencies; another, possibly more potent, by the end of December, 1973, "on the conditions for progressive pooling of reserves."

This means that France's efforts may indeed give rise by 1974 to a fledgling federal reserve bank whose first jobs as from April, 1973 (when it will be born "by solemn instrument"), will be:

(1) to concert central bank action to keep the Nine's currencies within their narrower bands;

- (2) to run the short-term support deals made between central banks;
- (3) more important to balance out central bank debts and credits inside Europe at the end of each month;
- (4) to take over the so-far-never-used \$1.4 billion of short-term credit which the Six agreed to put together two years ago.

All these arrangements are more palatable than they once would have been. No more talk now of irrevocably fixed exchange rates. Indeed, the Paris communiqué reasserts that community parities within or without the snake should be fixed "but adjustable," and that only this and "ending disparities between regions" would provide the "essential basis" for future union. During the last preparatory sessions in Brussels before the summit, France's foreign ministry officials tried to strike the words "but adjustable" out and it has been comforting to see M. Pompidou's own men and M. Giscard d'Estaing combining to tell the Quai d'Orsay to stop being silly. This Pompidou-Giscard d'Estaing alliance on monetary matters explains why there was not a murmur from the French in Paris about returning the pound to a new parity.

Next, the fund's function of keeping a ledger, balancing out wherever possible each month the credits and debts incurred in keeping Europe's currencies within the snake, will soften the rigour of the present bilateral repayment arrangements by which each country must repay its Ecu debts in packages of assets in proportion to the various assets in its reserves.

This commonsense spilled over into admitting the need for regional transfers and aligned economic policies, though to have called for "precise measures" against inflation from the finance ministers meeting in Luxembourg next Monday and Tuesday was probably rash. Finally, the Nine made nice noises about America's attempt to start monetary reform, with President Pompidou taking a notably soft line on gold.

Sterling on the scree

If any of Britain's European partners had wrongly supposed Mr Heath might have been stampeded into prematurely refixing the pound at \$2.40 during the summit conference, they should now be thanking their lucky stars that he was not. At its lowest ever close of \$2.3445 on

Thursday, the pound had shed over 6 cents in just over a week. It was 10 per cent down on its old Smithsonian parity. And it had plunged outside the limits of fluctuations allowable under the Smithsonian rules around a \$2.40 central rate, and so would have left the EEC snake behind within a week of rejoining it.

Ostensibly, the fresh trouble for the pound this week came because Germany's leading economic research institutes—which prepare a sort of economic survey for the German

government at this time of the year, in preparation for Germany's budget—had proffered the opinion that sterling would still be overvalued if repegged at \$2.40. But the markets also had their eye on the tripartite negotiations in Downing Street. If Britain does not quickly achieve an incomes policy, it is not only foreigners who will talk of \$2.20 or \$2.25 as a realistic rate, but some inner circles in Whitehall, too.

The real surprise, perhaps, was that the Bank of England this week wisely let the rate go, at most stepping in

Countdown to a rising yen?

The untidy package to "defend the yen" now being elaborated by Mr Tanaka's ministers is Tokyo's third in less than a year and a half. Because it is being released in dribbles, it sometimes seems like the third in a week and a half but that is unfair counting.

Mr Sato's ill-starred eight-point programme in the summer of 1971 ended with the Smithsonian refixing. Then came the seven-point programme of May which was swamped by the hard statistics: by September, Japan's trade surplus had soared to an annual rate of \$8 billion-\$10 billion and the country's true reserves had in reality (though not in the officially published figures) broken through above the \$20 billion mark which most Japanese had previously agreed would be the psychological point of no return in the battle to avoid a second revaluation of the yen. Now we have another five-point programme. Eight, seven, five... zero? Most observers were writing off last Friday's package as a failure even before the government had time to put flesh on the bare bones. What details were available by mid-week gave no grounds for revising the judgment.

Broadly, the five points are: (1) to reduce tariff, quota and certain financial and procedural barriers to higher imports (nearly three-quarters of Japan's tariffs are to come down 20 per cent, to bring the average rate of duty on manufactures down closer to the levels ruling in most other advanced economies; most quotas are to go up by 30 per cent); (2) to limit the expansion of Japanese exports, primarily through administrative measures, although certain remaining tax perks are also to go; (3) to promote greater outflows of Japanese capital, particularly outlays on foreign aid; (4) to liberalise the rules governing foreign direct investment in Japan (especially where such investment is deemed important in facilitating import penetration), but, at the same time, to close the loopholes in the

rules that have allowed foreign speculators to get into yen (foreigners will no longer be allowed to increase their total investment in Japanese stocks and shares, now amounting to about \$4.7 billion); and (5) to underwrite faster growth at home, with the accent on social welfare, through a supplementary budget.

This is all very well as far as it goes, but it is painfully obvious that it does not go nearly far enough. It is not merely that many of these measures are hedged around with qualifications and ambiguities, will require legislation, and then will take time to bite. The tariff cuts are expected, at best, to add just \$340m to the import bill in the year to March, 1974. The fatal flaw is that nothing convincing has been done to curb Japan's steamroller export drive.

Having rejected both a straightforward appreciation of the yen and the halfway house of an export surtax, Mr Tanaka has decided to activate this Friday the old Foreign Trade Control Ordinance (which has been on the books ever since 1949), to impose selective restrictions on specific exports. The administration of this will be in the soft-gloved hands of the ministry of international trade and industry. Miti officials have already hinted that they will tend to use their powers only in those cases where exports have been rising at annual rates of over 20 per cent.

So far only ball bearings, tape recorders and, possibly, black and white television sets have been singled out as candidates for immediate restriction. By early next month restrictions may also be put on cars and steel—exports of which rose by more than 80 per cent in the first half of this financial year (April-September) and now account for over a fifth of Japan's total sales abroad. But they may not be very tough restrictions. Small wonder the yen has remained pinned to its ceiling.

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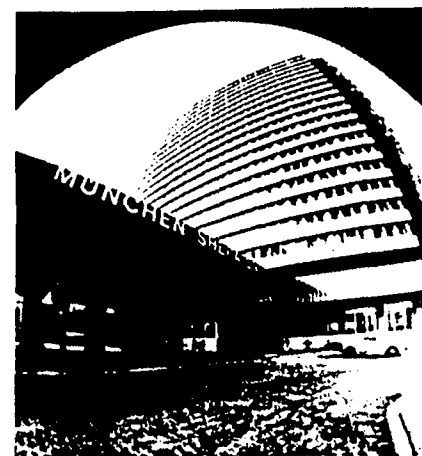
Application has been made to the Council of The Stock Exchange, London, for permission to deal in and for quotation for the whole of the issued share capital of Ciments Lafarge.

Particulars relating to Ciments Lafarge are available in the statistical service of the Exchange Telegraph Company Limited and Moodies Services Limited and copies of such particulars and of the Advertisement may be obtained during usual business hours up to and including 10th November, 1972 from:—

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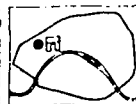
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FRANCE GARANTIE

Object:

France Garantie manages a portfolio which includes bonds approved by the investment regulations for institutional investors. For this reason the Assurance Section at the Ministry of Economic and Financial Affairs ranks the France Garantie share on a par with these bonds. It appeals especially to those companies engaged in assurance or reinsurance business in France, and who wish to be relieved of directly managing a portfolio of French bonds. In this connection bonds approved by the regulations may be exchanged for France Garantie shares without charge.

Tax Aspect:

It is now definite, following a recent decision, that the part of the France Garantie dividend which represents income from bonds shall enjoy the same tax advantage as French bonds.

Position as at 30th September 1972

	Position as at 31/12/71	Position as at 30/9/72	
No. of shares issued	4,741,598	5,053,671	(4,578,802 on 30/9/1971)
Net assets (in millions of francs)	981.93	1,064.47	
Net assets per share (in francs)	207.08	210.63	(201.46 on 30/9/1971)
Dividend distributed 20th March 1972	net	Frs. 13.49	(+ tax credit Frs. 1.22 total Frs. 14.71)
	Total	Frs. 224.12	(increase compared with 31/12/1971 = + 8.23%)
Revenue available for distribution, per share, acquired since 1/1/1972	Frs.	10.28	(Frs. 9.85 on 30/9/72)

Subscriptions are accepted by the following banks:

La Caisse des Dépôts, la Caisse Centrale des Banques Populaires and les Banques Populaires, la Banque Nationale de Paris, le Crédit Lyonnais, la Société Générale, la Banque Industrielle et Mobilière Privée, la Banque de l'Union Européenne.

occasionally to smooth the slide. While the pressure on the pound up to Thursday morning was not unbearably heavy, certainly by the standards of June, selling was widespread and business very much one-way. The Bank did not try to make a market. Indeed, at one point a giddy rumour was circulating in Switzerland that the Bank was actually selling sterling. Strategically, this decision to stand back made the best of sense. It would be madness not to take the leeway provided by clean floating to approach Europe with a competitive rate. Tactically, it took some guts—and not only because of the danger of rocking the Downing Street boat.

The international repercussions were already being felt. Late on Tuesday South Africa announced that it was cutting the rand loose from sterling and repegging it at R29.75 per fine ounce of gold, roughly halfway between the operative dollar rate struck after the Smithsonian agreement and the rate to which the rand had unwillingly dropped after sterling was set afloat. From Britain's point of view this move can only be welcomed; in effect, it amounts to an upvaluation of the rand against the pound of 4 per cent, and South Africa is one of our largest export markets.

One embarrassment is that the pound has now fallen well under the \$2.38 line below which Britain is committed by the Basle guarantees to compensate overseas sterling area countries for losses on 90 per cent of their sterling reserves. At the end of June balances covered by the guarantees were put at £2.9 billion, though Malaysia's decision unilaterally to withdraw from the arrangement when sterling floated may have trimmed that total by as much as £100m. It is not yet clear whether the Bank of England will have to pay out compensation, point by point, on the whole of these balances or simply convert eligible pounds at \$2.38 as they are sold to it. Either way the sterling cost of making good the Basle guarantees will be cheap compared with the foreign exchange (and straight economic) cost that would be entailed by any attempt to support an exchange rate judged unrealistic by the market.

Up to Thursday anyway, sterling's slide had not badly rocked other major currencies. The French franc and the lira felt ripples, but the dollar was buoyed by the Vietnam news. Upward pressure on the yen lessened. On both Friday and Saturday of last week the Bank of Japan had to pick up more

than \$100m in the Tokyo exchange market as rumours that the foreign minister, Mr Masayoshi Ohira, had been severely ticked off by the Americans for Japan's failure to curb its huge payments surplus coincided with the widespread judgment that Mr Tanaka's latest "yen defence" programme justified the complaint. However, by this week, as still tighter foreign exchange controls began to bite, the Bank of Japan's intake of dollars dropped back at first, although by Thursday pressure was increasing again. The betting is still that a modest upvaluation (5 or 10 per cent?) of the yen is on the way. This would be of only modest aid to America's balance of payments. A yen upvaluation of 7 per cent would just offset the impact on the dollar of sterling's post-Smithsonian plunge.

UnUnctaded

At the Unctad conference in Santiago Dr Sicco Mansholt promised that relations between the community and the less-developed countries would head the summit agenda. In fact they did nothing of kind.

Given that the community is now supposed to be feeling its way towards a comprehensive policy for all less-developed countries, France's main aim was negative: it wanted to ensure that the 18 French-speaking Yaoundé associates of the EEC and the Mediterranean countries linked to the EEC by preferential trade treaties all maintained their present privileged status. Britain did not challenge this selfish view of the EEC's role towards the less-developed countries. What it did do was to make sure that the final communiqué referred not just to the Yaoundé convention as such, but to the policy of association as laid down in Britain's treaty of accession to the EEC. This is much wider. It covers the Yaoundé 18 and also the various Com-

monwealth states of Africa and the West Indies who are eligible for association, even if they choose to keep out of the Yaoundé grouping. British spokesmen also emphasised that India, Pakistan, Bangladesh and Sri Lanka could hardly be ignored.

The commission pushed hard for a commitment to definite objectives on both aid and trade policy for the less-developed countries. But the Nine did not want to know. It was, indeed, the virtuous British who blocked any reference to the Unctad target of 0.7 per cent of gnp for official development assistance although we would have swallowed a commitment to increase imports of manufactured foods.

Tell us more

The section of the communiqué on industrial, scientific and technological policy contains a predictable mixture of aims and ideals, together with a deadline, January, 1974, by which time a programme should have been drawn up. What remains to be seen is where the emphasis will lie in the work the commission puts in hand. Britain left little doubt what it thinks ought to come first. In order "to seek to establish a single industrial base for the community as a whole," London wants harmonisation of company law to help the movement of investment funds, and the creation of Europe-scale enterprises.

This has proved difficult enough in the past. The commission has concentrated on trying to harmonise bits and pieces of company law here and there, without really getting to grips with the grisly part of the problem, which is that the amount of financial information required of companies in many EEC countries is pitifully inadequate for investors to make intelligent investment decisions. This will be more glaring after the admission of Britain, with its high standards of financial disclosure, its highly developed capital

Key indicators: world commodity prices

Stirred by sterling

Prices of most commodities grew firmer on the London exchanges this week as a direct result of sterling's weakness. Commodity buying is the easiest legal hedge against a currency's collapse. Silver and copper, the most common hedge commodities, both came back with profit-taking, although sentiment in copper, bullish after a drop in world stocks, is growing.

	Index 1963=100		Percentage change on	
	Oct 18	Oct 25	one month	one year
All items	154.0	155.2*	+ 6.1	+34.8
Food	164.4	165.5*	+ 1.6	+31.9
Fibres	145.4	145.9*	+18.6	+69.8
Metals	184.5	186.6	+ 1.1	+ 6.9
Misc	137.6	141.0*	+11.4	+43.7

*provisional

market, and a company law that reflects these differences by (eg) the greater protection it gives to shareholders.

So the need now is to map out the means to create a system that Britain can be fitted into because no one here is likely to accept a reduction in the strictness of the regulations to which we have become accustomed. This means improved standards of disclosure and auditing in many continental countries. Whose principles of accounting, cherished British or unfamiliar continental ones, are used is of secondary importance.

Britain seems to have gone much slower on industrial policy. Everybody wants non-tariff barriers to trade like food, pollution and health rules harmonised. Everybody in theory wants to see an end to the favoured home contractor system of government and local authority contracts. The Danes and the Germans are most prepared to put these good intentions into practice, with France and Britain probably the least so. There was muttering about the need to ensure that benefits are reciprocal, meaning that the Germans do not wipe the floor with everybody else. No doubt, too, hints were dropped about the awkwardness to Britain, with its present high level of unemployment, if contracts for generating plant and other equipment for utilities were suddenly to start going to German or French firms. Similarly, both the British and the French are doubtful about any sort of high-flying technology policy for the community in the abstract; it obviously makes more sense to talk about particular industries, especially problem ones. The old, Wilsonian technological community is not heard of so much now that hard business is being discussed.

They want soul

While the British were pressing for a regional policy as their price for

agreeing to economic union, the Germans concentrated on social policy. Herr Willy Brandt submitted a memorandum on the subject, which read like domestic election material.

It looked as if it had been written by the German trade unions since it included all their ideas. It suggested that the EEC create a policy for employment and vocational training (ie, that the existing social fund should be given more money); should push for more action on industrial safety; that workers' participation should be introduced throughout the EEC and, more surprisingly, that the EEC should welcome wage deals at the European level.

Everyone agreed that it was time the EEC moved its emphasis away from dull economics to social policy, with wider public appeal—particularly given the popular suspicion of the EEC in Britain and Norway. The French were as keen as the Germans to sound progressive; M. Messmer weighed in with a high-sounding statement all about relieving the tedium of production line jobs.

Most of the German points were accepted, although it is most unlikely that workers' participation will ever be made compulsory throughout Europe. Only the Dutch share the German enthusiasm for it. All the non-communist unions in the existing Six are in favour of participation, but Britain's TUC and the French and Italian communists are still hostile, which is enough to block it. However, the Germans are insistent that the planned European Company Statute should include some provision for participation. Conceivably, the rest of the EEC will agree to this provided it is not extended to all public companies.

The Germans also argued that the commission should start trying to harmonise aims and structures of social security and social policies. They want all countries to have similar provisions for sickness, accidents, pensions, etc,

even if the levels vary. But no agreement was reached on this or another German idea to give wider powers to the Standing Committee on Employment. This committee was set up last year, and has proved a great success. It is the only institution where unions, employers and ministers meet face to face. It has quickly developed into a much more useful body than the older Economic and Social Council, which key people no longer bother to attend.

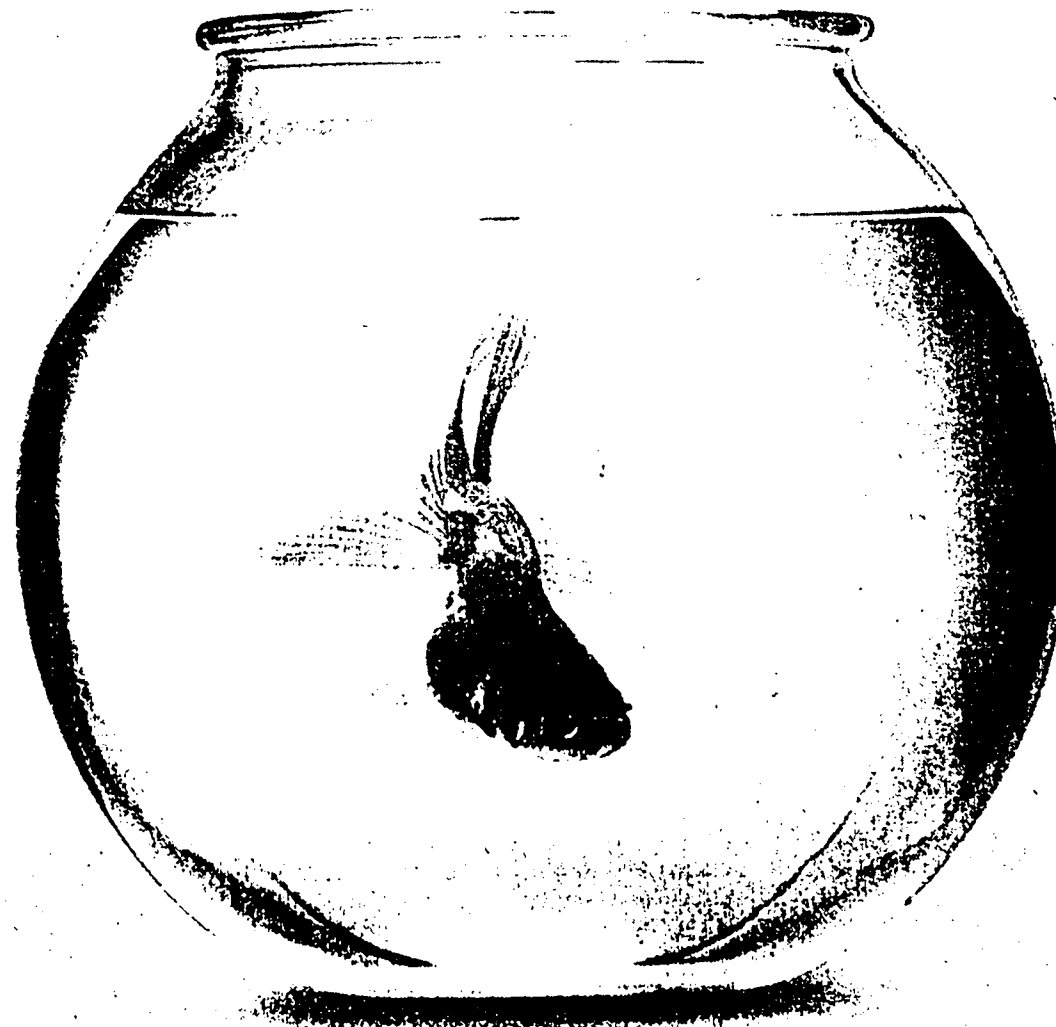
Power pessimists

Even energy policy, one of the great non-events of the common market so far, popped up in the communiqué. This again was in deference to Mr Heath, who is admitted by British civil servants to have a bee in his bonnet about the matter. His visit to Japan, frighteningly dependent on foreign oil, has turned Mr Heath into an energy shortage man; as much as 91 per cent of western Europe's oil came from Africa and the Middle East last year, and most of the rest from Russia and eastern Europe. With Germany, Britain has the largest energy consumption per head in the common market.

Once the North Sea is in production, Britain will soon be much more happily placed than its partners. But this apparently only persuades Mr Heath that Britain has something to offer to a common policy and that it therefore ought to be worked out soon. Even with the North Sea, a recent commission forecast reckoned that 88 per cent of Europe's oil will still be coming from the Middle East and Africa in 1980, a surprisingly pessimistic figure if Britain's and Norway's resources are taken into account but one which reflects the fear that the United States might eventually come into the world oil market for anything up to half its oil needs during the next 10 years—something it might not necessarily do either.



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Is it possible for the TUC to reach an agreement and keep the support of its members?

Is the TUC's bonus plan workable and acceptable?

Will the Government consider offering the TUC any concessions on the Industrial Relations and Housing Finance Acts?

Will the TUC insist on statutory price controls?

Etcetera.



The more you think about October, the more you need The Times.

BUSINESS

Investment

Over to Downing Street to stop inflation taking the hedge out of equities

There has been a deathly hush in the market since Chequers I led to Chequers II and Downing Street I. Through it all the market has been fundamentally sceptical of the willingness and, indeed, ability of the TUC to enforce any contract. While waiting, trading has been almost non-existent, and the market has been moving hardly at all. On Thursday it closed at 479.0, 0.5 up on the day but 5.9 down on a week before.

The ravages of inflation ravage the stock market too. The notion that equities are a hedge against inflation is only true over the long term if the time-scale is chosen carefully. In the chart below we have taken the Financial Times-Actuaries all-share index and adjusted it for changes in retail prices. The 100 line measures the position at which the investor has neither lost nor gained in real terms from holding the 650-odd leading equities that make up that index, starting from when the index was concocted in April, 1962. For five years until 1967 the investor would have lost out slightly. But then, in the next year

and a bit, he would have become 40% richer in real terms (before capital gains tax). Only at the height of the current bull market would he again have reached that peak in real terms, even though the unadjusted index went to 228 in May, 1972, compared with 181 in January, 1969. Over the 10 years as a whole, inflation has doubled the index in money terms, and put it up 26% in real terms. Clearly this line of reasoning can be attacked: for the artificial starting point in 1962, and for the notion that investors all do as badly as the index. It is possible for a lot of people to have made more money than the index—the index measures average prices not average portfolio performance—but unlikely. In the end, real growth in equity prices has been something short of the real growth of the economy over the period, which perhaps reflects the declining share of company profits in gnp.

Over the relatively short period, money supply and monetary things influence the direction of the market, but over the longer period the cor-

relation is with company profits. The many factors that have created an inflationary climate in Britain also have a bearing on the ability of companies to carry on making adequate profits. Unless the rules of the economic game are rewritten to allow companies to make real profits, investors had better give up the notion of the equity as a hedge against inflation.

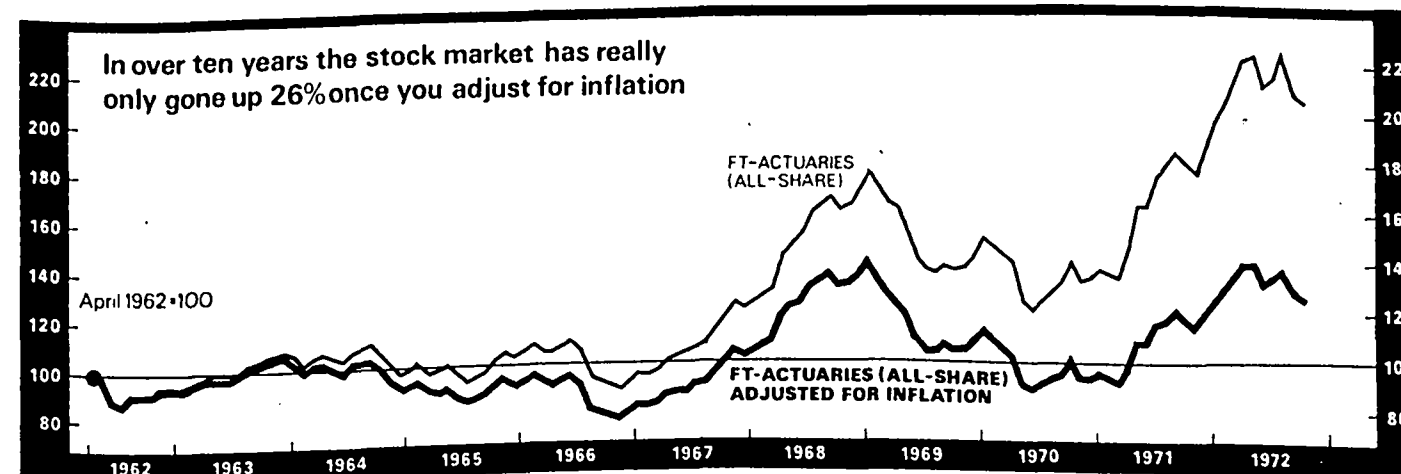
Wall Street

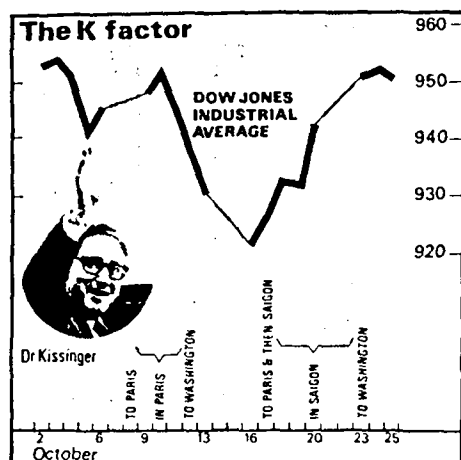
Utility rally

New York

Vietnam peace prospects were not the only electrifying element in Wall Street this week. In spite of President Thieu's disavowal of the peace plan, the market held firm in the apparent belief that a ceasefire will not be long in coming. The Dow Jones industrial average closed on Wednesday at 951.38, up almost 20 points from the opening last Friday when the new peace rally took shape.

Electric utility stocks, after languishing for years, have sparked an especial revival of their own. They began to attract attention when markets were weaker, as the bank trust departments and other institutional investors felt that they had better focus on quality growth issues with highly predictable earnings. Utilities with steady earnings and price-earnings ratios of only 10 to 11 (down from their peak of 20-22





in the early 1960s) appealed to the safety-minded institutions as stocks with minimum downside risk.

They also began to attract because, at depressed prices, they were already yielding on the average about 5-5½%, and were registering earnings growth in the area of 6-7%, producing a combined return in the 11-12% range. Economics have been breaking right lately for the electric utilities. They are voracious users of capital funds to finance additional power plants and transmission grids, as well as frequent applicants for rate increases to keep up with rising operating costs. Longer-term interest rates have stabilised recently at around 7½%; and conceivably will continue to hold steady, largely because of the diminished liquidity needs of industrial corporations.

There has recently been a more sympathetic attitude to the utilities' rate requests by rate-making authorities in more and more states. The sterner states—with utilities to avoid—include Michigan, Missouri and New Jersey. But analysts expect smoother sailing for utilities with relatively few deteriorating cities and more freshly expanding suburban industrial areas in their territories. A good example of a utility company in just such a situation is Florida Power and Light, which on Wednesday closed on the New York stock exchange at \$39½, up \$1½ for the day and \$3½ for the week, equal to a p/e of 13 on each occasion. Houston Lighting, which is the same sort of stock, recorded a \$½ increase on Wed-

	Share price	p/e
Virginia Electric and Power	19½	10
Florida Power and Light	39½	13
Middle South Utility	23½	13
Southern California Edison	27½	11
Southern Co	19½	11
Houston Lighting and Power	51½	16

nesday to \$51½, a p/e of 16. However, all utilities are at the mercy of money costs and of regulatory whim. Signs of a reversal in either respect could switch the boom in their shares off very suddenly. They no longer have that minimum downside risk.

Insider trading

Naming names

The takeover panel is to disclose the names of the sinners who misuse insider knowledge to buy and sell shares during the course of takeover bids. It will also disclose the names of those who refuse to help the panel discover who the real sinners are. The Stock Exchange Council will presumably have to use the same weapon of public disclosure against those who abuse the privilege of insider knowledge in non-bid situations.

Lord Shawcross, chairman of the panel, in making the announcement, said that the creation of a strong public opinion hostile to abuses of insider trading is the best way of stopping it. But he is also the chairman of Justice, the society that recently published a report which recommended that insider dealing should be treated as being illegal as well as immoral. At present it is not a criminal offence, and ordinary shareholders would be hard put to find legal grounds for getting compensation out of their better-informed colleagues who unfairly used that better information.

However, public disclosure and the use of the law are complementary rather than alternatives, and this first step is to be welcomed. There is some worry over whether the publication of names, however neutrally done, would constitute grounds for a defamation or libel case by those named. This is a risk the authorities are prepared to run, in the interests of clearing up what they think is a small amount of such wrongful trading.

No one, obviously, knows how much of it there is. The chances of detecting it will be higher when (if ever) the stock exchange computer gets up steam. On the New York stock exchange all trades are fed into the computer by house reporters stationed at each trading post. These go out on the ticker, but any significant price movement is automatically signalled to officials who can immediately investigate the reasons. Three or four cases a week usually require further probing, and if there is a prima facie case the evidence is handed

over to the Securities and Exchange Commission.

In London the quotations department monitors price movements but it, or the council members on the floor of the house, are sometimes contacted by traders who smell a rat. The threat of disclosure is now likely to heighten their sense of smell.

Birmingham Small Arms

The show will go on—but how?

If Birmingham Small Arms is to carry on in business, and it is sure it will, it needs another £5½m of capital: £1½m for retooling and developing a Wankel-engined bike, and £4m to cut the overdraft from £6.3m to about £2m. It has been having discussions with the Department of Trade and Industry, which might produce the £1½m under the Industry Act (the preliminary statement emphasises the company's position as an exporter). The other £4m will have to come from selling off some assets unless it is taken over or finds a partner: the company is at present having discussions with both an American and a British company.

BSA's motor bikes missed the market in the United States again this year, and the result is another round of losses, though not so bad this time. After poor shipment figures through the spring and early summer, July's export total was 10,000 over-250 cc bikes, about twice the summer monthly figure in a normal year. These bikes will be very difficult to sell, as nearly all go to America; riding bikes in winter is bad enough in Britain where the weather is comparatively mild. And the company has announced a new range of bikes making these obsolete. The operating loss is £452,000 (compared with £2.5m), but there is a further special loss of £2.9m compared with the £5.7m of extraordinary loss last year. Unsold stocks are over twice the normal level, which is about 6,000 bikes.

The real questions surround the cash position. Sales of stock may involve paper losses, but they also raise cash, and the overdraft has been cut from last year's £9.5m to £6.3m; it needs to be cut again to £2m, since July is the best time of year cash-wise: all through the winter and early spring the overdraft piles up while production goes ahead but not sales. A bad case of Hard Rider.

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French banking

Old faces, new facts

One more veil dropped from the tangled world of French banking when the Campagne Financière de Suez, France's largest non-state bank, issued its first set of consolidated accounts, Price Waterhouse style. In 1971 Suez gained control of the country's largest privately-owned deposit bank, Crédit Industriel et Commercial, from its rival Paribas, which itself then got a controlling stake in two smaller deposit banks, Crédit du Nord and Banque de l'Union Parisienne. Since then Suez has been on the merger trail, buying a merchant bank, Union Financière et Minière, and after a long, unseemly wrangle with the insurance company Paternelle this summer, a majority stake in Banque de l'Indochine, with which it will merge fully eventually.

From all this manipulating Suez has emerged almost twice the size of Paribas and, despite the dilution caused by its acquisitions, expects a 10% increase in earnings, which were up to £20m in 1971 from £15m. Its shareholders, who have seen the share price grow from Fr280 to Fr390 in the past year, can also be happy that the days of secret share swaps are now, it is hoped, over. For the foreign investor, who wants to know what is going on inside his company, this makes Suez an attractive buy. The market value of the shares stands at a 35% discount to the net asset value. Although this makes it expensive for the company to issue its own equity when making acquisitions, there is plenty of liquidity around for future purchases, backed up by the giant American insurance company

INA, which has a 10% stake in Suez.

The financial sector in general remains the best investment on the Paris bourse despite a strong rise in the past year. For the more exciting high fliers, however, like Locafrance, Europe's largest leasing company, or the hire purchase credit firm, Cogefimo, both of which are selling at expensive p/es of more than 17, a purchaser needs to have an optimistic confidence in the bourse. One stock to be avoided is Paribas, which has serious management problems that have prevented the company from merging its two deposit banks, Crédit du Nord and BUP.

In the industrial sector the movement towards consolidated accounts got a boost this week when Ciments Lafarge, France's largest cement manufacturer, decided to seek a quote in London and produced accounts consolidated retrospectively. It is the first French company to come to the London exchange for 10 years. At Fr246, the company is valued at £97m and is on a p/e of 14: fair considering a 60% growth in profits in the past four years, though this has mostly come from acquisitions.

Gulf+Western

Thank you, Godfather

The awful trouble with being a conglomerate is that the market has a long memory and a thick credibility filter. In spite of Gulf+Western's record profits of \$69m, compared with \$56m for the year earlier, the market is not prepared to give it a higher p/e rating than a shade over 10 at \$34.

One reason for both the profits boost and the scepticism is The Godfather, made by G+W's subsidiary, Paramount



Bluhdorn: bubbling

Pictures. This is, correctly, treated as a movie freak; having cost \$6m, it received \$50m in rentals for the company in the period from the opening in March to the end of the financial year in July. On the back of The Godfather, the share price has risen 22% this year, but has fallen back with the market. Part of the mystery of G+W's results is how little they reflect the profits earned from that film; even if distribution costs are assumed as high as 30% of rentals, the film should already be \$29m in profit after knocking off production costs.

Perhaps G+W is practising creative accounting in an unusual direction, and is doing everything possible to bury profits this year and allow them to come through gradually so that in the future the company attains an image of steady growth and respectability. There is certainly a faction in the company which argues the need for this approach, to counteract the image of bubbling buoyancy projected by Mr Charles Bluhdorn, the chairman, which finally had the result of making Wall Street think that G+W was as bad as most of the other conglomerates. When the balance sheet comes out it may be possible to see whether there have been any special write-offs and provisions and whether the share is as cheap as it now looks.

The problem with conglomeration is that diversity of interest leads to investor bewilderment. Transamerica Corporation, which has returned to a steady growth rate, has fared worse in the market than G+W; its film distribution subsidiary, United Artists, has had a huge success with Diamonds Are Forever, the James Bond film, but there will have to be several more to whittle down the film inventory.

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Key indicators: world bourses

	Stock price indices			Percentage change on			
	Oct 25	1972 high	low	one week	one month	one year	record high
London unsettled along with sterling but steadied ahead of the Dow Jones	478.5	543.6	461.6	-1.6	+1.7	+15.9	-12.0
Street talks, Wall Street swaying as uncertainly as the Vietnam news. Hongkong in fine form.	951.4	973.5	889.2	+2.0	+0.4	+13.7	-4.4
Canada	228.5	243.0	187.5	-0.3	+0.2	+38.2	-6.0
Australia	590.4	639.3	490.1	+1.9	+4.3	+37.4	-11.0
Japan	326.9	330.5	199.9	-0.2	+1.7	+91.2	-1.1
H'kong	567.4	567.4	324.0	+6.9	+15.9	+45.3	-
Belgium	118.5	120.8	96.9	-0.7	+1.0	+26.7	-1.9
France	87.1	89.3	67.6	+1.2	+0.9	+33.0	-6.2
Germany	108.3	121.3	97.1	-0.7	-4.7	+19.7	-28.3
Holland	149.2	155.3	105.4	+0.6	+4.3	+50.6	-3.9
Italy	50.4	50.7	43.9	+4.3	+5.4	+8.6	-56.8
Sweden	352.1	366.5	308.7	+0.3	-0.5	+25.4	-6.2

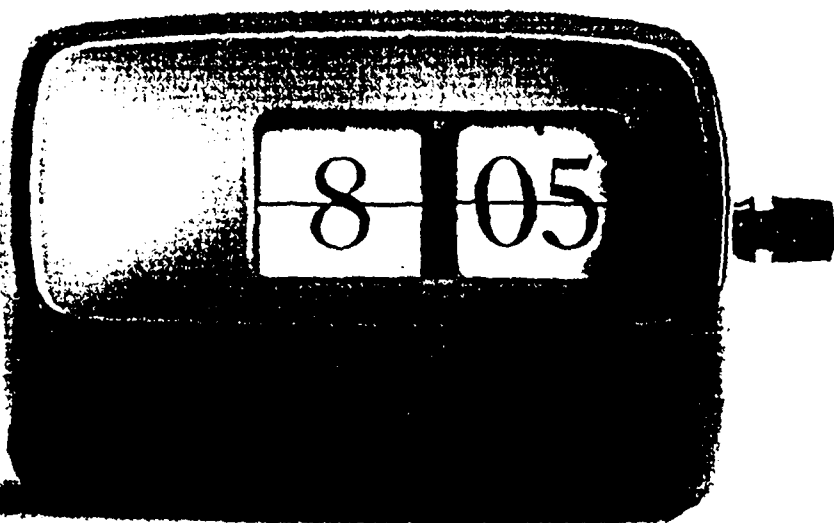
Stock prices and yields are on pages 117 and 118

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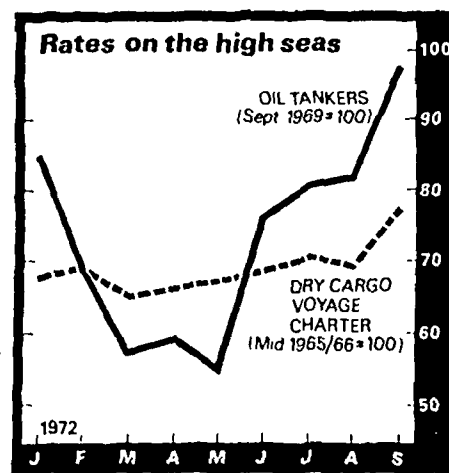


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Transport

P&O should go amphibious



Source: Norwegian Shipping News

The apparent firmness of freight rates adds slightly to the arguments for P&O staying independent; certainly the new terms for the takeover of Bovis, though simpler, will not sway anyone who has not been swayed already. A mite more of the equity stays with the P&O shareholders. The financial advisers recommend the merger—as they recommended the previous two.

The gap between the value of P&O's offer for Bovis, now worth 524p per share, and the Bovis price of 409p, shows that the market thinks it is a dead duck. The lack of faith shown by P&O in its independent future has turned the market away from the shipping sector. The rise in freight rates would, in normal times and in normal markets, have led to a further rise in the sector, which has already done quite well early in the year. Investors (and P&O) might well turn their eyes to other forms of transport, and to other countries' shipping companies.

Freight rates were bound to rise. At the abysmal levels of early summer it paid owners to keep their ships in mothballs. However, any further rise will be steadied by the enormous amount of laid-up tonnage hungry for charters. Besides, present charter rates are nothing to cheer about, and are still unprofitable for some types of ship. Barring a severe winter, or some other unseen bonanza, the surplus of ships is likely to last through 1973.

However, continental stock markets are as liable to under-value their shipping shares as London is to over-value its. A good example might be

the Nederlandsche Scheepvaart-Unie, whose business is rather similar to that of Ocean Steamship. Although the shares have doubled in the past year, they could have further steam in them at Fl130: the p/e is a third of Ocean's, and the price/gross cash flow ratio one-fifth. Despite a forecast of a slight drop in profits for the year, the turnout is likely to be a modest earnings improvement, thanks to the freight rate recovery. Future growth should come from the large orders for new ships, and from using surplus cash for acquisitions.

In these days of containers rolling off ships and rolling on to lorries, there is much to be said for adopting the concept of a total transport company. The inland transport business has taken a hard knock from inflation and keen competition. But companies are now offering more specialised services in which they can corner a niche, and are generally improving management. One such company is Transport Development Group. Last year a tenth of the fleet was idle and profits fell by 40%—but there should be a nice turnaround this year, and scope for acquisitions on the continent. That is a sensible direction for P&O to follow.

Goldsmith

GO goes HO

Mr Jimmy Goldsmith's appetite for doing deals is beginning to give the market indigestion. This week's is with Hambros Bank, London's largest merchant bank in terms of deposits and second largest in terms of capital employed—after Slater, Walker Securities.

Hambros, which underwrote the latest acquisition of Mr Goldsmith's Anglo-Continental Investment and Finance Company at 210p, is already the owner of 10% of the ultimate Goldsmith holding company, Générale Occidentale. It is selling a third of a Dutch investment trust to GO and buying a third of a French one from GO. The Dutch one, Hambro International (to be rechristened Hambro Occidentale), was selling at Fl81 on the Amsterdam market before the announcement and the deal was done at net asset value of Fl96 for a total amount of £3.5m. GO will finance the acquisition out of the rights issue and loan stock issue which gave it £14m a few months ago. The French investment trust is a tiddler whose capital is being tripled to £3m.

Why do Hambros Bank and GO

want to share a brace of continental investment trusts? Both have expertise in the banking and investment banking areas on the continent, but would seem to offer as much, or as little, in tandem as solo. If the investment trusts are to be used to build up strategic stakes in continental companies which will then be offered to marauding British companies, there could be trouble over which bank then services the client—Hambros or GO.

Perhaps the logic will emerge, ex post. The overall strategy of the Goldsmith empire—to expand banking, investment banking, and food manufacturing in Britain and the continent—is clear, but the tactics are sometimes hard to follow.

Howard Hughes

A public figure

Unless the prospectus filed for registration at the Securities and Exchange Commission is a hoax, Mr Howard Hughes is selling off the foundation stone of his empire: the oil-well drilling-bit part of the Hughes Tool Company. Although Mr Hughes will own no shares in the company, it will have his name; the rest of Hughes Tool will be christened the Summa Corporation.

The flotation will raise about \$140m for Mr Hughes, and is being handled by Merrill Lynch, Pierce, Fenner and Smith, which also handled the sale of his interest in Trans World Airlines to the public for \$546m in 1966. It is thought that there is a connection between the two deals. The Supreme Court is expected to rule soon on a 10-year-old anti-trust damage suit brought by TWA against Mr Hughes, and a judgment fixed by a federal court now stands at \$165m.

This is no longer small change to Mr Hughes. The profits from Hughes Aircraft go into the kitty of the Howard Hughes Medical Institute. The casinos and hotels in Las Vegas incurred a deficit of \$6m in 1971 and Hughes Air lost \$2½m. There are other lawsuits to face, arising out of the Nevada misfortunes. Mr Noah Dietrich, his former financial adviser, is suing him for \$51m for defamation of character.

Mr Hughes might need the money for his newer ventures. In July he bought 25% of Nicaraguan Airlines. Trade sources report that he is thinking of using this as a base for a world air-cargo operation, using \$1 billion worth of Lockheed TriStars.

Arts Brief

The market goes boom

The international art market appears to be enjoying one of those periodic boom periods which arrive suddenly, and for no apparent reason. The characteristic feature of such periods is not that there are necessarily very high prices for great works of art, but that anything, from the most humble piece of brokendown furniture or cracked porcelain plate to a Rembrandt painting, fetches considerably more than any expert had forecast. In other words, the whole price structure of the art market seems to take an unexpected, and almost inexplicable, lurch upwards.

In 1968, the last time such a phenomenon occurred, there were obvious financial reasons—devaluation followed by a two-tier gold price created severe anxiety about currency, and as a hedge art was “taken up” as an alternative to the usual forms of investment. The results were somewhat catastrophic. A new breed of investor-collector appeared, looking for quick turnovers and healthy profits. By the end of 1969, when money was extremely tight, such people put their purchases of the previous year on to the market, and many of them made extremely unhealthy losses.

All this tended to shake the belief in the art market as a reasonable alternative method of investing, although those most closely connected with the art market have never advocated the purchase of works of art purely as investments, to be bought and sold like so many shares. With certain categories of art, such buying can work—early Chinese ceramics would almost certainly have made considerable profits if bought and sold at a yearly interval between 1968 and 1972—but this is more a matter of luck than a consistent pattern. Art, compared with stocks and shares, is a slow grower, five to 10 years being the minimum period necessary to make anything approaching a satisfactory capital gain.

The present boom would seem to be of an entirely different character to the one which occurred four years ago. There appears to be a lot of money available for buying art, but although

the general level of values is higher now than it has been since 1968, prices for minor, mediocre or damaged works of art have not reached the same lunatic proportions as they did then. Although prices in minor sales are high, money is being spent with much greater discrimination; the market is not being abused.

The auction season in London, Paris and New York opened at the beginning of October. Although the first two months of a new season are usually quiet, with the great sales being held in December, Sotheby Parke-Bernet in New York held a series of extremely important auctions of Americana in mid-October, and at the same time held one of the most important sales of Japanese prints within living memory. In London, Sotheby's held an equally interesting sale of 19th and 20th century prints on October 10th. The Sotheby Parke-Bernet oriental sales have highlighted one aspect of the present-day art market which has had more than a little to do with the current level of prices. Up until the end of the 1960s buying was completely dominated by American collectors and institutions; in Europe only a very few German and Swiss private buyers and museums were prepared to pay anything like the same sums as were lavished upon their collections by Americans. In England, where the record of collecting in the present century has not been a happy one, there are very few people prepared to go to almost any lengths to form a fine collection—although it should be pointed out that in the past 10 years one of the greatest private collections of Dutch painting anywhere in the world has been formed by an English merchant banker.

In 1968, however, a new force began to make itself felt—Japan. Although the Japanese have not made tremendous impact, as yet, at the top end of the picture market—that is, paintings selling for upward of £100,000—there can be no doubt that in the £10,000 to £50,000 range they have been very heavy buyers in the past two or three years. They have been solely concerned



Ming vase: £220,500

with 19th and 20th century pictures, and they have what might be described as old-fashioned taste, not altogether surprising in view of the fact that they have been virtually cut off from the western art market since the 1930s. They are mainly interested in decorative pictures—good Barbizon landscapes, Renoir landscapes and, more especially, nudes and the works of the School of Paris artists such as Modigliani, Utrillo, Derain, Vlaminck and Dufy—they are not yet attuned to the more advanced aspects of 20th century painting, cubism and abstractionism. It is in the field of oriental ceramics and works of art that the Japanese, not surprisingly, have had the most decisive effect. There can be no doubt that in the postwar period no category of the market has increased so much in value, with the possible exception of impressionist and modern paintings. Whereas the Japanese presence has not been vital in the latter category, it has been in the former. It would be no exaggeration to say that any fine piece of Chinese pottery or porcelain has increased in value at a theoretical rate of about 75 to 100 per cent per annum over the past five years.

Outstanding pieces of Sung and T'ang pottery, which in the mid-1960s were fetching £3,000 to £4,000, would now almost certainly make between £15,000 and £20,000, while last March a group of six pieces of Ming blue and white porcelain which had been purchased by a Swiss businessman at auction between 1969 and 1971 for £23,000 was sold for a total of £52,000. Last June, Christie's sold a 14th century Ming blue and white jar with coral-red panels, severely damaged around the rim, for £220,500.

by far the highest price ever paid at auction for any ceramic item. Needless to say, this, like so many of the most important pieces of oriental art sold recently, was bought by a Japanese dealer.

The sale of Japanese prints belonging to Hans Popper held at Sotheby Parke-Bernet on October 6th was extremely interesting for a number of reasons. It was probably the finest collection of its kind offered at auction this century, and it raised the price structure for Japanese prints to an entirely new level; no fewer than 10 woodcuts realised more than the previous auction record, while the auction record set in 1969, £2,453 for a print by Toshusai Sharaku of the actor Matsumoto Koshiro IV as the fish seller Sanya no Sahanoya Gorobei, was exceeded by 25 of the Popper prints. Four prints by Toshusai Sharaku himself, equal in quality to the example quoted above, fetched between £4,400 and £6,800, while a record £14,800 was paid for Kutagawa Utamaro's breathtaking woodcut portrait of Ohisa, the Takashima-ya waitress. One interesting comparison was Hokusai's famous print of the “Great Wave of Kanagawa,” from the series called the “Thirty-six Views of Mount Fuji.” A superb impression fetched £1,000 in 1968 at Sotheby's, then one of the highest prices paid at auction for a Japanese print; an example of similar quality in the Popper sale realised £5,400.

What was particularly significant, however, was that not one of the most important woodcuts was purchased by a Japanese bidder. Indeed, a high proportion of the sale was bought by American dealers and collectors. Japanese prints, of course, have had a decisive influence on the development of western painting and have been seriously collected in Europe and America for close on 100 years, far longer than any other Japanese art form. Thus there are several magnificent and well-established collections in the west, and even the Japanese, who have amazed everyone recently by the prices they are prepared to pay for their own art and for that of China, appeared somewhat bemused by the enormous sums bid by Americans for the finest pieces in the Popper sale, although they too must have realised that this was an opportunity not likely to occur again in the foreseeable future.

The market in modern European prints has been subjected to no outside influence in the recent past. There

has been, however, an interesting psychological change in attitude towards prints in general in recent years. Hitherto, they have been considered by many people as the poor man's painting; quite erroneously, they have been thought of as reproductions rather than as original works of art. The change has in part been brought about by the fact that fine paintings of the modern schools are beyond the reach of all but a few millionaires, so that to own a Renoir, Toulouse-Lautrec or Picasso is an impossible dream for most people. It suddenly dawned, however, that if a Picasso painting or drawing of any quality was unlikely to make below £5,000 at auction, a lithograph or etching by the same artist could be purchased for as little as £150. Naturally, the more people realised this, the greater became the competition, so that the prices for the finest prints are themselves now beyond the reach of the average collector. Nevertheless, it remains true that a print is still the only work of art by a great master which most people have any chance of owning.

In Sotheby's sale of modern prints on October 10th, it was noticeable that bidding was careful and selective. Collectors and dealers were prepared to go to extremely high levels for rare things, but good prints of no great scarcity fetched only slightly better than average—although this is in itself a good sign. The exceptions were lithographs by Matisse, which made very good prices, as they have been doing for the past year, even though they pass through the salerooms with great frequency, and an impression of Picasso's “Le Repas Frugal” in the second edition. Although this is considered the artist's greatest graphic



Picasso print: £5,600

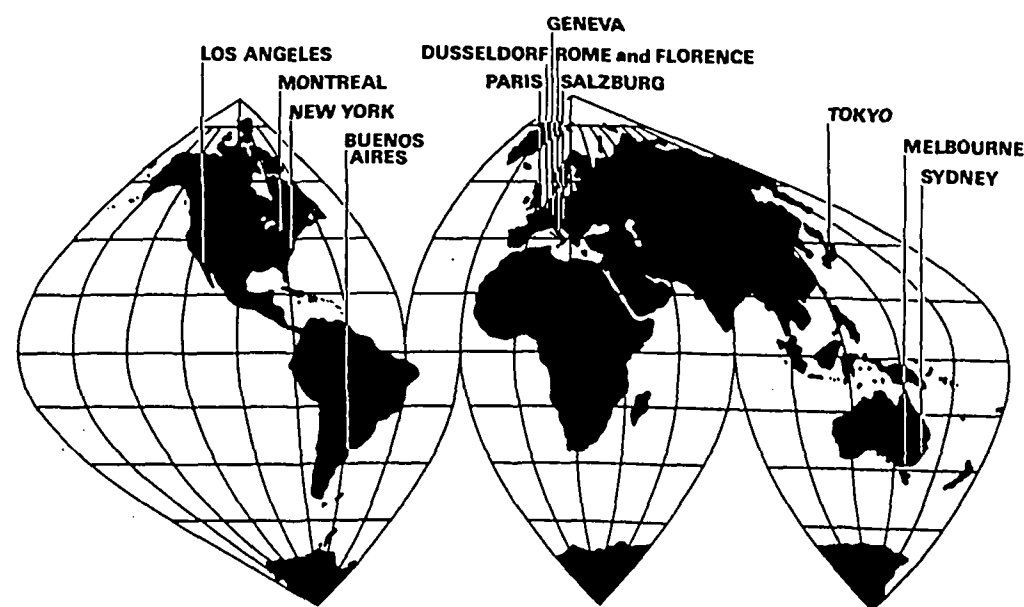
work, it is a reprint, pulled in 1913, nine years after the artist had printed the first few impressions, which are now extremely scarce. The particular example sold at Sotheby's fetched £5,600, as opposed to £4,200 for an identical one sold in April, 1971. It is worth pointing out that an example of the first edition fetched £21,000 in a Swiss auction two years ago. The highest price in the sale, £9,500, was given for Edvard Munch's lithograph of 1896, “Das Kranke Mädchen.” In the past three years, lithographs and etchings by this artist have proved, on average, to be the most expensive of all modern prints. The finest examples, of which “Das Kranke Mädchen” was one, regularly make over £6,000 at auction; they are, of course, of some scarcity, although a new collector with very large funds should be able to assemble a magnificent group.

Another price of considerable significance was the £3,000 paid for Rodolphe Bresdin's bizarre lithograph of 1861, “Le Bon Samaritain.” Together with Gustave Moreau and Odilon Redon, Bresdin is one of the triumvirate of 19th century French symboliste artists, although probably the least known. Ten years ago it would have been extremely unlikely for this particular print, the artist's masterpiece, to have fetched much above £150, and only two years ago £1,500 was considered a very high price. The sale also included a group of cubist etchings by Georges Braque. They are of considerable rarity, but it is possible that the presence of so many in one sale may have suggested to collectors that they were not so scarce as they had thought. Although prices ranged between £950 and £1,800, it must be admitted that other examples of most of the prints offered had fetched as much, if not more, in the recent past.

The sales of major importance that have taken place so far suggest that the 1972-73 auction season may prove to be the greatest since the war. Auction records have been tumbling with monotonous regularity, and most recently an American 19th century painting by Thomas Anshutz fetched as much as £100,000 and an 18th century mahogany desk from Newport, Rhode Island, reached £50,000. Sales of unique importance are scheduled for the near future, including the complete collection of coins belonging to the Metropolitan Museum, New York, which is to be sold by Sotheby's in Zurich. It is going to be a season of rising prices.

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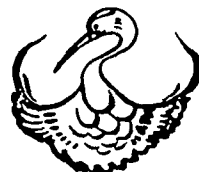
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APPOINTMENTS

La Trobe University MELBOURNE, AUSTRALIA

Lecturer/Senior Lecturer in Economic History

Applications are invited from suitably qualified persons for a position in the Department of Economics. Applicants should have a sound background of Economic theory. While preference will be given to those who have specialised in the area of new Economic history, applications will also be entertained from persons without special skills in the area.

Salaries: Senior Lecturer \$A8644-\$A11234 p.a.; Lecturer \$A6801-\$A9390 p.a.

F.S.S.U. type superannuation is available. Travel and removal costs on appointment and on return after three years if desired will be paid by the University.

Further information and application forms are available from the Association of Commonwealth Universities (Apu), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572), or from the Registrar, La Trobe University, Bundoora, Victoria 3083, Australia.

Applications close on 4 December 1972.

Derbyshire County Planning Department

Appointment of Graduate

Applications are invited for the appointment of a Graduate with a good degree in Economics, preferably with Statistics. This post is within the Information Group supporting the Structure Plans team.

The post is graded A.P.3/4/5 (\$1,803-\$2,561) and starting salary will depend upon qualifications and experience (if any). Subsequent acceleration through the grades will be reviewed periodically.

In view of Local Government reorganisation and, if all other things are equal, preference may be given to candidates employed in Local Government in Derbyshire.

Where appropriate, assistance will be given towards removal and lodging expenses.

Application forms, returnable by 8th November, forwarded upon request to the County Planning Officer, County Offices, Matlock, Derbyshire DE4 3AG. (Tel: Matlock 3411 Ext. 140).

Monash University MELBOURNE, AUSTRALIA

DEPARTMENT OF ECONOMICS

Teaching Fellows/Senior Teaching Fellows in Economic History

Applications are invited for the above-mentioned positions. The successful applicants will be required to conduct tutorials in the first-year course, which surveys a long period of European and Chinese economic history (a prior knowledge of Chinese economic history is not necessary). Depending on staffing arrangements, the persons appointed may be offered some teaching in other courses in which they have special competence. Time is available for research and recent graduates will be encouraged to enrol for a higher degree.

Salary range (presently under review): Senior Teaching Fellow: \$A5,441-\$A6,558 per annum; Teaching Fellow: \$A4,465-\$A5,300 per annum.

Benefits: Travelling expenses for appointee and family, removal allowance, repatriation after three years' appointment if desired; temporary housing for an initial period.

Further general information and details of application procedure are available from Mr J. D. Butchart, Academic Registrar, Monash University, Wellington Road, Clayton 3168 Victoria, Australia, or the Secretary-General, Association of Commonwealth Universities (Apu), 36 Gordon Square, London, WC1H 0PF (Tel: 01-387 8572). Enquiries about the Department to Professor J. W. McCarthy, Department of Economics, in the University.

Closing Date: 30th December, 1972, with a view to starting work if possible by 1st March, 1973.

The University reserves the right to make no appointment or to appoint by invitation.

Polytechnic of Central London

DEPARTMENT OF CIVIL ENGINEERING

Lecturer II in Transport

£2,473-£3,201

This appointment is in the Transport Studies Group which is concerned with the MSc CNA degree course in Transportation Planning and Management and with related research programmes.

The lecturer will be expected to direct a course in the "Economic Appraisal of Transport Investments" and also to contribute in one or more of the following areas: Quantitative Methods; Transport Economics; Transportation Management; The Economics of Road Haulage.

Applicants should have a good background in economics together with a postgraduate degree or substantial research or industrial experience in a relevant field.

Details and application form to be returned as soon as possible from The Establishment Officer, The Polytechnic of Central London, 205 Regent Street, London, W1R 6AL. Please quote reference 159.

CHAIRMAN'S STATEMENT

EAST ASIATIC RUBBER ESTATES

The annual general meeting of East Asiatic Rubber Estates, Limited was held on October 24 in London. In his circulated statement, Mr. H. T. Karsten (Chairman) reported that the Company again had a very good year due mainly to the increased dividend of 40% (30%) received from their subsidiary, Teluk Merbau Plantations Ltd. This together with the increased franked income arising from the further investment of surplus funds in quoted Commercial and Industrial securities was sufficient to offset the reduction in income resulting from the lower rubber prices throughout the year. Profit before taxation amounted to £292,630 compared with £305,558 for 1970/71 and the same dividend of 40% was recommended.

Addressing the Meeting the Chairman referred to the current year and said: There has been a small rise lately in the price level of both rubber and palm oil but one cannot be very optimistic about any consistent improvement, especially for rubber. The profit for the current year will, in any event, be lower but I do not expect any serious decline in the dividend for this Company for the current year.

APPOINTMENTS



GLASGOW COLLEGE OF TECHNOLOGY

DEPARTMENT OF BUSINESS ADMINISTRATION

SENIOR LECTURER IN ECONOMICS AND FINANCE

an economist with a special interest in financial studies at the level of the firm.

SENIOR LECTURER IN LABOUR ECONOMICS/ INDUSTRIAL RELATIONS

with a special interest in studies of the labour market. These posts offer opportunities to lead small groups of specialists in the development and teaching of courses in business studies to Honours Degree level.

Facilities are available for the initiation and direction of research projects in these and in related areas in which it is hoped to develop particular expertise within the Department.

Salary Scale Up to £3882 per annum, depending upon experience, plus £117 per annum for approved teacher training.

Application forms and further particulars should be obtained from The Director, Glasgow College of Technology, North Hanover Place, Glasgow, G4 0BA, and should be returned by Wednesday 8th November, 1972.



ECONOMISTS

Forward Planning Studies

BP requires two young graduate economists to join the Forecasting Division at its head office in London. Their prime responsibility will be to help plan the company's growth for up to 10 years ahead by evaluating the effect of economic factors on energy demand.

Candidates, aged under 25, must be numerate and hold an honours degree in economics. They should have a knowledge of statistical techniques as well as an interest in the problems of the operation of a large organisation. One of the appointments of a large organisation must have a working knowledge of, and interest in, this activity, covering such areas as the interpretation of company balance sheets.

The company offers a progressive salary and excellent social and recreational facilities. Its size ensures a demanding job, and a varied and interesting career with excellent promotion prospects.

Please write, quoting reference S.444, giving brief details of age, qualifications and experience, to the Manager, Central Recruitment, The British Petroleum Company Limited, Britannic House, Moor Lane, London, EC2Y 9BU.

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CITY OF SHEFFIELD Research and Intelligence Unit RESEARCH ASSISTANT (Corporate Planning) £1,530-£2,388

according to qualifications and experience

A lively and determined person is required to provide assistance in setting up a corporate planning system in Sheffield Corporation. Qualification to degree level and/or experience in corporate planning or PPBS in public service or industry is desirable. Duties will include servicing the programme area teams that will be set up and analysing issues that arise from examining objectives and output measures.

Further details can be obtained from the undersigned and applications giving full personal details, including age, present and past appointments, and qualifications together with the names of two referees should be submitted to the Town Clerk, Town Hall, Sheffield, S1 2HH, by 30th November, 1972, quoting ref E.

Share in the future of Britain's gas

ECONOMIST

Planning

over £3,500

Location London. Will help to formulate and carry out the planning exercises on which the Gas Industry's longer range business strategy is based, and report on them to senior management. An honours degree, preferably in economics but perhaps in some other numerate discipline, is essential, together with wide planning model experience in competitive business or industry. Responsible experience in engineering or marketing functions and knowledge of public sector planning procedures would be an advantage. Salary will be at least £3,500 p.a. but could be more where experience and ability justify it. Application forms can be obtained from the Personnel Manager, The Gas Council, 59 Brynston Street, London W1A 2AZ, quoting reference EP/142/274/E. Closing date for applications 16th November.

GAS COUNCIL

BUSINESS ANNOUNCEMENT

Result of the take-over bid

Heineken N.V. for La Brasserie de l'Espérance

On 16th October, 1972 the Stock Exchange Committee published in Paris the result of the take-over bid made by the Banque de l'Union Européenne on behalf of Heineken N.V. for the shares of the company Brasserie de l'Espérance. The number of shares presented by shareholders for the purpose of this take-over bid represents 98% of the company's capital.

APPOINTMENTS

Volunteer Economists required to serve as District Development Officers in Botswana. Apply to I.V.E.S., 91 High Street, Harlesden, NW10 4NU. Tel: 01-905 1446.

University of Malaya

Faculty of Economics and Administration

Applications are invited for the posts listed below which are now vacant and new posts expected to be available early in 1973. For all posts, subject to suitable professional/academic qualifications and experience, preference will be given to candidates who are competent in Bahasa Malaysia (Malay). Candidates should have high academic and/or professional qualifications and wide experience in teaching and research in their respective fields.

CHAIR IN LAW STUDIES (Industrial Law, Commercial Law, Income Tax Law and Constitutional Law in the relevant areas of Malaysian Laws).

CHAIR IN ACCOUNTING

CHAIR IN ANALYTICAL ECONOMICS (Micro Economics, Theoretical Economics)

CHAIR IN PUBLIC ADMINISTRATION

ASSOCIATE PROFESSORS (3 new posts) and **LECTURERS/ASSISTANT LECTURERS** (several posts) in the following fields: Accounting, Analytical Economics, Applied Economics, Business Administration, Public Administration, Rural Development.

For the Lectureships/Assistant Lectureships, candidates should have at least a good Honours degree with suitable teaching or research experience in addition to the special qualifications indicated in the further particulars. For appointment as Associate Professors, high academic and professional qualifications together with wide teaching and research experience are required.

Emoluments (approximate sterling equivalents per annum) are:

- (i) **Salary Scales** There is a range of basic salaries, to a point on which a Professor is appointed, depending on his qualifications and experience. These are: £2918, £3032, £3146, £3259, £3373, £3486, £3600, £3713. Associate Professor (Senior Lecturer): £2278 x 89—£2814/RP/2919. Lecturers: £1,524 x 73 1962/2035 x 81—£2441. Assistant Lecturers: £1130 x 65—£1460.
- (ii) In addition, a Variable Allowance is at present payable at the following rates: 33% of basic salary subject to certain maxima depending on marital status: minimum £243 per annum, maximum £649 per annum.
- (iii) Supplementary Housing Allowance: £303 per annum.

Medical benefits are provided under the Medical Services of the University.

Further particulars, details of superannuation and application forms are obtainable from the Association of Commonwealth Universities (Assoc), 36 Gordon Square, London, WC1H 0PF (Tel: 01-387 8572). The closing date for the receipt of applications is 30th November, 1972.

University of Tasmania

Applications are invited for the following appointment:

LECTURESHIP IN GEOGRAPHY: Candidates should be specialists in one or more branches of human geography. The field of specialisation need not necessarily be among those specified in the present structure of courses. Ample opportunities exist for research in all branches of Geography in Tasmania.

The current salary scales are: Lecturer Grade I—\$A8,280—\$A9,390; Lecturer Grade II—\$A6,801—\$A7,910; Tutor—\$A4,351—\$A5,418.

Further particulars and application forms are obtainable from the Association of Commonwealth Universities (Assoc), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8572).

Applications close on 30 November 1972.

University of Warwick

Centre for Industrial Economic and Business Research

There is a vacancy for a Senior Research Fellow, of post-doctoral or equivalent status, to initiate and pursue research within the above areas; the Centre is closely connected with the Department of Economics and the School of Industrial and Business Studies. Salary will be within the scales £1764 x £155/£159-£4143; as from October, 1973 the scale will rise to £4299 p.a. with P.S.S.U. The appointment will be for a period up to 30th September, 1974. Further particulars of the Centre and application forms may be obtained from the Academic Registrar, University of Warwick, Coventry CV4 7AL, quoting ref. no. 12/L/72. Closing date 17th November, 1972.

For further announcements see pages 5, 7, 106 to 116

Economist, young man or woman, full or part-time, wanted to assist in the preparation of reports and papers for a Group of Senior Businessmen. Facility in the use of the English Language and a respect for the simpler economic truths more important than a gift for ambitious gyrations in econometrics. Salary according to age, qualification and availability. Write in first instance to Box 2530.

Economist for Canadian Bank

The Bank of Nova Scotia, a major bank with 840 branches coast-to-coast in Canada and 130 international offices in 22 countries—has an opening in London for a young economist graduate with at least two years' experience in the field of business or financial economics. Candidates should be capable of expressing themselves well in written reports and of working under the minimum supervision. After about two years the successful candidate might be expected to take up an appointment in the Bank's economics department in Toronto. An attractive salary commensurate with ability and experience will be offered. Applications outlining qualifications should be sent to: Mr C. A. Barnes, The Bank of Nova Scotia, Regional Office, 18-23 Knightsbridge, London, SW1.

Kiel Institute of World Economics

The INSTITUT FÜR WELT-WIRTSCHAFT has several openings for qualified RESEARCH ECONOMISTS, preferably specialized in development economics, who would like to participate in a study assessing the efficiency of industrialization policies in LDCs with a view to projecting their future export potential.

Starting salaries range from DM 20,000 to 30,000 depending on age, family size, and qualifications. Period of employment for at least one year, preferably longer. A basic knowledge of German would be of advantage. Write to: Prof. Dr. Herbert Giersch, Institut für Weltwirtschaft, D-23 Kiel 1 West Germany, P.O. Box 4309.

The British Council

TUNISIA

THE HIGHER INSTITUTE OF BUSINESS MANAGEMENT, UNIVERSITY OF TUNIS requires a LECTURER IN MANAGEMENT as soon as possible. Candidates should have a relevant degree from a university in Britain, at least five years' experience and the ability to lecture in French. Salary: £2,132-£4,161, or £2,391-£3,132 per annum according to experience. Oversea allowances within the following ranges: married (accompanied) £878-£191, married (unaccompanied) £537-£269, single nil, or for lower salary range, married (accompanied) £664-£678, married (unaccompanied) £759-£333, single £23-nil. Children's and home education allowances. Income tax refunded if levied. Free furnished accommodation. Outfit grant. Employer's superannuation contribution paid. Medical and insurance schemes. Fares paid for Lecturer and family, including mid-tour passages for children in Britain. Local terms guaranteed. Two-year contract. 72/NU109.

Write quoting relevant reference number to Appointments Division, The British Council, 29 Grosvenor Place, London SW1Z 6DD, for further particulars and application form to be completed as soon as possible.

University of Kent at Canterbury

CENTRE FOR RESEARCH IN THE SOCIAL SCIENCES (READVERTISEMENT)

Applications are invited for the post of RESEARCH ASSOCIATE (Economics) to work on a project on indicators of activity in local housing markets. Salary up to £1,764 per annum. Further particulars and forms of application from Mr. J. E. Reilly, Cornwallis Building, The University, Canterbury, Kent, CT2 7NF. Completed applications (3 copies) should be returned as soon as possible but not later than November 10th 1972. (Quote A20/72).

University of Kent at Canterbury

FACULTY OF SOCIAL SCIENCES

Chair of Social Administration and Social Work

Applications are invited for the above Chair with effect from the 1st April 1973 or as soon as possible thereafter.

Further particulars and application forms may be obtained from Mr. J. E. Reilly, Cornwallis Building, The University, Canterbury, Kent, CT2 7NF. Completed applications (three copies) should be received not later than Friday, 24th November 1972. (Quote: A25/72).

APPOINTMENTS WANTED

Your Business in France

BILINGUAL FRENCHMAN lived in "WHOS WHO" IN FRANCE. Formerly financial manager large highly technical American subsidiary then president commercial credit companies seeks position preferably part time non executive advisor or director with English company starting or operating in France. Meeting in England possible anytime. Replies Box 2531.

Honours graduate in economics and politics (Keele), aged 22, well travelled, seeks liaison employment in U.K. or any E.E.C. country. Box 2534.

International Business

Young woman graduate (aged 30)—perfectly bi-lingual French/English—connections at the highest international level—experience of important business dealings invites approach from British company interested in developing its operations in the Common Market and/or Far East. Box 2533.

APPOINTMENTS

Community Relations Commission

Principal Administrative Officer and Secretary to the Commissioners

The Commission invites applications for this new senior post. The Principal Administrative Officer will be responsible for:—

- (i) All establishment matters covering a staff of over 80 including recruitment, pay, grading, conditions of service, promotion structure and day to day management;
- (ii) Financial accounting and financial control covering a growing annual budget standing at present at about £700,000;
- (iii) The secretariat functions to the Commission.

The Principal Administrative Officer will be concerned with future planning and policy as well as day to day affairs but his main task will be to manage the main activities described above efficiently yet harmoniously with the other parts of the organisation.

Applicants should have experience in staff management, financial accounting financial control and knowledge of secretariat work. They will need sound judgment, tact, patience and the ability to work well in a multi-racial organisation. A degree or professional qualification is desirable but not essential. Preferred age 35-45.

Commencing salary is £3478 plus £173 London Weighting per annum (on the National scale £3478 to £4708). Exceptionally a higher starting salary might be arranged. Contributory pension scheme. Appointment on a 2 or 3 year period of secondment would be possible.

Please send a large self-addressed envelope marked 'PAO' for further particulars and application form to Establishment Officer, Community Relations Commission, 10/12 Russell Square, London WC1B 5EH. The closing date for completed application forms will be 17 November 1972.

For further announcements see pages 5, 7, 106 to 116

An Foras Náisiúnta um Ardoideachas, Luimneach
The National Institute for Higher Education, Limerick

IRELAND

ECONOMICS Lecturer or Assistant Lecturer

NIHE accepted its first students for Diploma and Degree programmes this year. Rapid development on a new 120 acre campus is planned. EUROPE is academic theme.

Person appointed concerned basically with Business Economics and to a limited extent with Macro-economics. Applicants expected to be suitably qualified and experienced. Background relating to Regional Economics or International Trade desirable.

SALARY Lecturer £2,754 x £100—£3,654 pa.
Assistant Lecturer £2,004 x £75—£2,604 pa
plus additional allowances and benefits (scale under review)

Application forms, available from The Director, The National Institute for Higher Education, Limerick, should be completed and returned by November 3, 1972.

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LECTURE

UNIVERSITY OF LONDON: A course of two lectures entitled "Computerisation, Automation, and Cybernetics in Commerce and 2. West-East-West Trans-fer of Technology. Commencement of Technological Relations with Advanced Capitalist Countries" will be delivered by Professor J. Wilczynski (New South Wales) at 5 p.m. on 6th and 8th November at the London School of Economics and Political Science, Houghton Street, Aldwych, WC2A 2AE. Admission free without ticket. Academic Registrar.

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DIVIDEND NOTICE

Royal Bank of Canada

DIVIDEND NO. 341

Notice is hereby given that a dividend of 25 cents per share upon the paid-up capital of this Bank has been declared for the current quarter and will be payable at the Bank and its branches on or after 1st December 1972 to shareholders of record as at the close of business on 31st October 1972. By Order of the Board, J. K. Finlayson, Chief General Manager

STOCK PRICES AND YIELDS

Prices, 1972		British funds		Price, Oct. 18 1972		Price, Oct. 25 1972		Net red. yield, Oct. 25 1972		Gross red. yield, Oct. 25 1972		Eurobonds		Last week's prices		This week's prices		Yield to maturity %	
High	Low																		
98 1/2	97 1/2	British Electric 3%	1968-73	98 1/2	98 1/2	4.120	6.865	1	1	1	1	Anglo-American 7 1/2%	1987	97 1/2-8 1/2	97 1/2-8 1/2	7.53			
89 1/2	75 1/2	British Electric 3 1/2%	1976-79	76 1/2	76 1/2	6.255	7.875	1	1	1	1	Amoco (C) 8%	1987	94 1/2-5 1/2	94 1/2-5 1/2	8.37			
109	96	Treasury 8 1/2%	1980-82	100 1/2	100 1/2	5.260	8.835	1	1	1	1	General American Trans. 8 1/2%	1987	101 1/2-2 1/2	101 1/2-2 1/2	7.81			
108 1/2	94 1/2	Treasury 8 1/2%	1984-86	98 1/2	97 1/2	5.520	9.145	1	1	1	1	International Cable 8 1/2%	1987	100 1/2-1 1/2	100 1/2-1 1/2	7.89			
96 1/2	80 1/2	Funding 6 1/2%	1985-87	80 1/2	80 1/2	5.960	8.970	1	1	1	1	International Utilities 8 1/2%	1987	100 1/2-1 1/2	100 1/2-1 1/2	7.95			
46 1/2	54 1/2	British Transport 3%	1978-88	55 1/2	55 1/2	6.085	8.205	1	1	1	1	Kleinwort Benson 8 1/2%	1987	102 1/2-3 1/2	102 1/2-3 1/2	7.75			
86 1/2	69 1/2	Funding 6%	1993	71 1/2	71 1/2	6.395	8.205	1	1	1	1	Motorola 8%	1987	102 1/2-3 1/2	102 1/2-3 1/2	7.46			
111 1/2	93 1/2	Treasury 9%	1990-95	47 1/2	46 1/2	6.280	8.295	1	1	1	1	N. American Rockwell 8 1/2%	1987	101 1/2-2 1/2	101 1/2-2 1/2	7.78			
58	46 1/2	British Gas 3 1/2%	1995-98	74 1/2	73 1/2	6.075	9.475	1	1	1	1	Pennwalt 8%	1987	101 1/2-2 1/2	101 1/2-2 1/2	7.57			
89 1/2	73 1/2	Treasury 6 1/2%	2008-12	60	59 1/2	5.980	9.460	1	1	1	1	Queensland Alumina 8 1/2%	1987	100 1/2-1 1/2	100 1/2-1 1/2	7.92			
73 1/2	54 1/2	Treasury 5 1/2%	after 1952	37 1/2	35 1/2	5.840	9.700	1	1	1	1	Wellcome 8 1/2%	1987	101 1/2-2 1/2	101 1/2-2 1/2	7.81			
43 1/2	35 1/2	War Loan 3 1/2%		26 1/2	26	5.790	9.670	1	1	1	1	Williams and Glyns 8 1/2%	1987	99 1/2-100 1/2	99 1/2-100 1/2	6.75			
30 1/2	25 1/2	Consols 2 1/2%						1	1	1	1	Inter-American Devel. Bank (DM) 6 1/2%	1987	96 1/2-7 1/2	96 1/2-7 1/2	7.36			
												Malaysia (DM) 7%	1987	98 1/2-9	97 1/2-8	7.34			
												Slater Walker (L) DM 7 1/2%	1987						

Prices, 1972		Ordinary stocks		Price, Oct. 25 1972		Change on week		Yield Oct. 25		Prices, 1972		Ordinary stocks		Price, Oct. 25 1972		Change on week		Yield Oct. 25	
High	Low																		
383 1/2	268	Banks, other financial		118	89	Breweries, etc.		74 1/2	58 1/2	Hoesch	DM 60-2	185 1/2	132 1/2	Electrical, electronics					
84	57 1/2	Algemeine Bank	Fl 349	69	55	Allied Breweries	95p	79 1/2	60 1/2	AEG Telefunken	DM 151 1/2	295	236	ASEA	Kr 267				
370	257	Amsterdam-Rot	Fl 71	194	148	Anheuser-Busch	\$ 61 1/2	220 1/2	145 1/2	Mannesmann	DM 185	52	32	Nippon Steel	Y 96				
49 1/2	37 1/2	Aust & NZ Bank	350p	165	132 1/2	Bass, Charrington	157p	104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
500	370	Bank of America	\$ 44 1/2	217	106	Bols NV	Fl 147 1/2	85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
116 1/2	84	Bank of Montreal	\$ 106	212	153	Courage	200p	52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
116 1/2	84	Bank of Mexico	P 93	41 1/2	33 1/2	Distillers	160p	185 1/2	132 1/2	ASEA	Kr 267	295	236	ASEA	Kr 267				
520	298	B de NS Wales	520p	470	390	Distill Seagrams	\$ 39 1/2	220 1/2	145 1/2	Mannesmann	DM 185	52	32	Nippon Steel	Y 96				
740	525	Bank of Scotland	680p	244	182	Dortmund Union	DM 400	104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
3040	2310	B Bruxelles	Fr 8 3000	349 1/2	238 1/2	Guinness	195p	85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
238 1/2	183 1/2	B de Paris Pays Bas	Fr 210 1/2	327	234	Heineken	Fl 318	52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
66	53 1/2	Bankers Trust	\$ 45	20 1/2	15 1/2	Kirin Brewery	\$ 15 1/2	220 1/2	145 1/2	Mannesmann	DM 185	52	32	Nippon Steel	Y 96				
492	298	Barclays	420p	127	88 1/2	Nat Distillers	107 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
15 1/2	11 1/2	Can Imp Com	\$ 14 1/2	103 1/2	70	Scottish & Newc	\$ 2 1/2	85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
121 1/2	78	Charterhouse Group	103 1/2	114 1/2	84 1/2	Sch African Br	99 1/2	52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
66	52	Chase Manhattan	\$ 58 1/2			Whitbread 'A'	99 1/2	185 1/2	132 1/2	Electrical, electronics		295	236	ASEA	Kr 267				
39 1/2	48	Chemical Bank NY	\$ 52 1/2					220 1/2	145 1/2	Mannesmann	DM 185	52	32	Nippon Steel	Y 96				
257	221 1/2	Commerzbank	DM 221 1/2					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
182	148 1/2	Credit Commercial	Fr 169 1/2					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
450	370	Credit Foncier	Fr 426 1/2					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
4550	3695	Credit Suisse	Fr 5 4000					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
350	310	Deutsche Bank	DM 324 1/2					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
289	255	Dresdner Bank	DM 260 1/2					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
75 1/2	43 1/2	First Nat City	\$ 75 1/2					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
652	355	Fuji	Y 625					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
490	335	Hambros	415p					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
208	142	Hill, Samuel	\$ 156p					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
1 1/2	1	IOS Mgmt	\$ 1					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
24 1/2	13 1/2	Hongkong & Sh	\$ 24 1/2					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
209	130	Kleinwort Benson	143p					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
7600	5830	Kreditbank	Fr 8 7400					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
410	330	Kundenkredit	DM 409 1/2					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
2500	1840	Lambert L'Ind	Fr 8 2405					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
457	320	LBI	375p					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
850	601	Lloyds	676p					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
39	30	Manuf's Hanover Tst	\$ 36					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
82405	62670	Mediobanca	L 79650					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
146 1/2	99	Mercantile Credit	99p					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
256	168	Mercury Secs	168p					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
530 1/2	348	Mitsui	427p					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
440	202	Montagu Trust	260p					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
327	205	Morgan J P	\$ 110					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
112	71 1/2	Nat & Grindlays	127p					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
150	89	Nat Australasia	\$ 85					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
4 30	2 80	Nat Com Grp	418p					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
250	176	Nat West	\$ 180					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
492	300 1/2	Norsk Creditbth	730p					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
152 1/2	120	Royal Canada	730p					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
18 1/2	13 1/2	Schroders	241p					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
915	608	Slater Walker Secs	Fr 8 3205					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
309	229	Soc Gen de Banque	Fr 8 2830					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
3295	2915	Soc Gen de Belgique	515p					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
2635	2640	Standard & Chart	Fr 367					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
350	280	Suez	Y 630					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
655	362	Sumitomo	Fr 3 3980					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				
4440	3670	Swiss Bank Corp	Fr 5 4430					52 1/2	40	Wendel-Sideler	Fr 45 1/2	185 1/2	132 1/2	Electrical, electronics					
4805	3885	Union Bank Swiss	455p					104 1/2	65 1/2	Rheinisch	DM 77 1/2	104 1/2	65 1/2	Rheinisch	DM 77 1/2				
637	430	Union Discount	118p					85 1/2	68	Thyssen Huetten	DM 69 1/2	117 1/2	85 1/2	US Steel	\$ 28				

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
500	412		Tube Investments	415p	-6	4.6
284	19		US Industries	\$19	-1	3.3
121	77		Vickers	77p	-3	4.9
142	93		Weir Group	106p	+8	5.2
125	102		Thos W Ward	104p	-1	4.8

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
88	68		Food, pharmaceuticals	71p	+1	2.8
83	63		Assoc British Foods	62p	-1	6.0
126	94		Avon Products	\$126	+5	1.1
352	281		Beecham Group	322p	-2	1.9
232	139		Beghin	Fr 227	...	4.6
108	69		Brooke Bond 'B'	74p	+3	3.6
132	87		Cadbury Schweppes	102p	-6	3.9
347	187		Cavenham	255p	-11	1.4
86	57		Colgate-Palmolive	\$83p	+3	1.8
5.86	4.80		Col Sugar Ref	\$45.64	+0.24	2.8
162	115		Fitch Lovell	137p	-1	5.5
36	24		General Foods	\$25	-1	1.8
56	39		General Mills	\$55	-9	2.3
528	418		Glaxo	446p	-9	2.6
47	38		Heinz	\$39p	-1	4.0
220000	176500		Hoffman La Roche	Fr 210,000	...	0.5
47	41		Kraftco	\$44	+1	1.0
2350	1605		L'Oréal	Fr 2350	+40	1.0
3095	2100		Motta	L 2400	+140	...
4150	3000		Nestlé	Fr 3940	-20	1.8
47	36		Pfizer	\$41p	+1	1.6
100	76		Procter Gamble	\$98	-1	1.6
251	155		Ranks-Hovis	159p	-1	5.0
373	270		Reckitt & Colman	\$42p	-1	1.7
3950	3425		Sandoz	Fr 3800	-75	...
91	60		Spillers	64p	-2	4.9
38	30		Swift	\$32	-1	2.2
209	171		Tate & Lyle	180p	...	6.1
131	92		Unigate	94p	-4	3.3
406	318		Unilever	369p	+1	3.0
147	79		Unilever NV	Fr 139.3	-2.6	4.4
136	81		United Biscuits	99p	-4	3.5

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
54	29		Motors, aerospace	31p	-2	6.4
26	19		BLM	\$22p	-1	1.8
67	46		Caterpillar Tract	\$64	+4	2.2
36	28		Chrysler	\$32p	-2	3.1
108	79		Citroen	Fr 108	+6	...
425	323		Daimler-Benz	DM 367	...	2.3
199	127		Dunlop	132p	-5	6.2
2440	2068		Fiat	L 2352	+102	...
27	21		Firestone Tire	\$23p	-1	5.1
76	62		Ford	\$63	+1	4.1
32	22		General Dynamics	\$23p	-1	...
84	73		General Motors	\$75p	-1	4.8
33	27		Goodyear	\$27	-1	3.3
452	254		Honda	Y 395	-12	2.3
325	155		Komatsu	Y 305	+2	2.8
15	9		Lockheed	\$9	-1	3.0
438	324		Lucas	336p	-5	...
17	11		Massey Ferguson	\$C 16	-1	1.2
45	33		McDonnell Douglas	\$34p	-1	1.2
1910	1229		Michelin 'B'	Fr 1910	-85	...
520	246		Nissan Motor	Y 470	-9	1.7
36	30		N Am Rockwell	\$34p	-1	4.6
530	242		Peugeot	Fr 530	+49	2.2
1870	1200		Pirelli-Spa	L 1248	+48	4.0
231	162		Smiths Indust	174p	-2	3.6
284	186		Seyr-Daimler-Puch	Y 253	-3	4.0
673	405		Toyota Motor	Y 645	+3	1.2
43	28		United Aircraft	\$43p	+1	4.1
163	133		Volkswagen	DM 145	+5	3.1
280	226		Volvo	Kr 262	+4	1.5
73	44		Westland	56p	+2	5.5
120	88		Willmot-Breiden	105p	-1	3.4

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
243	180		Office equipment, photographic	Y 232	+29	3.2
141	93		Eastman Kodak	\$138	+5	1.0
428	358		Fuji Photo	Y 380	+4	2.0
1750	1565		Gesner Agfa	Fr B 1665	-80	...
144	144		Gestetner 'A'	144p	-11	2.0
410	325		Nippon Optical	Y 369	+10	2.0
2065	1439		Olivetti	L 1535	+35	4.6
292	228		Oxalid	258p	...	2.6
147	86		Polaroid	\$128p	+13	0.2
1188	825		Rank 'A'	1044p	-19	1.3
171	120		Xerox	\$161p	+7	0.5

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
135	99		Paper, publishing	Kr 113	+2	...
199	151		Borregard	183p	+8	3.3
124	100		Bunzl Pulp	107p	-2	4.2
34	24		Crown Zellerbach	\$27p	+1	4.4
180	143		DRG	147p	...	4.8
28	23		MacMillan Bloedel	\$C 23	-1	4.2
20	14		McGraw Hill	\$14p	-1	3.4
315	207		News International	263p	-7	2.6
244	174		Pearson Longman	200p	+19	4.0
337	274		Reed Int	311p	-17	4.0
192	78		Thomson Org	175p	-3	4.0

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
135	96		Property	105p	+2	2.9
615	475		Capital & Counties	500p	+20	1.3
230	181		Hammersons 'A'	198p	+8	2.5
147	107		Land Securities	109p	+1	2.3
274	225		LMS	261p	+8	2.0
234	176		MEPC	184p	+3	1.9
540	293		St Martins	1536	+28	2.8
398	259		SG Immobiliare	318p	+14	1.2
211	153		Star (Gt Britain)	158p	+2	2.2
220	150		Stock Conversion	175p	+1	2.3
			Trafalgar House	175p	+1	2.3

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Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
49	24		Transportation	\$27	+2	...
301	229		American Airlines	261p	+1	3.2
16	14		Brit & Comm	\$C 14	-1	...
424	315		Canadian Pacific	406p	-4	3.7
22	17		Furness Withy	\$17p	...	6.1
3500	1580		Greyhound	Y 2580	-20	1.6
131	106		Japan Air Lines	Fr 114	-2	...
79	63		KLM	DM 68	-0.9	...
180	136		Lufthansa	173p	-3	4.4
17	10		Ocean Steam Ship	\$10p	-1	...
390	186		Pan American	346p	+2	3.5
740	575		P & O Delf	Fr 5690	+5	4.3
58	37		Swissair (Bearer)	\$43p	+3	...
54	29		TWA	\$32p	+2	...
			UAL	...	...	...

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
321	216		Stores	290p	-2	1.9
392	260		Boots	330p	-1	2.4
305	215		Brit Home	230p	-10	2.5
179	117		Burton Group	156p	+2	3.6
187	119		Dabenhams	Fr 171	+10.2	...
420	341		Galleries Lafayette	%406	-10	...
343	255		Galerias Precados	296p	+1	2.5
22	15		Grattan Ware	\$17	+1	4.7
340	259		Great Atlantic	291p	+1	2.6
161	111		GUS 'A'	146p	-1	3.0
2145	1460		House of Fraser	Fr B 2145	+165	...
132	82		Innovation	Fr 126.6	+1.3	2.9
497	330		KBB	DM 463	-2	3.2
359	243		Karstadt	Fr 364	-42	2.5
622	484		Kaufhof	L 329	-6	1.5
343	217		La Redoute	\$24p	+1	3.3
314	214		La Rinascente	301p	-7	2.6
320	272		Marcor	Y 608	+1	1.5
638	410		Marks & Spencer	\$42.82	-0.03	2.7
2.75	1.70		Mitsukoshi	DM 131	-2	...
148	107		Myer Emporium	Fr 194	+6	1.2
195	114		Neckermann	\$86p	+4	...
86	67		Nouvelles Gals	Fr 192	+1.1	...
193	130		JC Penney	217p	+2	2.4
170	129		Printemps	117p	-1	3.1
193	129		Provid Clothing	\$108p	-4	1.3
117	97		Sears Roebuck	572p	+30	1.7
643	428		Seas Roebuck	77p	-4	2.2
87	73		WH Smith 'A'	155p	-2	3.7
180	138		United Stores	\$34p	...	3.5
47	33		Woolworth	...	...	...

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
40	30		Textiles	\$31p	...	4.5
186	129		Burlington	129p	-8	5.2
81	67		Carpet International	74p	+2	4.7
179	129		Coats Patons	167p	+2	4.1
124	80		Courtaulds	Fr 114.6	+1.6	4.8
63	48		Dollfus-Mieg	54p	-1	4.7
1813	1085		English Calico	L 1329	+50	...
31	23		Sau Viscosa	\$26p	-1	5.6
153	71		Stevens, JP	Y 146	-7	4.1
180	95		Toray Ind	Y 180	+11	4.7

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
366	275		Tobacco	278p	-7	4.5
219	172		Brit Amer Tobacco	195p	+9	6.0
124	93		Gallaher	99p	-3	5.9
76	50		Imperial Tobacco	\$50p	-1	4.9
			RJ Reynolds	...	...	...
48	41		Utilities	\$48p	+1	5.7
1050	790		AT & T	Y 1050	+30	4.8
1040	780		Chubu	Y 955	+1	5.2
27	24		Chugoku	\$25p	+1	7.1
2900	2600		Cons Edison	Fr B 2825	-40	5.5
2415	1995		EBES	Fr B 2170	-30	5.8
998	780		Intercom	Y 920	+27	5.4
191	149		Kansai Electric	DM 149	-6	5.3
1040	795		RWE	Y 990	+32	5.1
161	89		Tokyo Electric	Y 161	+39	3.7
			Tokyo Gas	...	...	...

Prices, 1972	High	Low	Ordinary stocks	Price, Oct. 25, 1972	Change on week	Yield Oct. 25
279	221		Investment trusts	231p	-1	2.6
60	48		Alliance Trust	51p	-2	2.7
180	135		Atlas Electric	135p	-2	4.3
98	81		BET Deferred	84p	-1	1.8
180	142		British Assets	149p	-1	2.8
192	157		Cable Trust	171p	+3	1.7
189	146		Foreign & Col	151p	-4	2.8
58	43		Globe Investment	44p	-1	3.4
71	55		Industrial & Gen	58p	+1	2.7
268	225		Mercantile Inv	Fr 254	+21	4.6
203	167		Robeco	Fr 172	-1	1.7
122	100		Rolinto	108p	-1	1.9
			Witan Investment	...	...	...

Multi-product, miscellaneous						
413	337	Air Liquide	Fr 351	-5.6	4.1	
1518	1009	BSN	Fr 423	-2	2.2	
203	142	Bookers	171p	-2	3.8	
230	171	British Match	204p	+1	4.7	
75½	62½	British Oxygen	68½p	= 4	4.4	
132	107	British Ropes	110p	-1	4.1	
77	51½	Cope Allman	63½p	+4½	4.4	
260	161½	Dalgety	250p*	-10	4.1	
284	188	De La Rue	244p	-4	4.6	
31½	21½	Engelhard Minerals	\$26	+1	1.5	
44½	28	Gulf & Western	\$34½	+1	0.8	
125	67½	Halliburton	\$114	+2½	1.8	
482	377	Hayes Wharf	390p	-23	1.9	
1062½	795	Hudson's Bay	922p	+34	2.3	
64½	50½	IT & T	\$52	+1½	2.3	
640	404	Inchcape	578p	-20	2.3	
475	345	C Itloh	Y 468	+18	1.3	
14½	9½	Ling-Temco-Yought	\$10½	+½		
26½	11½	Litton Industries	\$12½	-½		
80½	64½	Minnesota Mining	\$80½	+4½	1.2	

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Freezing soon

The long talks at Downing Street aimed at a voluntary incomes policy broke down on Thursday night. The Government will now have to impose a compulsory one, page 11. Some of the muddles at the talks, and in continuing wage inflation outside them. Good prospects for growth, shaky ones for sterling, pages 77-82, and stock markets go merger mad, page 103.



My Government's speech

A scanty Queen's speech before a hard session, page 13, with an Ulster plebiscite and oddments, pages 47-48.



Got away with murder

The Germans think they saved lives by their surrender to Arab hijackers last weekend, but history will sadly show that they have sacrificed far more of them, page 15.



Nixon's the one

Next Tuesday a rather unpopular President Nixon may win the biggest landslide victory in American history, which shows that something very odd is happening in world politics, page 12. Special reports from across the United States set the scene for this unusual election, pages 25-40.



Peace in Vietnam?

There is a chance to end Vietnam's long agony, but Dr Kissinger must not yield on principle, page 16. A report from Saigon, page 54. Peace has broken out between Britain and China, as our special correspondent reports from Peking, page 54, where Yu might now pip Yao to succeed Mao, page 56.



A star's eclipse

Why Canada's Trudeau and Stanfield ran neck and neck, amid some slightly disturbing signs of English-speaking backlash in their divided country, page 53.

Letters

The economy

SIR—I would be very grateful if you could explain in what way the conclusion of the Mansion House address by the Governor of the Bank of England, in which he pointed out that there is no such thing as a monetary policy which will at once stimulate expansion and moderate inflation, "might be supposed to have slapped the monetarists down."

The point which the Governor was making is one which many of us who believe that no policy will work against inflation which does not include a strong element of responsible monetary restraint have been trying to draw to the attention of Bank and Treasury for the past 15 months. It is the Governor, and not we, who has argued that the incompatible objectives of stimulated expansion and moderated inflation can be harmonised by an "incomes policy." He still does—he was at it again at the Mansion House. We shall see.—Yours faithfully,

J. BRUCE-GARDYNE
House of Commons, SW1

SIR—In your columns you have repeatedly warned the people that with little or no growth in gnp England was falling steadily behind its neighbours and competitors. If proof of this were needed one has only to refer to a pertinent remark made by M. Giscard d'Estaing a few days ago in the course of his introducing his budget proposals:

... en 1961 le niveau moyen de vie d'un Français était inférieur de 10% d'un Britannique. En 1972 il lui est supérieur de 25%.

Twenty-five per cent is not only quite a lot—it is, in fact, enormous. But, what is even worse is that the difference is getting greater. Nevertheless, 95 per cent of the people in England still smugly look upon "those foreigners on the continent" as inferior beings. And if you try to make them understand the real state of affairs they merely look at you with undisguised pity, and wonder who on earth let you out of the asylum.—Yours faithfully,
Cannes, France G. S. CHAMBERS

SIR—Could not an organisation be set up to break strikes which threaten and blackmail the nation?

In spite of modern technology it should be possible to recruit enough volunteers to mine some coal, operate some power stations and run transport, even slowly.

There must be many unemployed and many retired people, including myself, who would surely volunteer.—Yours faithfully,
C. S. A. TOOTAL
Hildenborough, Kent

Lincoln by-election

SIR—Your interesting article on the Lincoln by-election (October 14th) asserts that former MPs who stand against their former parties in their old constituencies always lose (except for Mr S. O. Davies).

In 1945 Hammersmith was contested by the former sitting Labour member, Mr D. N. Pritt, as Independent Labour; he headed the poll, with about six times as many votes as were cast for the official Labour candidate from Transport House. The circumstances were no doubt exceptional; circumstances in politics always are.—Yours faithfully, M. R. D. FOOT
London, W1

Ireland

SIR—Mr W. A. Miller (Letters, October 28th) and like-minded Englishmen should realise that Ireland is not a British isle in any sense of the word and is not inhabited by British people. The northern Protestants are typically Irish in their rejection of compromise and formation of splinter groups. If all the people in Britain from this side of the border came home, what would happen to your hospitals, building firms, police forces, public transport, armed forces, road-making firms, medical practices, trade unions, etc?—Yours faithfully,
Dublin PATRICK J. N. BURY

SIR—I feel I must comment on your crassly unsympathetic and unhelpful treatment of the Protestant side of the Northern Irish situation (October 21st).

Written with a bloody English superciliousness of the "tribal Irish," it shows complete lack of imagination of their plight, and for any Northern Irish who may happen to read the articles it must first re-emphasise the sense of isolation. If that is all the sympathy that can be expected from fellow British, from an English Parliament (the Northern Irish are a small minority) and an English (and at times, Scottish) army, what could be wrong with UDI?

I put it to you that the Protestants have been against the wall for four years now, despite the British money being poured into the situation; it is those people who are facing the terror, and the lack of a solution. The army was to sort it all out and give protection against the IRA, and have they done so—have they hell? They cannot stop the IRA and they want to hold the Protestants even more firmly against the wall for continuing persecution.

The IRA bomb almost with impunity; internees are released to swell the ranks, but if the Protestants want even self-defence they must first take on the army. And it must feel very like an English army, possibly imbued with your anti-Irish ideals and captained overall by a man who has not distinguished himself with much success. He makes feeble promises and is terribly English about it all, hoping the IRA will stop being beastly.

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Memories are doubtless short in your sector as well. Eire is at best neutral, and at second best unfriendly, providing a wartime base for German spying activities, and always harbouring terrorists. Yet Eire nationals have British passports and run the country at will, fund-raising and the rest. May I remind you that if it had not been for quite a few Northern Irish helping against a certain "little house-painter," some others might not be in the happy position of derogating worried and desperate people by classing them by their occupations. Even a hall porter might be a good man for a' that! —Yours faithfully, G. H. BOYN
Galashiels, Selkirkshire

Flexible working

SIR—The correspondence in your columns about flexible time has not, so far as I am aware, explored the far greater dividend to be derived from the flexible week.

Against the quite minor benefits to be expected from extending the rush "hour" to a nominal two and a half, morning and evening, a cut from 20 per cent of total commuter travel each day of a five-day week (universal Monday to Friday week) to, at best, 14.3 per cent (everybody works an optional five days out of seven) must surely go much further towards lightening the travel burden than getting up at 5.30 in mid winter!

It also goes further towards relieving one of the major scandals of our present time where highly expensive office blocks, schools, university buildings, railways, telephones, telex, roads, car parks, and all manner of other amenities are crowded and deserted by turns in deference to a rhythm of life developed in an environment by whose limitations we no longer need to be confined.

As for all the churches...!—Yours faithfully, J. P. RICHARDSON
Durham

Immigration

SIR—Your statement that black Frenchmen would not be admitted to this country as of right under community rules unless naturalised French (October 28th) needs to be supplemented by the observation that there are vast numbers of naturalised coloured people in France and Holland, and that the 14m inhabitants of Martinique, Guadeloupe, La Réunion and Guyane have the same status as metropolitan Frenchmen in every way. It may be added that French policy for these overseas departments is emigration rather than development. In addition, from 1976 or so, all 40m Turks will have as much right in this country as we have. You may be right in supposing that Britain in the market will be too depressed to attract many Europeans apart from Sicilians, but it will not, for some time, be too poor to attract Turks and people from the other areas named.

It would be interesting to have the

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views of Jonathan Guinness and our other anti-coloured immigration pro-market experts on this.—Yours faithfully, *Ilford, Essex* K. T. MOORE

Ugandan Asians

SIR,—In your report on the Conservative party conference (October 14th) you refer to an addendum concerning immigrants from Luton East which you rightly describe as vicious.

May I be allowed to make it clear that this addendum was submitted by an individual representative to the conference and was never discussed, let alone submitted, by this association. Indeed my chairman has written to the secretary of the National Union specifically dissociating the Luton East constituency from the addendum and from the other amendments standing to our name in the supplementary agenda.

We have also asked that the executive committee of the National Union should consider some change in procedure so that in future it is made quite clear that amendments or addendums submitted by individuals do not necessarily represent the views of this constituency.—Yours faithfully, ROY D. BAND

Secretary and Agent
Luton Conservative Association
Luton, Beds.

SIR—Your article on Ugandan Asians (October 21st) makes only a passing reference to a factor which, in my opinion, deserves more attention—namely that these immigrants are neither white nor European. Before the cry of racialist is raised against me, may I point out the significance of this factor?

Immigrants are inclined to congregate in particular areas and to maintain their own language, customs, food, dress and so on. For people in a foreign land this

tendency is a hindrance to integration. These groups should disperse as the need and desire for better education, employment and accommodation outweighs their natural fear of a strange land. If the incentives to disperse are removed by over-anxious helpers, the segregation continues. Is kindness killing integration?

In East Africa adversity appears to be nearer achieving integration. The Asians I met on a recent visit to East Africa ate, spoke and dressed as the indigenous population did, while practising their own customs on special occasions. There was none of the paraphernalia we have which seems to encourage a return to the way of life these people forsook in the 1890s. Why can't we accept that Asians are Asians and to live in harmony they must change—if they try as hard to integrate with us as we do to integrate with them, life would be much easier.

Let's keep Britain for the British and Asia for the Asians—culture and tongue make people British, not their origins or skin colour. Make Britain multi-racial but still British!—Yours faithfully,

CHARLES A. R. GILLIAMS
6th form, Whitgift School
South Croydon, Surrey

Jugoslavia

SIR—Mr Kurt Weisskopf (Letters, October 21st), has befogged the issues clearly stated in your admirable article: "King Tito at home to the Queen." He challenges its correctness.

First of all, the issue in Croatia was not as naive as he seems to believe on the part of "intellectuals" abroad (as well as those at home). Some of those "innocent" intellectuals have proved time and again to be the rabble rousers and exponents of the genocide of the Ustasha State during the last war and of the slogan prevailing in Croatia in 1971: *Srbe na vrbe*, "Hang the Serbs by willow trees." The assassins and terrorists referred to by Mr Weisskopf are the avant garde for those so-called "intellectuals" who, as it were, hoped to assume leadership in Croatia under the auspices of the Soviet Union. Has he forgotten that some of these "intellectuals" abroad had ridden into Zagreb in 1941 on Hitler's and Mussolini's tanks, and last year they hoped to ride in on the Soviet ones! To this end the late Dr Branko Jelic ("the leading intellectual" abroad) has conducted a "foreign policy" of both wings of the movement—at home and abroad—and has granted generous sea and air facilities in Croatia to Russia in exchange for support to set up an "independent" Croatia—a monster state like the one under Hitler's and Mussolini's overlordship of 1941.

Secondly, Mr Weisskopf should not be astonished at your statement that "the independence of economic enterprises is to be curtailed." He should have read Tito's speeches and threats in the recent weeks addressed to the Serbian party

leadership by accusing them of introducing capitalism in the economy. And if he is acquainted at all with the Yugoslav "self-management" system he should have been aware that, despite some progress it has made, it has become for a decade at least a refuge for many former disgruntled members of the system and many factions, for various reasons, and each paying lip-service to it for its own reasons. As the slogan of "brotherhood and unity" has died, the lip-service paid to self-management has provided a cover for practising abuse and corruption.

Finally his interpretation of Kardelj's speech at Mostar does not advance his thesis one iota: it is merely wishful thinking. The purges instituted by Tito earlier this year and by now in full swing leave no doubt as to where they lead to. Evidently they lead to re-stalinisation of the chief aspects of administration of economic and social life. Tito calls for "democratic centralism"—and those acquainted with communist terminology and practice read this for what it is: to upgrade the demoted UDBA (the secret police) two rungs up the hierarchical ladder and restore it to its "rightful" place. The purge in the party rank and file, called for by Tito, cannot be achieved without fully employing the UDBA.—Yours faithfully, STANIŠA R. VLAHOVIĆ
Birmingham

Road safety

SIR—My reaction on returning to England after ten years in Canada and the United States was similar to that of your correspondent, Miss Harriet S. Dannenhauer (October 21st). It is the pure unadulterated speed of vehicles here which is so alarming.

The average driver of a Detroit product knows full well that his vehicle is capable of greater speed than he is ever likely to need. Many drivers in this country seem bent on proving that their smaller and frequently less stable cars will perform at much higher speeds than those for which they were designed.—Yours faithfully, R. S. S. DICKINSON
Tunbridge Wells, Kent

Japan and China

SIR—I just happened to read Mr McGrath's opinion on Japan and China (Letters, October 14th), and am very scared if there are any more people like him. Japan and the people here are not trying to project "the threat of an expansionist aggressive force in Asia," as he claims. I was born after the second world war and did not experience our recklessly aggressive war, but I have learned that we should not repeat the same tragedy. Most of the Japanese favour a new Japan-China tie-up because it has marked an end of our miserable past and has symbolised a fresh start of full communication between the two people.—Yours faithfully, Eiji WAKIYAKA
Tokyo



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With the trade account in balance and renewed signs of growth, the South African economy is much healthier. But the government looks like being lulled into its old complacency about the pressing need to up-grade non-white labour. This and other issues are discussed in the latest QER.

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3. Bovis would also receive as a gift a participation in P & O's huge cash flow and tax benefits.
4. The Chairman has ignored public opinion, the dissenting directors, the Inchcape company's bid and the McInsey report and P & O has lost £1,700,000 on Bovis shares which it has purchased and a huge sum on expenses and underwriting.

Jessel Securities Limited and Associates, the largest stockholders in the company, believe that P & O could and should be highly successful as an independent organisation. They believe that the dissenting directors alone could achieve a tremendous improvement. Although stockholders were informed that the future of the company was to be decided at a meeting on the 9th November, the Chairman has now decided to embark on "a wholly-fresh exercise"—"contortion" would be a better description. Many stockholders are inclined to await the results of this meeting, but if they do so it may be too late and they will have given away £100,000,000—over £1.60 per share.

It is imperative, therefore, that everybody should complete the new proxies that are being posted by Morgan Grenfell & Co. To be effective, these proxies must be posted by November 12th.

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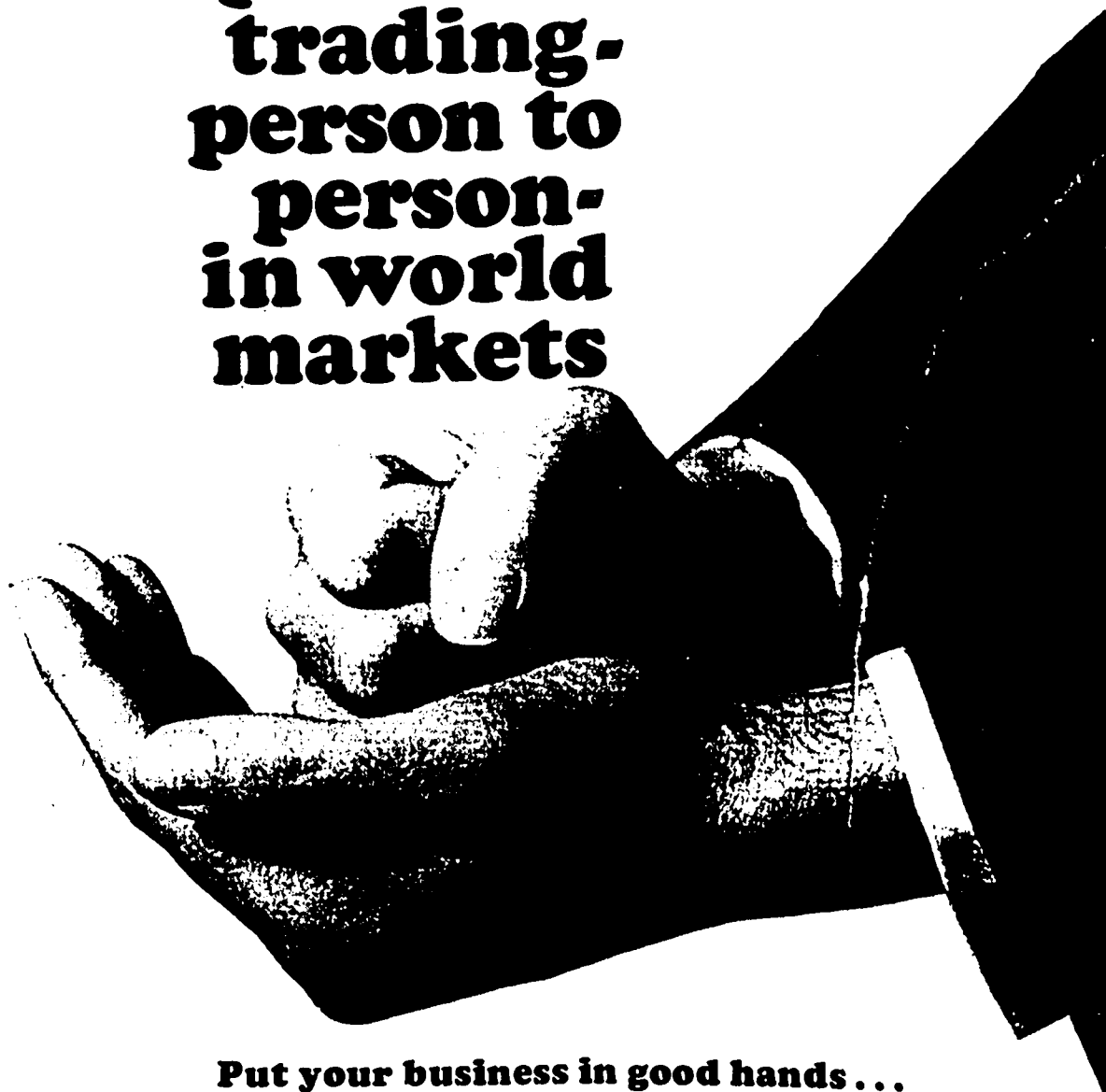
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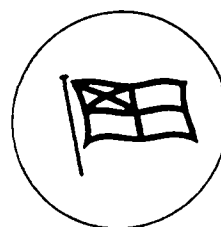
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The Economist

November 4, 1972



The kidding had to stop

The death of the attempt to secure a voluntary incomes policy is something much less than a national tragedy. There should be muttered condolences, rather than banshee wailing, across its grave. Exchange and stock markets, please note. During most of the latest long days and longer nights, the question ostensibly being discussed at the meetings was a farce. The Chancellor had said on Monday that the choice then lay between (a) "a completely voluntary system which relies on trust"; or (b) a system backed by statutory powers. The parties were pretending that they were aiming at system (a)—the system which relies on trust—but everybody, including its own members, knew that the Trades Union Congress was not to be trusted.

Any document signed by Mr Feather and his colleagues would in practice have been dishonoured by the unions as rapidly as was the TUC's previous "declaration of intent" to Lord George-Brown about holding down wage claims after 1964, or its "solemn and binding undertaking" to Mr Wilson to reduce strikes in and after 1969. This is not because of malevolence, but because union militants were boasting openly that they would bulldoze past a norm, and moderate trade union leaders would quickly feel bound to follow suit out of fear of not remaining trade union leaders. A voluntary policy may succeed in restraining prices because any manufacturer who is publicly castigated for excessively raising prices probably loses custom, but it cannot restrain collectively-bargained wages because any union leader who is advertised as having excessively raised wages wins votes. The crucial message from the long unsuccessful talks is simply this: the Government must now proceed to statutory enforcement of an incomes policy, and with no delay. The Government's hope as the talks drew to their end was that the public would at least see that it had tried to be fair, patient, consensus-seeking and would leave the unions looking shamefaced rather than militantly indignant, and thus with less danger of red revolution (as well, incidentally, less danger of blue revolu-

tion by Powellite MPs who might join with Labour in trying to block the passage of any compulsory wage and price freezing bill through the Commons).

The counter-tactic of the TUC's militants last week was to try to secure breakdown of the talks on some ground which they thought would bring them more popularity. Hence what Mr Barber properly called their "manifest humbug" in demanding the most rigid sort of statutory controls on prices, while insisting that there must be no statutory controls on wages. When a caravan is proceeding along the road at a dangerously breakneck pace, it really is not the safest policy to keep your foot on the accelerator in the towing car, and apply the brake only on the trailer at the back; and the sensible majority of the British people ought to be able to see that it is not.

Not crystal clear

That sensible majority includes the more moderate members of the TUC delegation, with the result that what the newspapers called the "great debate of the nation," which was supposed to be settling all our economic futures, proceeded through an incredible smog of muddled embarrassment. Sometimes it was put on public view. Here is part of the on-the-record transcript of the press conference late last Monday night:

Q: The alternative before the TUC on Wednesday is to either have statutory powers on wages and prices or a voluntary agreement on both... Which does Mr Feather favour?

FEATHER: Well it's no secret, we've been talking about a statutory—and I think if I can stick to the script and quote the words, because we've been talking about an effective limitation of increases in prices and particularly in retail food prices and if you look, John, at the statement, if I can read it, so that I'm not getting it wrong myself, or anybody else is getting it wrong, "TUC representatives reaffirmed their view that statutory arrangements were required to ensure an effective limitation of increasing prices and particularly in retail food prices." In other words, we weren't talking about wartime

controls or utility garments or anything of that kind; we're just stating as it says here in the communiqué.

If that was the level of discussion at the council, it is not surprising the negotiations ran through many midnight. It is also a relief if the nation's economic policy really is not going to be settled in a continuing conference of circumlocution of this sort.

The damage all this must cause to sterling is less than it would have been in any other crisis; indeed, it may even be of benefit to the balance of payments that these long drawn-out talks have caused sterling to float lower. Those who once said that a floating of sterling would lead to unmanageable chaos at any time of crisis now have their answer. It is the floating that has allowed the tripartite diners of Downing Street to spend those nights and days together. If sterling had been at a fixed rate, the Government would have felt obliged to rush to a probably wrong decision in a matter of hours. There is more cause for worry that the delay has allowed some excessive wage offers to creep in under the wire, beginning with the farm workers and then on to the dangerous electricity supply award; but as the authorities were going to surrender to the power workers anyway, it would have been even worse if they did so just after, instead of just before, any new policy.

Back-up or back-down?

The biggest worry, however, is that some of the machinery devised as a result of these late-night dialogues of the deaf is likely to play a part in ruling the country for some years to come. The machinery that seems to be emerging is put under scrutiny in an article beginning on page 77, and there are parts which do not stand much

of it. It looks as if the eventual compulsory powers may be of the appropriately named "back-up" sort. Last Monday's communiqué talked of the possibility of the Government taking enabling powers, which could be activated by an order laid before Parliament by a minister, in order to roll back any wage or price increases, which were considered to be in "significant breach" of any agreed norms.

The trouble about this system is that the Government would have discretion to decide which issues to confront and which to run away from. Every moderate trade union leader could then feel it a challenge to his virility (and a challenge from his militants) to take on the Government at a game of chicken. The incentive for each union faced by a weak employer would be to go for the largest possible (or, rather, impossible) wage increase, and then the Government would have to decide on a confrontation to roll it back. It would be better to put the onus of confrontation the other way round. Under the sternest policy, the Government might be wise to declare a freeze of the Nixon "phase one" type for a very short period; then increases up to the norm should be automatically allowed, with those who sought to go beyond it having to appeal to some arbitrating body for a right to negotiate to do so. No doubt some unions would challenge this with strikes, and those strikes would simply have to be beaten. The difference is that under a "back-up" statutory system the Government would have to decide to lead the charge against wage offers already made, while under any sterner system the unions would have to organise the charge in support of claims already illegal. The latter and better system is the one that the nation now surely requires.



Freezing hasn't hurt him

Mr Nixon's road to his expected landslide victory still looks bewildering, but others, especially Mr Heath, may learn increasingly from it

Unless the public opinion polls are even more wrong than they were at the last British election, President Nixon is likely to be re-elected on Tuesday by the largest majority in America's 200 years of history. By what alchemy of past record or present exciting inspiration is the misdoubted and close-shave president of four years ago riding to this historic achievement? The remarkable answer is that Mr Nixon's most distinctive policies in his first term (devaluation of the dollar, rigid price-wage controls, rapprochement with Red China) have been erratic zigzags in a direction broadly opposite to what most Republicans had expected from him, and that he is not telling anybody what he intends his distinctive policies in his second term to be (probably because he has not yet thought of them). Across the rich one-fifth of the world, something very odd is happening to our politics, and it is desirable for politicians of both right and left to ponder professionally on them.

First, the electoral attractiveness of incumbent govern-

ments has been increased because the two main things that most people are used to demanding from government—freedom from major war and a steady rise in the standard of living—have, at least temporarily, become rather easy to deliver. We can avoid major wars because the top decision-making echelons in all the countries capable of waging them now have a comfortable enough life not to want to risk losing it in a nuclear holocaust (since the defeat of its cultural revolution, this happily includes China as well as Russia). We can avoid real economic recessions because of the technical accident that a loosening of restrictions on the supply of credit has been proving a sufficient weapon for restimulation of home demand, even in countries (like the United States) where constitutional absurdities make proper timing of a Keynesian fiscal policy impossible, and because all countries are now at last willing to vary exchange rates rather than allow rigid rates to dictate rigid stop-go policies. Democratic oppositions therefore have to find

new focuses for the electorate's concerns.

Many of them have not done this very well, especially liberal and social-democrat oppositions whose middle class morality has impeded them from recognising the second muddling political change in the past few years. In most big industrial countries some of the middle classes (who generally provide the main constituency of the righter-wing party) have probably moved slightly to the softer left, but more of the working classes (who provide the main constituency for the lefter-wing party) have more often moved slightly to the harder right. In the United States the lefter-wing party has campaigned on the issues which the middle classes think that the working classes ought to feel concerned about: ungentlemanly conduct by government and big business, equality, concern for the very underprivileged, moral disgust at the war in Vietnam, Naderite safeguards for consumers, the environment. They have found that the working classes do not give a damn. In Canada (see page 53) the defeated Mr Trudeau also talked over the top of the average Canadian's head.

Politicians, keep out

What people most want from government nowadays is that it should not allow disturbances to the even tenor

of their private lives. This is why President Nixon's single biggest election-winning achievement has been the ending of conscription for war service in Vietnam. The other things that can disturb the even tenor of private lives are violence, strikes, sordidness in one's neighbourhood, possibly really rampant inflation, possibly a sense of national humiliation. But it is not certain whether reaction against the first two of these always hits against the government of the day, or always against the lefter-wing party.

Mr Heath can learn from the United States that a right wing government does not need to show a narrow consistency in its policies, that it can win trade union votes even while freezing wages, but that it should always strive to look as if it is acting with national gravitas and in sober search for consensus. The measured tread by which consensus Ted is moving against inflation suggests that America's most widely supported President since George Washington is the political model that he now has most in mind. If Mr Heath between now and the next election soared to the 25 point lead in the public opinion polls which Mr Nixon holds over Mr McGovern, then there would be over 500 Conservative MPs, against less than 100 Labour ones, in the next House of Commons.



What the Queen didn't say

If the Tories thought they were in for a quiet session, they're going to be disappointed. So it is best to get the pain over quickly

Mr Wilson described it as thin, and the 14 acts and three measures which the Queen announced on Tuesday as the Government's main legislative intentions during the new parliamentary session did not sound much like a burdensome year's work for Parliament. But that brought relief rather than criticism. After two exhaustive and divisive sessions, enacting the industrial relations and common market bills, both sides of the Commons were hoping for exactly the sort of worthy but undramatic parliamentary programme that was read out (see page 48). Indeed, the Labour frontbencher who said that the most controversial statement in the Queen's speech was her announcement that she and her husband were actually looking forward to their visit to Australia was widely regarded as having made a rather good joke. But the coming political year is not going to be like that.

It is going to start with a messy and very bitter winter. That is inevitable whether the Government decides to bring in compulsory powers to back up its wages and prices policy early, as it should, or later, as it will then have to. It is really rather absurd for anyone to pretend that it could be otherwise, for even if all three sides of the tripartite talks in Downing Street ever did turn out to be bands of repentant and very wise angels, which seems an improbable transubstantiation, there would still

be one considerable, unrepentant and far from angelic band left out in the cold—the Labour party. However doubtful the exact outcome of those talks may at times have seemed, there is one consequence which has never been doubted by a single member of Parliament. If Mr Heath's wages and prices policy wins acceptance in the country, a Tory victory at the next general election is likely; if it is successful, its victory is guaranteed.

It is true that the more powerful trade union leaders barely attempt to disguise their contempt for the leadership of the political wing of the Labour party. But however much they lack ostensible political gifts themselves (and there is not one who could demand a place in a Labour cabinet on merit), the Scanlons and the Joneses of the TUC are political animals first and trade union leaders second. There are few Tories who have ever doubted that. Indeed, it has often been their first charge against the trade unions, and some of them have not been very convincing in their attempts to persuade themselves that such men might at least acquiesce in a policy which would be to the political advantage of a Tory government, however much it was in the national interest as well. One of the few good self-persuaders is the Prime Minister.

Mr Heath has not given the participants in the Downing Street talks any cause to doubt his sincerity

in making the attempt at a tripartite solution to inflation. He has, if anything, shown rather more naivety than cynicism. But politically—and probably nationally—he was right to make the attempt at this point in his Government's life, if only to destroy once and for all his distorted image as a pig-headed, doctrinaire enemy of trade unionism. His tolerance towards the unions has startled his own right wing, and his patience has come as a revelation to his closest colleagues. Mr Heath has done himself no harm with either the press or the public, both of which are still unduly sentimental about the unions.

But some of the Government's supporters are in danger of being carried away by the rare spectacle of their leader receiving such a widely good press. The impetus for great shifts in public opinion does not come from the media, whatever journalists who work on newspapers or in television might wishfully think, but from politicians (who sometimes wrathfully think the opposite). The politicians have not yet got down to picking apart the squalid breaches and compromises which will inevitably occur in any pre-compulsory stage of Mr Heath's prices and incomes policy, and the tacit parliamentary coalition which will exist between the Labour party and Mr Enoch Powell and his friends could be even more damaging.

Paying for past mistakes

The majority of Tories rather like the different Mr Heath who has appeared to emerge this summer. They, like the country generally, are naturally more comfortable with a prime minister who is seeking a consensus. But they must get it out of their heads that the Labour party is going to do anything to help him find it. Mr Wilson's gibes against Mr Heath's incomes policy are going to win nearly united support on the Labour benches, and not entirely on just-acceptable party political grounds. One of Mr Heath's mistakes of the past, for which he will pay rather dearly this winter, is the personal bitterness which is still felt by many Labour ex-ministers, including some of the most moderate and sensible men, about the tactics Mr Heath pursued against them when they were embarked on a similar enterprise. Rather different personal feelings will give Mr Powell's activities an extra edge, too. Even combined, they will not be able to deny Mr Heath whatever legislation he wants. But it would be sanguine to underestimate the effect those two reactionary forces could have on working class opinion.

Mr Heath must act upon the assumption that the present goodwill in the country, generated by his tripartite package, is a very fragile advance. It will not be maintained except by the most intense and skilful handling on his part, or (which sounds more plausible) the most bovine handling on the part of his opponents. There is always the possibility that the Labour party's present desire never to be far out of step with the largest unions, plus the weaknesses and internal tensions of its own leadership, will succeed in alienating more electors than it arouses by its campaign against a Tory incomes

policy. It can certainly be argued that the Rochdale by-election result (see page 51) showed that many thousands of Labour voters are prepared to demonstrate their disenchantment with their party when given a reasonable alternative. But against that possible advantage must be offset the built-in corrosive element in the package itself.

In purely electoral terms, politicians on both sides are telling themselves that the success of the package will mainly depend on its apparent effectiveness on the cost of living. They are probably wrong, for the effect on the standard of living may be much more important. At present, although the Tories do not seem to be very popular, the standard of living (ie, real disposable income per head) is a record 8 per cent higher than a year ago. There is no prospect under the Heath package of a similar rise in 1973, except for one small and unrepresentative group.

The flat rate increase for everybody which the package proposes is a neat way of avoiding the setting of a norm, which soon becomes a minimum target, or a total freeze, which would be highly unpopular. But the justification for the flat rate increase, as Mr Heath and his colleagues repeatedly affirm, is that it will push much of the relative gain from higher living standards in the year ahead towards the low paid. Such an improvement was not only highly desirable in itself, but it also put the pretensions of concern for the low paid by some major trade union leaders to a severe public test. Unfortunately, not very many people are really greatly interested in raising the relative position of the low paid, except the low paid themselves. And there are not enough of them to make the political difference.

Grumbles to come

That is not an issue which will be argued about in public by either party, for neither could defend its own supporters' attitudes. It is probably not yet a conscious grumble by many voters; but some ministers, at least, are as aware that it will increasingly become so as Mr Wilson, when he was prime minister, was aware of how relatively unpopular increased family allowances were with both his own party members and the electorate as a whole. Because of that, Mr Heath's package has only a short popular life. And that could not be extended by any delay in bringing the package before Parliament to make it compulsory.

There is nothing in the Queen's speech more urgent than that. Indeed, one of the virtues of the Government's legislative programme is that, with the exception of the quick bill to hold a plebiscite in Northern Ireland in the new year (see page 47), the country will not suffer unduly if any of the announced measures are delayed for a couple of months. The Tories must give up any hopes of a quiet session while Britain settles into Europe. They must face instead the painful reality of enacting some form of compulsory powers on wages and prices. But like going to the dentist, they will find they are better off for it. They need to equip themselves with a new set of teeth.



Getting away with murder

The Germans have let Arab terrorists get away with murder, not only last Sunday, but repeatedly during the past three years. This will lose lives, not save them

The German record on hijacking is not one to be proud of. On Sunday morning, three Palestinians were in jail in Bavaria waiting trial for their part in the murder of 11 Israeli athletes and one German policeman during the Olympic Games last September. By Sunday evening, they had been freed and flown out of the country by the national airline, Lufthansa, in response to the threats of three teenage terrorists holding a hijacked Lufthansa airliner over Zagreb. Herr Willy Brandt's government appeared to think that it had done the right and honourable thing, in rushing with indecent haste to comply with the young blackmailers' demands. What it has done is to condone murder, diminish justice, and pile up a host of future trouble for itself.

Not every criminal or suspected criminal in Germany is treated so gently. In June, the Stuttgart police rushed the flat of Mr Iain Macleod and shot him dead at point-blank range on suspicion of being a terrorist, which he was not. Last week, his mother was offered £13,000 in compensation. But in February this year, the German government paid Palestinian guerrillas £2m not to blow up another of Lufthansa's jets—money that must have done much to finance the subsequent outbreak of guerrilla activities. What Herr Brandt needs to explain is why his government operates one set of rules for dealing with Arabs, and a stricter set for the rest of us.

The rot can be stopped

The world has had five years to decide how to deal with Palestinian attacks on aircraft, which are something apart from the usual wave of hijacking. The attacks began in 1968, with the hijacking to Algeria of an Israeli airliner; and the Israelis have nearly, but never quite, been caught that way again. The Palestinians switched their attacks to Israeli aircraft on the ground, first at Athens, then Zurich. One group of them—possibly a splinter group—airmailed bombs to addresses in Israel, which disastrously got transferred to Swiss and Austrian aircraft instead—blowing up one in mid-air and badly damaging the other. The Palestinians who had posted the bombs were later traced to addresses in Frankfurt, but by then they were safely away. The Germans' first taste of Arab activity on their own territory was in February, 1970, when a gun battle took place in Munich airport in which one bystander was killed and 11 injured before the police arrested two Arabs.

By this time, Arab gunmen were in various jails in Athens, Switzerland and Germany: either for planting bombs on, or trying to plant them on, various Israeli aircraft. Two were even imprisoned for a short time in Syria for hijacking and blowing up an American jet. So in September of 1970 the first concerted attempt to release them was made when five jets, one British, one Swiss, two American and one Israeli, were hijacked in

quick succession. Only the attack on the Israeli aircraft failed. There was a gun battle on board which ended in the death of one hijacker and the depositing of the second, the by then famous Miss Leila Khaled, into the far from gratified arms of the British police after the jet had landed at Heathrow. Altogether, the Arabs held more than 300 passengers as hostage.

To the somewhat shocked astonishment of the British and Swiss, the German government was reportedly in favour of giving its prisoners up immediately, anxious to wash its hands of the affair. This inevitably weakened the negotiating position of the other governments, but in the end none of them released any Arabs until all the hostages were released first. The aircraft were destroyed. The hijacking of a Greek airliner also secured the release of Arab gunman held for attacks on Israeli aircraft and airline offices in Greece.

It could be argued that in 1970 the west was not really aware of what it was up against, and had not worked out a method of handling the new type of hijacker who had discovered that it was probably easier to negotiate demands while holding the aircraft and its passengers hostage on the ground than it was in the air. The same cannot be said today. Two separate techniques have now been developed, and repeatedly proved over a number of abortive hijacks. There is the violent shoot-out favoured by the Israelis, as when a hijacked Belgian jet was landed at Lydda airport last May by Palestinians demanding the release of 300 of their colleagues from Israeli jails. The American police have used this method too, with success.

The other, even more effective, technique was demonstrated successfully only a few days ago by the Bulgarians, when they talked four young Turkish guerrillas into a state of exhaustion. The Turks, like the Palestinians, were asking for the release of prisoners. They did not get it, and an earlier group of Turks who had also tried the hijack-to-Bulgaria technique did not get their way either. Croats who arrived with a hijacked jet in Sweden were shunted round Europe in an aircraft of limited range until they, too, gave up from exhaustion and without harming anyone. Japanese placated hijackers by a member of the government offering himself as hostage. The Germans, however, have never even tried to talk the Palestinians into the ground.

Herr Willy Brandt has preferred to take all their menaces at face value; to assume that they will automatically do everything they are threatening to do if thwarted, as if every young man with a gun in his hand has the nerve and sufficient disgust with life to use it against both himself and other people. The Turks said, after they surrendered, that they could not have killed or even harmed their hostages. Is Herr Brandt arguing that Arabs are more brutally insensitive?

German officials were saying privately this week that they were sick and tired of being dragged unwillingly into the Arabs' quarrel with Israel; were secretly glad of any excuse to be rid of the Olympic Village gunmen, and blamed Israel anyway for advice that directly contributed to turning the Olympic fiasco into the massacre that it was. But if they believe that this is the last that they will hear of the Palestinians, the Germans are almost certainly wrong. They are likely to hear of other terrorists, too. Lufthansa's jets and passengers could become the target for every crook, gunman and crackpot who needs either money or a friend to be sprung from jail. For the brutal calculus the Germans have invited

needs plainly to be set down. Henceforth if you are a member of a group which wants to assassinate or kidnap-for-ransom any foreign potentate, statesman, diplomat, greedy capitalist, inconvenient socialist, trade rival, crusading journalist, immigrant leader, Irishman, Arab or Jew, you would seem to have every incentive to wait until he visits Germany. Then, like the Munich terrorists, you can expect to be freed within six weeks, provided one of your friends holds anything that looks like a live grenade at a Lufthansa pilot's head. Herr Brandt may think he has shown calm unflappability just before the German elections. Not in the eyes of any distinguished prospective visitors to Germany, he hasn't.



Vietnam's prospect of peace

If peace does come, the Americans should show magnanimity to their opponents, but they should not relax their hold on essentials at the last moment

It has been its own sort of war from the start, and it is staying in character right to the end. Even when the basic terms of a settlement have been published by both sides, no one is quite sure whether the Vietnam war is over, or who has won if it is. That is a measure of the failure that has dogged public understanding of this war. But it does look as if North Vietnam has at last crossed the dividing line, and it is doubtful whether it can draw back over it again.

The North Vietnamese might even now decide to tear up the whole deal. They have looked increasingly nervous as election day approaches in the United States, and there has always been a tendency among them to call down the darkness if they do not get their way. But that does not seem to be the advice they are now getting from Russia and China, and even if they did announce their withdrawal from the negotiations they are probably not going to be believed. Their own publication of the concessions they offered on October 8th has made their weakness visible. On October 8th they dropped the demand for the removal of President Thieu. They abandoned the idea that their own friends should be put into positions of executive power in the Saigon government as the condition for a ceasefire, even though a good deal of the western press was wrongly reporting, long after October 8th, that the Americans were ready to give them just that sort of coalition. They stopped calling for the end of all American aid to South Vietnam. Having once made those concessions, and made them public by its own choice, North Vietnam is going to find it hard to persuade people that it can cancel them.

Indeed, it looks very much as if North Vietnam's negotiators may have outfoxed themselves. They seem to have let themselves be persuaded that by breaking secrecy over the agreement reached after October 8th they would put the squeeze on President Thieu. Within limits, that is true. Mr Thieu now has to bargain within the framework of the terms as Mr Kissinger has described

them, and the South Vietnamese cannot ask for some wholly new condition that lies outside those terms. But there is nothing to suggest that President Nixon thinks Mr Thieu is just being obstructive when he says that the terms are unsatisfactorily vague on two points, or that the Americans are not prepared to wait until North Vietnam clears up these two obscurities. And by deciding to open up the results of the negotiations to public view the North Vietnamese have in fact made it easier for the Americans to wait for that to happen.

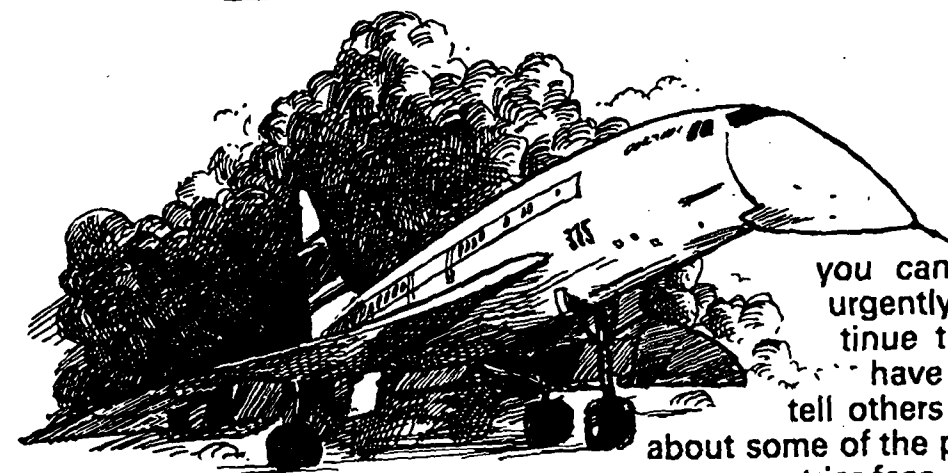
A shift in the Senate?

The evidence that peace is as close as that may have already helped to give Mr Nixon a good many extra votes next Tuesday, including, perhaps, extra votes that will put more Republicans into the Senate and thereby reduce senatorial opposition to the financing of the war. If that should happen, the last major constraint on his Vietnam policy would have been removed. This is the price that North Vietnam has paid for its revelations. It is the squeezers who have been squeezed.

The first of the two obscurities that have to be cleared up is the part to be played by that "National Council of Concord and Reconciliation," and this may not be as difficult as all that. The North Vietnamese wanted a form of words that would not require them to admit that they had dropped the coalition idea, and the United States will be right to be generous with words. Mr Kissinger has said that he is prepared to call this body an "administrative structure," if that is what North Vietnam wants. But it needs to be made certain that both sides understand that this organisation is not intended to be a substitute for, or a potential alternative to, the present government of South Vietnam.

It has to be accepted that the present government will stay in office until it is replaced by a new one chosen by methods acceptable to Mr Thieu and his colleagues, as well as to their rivals; that the main job of the council

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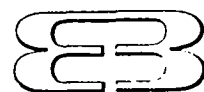
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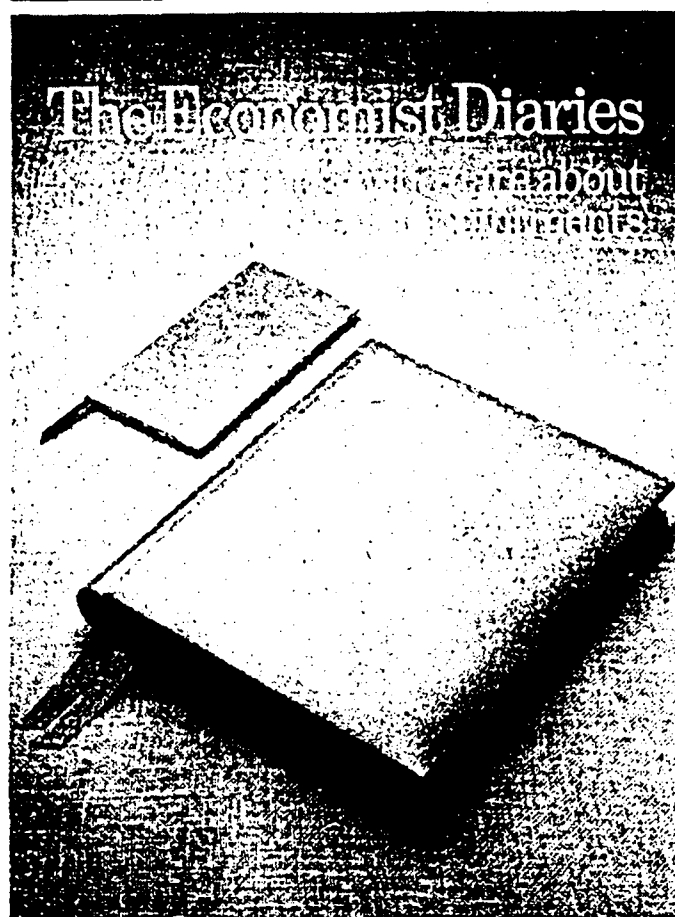
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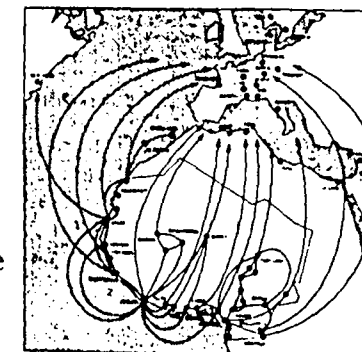
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31st October, 1972.



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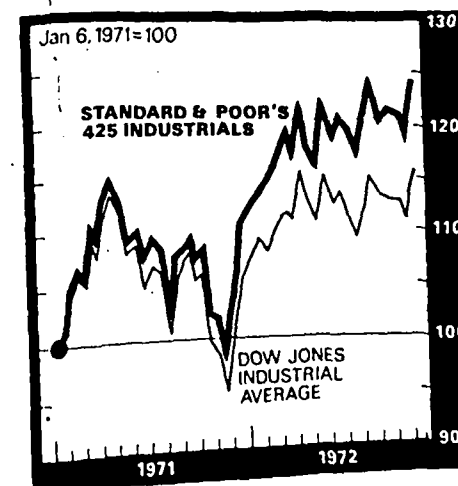
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Continued from page 104

Jones average moved up by nine points, amid brightening prospects that the North Vietnamese did not look too indignant at the passing of the October 31st deadline. On Wednesday the index went up another 13 points to close at 968.54; turnover shot up to 21m shares. Once the election is out of the way, brokers expect the market to respond to the underlying economic forces (as brokers are wont to do when the fundamentals look good). They certainly hope that trading will be well above the recent 15m-odd shares a day. Brokers are one section of the community that has not been enjoying anything like economic recovery, and the share prices of the publicly quoted brokerage houses have slid nastily. In other sectors of the economy the indications are fine. Corporate earnings in the third quarter have been especially good despite economic controls. Gross national product, industrial production and personal incomes have all continued to grow, though a bit more slowly than earlier in the year. This slowdown is welcomed by the professional optimists on the ground that it suggests the economy is less likely to overheat next year.

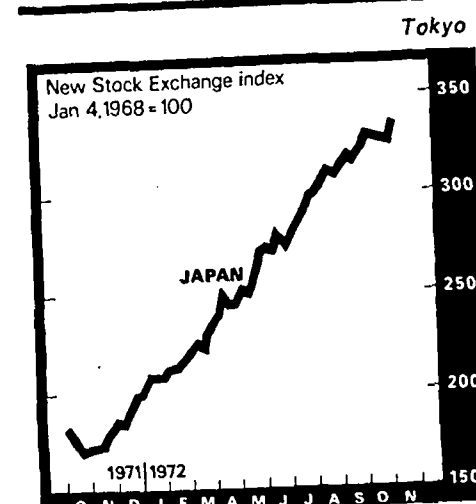
The big game on Wall Street this winter is to anticipate the companies and sectors which the bank trust departments (who are nowadays the dominant institutional investors) are likely to favour in a pure economic environment. With the bank-favoured blue chips now bid up to ultra-high price-earnings multiples, one common guess is that their attention may focus on cyclical and secular growth industrials, such as chemicals, machinery, paper and drugs. Meanwhile, investor interest has been drawn to such low p/e groups as utilities, savings and loans institutions, and life



insurance companies. A difficulty in trying to second-guess the trust departments is that they might not try to milk the secondary level stocks. They could just stay with the quality growth issues, bidding them up to impossible heights. Everyone is guessing what the trust departments think. Perhaps they don't?

Japanese market

Nip on budding investment



The ban on foreign investment in Japanese securities provides excellent ammunition for a further rise in the Japanese market for anybody who can find a way to get into it. When the new exchange controls were announced on October 20th, the Tokyo index fell only slightly—and it has since recovered momentum and gone on to even giddier heights. On Wednesday the market closed at another new record level of 335.0.

Last December's revaluation of the yen set the starting traps for the

current phenomenal bull market, and the next revaluation, which is surely signalled by the succession of desperate attempts to avoid it, will be accompanied by further measures to switch resources from exports to home output. Foreigners will continue to try to get into the stock market, and a yen premium market will almost certainly provide the pricing mechanism to cope with that demand.

The new controls take the form of a general rule that purchases by non-residents must, until further notice, be balanced by non-resident sales. The modus operandi is that every broking house is obliged to ensure that purchases on behalf of foreign clients do not exceed sales by foreigners over a six-day trading week, although with one or two minor concessions. In practice, this means that brokers have to keep an eye for a match on each transaction, or else they might have to "induce" some foreigners to sell to balance the books at the end of the week. Official Japanese spokesmen are complacent about the arrangements, and argue that profit-taking will prevent any premium going very high. There are still some legitimate ways of beating the controls, for instance by buying convertible Japanese Eurobond issues. These have already moved up.

International fund managers are as unhappy as one would expect. So are Vickers da Costa, the British stock-brokers, who have just opened a branch office in Tokyo. It will have to do more selling of British equities—just as the ever-growing number of Japanese brokers in London (six, and more on the way) will have to start buying. The latest controls are on top of others which, for example, require that the proceeds of sales of securities have to be exported or reinvested within a month.

Key indicators: world bourses

	Stock price indices			Percentage change on			
	Nov 1	1972 high	1972 low	one week	one month	one year	record high
Bids helped London forget its worries, and real expectations of Vietnam peace sparked off Wall Street. But record breaking was once again left to Japan and Hongkong.							
London	483.1	543.6	461.6	+ 1.0	+ 0.7	+19.0	-11.1
New York	968.5	973.5	889.2	+ 1.8	+ 1.8	+14.9	- 2.7
Canada	223.6	243.0	187.5	- 2.1	- 3.8	+34.9	- 8.0
Australia	588.0	639.3	490.1	- 0.4	+ 4.2	+39.5	-11.4
Japan	335.0	335.0	199.9	+ 2.5	+ 1.6	+93.8	-
H'kong	632.6	639.6	324.0	+11.5	+22.9	+84.0	- 1.1
Belgium	118.5	120.8	96.9	- 1.7	- 1.0	+26.2	- 3.6
France	85.9	89.3	67.6	- 1.4	- 2.8	+36.1	- 8.2
Germany	111.1	121.3	97.1	+ 2.6	- 2.2	+26.3	-26.5
Holland	149.4	155.3	105.4	+ 0.1	+ 0.1	+56.1	- 3.8
Italy	50.1	50.7	43.9	- 0.6	+ 1.8	+ 7.5	-57.0
Sweden	352.2	366.5	308.7	-	- 1.5	+23.1	- 6.2

Stock prices and yields are on pages 125 and 126

Offshore funds

Come onshore, and go mutual?

For the private investor, the advantages of buying into offshore funds are gradually being whittled away. The tax situation of onshore funds in Britain has been improved; in the United States, the Securities and Exchange Commission has recommended legislation that would tempt foreign buyers onshore. The international approach of offshore funds is being copied by many onshore funds in Britain and America; in continental Europe investment funds have always been international in outlook. Although it is impossible to quantify, much of the new British money going into offshore funds is probably wholesale—from domestic investment and unit trusts, and insurance companies and pension funds which find offshore funds the most tax-economical way of getting international diversification.

The private investor, if he judges that New York's time is bound to come after the election, might do better to buy an American mutual fund, instead of an offshore fund specialising in the United States. Although the offshore funds in our table are, to the best of our knowledge, audited, some of them have quite hefty management charges. Mutual funds are far more closely regulated. The best offshore funds follow the best practice of domestic funds, but there

is more danger of not buying the best.

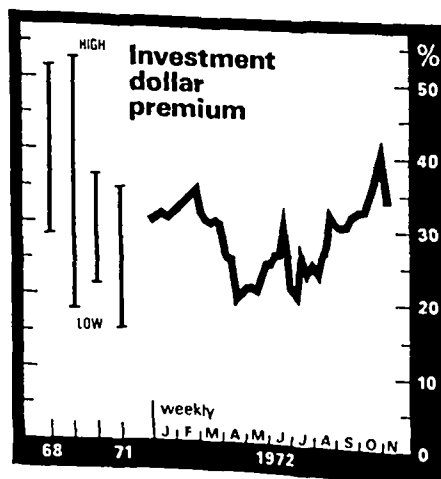
The tax disadvantages of investing in an American mutual fund rather than an offshore fund are:

(1) Long-term capital gains tax is paid by domestic funds when gains are reinvested instead of being distributed to fundholders (and only the American resident receives a tax credit for his share of the tax paid by the fund). An offshore fund pays no capital gains tax at all. Note that this disadvantage on capital gains tax applies only to switching within a domestic fund, not to sales of units.

(2) When dividends and interest are paid to foreign non-resident investors by a domestic fund, they bear withholding tax at 30% (or less if the relevant double taxation agreement so dictates). Offshore funds pay their dividends gross.

(3) When short-term capital gains (under six months) are distributed by domestic funds, the foreign non-resident investor has to bear withholding tax on this gain. An offshore fund need not distribute these gains, and anyway would be exempt from the tax if it did.

(4) American estate duty does not apply to an offshore fund. It does apply on all but the first \$30,000 of a deceased foreign non-resident's portfolio of American securities; but this

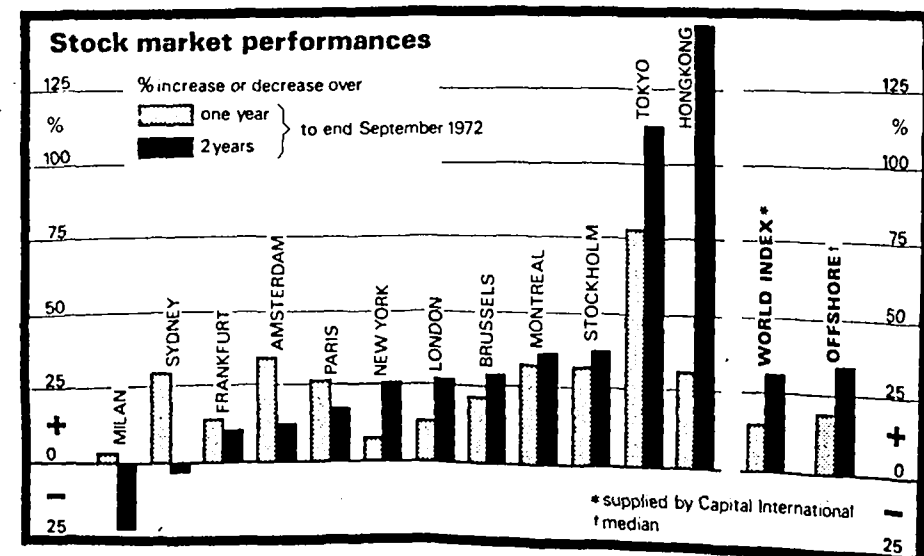


is probably not very significant as a foreign investor with that kind of money is likely to be sophisticated enough to avoid this liability by holding the shares in a nominee name.

These appear to be the only obvious tax disadvantages of investing in an American mutual fund. On the other hand there is full disclosure of portfolios (which is more than the British unitholder gets) and regulation by the SEC. If American mutual funds continue to suffer their present heavy flow of net redemptions, they will begin to call for the tax advantages the SEC wants, and go after the foreigner in a big way (especially the Japanese?).

In June, funds based in the outer sterling area suddenly found that they would no longer have to pay the dollar premium on their investments in America and elsewhere outside the former sterling area. More significantly, they no longer had to surrender 25% of the premium on sale of a security. Where these funds did not avoid the premium via back-to-back loans or by channelling their investments through feeder funds (and most of them did), the change has been of benefit to them. But British investors now have to pay the dollar premium in buying their shares in these offshore funds, although the 25% surrender rule does not apply. The premium has been rising as investors have fled from London towards Wall Street and elsewhere. The premium, quoted at 34% on \$2.60, is effectively now 21% on \$2.36.

Our table, compiled from figures provided by Seiden and de Cuevas International, shows the league table of performance over the past year (and over two years, where applicable) of major offshore funds. Once again the funds specialising in Japan show the best all-round performance: not surprisingly since the Tokyo mar-



ket was up a healthy 75% in the year to end-September. The Far East provides tricky markets, and few of these funds beat their relevant index; but the individual investor in Japan would probably have done worse. A special difficulty in Tokyo has been the extra zoomy performance of lower quality stocks—an index of higher quality stocks would probably have risen by only about 40%.

The American market is strewn with unrequited optimists. As Wall Street showed very little change in the year to end-September, defying all the hopes of the bulls, funds with high gearing have done badly. At the bottom of the American list, First Investors American has gearing to the heart-rending tune of 185%. If one feels that now really is the time for the American market to make up for

lost time, then this could be the fund to be aboard. A steadier performer in the American market has been the Centenary Fund. The managers avoid the cyclicals, and try to pick the long-term performers.

At the top of "American" funds, the Frobisher Fund, up 47% over the year, managed by Cazenove, the London brokers, is an object lesson in keeping to high quality growth situations while aggressively exploiting market opportunities, wherever they crop up. There was a big move into oil-orientated stocks, particularly in the North Sea, and into American regional banks, and a well-timed move into Europe. They avoided Germany—where shares march monotonously backwards and forwards, all in step, like a platoon of Prussian infantry—and picked some whizz stocks in

France.

The most striking fact that emerges from the list of international funds is the marked improvement in the Australians. Pan Australian External, which was only 20.7% up at the year to end-June, has now risen by 70.1% for the year to end-September and gone to the top of the league. Sales of units are now picking up after a slight hiccup when Australia left the sterling area, and are probably aided by the performance of its onshore sister fund. An added attraction of investment in Australia is its dollar might be upvalued when currency rates next change. That applies even more obviously to investment in Japan, but only to those investors who are lucky enough to be on the inside of the prohibition of new buying from foreign sources.

Offshore and overseas funds performances

Growth records of the funds, calculated on net asset value including income, over 12 months to end-September 1972 (and two years to the same date, where applicable). Only funds over \$5m. No real estate funds.

Fund	Managed/ advised by	Net asset value per share Sept 30	Total net assets \$m	2-year growth %	1-year growth %	Fund	Managed/ advised by	Net asset value per share Sept 30	Total net assets \$m	2-year growth %	1-year growth %
United States						SEPRO					
Frobisher Fund	Fraser Admin	\$19.51	14.7	+104.5	+47.0	Tyndall Int'l	Sec & Pros Fd Dist	\$12.20	30.4	+47.3	+26.0
NA Bank Stock	N Am Fd Mgt	\$29.60	10.1	+55.0	+40.2	Capital Int'l SA	Tyndall Bermuda	\$11.23	12.1	—	+25.8
BIF Trust	BarclayTrust					SOFIMAT	Capital Int'l SA	\$13.89	13.1	+34.5	+23.2
Centenary Fund	Frontier Mgt	\$13.57	20.0	+63.9	+38.8	Keyser Ullmann	SOFIMAT	\$10.96	25.3	+17.3	+23.0
US Trust Inv	F&C Mgt	\$12.10	12.7	+65.8	+34.0	Guardian Mgt	Keyser Ullmann	\$10.18	18.8	+27.4	+22.9
Netherlands Antilles	UST Int'l	\$18.28	116.0	+54.5	+25.7	Worldwide Special	Guardian Mgt	\$10.18	25.9	+47.3	+21.2
Mutual						Atlantic Exempt	Burnham & Co	\$3772.88	22.8	+34.4	+21.1
Standard & Poor's	First Nat City Bank	\$102.34	78.8	+48.3	+18.9	M&G (Cayman)	M&G (Cayman)	\$1.01	31.7	+23.2	+20.2
Int'l						Conv Bond Fund	S G Warburg	\$9.59	24.5	+31.1	+19.0
BIF Income Fund	S & P O'seas Mgt	\$257.88	7.8	+26.6	+16.7	Interfund SA	Interfund Hldgs	\$11.33	79.4	+13.4	+18.8
Anchor Wall St	BarclayTrust	\$10.49	7.4	+27.7	+18.0	Crossbow	Darsec Fd Mgt	\$18.37	23.3	+19.7	+18.7
American Inv Trust	Management Int'l	\$5.49	10.8	+33.9	+15.6	Caribico Growth	Investors Divers'd	\$118.60	6.3	+25.7	+17.5
Apollo Fund SA	Schroder Trust	\$15.05	15.9	+42.3	+14.8	Italamerica	Italamerica SA	\$10.35	33.2	+8.6	+17.2
Butterfield Exec	Butterfield Exec	\$15.88	6.0	+75.7	+14.4	Worldwide Secs	Burnham & Co	\$45.54	8.6	+22.6	+14.8
Alexander Fund	Bk of New York	\$10.82	18.9	+35.4	+14.0	American Ex Int'l	Am Ex Inv Mgt	\$10.20	18.2	+37.7	+13.0
ConvertFund						Fl Int Min & Pet	First Inv & Savers	\$9.84	5.7	+10.7	+11.6
Int'l 'B'	Smith, Barney	\$12.63	7.4	+40.3	+13.5	Murray Fund	Murray Johnstone	\$10.50	15.5	+43.2	+11.5
ConvertFund						Patrimonial	Eurosyndicat	\$22.70	57.3	+25.6	+11.0
Int'l 'A'	Smith, Barney	\$10.41	7.3	+38.5	+13.2	New Court O'seas	New Ct O's Fd Mgt	\$0.57	15.1	+38.3	+10.9
Buttress Equity	Butterfield Mgt	\$81.90	6.7	+28.3	+11.6	Delta Investment	Delta Inv Fd Adv	\$9.68	9.0	+10.4	+7.8
Fund (Dist)	BarclayTrust					117 Group SA	Drayton Corp'n	\$13.30	13.2	+33.8	+7.7
BIF Growth	Frontier Mgt	\$8.11	18.4	+23.8	+10.9	Intermarket Fund 1	Intermarket Mgt	\$134.26	14.2	+23.4	+7.1
Energy Int'l	S G Warburg	\$12.12	16.4	+29.1	+9.8	Finance-Union	Eurosyndicat	\$11.03	21.7	+18.4	+6.0
Hedged Investors	A W Jones Mgt	\$14018.00	22.1	+36.8	+8.4	Formula Selection	Formula Selection	\$11.05	30.9	+13.5	+5.2
Five Arrows	Intimix Mgt	\$12.85	104.9	+38.9	+7.3	Dreyfus Offshore	Dreyfus Corp'n	\$11.05	32.5	+26.4	+6.7
Neuwirth Inv	Neuwirth Int'l Sec	\$9.87	5.1	+25.1	+5.3	Japan and Far East					
United Capital Inv	United Funds Mgt	\$4.52	5.9	—	+4.1	Fidelity Pacific	Fidelity Mgt & Res	\$20.91	44.6	+191.9	+88.8
Dreyfus						Hongkong &					
Intercontinental	Dreyfus Mgt Int'l	\$12.86	37.9	+18.3	+2.4	Jardine Fleming	Jardine Fleming	\$3.72	65.7	+202.4	+87.9
Trafalgar Fund	Trafalgar Fund Ltd	\$115.54	12.9	+15.2	+1.3	Far Eastern	Jardine Fleming	\$43.50	15.0	—	+81.2
Stanhope Trans	Lepercq	\$13.30	7.1	+8.9	+0.7	Jardine Eastern Tst	Jardine Fleming	\$1.82	28.3	+93.6	+69.5
Hambro O'seas	Hambros Inv	\$7.64	7.9	+4.5	—	Int'l Pacific Sec	Jardine Fleming	\$39.22	71.4	+123.8	+66.0
Int'l Technology	Securities Mgt	\$11.98	36.2	+3.6	+2.8	Tokyo Capital	Intimix Mgt	\$34.31	27.8	+122.0	+65.4
Neuwirth Int'l	Neuwirth Int'l Sec	\$8.09	5.7	+18.4	+10.4	Tokyo Trust	Singer & Friedlander	\$24.95	20.6	+127.4	+65.1
Safe Fund	European Corp'n	\$10.98	4.2	—	+5.9	Berry Pacific	GT (Bermuda)	\$19.79	14.1	—	+62.2
Shareholders						Nippon Fund	Bridge Mgt	\$29.58	41.2	+118.0	+61.7
Excalibur	Shareholders Mgt	\$8.30	11.8	—	+13.1	Transpac	Bqe de Neufville	\$15.63	14.7	+91.1	+61.2
First Inv Am	First Inv & Savers	\$7.30	8.8	+8.1	+17.5	Hope Street	Murray Johnstone	\$17.49	22.0	+109	+58.7
International						Fleming Japan	Rbt Fleming	\$20.46	17.6	+84.8	+51.3
Pan Australian						Kleinwort B					
Ext	Manx Int'l	£0.59	10.6	+8.5	+70.1	(Japan)	Kredietbank SA	\$17.79	13.4	+84.9	+60.3
Manx Int'l Income	Manx Int'l	£0.71	8.5	+54.6	+52.3	Tokyo Selection	Formula Selection	\$51.80	13.8	+78.6	+48.3
Fidelity Int'l	Fidelity Mgt & Res	\$20.22	33.2	+93.2	+42.4	Tokyo Valor	Bqe de l'Union	\$15.05	18.5	+58.7	+30.2
Save &						Pacific Seaboard	Intimix Mgt	\$27.66	29.0	+45.7	+21.5
Prosper (£)	Save & Prosper Int'l	£6.07	7.7	+28.3	+38.9	Fund holding companies					
Australian Cap Fd	Australian Utd	\$A1.50	6.2	+9.5	+35.1	Tyndall O'seas	Tyndall Bermuda	\$13.55	20.3	—	+21.0
First Nat City Fd	First Nat City Fd Mgt	\$33.13	25.2	+62.8	+34.7	Monitor Co	Save & Prosper Int'l	\$5.14	4.8	+31.5	+14.5
Anchor 'B'	Management Int'l	£0.57	8.5	+42.5	+32.6	Fleming Fund SA	Rbt Fleming	\$88.41	23.9	+44.6	+13.3
Anchor Unit	Management Int'l	£0.70	4.9	+37.3	+32.1	Leverage Capital	Intimix Mgt	\$22.20	14.3	+36.0	+13.3
Australia Min Tst	Manx Int'l	£0.24	4.8	+55.5	+31.5	Hausmann Hldgs	H H Inv Mgt	\$5170.00	6.9	+20.8	+9.9
First Eagle Fund	Investment Mgt	\$2763.94	14.8	+70.5	+29.5	Chase Selection	Securities Mgt	\$11.32	64.7	+16.1	+8.3
M&G Island	Kleinwort B (Gnsy)	£1.08	13.4	+60.0	+28.9	Safe Trust	SAFEMCO	\$14.36	4.5	+14.0	+8.2
Austral Trust	Hill Samuel I	\$9.13	6.7	+16.4	+27.5	NA Inv Fund	N Am Fd Mgt	\$7.95	34.1	+23.0	+5.8
Tyndall O'seas	Tyndall Bermuda	\$1.80	29.3	—	+28.8	Dreyfus Fund Int'l	Dreyfus Fund Int'l	\$12.81	46.2	+27.4	+5.8
Euronion	Eurosyndicat	\$45.94	23.4	+36.2	+26.7						
Anchor Australian	Management Int'l	£0.76	5.6	+20.0	+26.1						

COMPANY STATEMENTS



London Merchant Securities Limited

Results for year ended 31st March, 1972

Progress of the group continues. The net profit before taxation rose by over 50% and the net assets increased by £5 million to almost £48 million. A current estimate of the net asset figure, valuing quoted investments at market prices, would be substantially in excess of £60 million. The final dividend of 6% will bring the total distribution for the year to 10% on the Ordinary shares.

GROUP RESULTS (£000)	1972	1971
Net profit of group before taxation	4,199	2,721
Net profit attributable to LMS	1,869	1,380
Dividends	995	893
Issued capital	13,057	11,827
Net assets	47,543	42,918

Full report and accounts available from the Secretary,
100 George Street, London, W.1.

BEAVERBROOK NEWSPAPERS LIMITED

YEAR TO 30th JUNE 1972

	1972	1971
Gross income	£60,619,455	£53,482,676
Profit before tax	£3,348,011	£830,774
Tax	£1,356,443	£414,000
Net profit	£1,991,568	£416,774

Per Ordinary and "A" Ordinary Share

Net profit	12.32p	2.04p
Dividend	3.50p	3.50p

Profits increased sharply as forecast. On the basis of current trading conditions and outlook, the recommended total dividend is the same as last year—14% or 3.5 pence per share. Final dividend is 9% (same). A.G.M. Thursday, 30th November, at the Registered Office.

MAX AITKEN
Chairman

BUSINESS NOTICES

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If you would like more information about Edie's services contact Edouard Iselin, our Executive Vice President in Geneva. He will be glad to discuss *Policy*, *Strategy* and *Tactics* and explain our fee structure.

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Lionel D. Edie International, Ltd.
62, Rue du Rhone
1204 Geneva, Switzerland
Telephone: 25 43 66

TENDER

SYRIAN ARAB REPUBLIC

MINISTRY OF PETROLEUM & ELECTRICITY

& MINERAL RESOURCES

S.A.R.

CALLING FOR OFFERS

General Petroleum Company S.A.R. calling for offers to sell the production of Home Refinery Petroleum Coke extracted from the process of Syrian crude oil representing the yearly production which is around 200,000-250,000 metric tons and minus ten per cent and moreover the quantity available to be delivered as from the signature date of the contract which is 300,000 metric tons and minus ten per cent and in accordance of the following conditions.

1. APPARENT DENSITY	120-130	
ANALYTICAL DENSITY	130-140	
MOISTURE % WT	0.60	MAX
VOLATILES % WT	12.00	MAX
SULPHUR % WT	9	MAX
ASHES % WT	0.80	MAX
FIXED CARBON % WT	82.50	MIN
METALS		
V	P.P.M.	500
Ni	"	50
Mo	"	50
Gross calorific value	... K cal/KG	8300-8440

GRANULATOR		
FINES	Less than 1"	%WT
NUTS	From 1 to 4"	%WT
LUMPS	From 4 to 8"	%WT
CHUNKS	Over 8"	%WT

GRINDABILITY FACTOR	60-80
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2. **Delivery and Reception:** As from the signature date of the contract, buyers should receive, and sellers should deliver a monthly quantity which will be lifted at Tartous port representing the whole monthly production which is 20,000 metric tons and minus ten per cent and at least 20,000 metric tons from the surplus quantity available at the port.

3. **Loading Conditions:** The delivery and reception will be executed at Tartous port on the F.O.B. basis by daily loading rate of 1,500 metric tons on lots up to 8,000 metric tons which represent the maximum capacity of the acceptable vessels demurrage, will be paid in accordance with this rate, and despatch many but other loading conditions will be discussed later between sellers and buyers to be agreed upon in accordance with GENCON, the AMWELSH, or the Africanphos charter parties.

The draught at Tartous port is not more than 10.5 metres and the maximum length of the vessel not more than 300 metres.

4. **Payment:** The value of the pet-coke will be paid by L/C, such L/C should be open to the G.P.C. favour through Central Bank of Syria and should be confirmed by C.B.S., the a/m L/C should also open by the nominated value of the contract, revolving to cover the value of each shipment,

divisible and payable by US\$ against the documents presentation required.

5. **Expenses and Dues:** All fees and expenses charged on the merchandise will be paid by sellers and the delivery will be executed F.O.B. stowed and trimmed on the vessel free from the expenses but not the maritime services and fees. All expenses charged on the L/C will be paid by buyers outside Syria and by sellers inside Syria.

6. **The Validity of the Contract:** Long term contract can be agreed upon and negotiated, sailing at a part of quantity is acceptable by sellers.

7. **Bank Letter of Guarantee:** Should buyers present a performance bond representing 10% of the contract value to guarantee the good execution, such a letter of guarantee should be issued by a bank accepted by C.B.S. and should be confirmed by C.B.S.

8. **Buyers Representatives:** Sellers will arrange the whole facilities for the buyers' representative to obtain their presentation of the loading, sampling and weight operation, in case they are on inspectors nominated by buyers their costs will be on buyers' charge.

9. **Disputes:** Any dispute between both parties will be settled amicably or by arbitration according to the regulation of the international chamber of commerce Paris or in other locality will be agreed upon between sellers and buyers.

10. **The Closing Date:** The last date to accept offers from those who are interested is 10th November, taking into consideration that we will confirm the acceptable offer after the closing date, within one week, to those who will pay the highest price and the best condition, especially for the participant, who they will include in their firm offer a preliminary performance bond of 5% of the offers value at least.

11. **Offers' Validity:** The validity of offers should not be less than ten days as from the closing date to enable sellers to discuss the offer details and to give their approval and to obtain the authorities' ratifications.

Those who are interested to participate should present their offers in a sealed envelope to the following address:

General Petroleum Company - Import - Export
Department Damascus Mutanabbi Street, P.O. Box 2849

Referring on the envelope Pet-Coke offers.

In urgent case connection should be made to the Telegraphic address Petsyria Damascus or to the Telex No. 20006 Petsyria.

TENDER

SYRIAN ARAB REPUBLIC
MINISTRY OF PETROLEUM & ELECTRICITY
& MINERAL RESOURCES
S.A.R.

ANNOUNCEMENT

SYRIAN GENERAL COMPANY OF PHOSPHATE & MINES S.A.R.

Announce the sale of a quantity of rock phosphate production extracted from khnefis mines in accordance with the following conditions:

1—Quantities:

The yearly quantities available to be sold of the rock phosphate produced from khnefis mines are 150-250 thousand metric tons.

2—Specifications:

% P ₂ O ₅	30.7—32.5 (68—71 BPL)
% CaO	45—51
% SiO ₂	2.5—4
% F	2—4
% CL	0.15—0.25
% Fe ₂ O ₃	0.2—0.5
% Al ₂ O ₃	0.1—0.60
% MgO	0.2—0.5
Losses of Ignition:	7.5—11
Humidity	5—9 percentage max

3. Delivery and Reception as from the signature date of the contract. Buyers should receive and sellers should deliver at Tartous port a monthly quantity of not more than 2,500 metric tons and not less than 8,000 metric tons plus or minus 10% according to the captain's option.

4. Loading Conditions: As from the signature date of the contract sellers accept to sell and to deliver, and Buyers accept to buy and receive the rock phosphate quantities sold under the contract on F.O.B. Tartous Basis, and at a daily loading rate of 2,000-2,500 metric tons, which will be loaded by the conveyor belt belonging to GECOPHLM on vessels whose capacity should not exceed 8,000 metric tons maximum within 1972-1973, but after this period the daily loading rate will be 1,000 metric tons per hour and the vessel's capacity will be up to 25,000 metric tons maximum. - Demurrage and despatch money will be calculated on the daily loading rate basis, which will be agreed upon between both parties, but any other loading conditions will be discussed later between both parties, to be agreed upon according to Africanphos Charter parties' conditions. - Draught at Tartous port is 10.5 metres and acceptable vessel length is 300 metres maximum.

5. Payment Conditions: Participants should be engaged by the following payment conditions:

- The value of the contract should be paid by an L/C opened to G.P.H.O.M.I.C.O. through the Commercial Bank of Syria; such L/C should be confirmed by C.B.S.
- The A/M L/C should be opened by the nomination total value of the contract, and should be, revolving, renewable automatically to cover the value of each shipment, divisible, and payable by U.S. against the presentation of documents required to the bank which the L/C opened through.
- All expenses charged on the L/C should be paid by the Buyers.

6. Expenses and Dues. All expenses and dues charged on rock phosphate in S.A.R. will be paid by sellers who should deliver the merchandise free from any dues or expenses including the stowage and trimming fees, but not the maritime services and dues which should be paid by the owners represented by the captain, the maritime agent, or the buyers.

7. Contract Validity: The validity of the contracts, which will be arranged as a result of the offers presented, may well be a year, or more than a year, as the selling of a part of the quantities is acceptable by sellers.

8. Bank Letter of Guarantee: Buyers should present a bank letter of guarantee representing 10% of the contract value to guarantee the good execution of the contract. Such a letter of guarantee should be issued by the Commercial Bank of Syria, or by a bank accepted by C.B.S., providing that it should be confirmed by C.B.S.

9. Buyers' Representative. Buyers have the right to nominate representatives on their behalf to present the weight, loading, sampling operations, but sellers should arrange the whole necessary facilities to those representatives, which permit them to execute their obligations required. - In case Buyers want to nominate an inspector company, so the expenses will be charged to the Buyers.

10. Disputes: Any dispute that may arise between both parties should be settled amicably, or by arbitration in accordance with the rules of the International Chamber of Commerce in Paris, or in any other locality that is agreed upon between both parties.

11. Closing Date for Presentation of Offers: Offers will be accepted at the latest on 20th November, 1972, taking into consideration that any suitable offer will be reconfirmed to the participant within ten days, as from the presentation date, otherwise the unacceptable offers will be kept up to the closing date, while being compared, and reconfirmation will go to those who submit the highest price and best conditions, especially to those who attach to their offer a preliminary deposit, representing 5% of the offer's total value.

12. Offer Validity: The validity of any offer submitted should not be less than ten days, but in case the offer is not suitable, so it will be kept up to the closing date, and we will ask the participant to extend the validity of his offer which should be valid for ten days after the closing date to obtain the General Company of Phosphate & Mines, to discuss, the ratifications of Syrian authorities. Whatsoever, those who are interested to participate for purchasing any quantity of Syrian rock phosphate should present their offers to the following addresses referring on their envelope (Phosphate Calling Offer):—

- The mail address: Ministry of Petroleum Electricity and Mineral Resources (Commercial Directorate) Damascus Mutanabbi Street.
- The cable address: Petrol Ministry Gecopham Damascus
- The telex No. 20006 Petsyria.

APPOINTMENTS

Heriot-Watt University

DEPARTMENT OF ECONOMICS

Lecturer

Applications are invited for a lectureship in Economics, with particular reference to the economics of the public sector, including the nationalised industries and the appraisal of public programmes. The appointment will take effect from October 1973 or an earlier date if possible.

Salary on the scale £1,764 to £4,299 per annum with F.S.S.U.

Further particulars and application form may be obtained from the Secretary, Heriot-Watt University, Chambers Street, Edinburgh, EH1 1HX, to whom applications should be lodged not later than Monday, 20th November, 1972, 32/2/3049.

Laurentian University

SUDBURY, ONTARIO, CANADA

Academic Vacancies

Possible openings in the department of Economics. Ph.D. preferred. The department will also consider applications for one-year visiting appointments. This might interest a University economist who would like to take a year's leave from his present position. Salary and rank appropriate to qualifications. The University would make substantial contribution to travel costs. Joining date: September 1, 1973.

For more information write to S. J. Gilani, Ph.D. (London), Chairman of the Department of Economics, Laurentian University, Sudbury, Ontario, Canada.

Economic Models Group of Companies

An expanding economic consultancy based in London, Peterlee New Town and New York and specialising in the use of quantitative techniques requires a consultant economist.

Candidates should have high academic qualifications in economics and experience in the application of quantitative analysis to economic and/or social problems. Of particular interest will be experience in the management and development of econometric forecasting models.

Applications setting out qualifications, details of experience and income required should be sent to:

Managing Director, Economic Models Limited, 19 West Eaton Place, London, SW1X 8LT.

Confederation of British Industry

has a vacancy in its Taxation Department for a Taxation Economist. The duties will cover economic aspects of all the Department's work. Responsibility will also include work on Budget Representations, EEC tax policy, "Taxation in Europe," etc.

Ability to write well and handle figures is important. The successful candidate will be expected to keep closely in touch with the other parts of the Directorate where work on related subjects is in progress.

The duties and salary will depend largely on the abilities and background of the successful applicant. A good degree in economics is essential; previous experience of taxation work would be an advantage.

Written applications should be made to: The Personnel Officer, CBI, 21 Tothill Street, London, SW1H 9LP.

CHAIRMEN'S STATEMENTS

G.I.S. GROUPEMENT DE L'INDUSTRIE SIDERURGIQUE Paris, France

The Annual General Meeting of G.I.S. was held in Paris on June 22, 1972 under the chairmanship of Mr. Jacques Ferry.

EXTRACTS FROM THE CHAIRMAN'S ADDRESS

Although the position of the World Steel Industry showed a decline throughout the year 1971, the French steel production totalled 22.8 million tons, a decrease of only 3.8% compared with 1970, and the turnover reached Frs. 18,770 million as against Frs. 19,020 million in 1970. The achievement in exports (8.95 million tons) demonstrated the commercial dynamism of the French companies which tried to compensate for the decrease in orders from the national market.

Investments reached a record level of 59.7% over the previous year with Frs. 3,290 million for which Fos accounted for only Frs. 275 million.

Industrial results for the whole of the steel activities showed a decrease of 54% compared to 1970 whilst financial results decreased by 64%. Gross results after allowing for interests on loans, taxation and dividends paid to shareholders totalled Frs. 1,000 million or 5.3% of the year's turnover against Frs. 3,075 million in 1970 which represented 16.2% of the turnover. Whilst cash flow and miscellaneous proceeds financed 70.4% of the total charges in capital for the year 1970, they accounted for only 25.7% in 1971.

Long and medium term liabilities of the steel companies totalled Frs. 12,035 million against Frs. 10,448 million at the end of 1970, an increase of 15.2%. In percentage terms of turnover, these liabilities rose from 55% at December 31, 1970 to 64% at December 31, 1971.

EXTRACTS FROM THE BOARD OF DIRECTORS' REPORT

At December 31, 1971, G.I.S. commitments—guarantees and bond issues—amounted to Frs. 7,061 million, an increase of 7.8% over 1970. For the first time, two G.I.S. loans were issued during the year: Frs. 300 million in March and Frs. 425 million in September.

The Company's shareholdings in its four subsidiaries: ACIER-INVESTISSEMENT, LOTRA-SID, SIDECO and Société Immobilière BOISSIERE represented Frs. 203,275,000 in stocks.

ACIER-INVESTISSEMENT'S Annual General Meeting was held on May 25, 1972, and the Profit and Loss Account showed a profit of Frs. 10,312,179. Net dividends distributed amounted to Frs. 4.92 per share.

The capital of ACIER-INVESTISSEMENT was raised to Frs. 175 million in May and divided into 1,750,000 shares of Frs. 100 face-value.

SECOND BROADMOUNT

TRUST LIMITED

Expanding Revenue Higher Dividend

The Chairman, Mr. E. B. Montesolo, J.P., at the meeting recently held, said:

For the year ended 14th September, 1972, gross revenue at £135,370 showed continued growth and the net profits were correspondingly increased. A detailed valuation amounted to £4,359,250 compared with a book value of £1,037,048. Giving effect to this value each 5p ordinary share was represented by 52.3p of assets.

The reduction in the number of securities from 518 to 489 resulted, in the main, from takeovers and mergers, which continue without cessation.

Your Board recommends a final ordinary dividend of 15 per cent, making in all 23.5 per cent for the year—an increase of 2.5 per cent. A balance of £58,049 has been carried forward.

The days ahead are fraught with commercial and other troubles and future dividends must depend upon actual results.

APPOINTMENTS

University of Cambridge

Assistant Director of Development Studies

Applications are invited for a University teaching office of Assistant Director of Development Studies in the field of politics and administration in developing countries. The successful candidate will be responsible for designing and teaching a specialised option in this field as part of the Cambridge Course on Development, which is primarily for serving officials from the lesser developed countries.

The appointment will be for a period not exceeding five years, with stipend to be determined in the pensionable scale £2715-£4614, and will be from the beginning of the academic year 1973-74, or an earlier date to be agreed.

Applications for this appointment, giving particulars of qualifications and experience, together with the names of two referees, should be sent to the Secretary, Overseas Studies Committee, c/o University College, Selwyn Gardens, Cambridge CB3 9BB, by not later than 15 January 1973.

University of Western Australia

PERTH

Applications are invited for the following appointment:
Agricultural Economics
LECTURER in the Department of Agricultural Economics, Institute of Agriculture. Candidates should be graduates with experience or interest in regional or national agricultural planning, national and international agricultural marketing, or agricultural finance and credit. The appointee will participate in both the teaching and research of the Department.

The salary ranges are: Lecturer—\$A6,697-\$A9,286 p.a. Benefits include superannuation similar to FSSU, fares to Perth for appointee and dependent family, removal allowance, study and long service leave, subsidised temporary accommodation and housing loan scheme.

Applications for this appointment, giving full personal particulars, qualifications and experience should reach the Registrar, University of Western Australia, Nedlands, Western Australia, 6009, by 2 December 1972. Candidates should request three referees to write immediately to the Registrar.

The University of Manchester Institute of Science and Technology

Applications are invited for the following vacancies in the Department of European Studies and Modern Languages.

LECTURER IN EUROPEAN STUDIES (POLITICS) (Ref. ES/193/AD)

A preference will be given to applicants whose teaching and research interests lie in the field of French Politics and Institutions.

LECTURER IN EUROPEAN STUDIES (HISTORY, ECONOMICS OR ECONOMIC HISTORY) (Ref. ES/194/AD)

A preference will be given to candidates whose teaching and research interests lie in any of the following fields:—

- (1) Economic development of modern Europe;
- (2) Social history of modern Europe;
- (3) Economic policy in Europe.

Commencing salary, according to qualifications and experience within the scale £1,764 to £4,143 per annum (£4,289 in October 1973) with P.S.S.U.

Requests for application form and conditions of appointment quoting appropriate reference number should be made to the Registrar, U.M.I.S.T., Sackville Street, Manchester, M60 1QD, to whom the completed form should be returned by 30th November, 1972.

For further
announcements
see pages 5 and
114 to 121

University of Malaya

Faculty of Economics and Administration

Applications are invited for the posts listed below which are now vacant and new posts expected to be available early in 1973. For all posts, subject to suitable professional/academic qualifications and experience, preference will be given to candidates who are competent in Bahasa Malaysia (Malay). Candidates should have high academic and/or professional qualifications and wide experience in teaching and research in their respective fields.

CHAIR IN LAW STUDIES (Industrial Law, Commercial Law, Income Tax Law and Constitutional Law in the relevant areas of Malaysian Laws)

CHAIR IN ACCOUNTING

CHAIR IN ANALYTICAL ECONOMICS (Micro Economics, Theoretical Economics)

CHAIR IN PUBLIC ADMINISTRATION

ASSOCIATE PROFESSORS (3 new posts) and LECTURERS/ASSISTANT LECTURERS (several posts) in any of the following fields: Accounting; Economics; Business Administration; Public Administration; Rural Development.

For the Lectureships/Assistant Lectureships, candidates should have at least a good Honours degree with suitable teaching or research experience in addition to the special qualifications indicated in the further particulars. For appointment as Associate Professors, high academic and professional qualifications together with wide teaching and research experience are required.

Emoluments (approximate sterling equivalents per annum) are:

- (i) Salary Scales:
Professor: There is a range of basic salaries, to a point on which a Professor is appointed, depending on his qualifications and experience. These are: £2919, £3032, £3146, £3259, £3373, £3486, £3600.
- Associate Professor (Senior Lecturer): £2277 x 89-2414/RP/2019.
- Lecturers: £1524 x 73-1963/2035 x 81-2441.
- Assistant Lecturers: £1330 x 65-1460.

(ii) In addition, a Variable Allowance is at present payable at the following rates: 35% of basic salary subject to certain maxima depending on marital status: minimum £243 per annum, maximum £848 per annum.

(iii) Supplementary Housing Allowance: £503 per annum.

Medical benefits are provided under the Medical Services Scheme of the University.

Further particulars, details of superannuation and application forms are obtainable from the Association of Commonwealth Universities (Appal), 26 Gordon Square, London WC1H 0PF. (Tel: 01-387 8372).

The closing date for the receipt of applications is 30 November 1972.

APPOINTMENTS

Classified Advertisement Rates

Lineage £0.80 per line
Display £10.00 per s.c.l.
Box number provided free of charge.
Latest date for acceptance of copy, noon Wednesday.
Telephone J.E.J. Johnson 01-930 5155

ASSISTANT EDITOR

International financial magazine needs someone with economics degree (or similar), some journalistic experience, and an interest in learning about international finance, to train as its assistant editor. Age will probably be mid-20s, salary is by negotiation.
Box No 2541.

PRINCIPAL RESEARCH ASSISTANT

Post No. EHP/2/1

£2994-£3435 (P.O. 1)

The successful applicant will undertake management studies into selected aspects of the Department's work directed at problem solving, improved effectiveness and efficiency, and as an aid to Departmental management decisions.

He will be required to develop a comprehensive information base for the Department's Services and will assist in the establishment of standards of performance and the setting of targets.

Further information and application forms obtainable from Environmental Health and Protection Department, Personnel and Welfare Section, African Chambers, 19 Old Hall Street, Liverpool, L3 9JQ. Last date for receipt of applications 20th November, 1972.

ROBERT GORDON'S INSTITUTE OF TECHNOLOGY SCHOOL OF BUSINESS MANAGEMENT STUDIES (re-advertisement)

LECTURER IN ACCOUNTING

SALARY SCALE: £1,608-£3,636

Applications are invited from persons able to make a positive contribution to degree level teaching in the field of financial accounting.

Candidates must be qualified Chartered Accountants and preferably possess a university degree. Relevant business, professional or research experience would be an added recommendation.

Initial grade and salary placing according to experience and qualifications. Assistance with removal expenses.

Details and application form from the Director, Robert Gordon's Institute of Technology, Schoolhill, Aberdeen, AB9 1FR.

BUSINESS NOTICE

This announcement appears as matter of record only

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November 3, 1972



SOCIAL SCIENCE RESEARCH COUNCIL

ECONOMICS

The Economics Committee of the SSRC supports a wide range of research programmes and projects in UK universities, polytechnics and independent research institutes. It promotes the development of economics in a number of ways—e.g. by sponsoring research seminar groups and by publishing (in conjunction with the Royal Economic Society) review articles in applied economics. The Committee also allocates postgraduate studentships in economics.

An economist is required as Committee Secretary to help the Committee in its work. The successful candidate will have a good honours degree in the subject, and possibly a postgraduate qualification. He or she should have experience either in teaching or research, and might be at present working in higher education, government or industry. Secondment will be considered.

Salary Scale £2,639-£3,658. Starting salary may be above the minimum. Superannuation arrangements under FSSU.

Applications stating age, qualifications and experience, and giving names and addresses of three referees should be sent to The Establishment Officer (SSO/E/2), SSRC, Room 1135, State House, High Holborn, London WC1 not later than 20 November 1972.

Assistant Statistician

Liverpool

c. £3,250

A leading insurance organisation is seeking a statistician to join its expanding management services activity.

Attractive terms of service will be offered including a non-contributory pension scheme and mortgage facilities at advantageous rates. Reporting to the chief statistician responsibilities will be concerned with assisting in the supervision of a small team concerned with:

- examination of new statistical systems proposals,
- provision of statistical advice to management,
- support activities for a computer operation,
- controlling statistical sampling activities.

Candidates, aged 28/35, should hold an honours degree in an appropriate discipline and have had supervisory experience in computer based statistical work.

Write, in confidence, quoting reference 1767/E, to: E. W. Cornford,



Peat, Marwick, Mitchell & Co.,
Management Consultants,
Suite 401, Salisbury House,
Finsbury Circus,
London, EC2M 5UR.

APPOINTMENTS

The
Economist

European Sales Manager

This is a new appointment which offers a remarkable management opportunity to an exceptional man (aged 25-35) who will report to the Circulation Manager, and be responsible for increasing the sales of The Economist in Europe profitably. He will be expected to spend a minimum of 100 days a year in Europe and be capable of establishing and supervising a wide range of sales programmes to develop both subscription and bookstall sales.

A significant amount of his time will be spent selling The Economist directly to senior management in large organisations. It is essential that he can produce evidence of success in selling to businessmen. He should be fluent in French and German.

The sales targets are ambitious. Comprehensive promotional support will be available. He will be expected to contribute to marketing policy and be capable of creating and leading a team of part-time representatives in Europe.

The salary will be negotiable according to experience and qualifications. A car is provided. There is a contributory pension scheme.

This is an unusual career opportunity with excellent prospects for the man who meets the challenge.

Applicants should send a typewritten curriculum vitae with a handwritten letter of application, outlining their eligibility to:

Graham Billington,
Circulation Manager,
The Economist,
25 St James's Street,
London SW1A 1HG.

Applications should arrive by November 26th.

Community Relations Commission

Principal Administrative Officer and Secretary to the Commissioners

The Commission invites applications for this new senior post. The Principal Administrative Officer will be responsible for:-

- (i) All establishment matters covering a staff of over 80 including recruitment, pay, grading, conditions of service, promotion structure and day to day management;
- (ii) Financial accounting and financial control covering a growing annual budget standing at present at about £700,000;
- (iii) The secretariat functions to the Commission.

The Principal Administrative Officer will be concerned with future planning and policy as well as day to day affairs but his main task will be to manage the main activities described above efficiently yet harmoniously with the other parts of the organisation.

Applicants should have experience in staff management, financial accounting, financial control and knowledge of secretariat work. They will need sound judgment, tact, patience and the ability to work well in a multi-racial organisation. A degree or professional qualification is desirable but not essential. Preferred age 35-45.

Commencing salary is £3478 plus £175 London Weighting per annum (on the National scale £3478 to £4708). Exceptionally a higher starting salary might be arranged. Contributory pension scheme. Appointment on a 2 or 3 year period of secondment would be possible.

Please send a large self-addressed envelope marked 'PAO' for further particulars and application form to Establishment Officer, Community Relations Commission, 10/12 Russell Square, London WC1B 5EH. The closing date for completed application forms will be 17 November 1972.

University of Warwick

Centre for Industrial
Economic and Business
Research

There is a vacancy for a Senior Research Fellow, of post-doctoral or equivalent status, to initiate and pursue research within the above areas: the Centre is closely connected with the Department of Economics and the School of Industrial and Business Studies. Salary will be within the scales £1764 x £158/159-£4143; as from October, 1973 the scale will rise to £4299 p.a. with P.S.U. The appointment will be for a period up to 30th September, 1974. Further particulars of the Centre and application forms may be obtained from the Academic Registrar, University of Warwick, Coventry CV4 7AL, quoting ref. no. 12/L/72. Closing date 17th November, 1972.

WINES

YOU ENJOY WINE? Order the November issue of "About Wine" 10p. from W. H. Smith or other newsagents. Sample copy from About Wine, 36 Southampton Street, W.C.2. 01-836 1147.

University of Tasmania

Applications are invited for the following appointment:

LECTURESHIP IN GEOGRAPHY: Candidates should be specialists in one or more branches of human geography. The field of specialisation need not necessarily be among those specified in the present structure of courses. Ample opportunities exist for research in all branches of geography in Tasmania.

The current salary scales are: Lecturer Grade I—\$A8,280-\$A9,390; Lecturer Grade II—\$A8,801-\$A7,910; Tutor—\$A4,351-\$A5,416.

Further particulars and application forms are obtainable from the Association of Commonwealth Universities (Appia), 36 Gordon Square, London WC1H 0PF (Tel: 01-387 8372).

Applications close on 30 November 1972.

PUBLICATIONS

CARIBBEAN - WATCHERS: Fast-changing issues covered comprehensively in probing news-letter. Special £3.9 yearly, via air £9.50 brings samples Caribbean News. 507B Fifth Ave., New York, N.Y. 10017 U.S.A.

APPOINTMENTS WANTED

Qualified Paint Technologist (ATSC) with experience in technical management seeks position at home or abroad (Canada, USA or Latin America). Box 2536.

EXPORT marketing Dutchman, UK resident, languages, high level negotiator, well connected in Europe and Africa offers services. Contact Hans de Keizer, 18 St Georges Road, Richmond, Surrey. Phone 01-940 6745.

North Sea

British executive, financial flair, strong entrepreneurial instincts. 14 years experience in rough and tumble of world's largest offshore oilfield as General Manager to rig supply and maintenance company, diving services, agencies, etc. seeks managerial appointment North Sea based organisation or willing to act in advisory capacity for negotiated period. Available early 1973 but visiting U.K. mid December for interviews. Write Economist Box 2537.

American Professor

with tenure at a well-known U.S. university and specializing for two decades in international and monetary economics, is available in 1973-74 for a one- or two-semester teaching appointment in Europe to enable him to complete a new book. Competent command of German, French and Italian. Kindly send replies to THE ECONOMIST, Box 2538.

BUSINESS & PERSONAL

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For further
announcements
see pages 5, 114 to 120

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BUSINESS & PERSONAL

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EDUCATION & COURSES

NATO RESEARCH FELLOWSHIPS offered for 2 to 4 months (possibly 6) for academic year 1973/74 to scholars of established reputation, nationals of NATO countries, for research bearing on common interests, traditions, outlook of the North Atlantic Alliance. Value equivalent of 23,000 Belgian Francs per month and authorised travel expenses. British candidates should apply to: Higher Education Department, British Council, State House, High Holborn, WC1R 4SZ, before 15 December 1972.

UNIVERSITY OF LONDON: The Stamp Memorial Lecture entitled "Our European Future" will be delivered by The Honourable Sir Con O'Neill at 5.30 p.m. on 14th November at the University of London, Senate House, Malet Street, WC1E 7HU. ADMISSION FREE. WITHOUT TICKET. Academic Registrar.

Malvern Girls' College Worcestershire

Scholarships

Middle School: Sixth Form: Music Entrance Scholarships up to maximum value of two thirds of the current fees per annum, will be awarded on the result of a Scholarship Examination to be held at the College on 8th and 9th March, 1973.

Details can be obtained from the Secretary.

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Successful Postal Tuition for OCE O and A levels (all boards). London University Degrees. Teachers' and Professional exams: Business Studies, Gateway Courses for the Open University. Guidance by Graduate Tutors. Fees by instalments. Wolsey Hall is Accredited by the CACC. FREE prospectus from Wyndham Milligan, MBE, MA, Principal, Department CA1.

Wolsey Hall Oxford, OX2 6PR.

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and other external degrees of the University of London. Specially prepared courses for the Federation of Stock Exchanges, for Accountancy, Company Secretaryship, Law, Costing, Banking, Insurance Marketing, (non-exam) courses in Business Subjects. Also many thoroughly useful (non-exam) courses in Business Subjects. Write today for details or advice, stating subjects in which interested.

Metropolitan College

(Dept. G92), St Albans, or call at 30 Queen Victoria Street, London, EC4. Tel. 01-248 6874. (Founded 1910.) Accredited by the Council for the Accreditation of Correspondence Colleges.

The University of Manchester

Hallsworth Research Fellowships

Applications are invited for the above Research Fellowships for advanced work in the field of Political Economy, (including Industry and Public Administration), value normally within the range £2,202-£4,752 per annum, according to experience and qualifications. Regulations and application forms (returnable by December 1st, 1972) from the Registrar, The University, Manchester, M13 9PL. Quote ref E145/72.

Please note!



BUDAPEST INTERNATIONAL FAIR

May 18-28, 1973

General Sample Fair

INTERNATIONAL SPECIALIZED SHOWS ON THE BUDAPEST INTERNATIONAL FAIR GROUNDS IN 1973

Apr. 11-16	HUNGAROPLAST '73 International Show of Plastics, Machinery and Instruments
Sept. 6-12	HOME '74 International Show of Home Furnishing
Sept. 7-16	AGROMASEXPO '73 International Show of Agricultural and Food Industry Equipment
Sept. 21-27	HUNGAROKORR '73 International Corrosion Exhibition
Oct. 16-23	MIKRONIKA-ELEKTRONIKA-AUTOMATIKA '73

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Hungarian Foreign Trade Office for Fairs and Publicity
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(Cable: HK SAIGIN, Telex: HX 3355)
Urawa Central Office:
Takasago, Urawa, Saitama, Japan
Tokyo Central Office & Foreign Dept.:
Kyobashi, Chuo-ku, Tokyo Tel. 211-1211 (Cable: SAIGIN TOKYO, Telex: J22811, J26376, J28321)

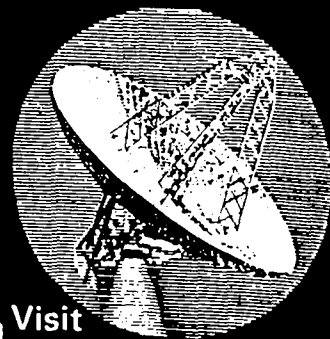
SOCIETE GENERALE

Monsieur Alexis SAINT-GUILY, Manager of the U.K. Branches of the SOCIETE GENERALE, will shortly be leaving London to open a new branch in Tokyo where he will take up his new appointment as General Manager (Japan). He will be replaced in London by Monsieur Jean SEBIRE who was previously Deputy Manager from 1964-1968. The present Senior Deputy Manager, Monsieur Raymond ROCHE has been joined by a new Deputy Manager, Monsieur Michel BARAT, who has been transferred to London from the Foreign Division of the Bank's Paris Head Office. Monsieur Bernard LENGRAND who has been with the Branch since 1968, has recently been appointed a Sub-Manager.



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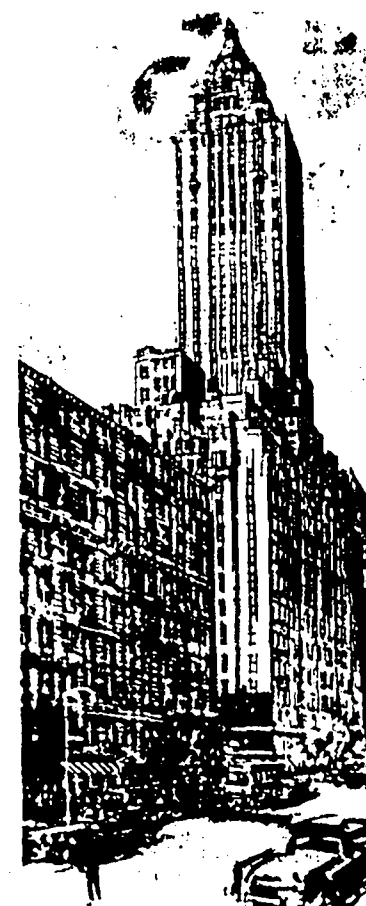
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FAIR STARTS ON 3RD NOVEMBER, 1972.

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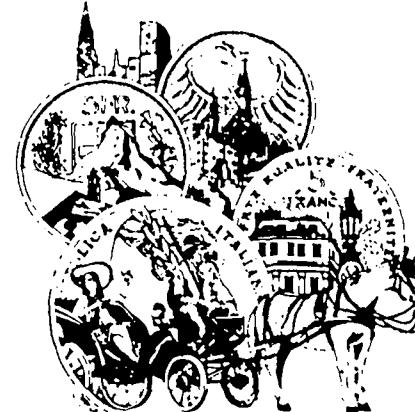
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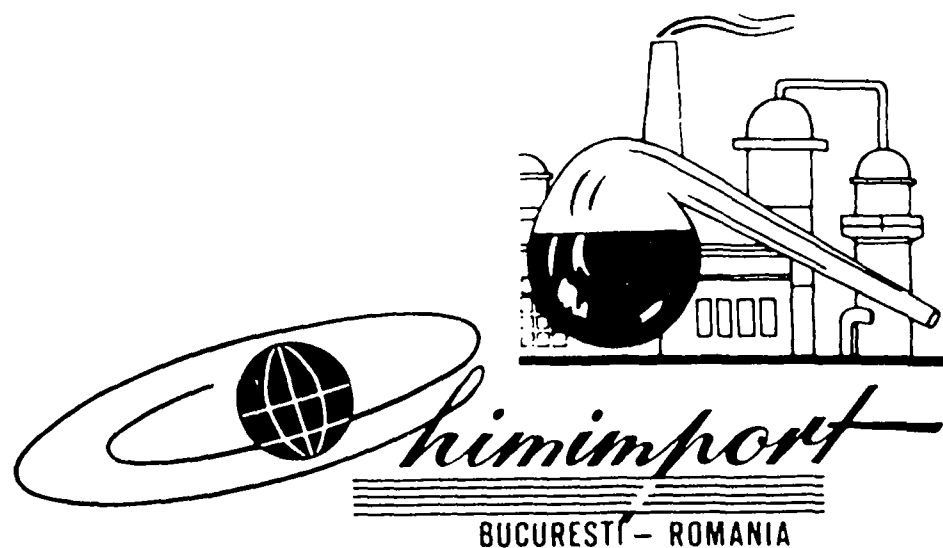
D

Successful expansion over the range of its activities.

- ☐ In the year ended June 30, 1972, profits before taxation up from £1.24m. to £2.19m. Dividend up from 20% to 26%.
- ☐ Target Group of Unit Trusts, with funds of over £65m. under management, acquired in June.
- ☐ "Encouraging level of business in hand inspires confidence that growth will continue in the current year."

The Annual General Meeting will be held at Garrard House, 31 Gresham Street, London, EC2V 7DT at 12 noon on Monday, November 27, 1972.

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INORGANIC SUBSTANCES:

Sodium bichromate, sodium bicarbonate for pharmaceuticals or food-

stuffs, aluminium sulphate, calcium carbide, calcium chloride, aluminium chloride (catalyst for Friedel-Crafts reactions), magnesium oxide and magnesium carbonate.

ORGANIC INTERMEDIATES AND SOLVENTS:

Phenol, trichloroethylene, perchloroethylene, carbon tetrachloride, isobutanol, octanol (2-ethylhexanol), phthalic anhydride, maleic anhydride, acetone, synthetic fatty alcohols, cuts C12-C14 and C15-C18.

ALKYLAMINES:

Monomethylamine, dimethylamine, trimethylamine, monoethylamine, diethylamine, triethylamine, isopropylamine.

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Foreign Trade State Company,
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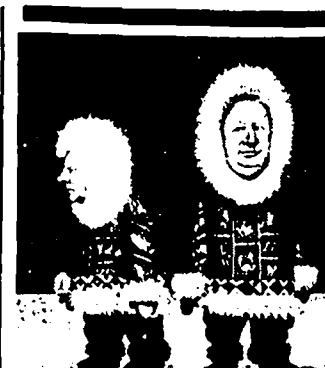
STOCK PRICES AND YIELDS

Prices, 1972 British funds				Price, Oct. 25 1972	Price, Nov. 1972	Net red. yield, Nov. 1 1972 £p	Gross red. yield, Nov. 1 1972 £p	Eurobonds	Last week's prices	This week's prices	Yield to maturity %	
High	Low											
98 ¹ / ₂	97 ¹ / ₂	British Electric 3%	1968-73	98 ¹ / ₂	98 ¹ / ₂	4-175	6-960	Anglo-American 7 ¹ / ₂ %	1987	97 ¹ / ₂ -8 ¹ / ₂	98-9	7-47
89 ¹ / ₂	75 ¹ / ₂	British Electric 3 ¹ / ₂ %	1976-79	76 ¹ / ₂	76 ¹ / ₂	6-220	7-845	Amoco (Q) 8%	1987	94 ¹ / ₂ -5 ¹ / ₂	94-5	8-43
109	96	Treasury 8 ¹ / ₂ %	1980-82	100 ¹ / ₂	101	5-170	8-740	General American Trans. 8 ¹ / ₂ %	1987	101 ¹ / ₂ -2 ¹ / ₂	101 ¹ / ₂ -2 ¹ / ₂	7-78
108 ¹ / ₂	94 ¹ / ₂	Treasury 8 ¹ / ₂ %	1984-86	97 ¹ / ₂	98 ¹ / ₂	5-450	9-070	General Cable 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	101-2	7-86
96 ¹ / ₂	80 ¹ / ₂	Funding 6 ¹ / ₂ %	1985-87	80 ¹ / ₂	80 ¹ / ₂	5-900	8-895	International Utilities 8 ¹ / ₂ %	1982	100 ¹ / ₂ -1 ¹ / ₂	101-2	7-86
66 ¹ / ₂	54 ¹ / ₂	British Transport 3%	1978-88	55 ¹ / ₂	56	6-330	8-135	Kleinwort Benson 8 ¹ / ₂ %	1987	102-3	102-3	7-75
86 ¹ / ₂	69 ¹ / ₂	Funding 6%	1993	71 ¹ / ₂	72	6-015	9-105	Motorola 8%	1987	102 ¹ / ₂ -3 ¹ / ₂	102 ¹ / ₂ -3 ¹ / ₂	7-78
111 ¹ / ₂	93 ¹ / ₂	Treasury 9%	1994	93 ¹ / ₂	94 ¹ / ₂	5-830	9-565	N. American Rockwell 8 ¹ / ₂ %	1987	101 ¹ / ₂ -2 ¹ / ₂	101 ¹ / ₂ -2 ¹ / ₂	7-78
58	46 ¹ / ₂	British Gas 3%	1990-95	46 ¹ / ₂	46 ¹ / ₂	6-240	8-245	Pennwalt 8%	1987	101 ¹ / ₂ -2 ¹ / ₂	101 ¹ / ₂ -2 ¹ / ₂	7-55
89 ¹ / ₂	73 ¹ / ₂	Treasury 6 ¹ / ₂ %	1995-98	73 ¹ / ₂	74 ¹ / ₂	6-010	9-395	Queensland Alumina 8 ¹ / ₂ %	1987	100 ¹ / ₂ -1 ¹ / ₂	101-2	7-86
73 ¹ / ₂	54 ¹ / ₂	Treasury 5 ¹ / ₂ %	2008-12	59 ¹ / ₂	60 ¹ / ₂	5-915	9-360	Wellcome 8 ¹ / ₂ %	1987	101 ¹ / ₂ -2 ¹ / ₂	101 ¹ / ₂ -2 ¹ / ₂	7-84
43 ¹ / ₂	35 ¹ / ₂	War Loan 3 ¹ / ₂ %	after 1952	35 ¹ / ₂	36 ¹ / ₂	5-775	9-600	Williams and Glyns 8 ¹ / ₂ %	1987	99-100	99-100	6-75
30 ¹ / ₂	25 ¹ / ₂	Consols 2 ¹ / ₂ %		26	26 ¹ / ₂	5-715	9-550	Inter-American Devel. Bank (DM) 6 ¹ / ₂ %	1987	95 ¹ / ₂ -6 ¹ / ₂	95 ¹ / ₂ -6 ¹ / ₂	7-36
								Malaysia (DM) 7%	1987	97-8	97-8	7-34
								Slater Walker (L/D) 7 ¹ / ₂ %	1987	97-8	97-8	7-34

Prices, 1972					Prices, 1972					Prices, 1972					Prices, 1972					Prices, 1972				
High	Low	Ordinary stocks	Price, Nov. 1, 1972	Change on week	Yield Nov. 1	High	Low	Ordinary stocks	Price, Nov. 1, 1972	Change on week	Yield Nov. 1	High	Low	Ordinary stocks	Price, Nov. 1, 1972	Change on week	Yield Nov. 1	High	Low	Ordinary stocks	Price, Nov. 1, 1972	Change on week	Yield Nov. 1	
383 1/2	268	Banks, other financial	FI 345	-3	4-9	118	89	Breweries, etc.	99p	+4	3-4	74-9	58-7	Hoesch	DM 60-8	+0-6	4-9							
84	57-8	Algemeine Bank	FI 71-7	+0-7	4-7	69	55	Allied Breweries	\$ 60 1/2	-1 1/2	0-9	79-7	60-9	Hoogoven	FI 76	+1-3	5-3							
380	257	Amsterdam-Rot	390p	+30	2-6	194	148	Anheuser-Busch	153p	-4	3-3	220-3	145 1/2	Mannesmann	DM 191	+6	5-2							
500	370	Bank of America	\$50 1/2	+1 1/2	2-2	165	132-8	Bass, Charrington	FI 150	+2-8	2-4	105	52	Nippon Steel	Y105	+9	4-8							
11 1/2	8 1/2	B of Ireland	450p	...	3-4	217	106	Bols NV	200p	...	2-1	104-8	65-2	Rheinmetall	DM 81 1/2	+4	...							
116 1/2	84	B of Montreal	\$10 1/2	...	3-1	212	153	Courage	170p	+10	4-0	85-8	68	Thyssen Huetten	DM 69-9	+0-4	5-0							
560	298	B Nac de Mexico	P 93	...	8-1	415	33 1/2	Distillers	\$39 1/2	+1 1/2	1-8	34 1/2	27 1/2	US Steel	\$28 1/2	+1 1/2	5-6							
740	525	B of NS Wales	555p	+35	2-0	470	390	Distill Seagrams	DM 412	+12	2-4	117-1	85-9	Usinor	FI 102-1	-4-4	8-8							
3040	2310	B of Scotland	700p	+20	2-9	244	182	Dortmund Union	190p	-5	3-8	52-2	40	Wendel-Sideler	Fr 45	-1 1/2	10-8							
238-6	183-3	B Bruxelles	Fr B 2990	-10	4-2	349-9	238 1/2	Guinness	FI 327 1/2	+8 1/2	1-1													
66	53 1/2	B de Paris Pays Bas	Fr 207-8	-2 1/2	5-4	327	234	Heineken	FI 320	+2	2-3													
492	298	Bankers Trust	\$64 1/2	-1 1/2	4-4	20 1/2	15 1/2	Kirin Brewery	\$16 1/2	+1 1/2	3-0	185 1/2	132 1/2	Electrical, electronics										
15 1/2	11 1/2	Bardays	442p	+22	2-2	127	88 1/2	Nat Distillers	88p	...	3-9	295	236	AEG Telefunken	DM 161-4	+9-9	3-1							
121 1/2	78	Can Imp Com	\$13 1/2	-1	2-1	103 1/2	70	Scottish & Newc	107p	...	3-0	218	155	ASEA	Kr 269	+2	3-7							
66	52	Charterhouse Group	\$103 1/2	...	4-0	114 1/2	84 1/2	Sth African Br	102p	+2 1/2	3-5	558	402	BICC	170p	+8	4-6							
59 1/2	48	Chase Manhattan	\$58 1/2	...	3-4			Whitbread 'A'		...		128 1/2	101	CGE	FI 517	-15	4-5							
257	221-2	Chemical Bank NY	\$53 1/2	+1 1/2	5-4							75 1/2	52 1/2	Comsat	\$60 1/2	+1 1/2	0-9							
182	148 1/2	Commerzbank	DM 224-4	+3-2	3-8	346 1/2	205	Building, building materials				403	260	Decca	395p	+5	2-8							
450	370	Credit Commercial	Fr 169	-1 1/2	4-9	246	148	Assoc Portland	214p	+1	4-4	232	163	EPH	179p	...	4-2							
4550	3695	Credit Foncier	Fr 432	+6	5-2	20 1/2	9 1/2	BPB Industries	163p	+3	4-4	181	132	Electric 'B'	Kr 255	-3	4-2							
350	310	Credit Suisse	Fr S 4115	+35	1-9	514	252	Bolice Cascade	\$11 1/2	-1 1/2	2-2	295	256	Electrolux 'B'	Kr 263	...	3-9							
289	255	Deutsche Bank	DM 329-6	+3-6	2-7	276	195	Bovis Ltd	Fr 245	+11	1-1	70 1/2	45 1/2	LM Ericsson 'B'	Kr 263	...	3-9							
75 1/2	43 1/2	Dresdner Bank	DM 264 1/2	+4-3	3-4	2795	2100	Ciments Lafarge	Fr 245	-3-6	5-6	195	141 1/2	General Electric	\$64 1/2	+1 1/2	2-2							
652	355	First Nat City	\$74 1/2	-1 1/2	1-8	320	105 1/2	Cimenteries Brq	Fr 245	+12 1/2	2-3	33 1/2	25 1/2	GEN	151p	+7	2-7							
490	335	Fuji	Y 620	-5	1-0	143	105	Costain	284p	+4	2-6	198	106	GEC	\$29 1/2	+1 1/2	5-4							
208	142	Hambros	413p	-3	2-1	26650	19050	Eng China Clays	130p	+12 1/2	1-8	167 1/2	122	Hitachi	Y 198	+3	3-0							
14 1/2	1	Hitel, Samuel	156p	...	2-8	191 1/2	149 1/2	Italcementi	L 26150	+450	1-8	41 1/2	16	Honeywell	\$129 1/2	+5 1/2	1-1							
24 1/2	13 1/2	IOS Mgmt	\$1	...	1-5	121 1/2	74	Laing 'A'	147p	+1	1-7	41 1/2	16	Hoover	\$32 1/2	-1 1/2	1-9							
209	130	Hongkong & Sh	\$24	-1 1/2	2-7	139	95	London Brick	85 1/2p	-1 1/2	3-9	155	80	IBM	\$38 1/2	+6	1-4							
7600	5820	Kleinwort Benson	142p	-1	2-7	375	303	Marley	99p	-1	4-4	71	76	Int Computers	83p	+2	(n)							
410	330	Kreditbank	Fr B 7470	-130	2-7	170	99	Pilkington Bros	321p	+4	3-3	769	507	Machines Bull	Fr 78	-3-4	...							
2500	1840	Kundenkredit	DM 407	-2	2-5	182	121	Radland	120p	-19	3-3	905	537	Matsushita	Y 628	+8	1-6							
457	320	Lambert L'Ind	Fr B 2400	-5	3-5	174	133	Rugby Portland	126p	-3	3-0	179	133	Philips	845p	-30	2-3							
850	601	LBI	375p	...	2-7	310	242	Steelac	143p	-2	3-7	328	104	Plessey	145p	+2	3-4							
39	30	Lloyds	710p	+34	2-3	360	253	Tarmac	267p	+7	3-4	129	104	RCA	\$36	+4	4-2							
82405	62670	Manuf's Hanover Tst	\$37 1/2	+1 1/2	4-2	275	211	Taylor Woodrow	267p	-3	2-1	122	66	Redifusion	106p	-4	4-2							
146 1/2	99	Mediobanca	L 78700	-950	1-4			Whimpy	211p	-1	1-2	296 1/2	204-3	Reyrolle Parsons	69p	-8	1-5							
256	164	Mercantile Credit	100p	+1	3-8	157	122	Catering, hotels, entertainment				48 1/2	29 1/2	Siemens	DM 274-1	+12-1	2-6							
530 1/2	348	Mercury Secs	178p	+10	2-0	62 1/2	45 1/2	ATV 'A'	129p	-3	5-3	189 1/2	117 1/2	Sony	Y 4380	-820	0-3							
440	202	Midland	440p	+13	2-7	280	202	CBG	\$50 1/2	-2	2-8	190	95	Sperry Rand	\$48 1/2	+1 1/2	1-2							
327	205	Mitsui	Y 390	+10	1-3	275	199	Granada 'A'	225p	-9	2-8	552	456	Texas Instruments	\$177	+2 1/2	0-5							
112	71 1/2	Montagu Trust	262p	+2	1-9	275	199	Grand Metropolitan	223p	-6	2-5	123	68	Thomson-Houston	Fr 179	-1	3-9							
150	89	Morgan J P	\$110 1/2	+4 1/2	2-3	55 1/2	39 1/2	Lyons Inns	\$44	+1 1/2	0-6	68 1/2	41	Thorn Electrical	472p	-8	1-5							
4-30	2-80	Nat & Grindlays	\$A3-99	+0-14	2-3	434	362 1/2	Holiday Inns	420p	+4	2-4	54	39 1/2	Toshiba	Y 123	+11	4-1							
250	176	Nat Australasia	214p	+9	2-4	246	167	Trust Houses-Forte	218p	+4	4-6			Western Union	\$49 1/2	+2 1/2	2-8							
492	300 1/2	Nat Com Grp	433p	+15	2-1									Westinghouse	\$43 1/2	+1	2-2							
152 1/2	120	Nat West	\$43-99	+0-14	2-3																			
18 1/2	13 1/2	Norsk Creditbk	\$141 1/2	+1 1/2	6-4																			
915	608	Royal Canada	\$17 1/2	-1 1/2	2-1																			
309	229	Schroders	760p	+30	1-4	79-2	62-8	Chemicals				237	155	Engineering, shipbuilding										
3295	2910	Slater Walker Secs	256p	+15	3-2	815	520	AKZO	FI 67-1	-0 1/2	5-4	245	214	Acrow 'A'	156p	-2	3-2							
2935	2640	Soc Gen de Banque	Fr B 3195	-10	4-6	40 1/2	32 1/2	ANIC	L 635	-53	...	45	24	Atlas Copco	Kr 218	-2	2-3							
550	328	Soc Gen de Belg	Fr B 2735	-95	5-1	183-3	137	Amer Cyanamid	\$33 1/2	+1 1/2	3-7	67 1/2	61 1/2	BSA	251p	-1	...							
399	280	Standard & Chart	505p	-10	2-8	152	123	BASF	DM 156 1/2	+5-5	4-8	187	129	Babcock & Wilcox	85p	+2	2-8							
655	362	Suez	Fr 367	+3	1-0	2990	2240	Bayer	DM 128	+4-4	5-1	140	1150	John Brown	135p	+4	8-5							
4440	3670	Sumitomo	Y 633	+20	2-0	97 1/2	78	CIBA-GEIGY	Fr S 2650	+25	0-0	100 1/2	64	Brown Boveri 'A'	Fr S 1280	-30	3-9							
4805	3685	Swiss Bank Corp	Fr B 4000	+3	5-1	183	144	Dow	\$89 1/2	+1	1-9	71	49	Cohen Boveri 'A'	651p	-2	5-7							
637	430	Union Bank Switz	Fr S 4540	+110	2-2	327	327	Dupont	\$107 1/2	+27	2-8	236 1/2	167	Davy Ashmore	DM 90-8	-2-2	4-2							
148 1/2	107	Union Discount	445p	+9	3-3	30 1/2	24 1/2	W R Grace	\$27 1/2	+1 1/2	5-6	30	36	Demag	DM 90-8	-2-2	4-2							
		United Dom Tst	127p	+9	3-3	176-9	146	Hoechst	DM 150 1/2	+5 1/2	5-0	425	342	B Elliott	DM 90-8	-2-2	4-2							
						312	238	ICI	DM 150 1/2	+5 1/2	5-0	186	145-1	GKN	350p	+5	3-6							
						101	80	Laporte	DM 150 1/2	+5 1/2	5-0	186	145-1	GKN	350p	+5	3-6							
						56 1/2	46	Monsanto	83p	-2	4-5	72	21 1/2	Guthrie	DM 147	+1-9	4-8							
						751	435	Montecatini-Edison	\$51 1/2	+1 1/2	3-5	402	317	Harland & Wolff	46p	+1	...							
						380	272	Norsk Hydro	L439	-26	...	82	63	Hawker Siddely	396p	+4	3-8							
						199	156	Rhone Poulenc	Kr 330	+10	1-0	71	33	Head Wrightson	68p	+1	4-3							
						3025	2370	Solvay 'A'	Fr 174-1	+3-9	6-9	25 1/2	17 1/2	Head Wrightson	68p	+1	4-3							
						205	136	St Gobain	Fr B 2935	+40	5-2	152	104	Hawker Siddely	396p	+4	3-8							
						255	198	Takeda Chemical	Fr 187-1	-5-8	5-0	108	42	Head Wrightson	68p	+1	4-3							
						50 1/2	41 1/2	Union Carbide	Y 240	...	3-5	214	158	Head Wrightson	68p	+1	4-3							
									\$45 1/2	+1 1/2	4-4	111	76 1/2	Head Wrightson	68p	+1	4-3							

[illegible]

The ice cometh



Eskimo Ted

The freeze will probably be obeyed by the big trade unions until the end of February, but the whole future of British society may depend on a confrontation with one or more of them in 1973, page 13.

The likely impact of the new policy on economic growth, the balance of payments, tax rates, interest rates, industries, the shops and wage bargains, pages 77-85.

Uproar greeted the bill in the Commons, and a touch of malice, page 25.

Stock markets took it quietly, but dropped when the Bank of England slightly tightened monetary policy, page 107.



Back on his own

Mr Nixon's runaway success, and the Republican party's failure, mean that his majority is still just a temporary coalition; but what he does in the next four years could spell even worse news for the Democrats, under Senator Kennedy or not, in 1976, page 15.

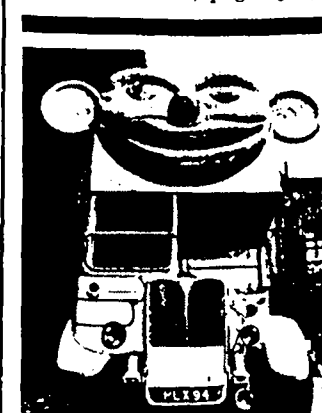
Mr Nixon's majority reveals an America no longer divided about essentials, and less tempted to crawl into its shell, page 18.

America's vote against change, the state of the Congress, how Senator McGovern took defeat, why Massachusetts stayed Democratic, campaign spending, youth's first election and the view on the box, pages 31-40.



You've got to hope

Egon Bahr for the west and Michael Kohl for the east have signed their two-Germany treaty: the theory is that a satisfied east Germany will be a more civilised one, page 18. The west German election, pages 50 and 53.



Autumn books

What with bookbuses, book-weeks and bookmilitancy all round, what should the modest bookworm be reading at this autumnal season? Guidance in a special supplement, after page 68.

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Stock Prices and Yields

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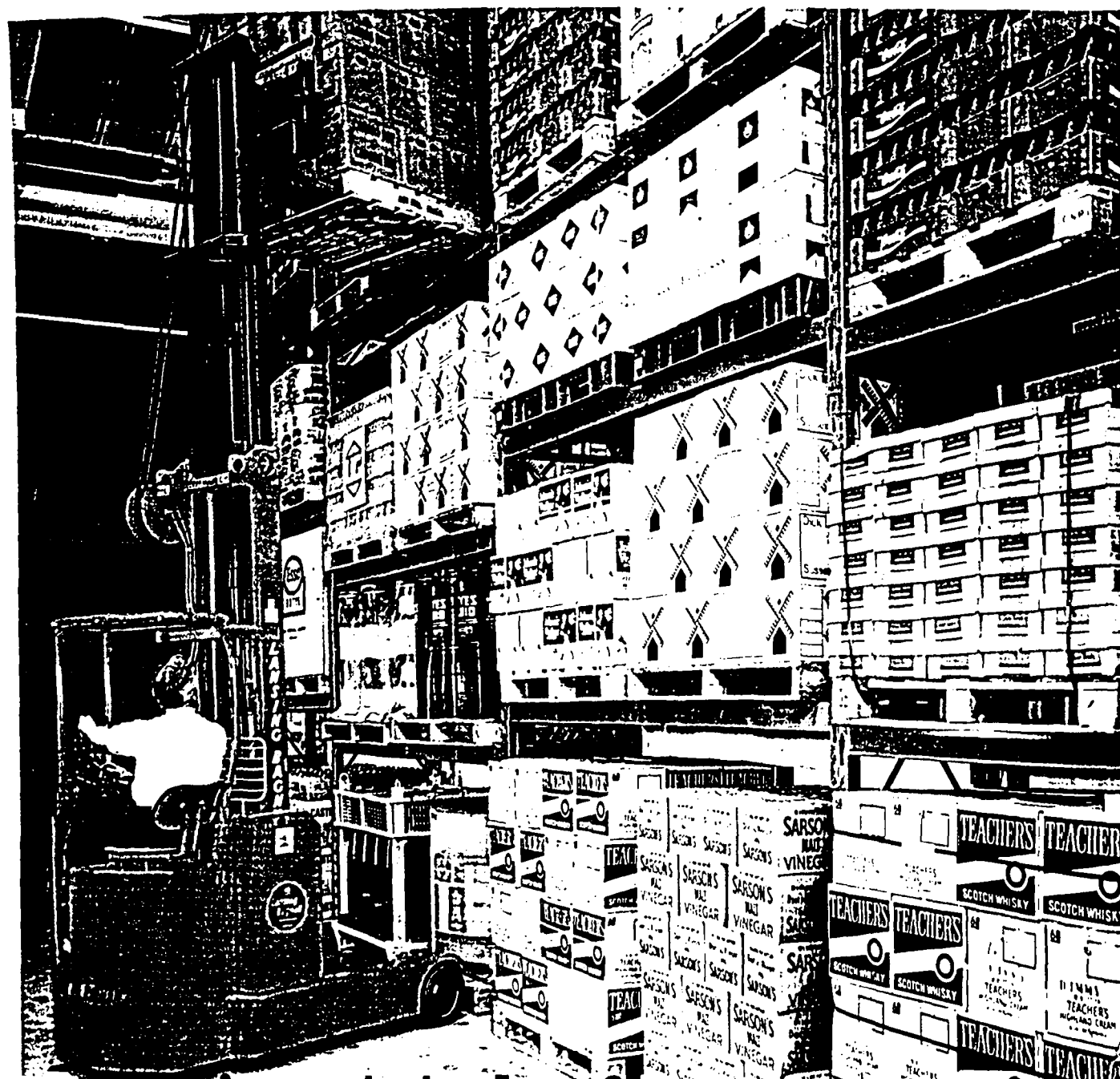
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Letters

The freeze

SIR—The degree of tired cynicism to which *The Economist* has fallen is illustrated by your article on an incomes and prices policy (October 28th). Rather than admit that there is any principle at stake, eg, yet another massive step forward in government control and regulation of the economy, you restrict yourself to a discussion of how "effective" the measure would be. The whole attitude of the magazine is one of short-sighted pseudo-realism on this issue. Even if temporarily successful, such panic measures, as shown as far back as the late Roman empire, are never successful in the long run. The whole repulsive set up, based on fear, is reminiscent of communist methods.—Yours faithfully, *Ramsgate, Kent* NICHOLAS G. BOGG

SIR—Your lead article "Five minutes to twelve" (October 28th) identifies the eco-political problems conspicuous in America and the United Kingdom but your proposed solutions will only temporarily mitigate the symptoms. In the last paragraph on page 12 you settle on "the toughest possible statutory enforcement package" as the means to avert economic-social disaster.

The real problem is the symbiotic relationship between monopoly unionism and state monopoly production through the nationalised industries. The unions preclude any rational bidding for labour for those industries and competitive bidding between nationalised and private industries. This is facilitated by the state employer which by its inherent power has excluded competition in production for the market, and which can set prices at will as a consequence, and has no reason to be efficient or mindful of its customers for the same reason. The state monopolies will not permit anyone to compete with them.

Your chart on page 75 clearly indicates the problem: your economy has been forced to the abyss by the nationalised industries and their employees who are protected by law from their customers and any competition.

In America inflation has been most noticeable in similar circumstances—the construction industry, substantially union-dominated, also subsidised by Federal building contracts, loans, subsidised bank credit, the tax deduction for individuals' interest payments, etc.—food prices after 70 years of fantastically expensive agricultural subsidy and control programmes—numerous other industries (eg, textiles) protected from their errors by duties that exclude foreign competition. Now, more

than ever, complaints mount against the post office monopoly.

Now, more than ever, America and the United Kingdom do not need more controls by Mr Nixon or Mr McGovern or Mr Heath or Mr Wilson, and the solution is the de-politicising of the economy.—Yours faithfully,

D. F. JUDIN, JR
Battle Creek, Mich.

SIR—The yearly dramas of midnight discourses on wages and prices policy are not only nonsense but do not hide the enemy the Government really fears is deflation as much as inflation.

That symptom of inflation and distrust of the Government's credit, the bigger yield from government stock than from shares known as the reverse yield gap, must be turned around. The Prime Minister has it in his power to issue immediately a statement to the effect that an examination is to be made as to the wisdom or not of the institutions and pension funds being required to put a fixed proportion, say 30 per cent of their funds, into gilt-edged. This would mangle equity prices that very day as the institutions liquidated shares (which are far too high except in inflationary terms) but would raise the price of gilt-edged as they rushed to switch, making money cheaper, equity yields more generous and real organic investment in industry more attractive. The grossly inflated property market would start to fall as institutions were seen no longer to be net buyers but also to be withdrawing some of the support they provide present property levels as lenders.

Such positive action would show the unions and their members that the Government is unfrightened at striking at the root of our main problem more equitably than through a prices and incomes policy.—Yours faithfully,
London, WC1 H. D. F. CREIGHTON

SIR—Perhaps your writer's review of events, "How did we get into this mess?" (October 28th), began too late. Long before his "first" phase (1955) the economy was irrecoverably committed to the path leading the country to the present impasse.

In the light of experience since the end of the Victorian era, and including observer duties over the world financial scene, I would contend that the first phase dates precisely from August 4, 1914, when the Bank of England court suspended its Royal Charter and ceded to the executive control of the money supply. By that act, sterling, then the pre-essential public utility of the mercantile world, was stripped of its vital fiduciary content. After that, not policy but a process took command of events. So much was manifest in the next phase when Baldwin tried and failed to restore sterling: he learnt—as Mr Heath is about to discover—that you cannot, even by statute, do better than set up the shadow

of stability until the fiduciary substance is restored. Keynes soothed that generation's anxieties with the assurance that the process was beneficial: he explained everything, except—alas for us!—what to do when you reach the inevitable "mess."

Historically typical too is the plight of the executive today: reliance upon wasting money has diluted its authority over vital aspects of the economy now subject to the veto—a negative role and, therefore, unhelpful—from the magnates of organised labour, whose objects and loyalties, divergent from the nation's present needs, must frustrate Mr Heath's power to rule effectively, just as, in a like case, it made nonsense of the central power under King Stephen and Henry VI. The dilemma is not new: but history teaches that it cannot be subdued by expedients. The first to try to stem currency debasement by statutory price controls was the Emperor Diocletian: it failed, and in despair he divided up his world empire and quit public life. His successor, the Yorkshireman—Constantine the Great—whose example Mr Heath would do well to follow—applied the only feasible remedy: he imposed a ruthless regime of trusteeship over the currency. It remained the main prop of his successors for 1,000 years.

Or more briefly, sir, I contend that it is fatuous to suppose that "inflation" can be contained while the money supply is watered by 25 per cent annually.—Yours faithfully,
London, SW1 JOHN LOMAX

Ugandan Asians

SIR—Please refer to Mr Vipinchandra D. Shah's letter (October 7th), in which he criticised Ugandan intellectuals for keeping quiet about the Ugandan Asian issue.

I was amazed to read that this Asian who lives in Nairobi, and is therefore in a good position to know, could write this because he ought to know that any intellectual who dared to criticise the government's actions, whether on moral or intellectual (or both) grounds, would almost certainly disappear at the hands of kidnappers who happen to be General Amin's soldiers.—Yours faithfully,
Nairobi W. M. MUKONE

SIR—I never buy *The Economist*, but sometimes if I have access to a copy gratis I glance through its pages to see if there has been any change in the peculiar left-wing policy which you follow, a very odd trait in a journal supposed to be guide and mentor to the investor and capitalist. Nothing could persuade me to take your advice on investment of any kind.

On a recent journey by air I happened to have a copy of your journal thrust upon me and turning to the letters from readers page was amazed to see that you had published the views of those who disagree with your policy of admitting Asians to Britain. The views as expressed

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by Mr Randall (September 23rd) I can vouch for, having worked for 30 years with Indians and Africans. But if Mr Randall thinks that his remarks, however accurate and based upon experience, will influence the parochial minds of those who live in and around Fleet Street he will be disappointed and, indeed, it is quite surprising that his letter ever got into print as the views of the silent majority in Britain are stifled by the national press whether it be on immigration, the common market or other important national issues; however, acres of space can be afforded left-wing cranks and agitators, "do-gooders" and the clergy and, of course, journalists.

As for Mr Randall's suggestion that the British people should note and remember the names of those who have been responsible for this and earlier invasions of Britain by alien people, he might have added that to the names of the politicians responsible should be joined those of some journalists and most of the clergy; they will make a pretty collection if and when the day comes for the British people to settle accounts with them. It happened at Nuremberg!—Yours faithfully,
Nassau, Bahamas J. H. THOMAS

Watergate ripples

SIR—Surely the many differences between American and English usage do not include referring to the ugly and sinister action of Mr Nixon's paid henchmen at Watergate as a prank (October 14th)?—Yours faithfully,
Palo Alto, California JAMES A. CURRAN

Vietnam

SIR—The tragedy of Vietnam is that world opinion is so much concerned about the need for elections in South Vietnam, but nobody seems to remember the fact that the North Vietnamese never had a chance to elect anybody.

May I suggest that together with the elections in the south some in North Vietnam should also be held, giving its citizens the right to vote and to dissent? Or are there two standards of world justice: one for the regimented north and another for the incipient democracy of South Vietnam?—Yours faithfully,
Caracas EDUARDO DARON BUDA

Irish Vat

SIR—Your comments on Irish Vat (November 4th), while entirely accurate, missed two most important points.

First, that owing to the diabolically awkward rates implementation of the tax is proving cumbersome and fearfully costly in terms of re-equipment and the sheer immensity of the man-hours involved in dealing with the tax. The inflationary spiral (already worse here than in the United Kingdom) is getting a gratuitous boost. Scarce wonder that

many of us are beginning to believe our rulers' Irish eccentricity has gone a bit too far.

Secondly, this is a small country and the total disregard for public opinion, the difficulties they are creating for the trading community, the severity of the impact on the weaker elements in our society of Irish Vat have not gone unnoticed in the north. Whatever else people may argue about, the Dublin authorities have effectively widened the economic gap between north and south in a most blatant way. Despite pious protestations, once again Dublin has done nothing to allay northern fears about the consequences of coming under its rule.

As one bar room cynic remarked: "Ah, but sure won't this Vat be a great boon for the smugglers?"—Yours faithfully,
Dublin M. HARRIS

Art collecting

SIR—An article on the current art market (October 28th) contains the statement: "In England . . . the record of collecting in the present century has not been a happy one." Indeed! Consider achievements such as those of Sir Percival David, Sir Chester Beatty, Count Seilern, Denis Mahon, Samuel Courtauld, Sir Robert Sainsbury, Sir Karl T. Parker, Sir John Pope-Hennessy or those of the seemingly limitless succession of comparable names. What other nation can boast such diversity of interest and such consistency of quality? You continue: "there are very few people prepared to go to almost any lengths to form a fine collection." Greatness in collecting results from the discernment which identifies excellence while it is still available and still modestly enough priced to be acquired in depth. Generally those who must go to extreme lengths are too late, paying too much for too little. They find compensation in the publicity their extravagance provokes.—Yours faithfully,
Cambridge, Mass JOHN COOLIDGE
Fogg Art Museum

Ireland

SIR—Mr G. H. Boyd (Letters, November 4th) mentions northern Irishmen in the last war. Most of these were Roman Catholics (which I am not, incidentally). Orange parades were banned for the duration in case visiting English politicians and journalists asked awkward questions about so many able-bodied men of military age still not in uniform. Roman Catholics, refused the dole at home (where Protestants or Englishmen or Scots got preference for jobs) unless they tried to find work in Great Britain, were conscribed like the rest when war came. This did not earn most of them any official gratitude at home when peace came.

Some stay-at-home Protestant with a small family would be more likely to get a house or a job than would a Roman Catholic ex-serviceman with a large

family. If the former now is "against the wall" (although he can own a firearm and neither police nor army have the guts to disarm him), what about the Roman Catholics during the pogroms between and before the two wars?

The British flag (called "the butcher's apron" by some Roman Catholics up there) is, to northern Protestants, a mark of their own ascendancy. But many of them now flourish the red hand of Ulster.—Yours faithfully, PATRICK J. N. BURY
Dublin

SIR—The whole Irish question seems to me to be bedevilled by a total lack of logic and realism. The green paper is the final culmination of this muddleheadedness and, if put into practice, will set a most dangerous precedent, dangerous because it is opposed to the basic principles of parliamentary democracy.

Parliamentary democracy requires power to be vested in the political party which wins in a free election, and does not permit the losers to share in such power except through a freely agreed coalition. Coalition is not possible in Ulster since the minority does not wish to govern. It wishes to hand over the state to an outside power.

Why should the British Government propose that the minority ought, as of right, to exercise such a share in administration when it would scarcely welcome, for instance, Mr Harold Wilson as Minister for Europe in the present cabinet? Yet what the green paper proposes is, in essence, just such a principle.

Obviously a minority has only to shout loudly and plausibly enough, at the same time using or threatening violence, and the democratic principle is the first casualty.—Yours faithfully, A. McDONOUGH
Exeter, Devon

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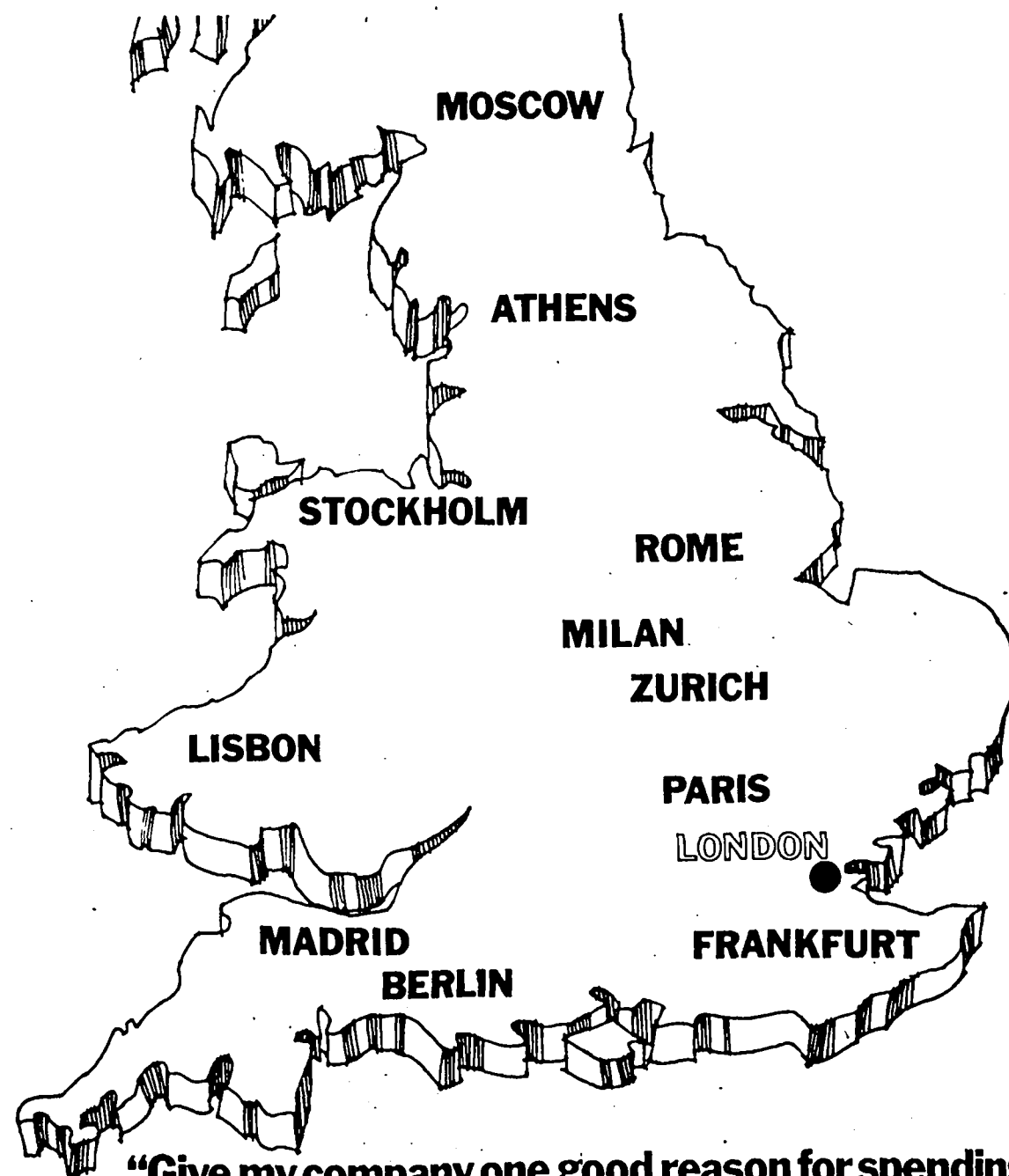
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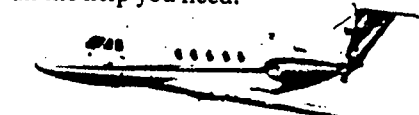
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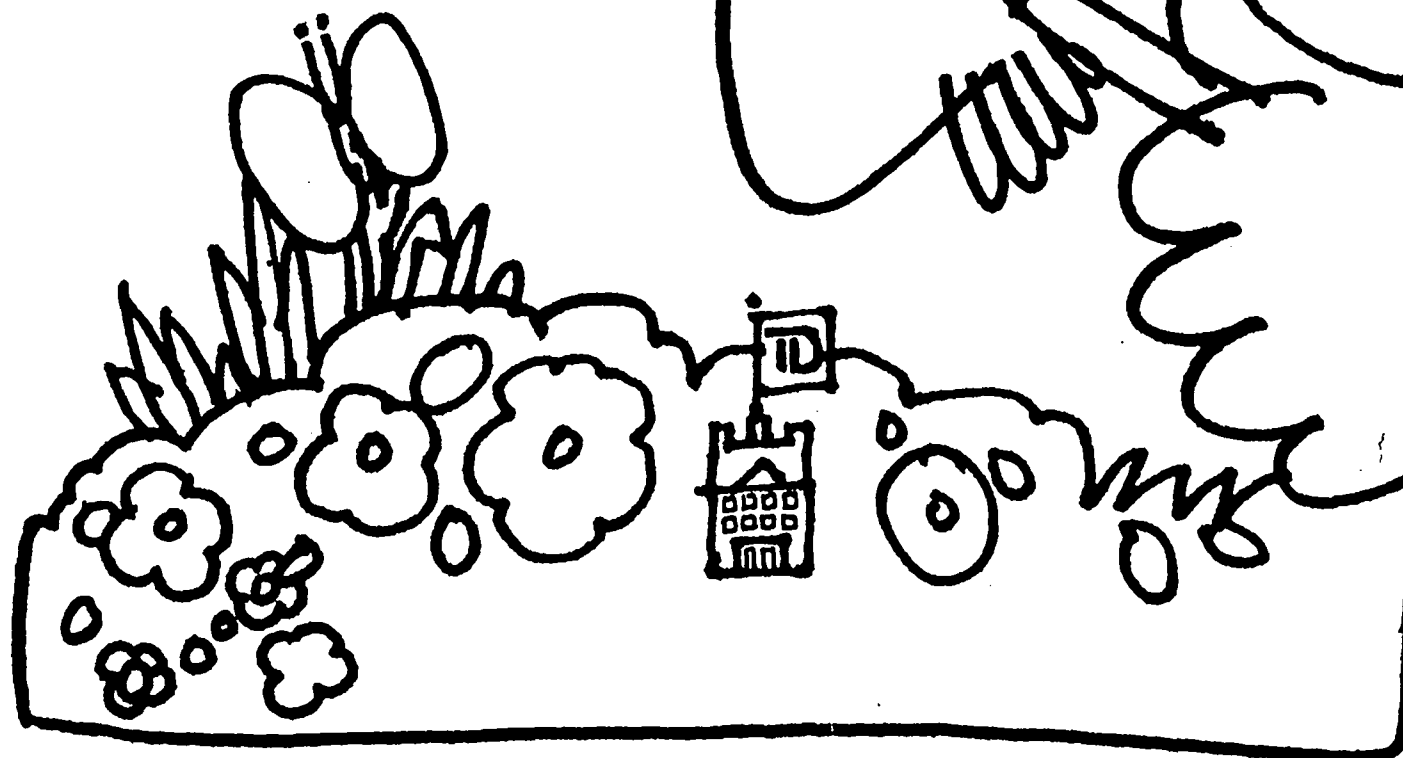
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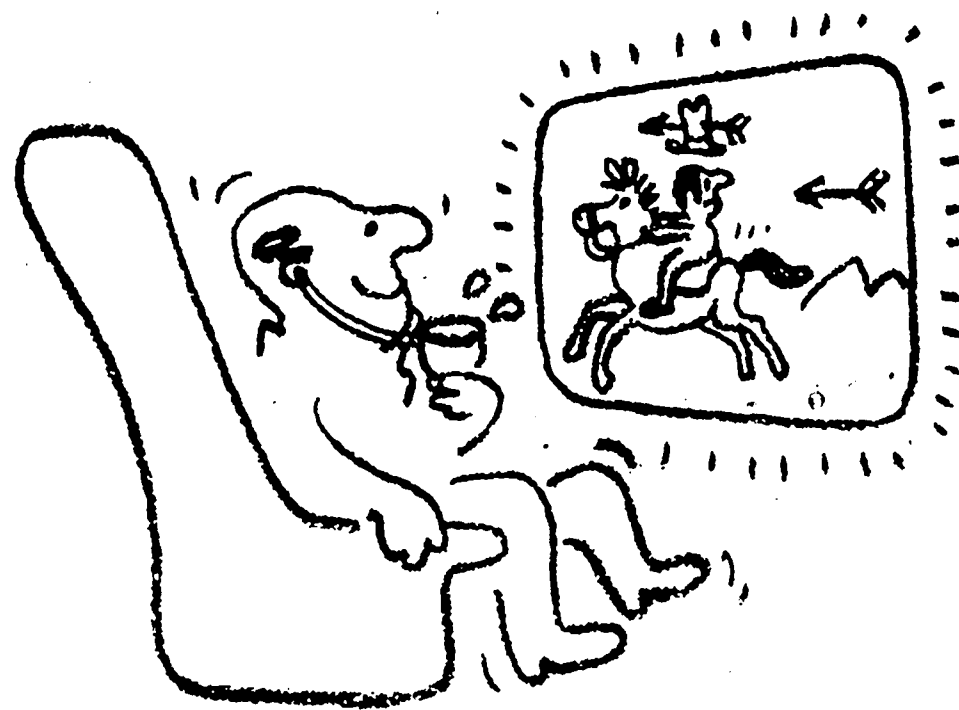
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The
Economist

November 11, 1972



The ice cometh

In careful copy of President Nixon's successful policy in 1971, the Government has chosen the right first weapon: a 90-day freeze, during which it will bring in legislation to try to establish permanent pay-vetting machinery. These next few months will require cool heads and stout hearts. It has been obvious for at least the past two years that Britain can avoid South American-style inflation only by enforcing a statutory incomes policy, despite the public passions it may arouse and the economic distortions it will create. The object of policy must be to avert those passions and minimise those distortions. The first of these tasks is by far the most important, because the delay from 1970 to the autumn of 1972 has allowed the entry into British industrial relations of the canker that is the most frightening feature of our times.

Everybody should recognise that canker, because this is the real enemy against which we now fight. The canker springs initially from the most honourable natural emotions. The first stage is usually that nearly everybody supports something which sounds decently liberal (such as that "British miners deserve good wages for their nasty job"); then the gentle centre starts tacitly to excuse unforgivable methods of attaining it (such as violent picketing), while those who think they will gain from such methods fall into abetting them because of solidarity or greed or fear; and then the next stage is ungovernability.

There have been so many examples of this progression in the past decade and a half: from the humanitarian support for civil rights demonstrations in America and Ulster at the beginning of the 1960s to the hell of demolished law and order in their city centres by the end of them; from the understandable guilt-complex about colonialism in the 1950s to the disgraceful excuses made today (by liberals who don't have to live under them) for so many cruel one-party or no-party tyrannies in Africa; from fascination with some brave new ideals of youth to permitted terrorisation of elderly liberal or

conservative academics on university campuses. Some of these processes of deterioration have been turned back in the past four years, particularly from their 1968 high spot in America, which is a main reason why President Nixon has partly deserved his landslide triumph.

Five acts to confrontation?

But in Britain the canker was invited into the trade union bargaining system after the Wilberforce surrender to the power go-slow in the winter of 1970-71. This was a huge area of national life for it to be allowed to infect, and uncontrolled inflation must be expected to be one of the fastest-breeding forms of ungovernability; which is why the past two years in Britain have been a frightening period. The object of the new incomes policy must be to turn back this process of deterioration. Nobody can be certain of the course ahead, but there will eventually have to be some confrontation which has simply got to be won. One can guess at a possible scenario in five acts:

(1) The first act has already passed: a quickie which took place in the 90 hours up to 3.30 last Monday afternoon, when the knowledge that wage rises would shortly be forbidden wonderfully concentrated a lot of outstanding claims (dustmen, busmen, etc) into settlements. Most of the settlements were bigger than they ought to have been, but smaller than the 20 per cent that they would probably have reached after strikes and without Mr Heath's clampdown; this new norm of around 11 per cent was the freeze's first, partial, prenatal success.

(2) The second act will be of total freeze from now until 90 days after Parliament passes the present instant mini-legislation (ie, probably until end-February). Everybody said that this sort of order would not be obeyed, but it may well be. The hope is that big union leaders will not want to risk large fines on their unions by forcing unwilling members into loss of pay during strikes which the Government simply cannot allow to be rewarded.

by wage rises before end-February anyway. Some shop stewards will seek eager martyrdom by calling such useless strikes, but workers may not obey them.

(3) What the big unions will do is to negotiate toughly for pay increases which they will want employers to agree to pay them straight after end-February, and with some retroactivity. A lot of people think that the major confrontations could come when the post-February machinery tries to roll one or more of these back next March and April.

(4) In March and April themselves, however, there may be compromises. In America the pay board in Mr Nixon's phase two rolled back "tail-end" wage awards (ie, those which referred to the wage round begun before the freeze) only to the levels approximately reached in pre-freeze negotiations, and enforced their new guidelines (equivalent to Mr Heath's £2.60 formula) only on new contracts for the next year (equivalent in Britain to wage claims in the winter of 1973-74). It will not be awfully surprising if the same sort of thing happens here.

(5) Nevertheless, some time a union is going to get grossly more than this 11 per cent which may now be tacitly set as the norm for the remaining claims (miners, etc) for fiscal 1972-73, or else grossly more than the £2.60 which may be set as the norm for fiscal 1973-74. The confrontation must be expected then.

Not an easy battleground

The Government's hope is that this confrontation will be damped because Mr Heath's sweet reasonableness during the tripartite talks is supposed to have reduced tensions within the unions, and because public opinion is supposed to be on the Government's side. Both hopes require qualification.

The newspapers are now saying that Mr Heath has travelled a million miles away from Selsdon man; but since Selsdon man was always a mythical figure invented by the media, they will eventually invent another one (like "Eskimo Ted"?) to replace it, and the unions will soon think that they are being frightfully progressive bitterly to resist him in his new image.

Public opinion probably supports the freeze in the sense that an illegal and futile and damaging strike during these next 90 days might lose Labour millions of votes, and Mr Heath could conceivably sweep back to power in a snap election then in which the Conservatives might win 150 more parliamentary seats. But during the subsequent Parliament of 1973-78, with a large Powellite right wing, and with the Conservatives constantly losing by huge majorities by-elections in natural Labour seats like Hackney that they had accidentally won during the 1973 general election, it is difficult to believe that the Government's hand would be greatly strengthened to meet the long haul for incomes policy; and it is the long haul that is going to matter. Anyway the expectation, to repeat, must be that the crunch confrontation will not come in the next 90 days, but after (perhaps well after) next February; and be fought on a Government attempt to roll back some pay award which the relevant employers and unions are both pre-

tending is within the £2.60 or some other formula, but really is not. It is not at all certain that public opinion will be on the Government's side in any such confrontation. Another monstrous electricity surrender last week was presented by the electricity authority and the unions as being more or less within the Heath formula; and public and press were as eager as open-mouthed codfish to swallow it.

The 90-day freeze will probably be effective because the unions should know that they can gain nothing by strikes to break it. This is why the enforcement machinery after the freeze will be so important. It must be said yet again that the one really effective method would be by surcharges on workers' national insurance contributions whenever a firm's wage payments per head rise by more than £2.60 a week compared with a year ago. The Government is not going for this method, but seems to prefer fines on inflation-accepting employers and inflation-demanding unions instead. It is a typically out-of-touch Tory delusion that workers would be deterred from militant action by the thought that heavy fines might then help to drive their firm into bankruptcy; tell that to the horse marines on the Upper Clyde. The idea of fining the unions once seemed more hopeful, but the financial mess with which Mr Scanlon's engineering union is threatened through mishandling one of its members does not seem to have softened it, and the device of fining Mr Jones's transport union has not stopped the illegal blacking of several container firms. If the new incomes policy is disobeyed as blatantly as the Industrial Relations Act is disobeyed in the docks, then the canker of ungovernability will spread faster through the land. And that, quite seriously, could mean a Weimar situation in Britain.

Price controls are nonsense

Beside this threat to the fabric of British society, the economic distortions of a freeze hardly matter. But it is worth saying again that the proper accompaniment of restraint against collectively bargained wages is merely restraint against collectively determined price rises—there is a case for permanently banning all price recommendations made by trade associations—and that this week's extension of price control to competitively-determined prices is an economic nonsense, designed to buy acquiescence in an incomes freeze by pandering to the ignorance of the public, Mum's army included. Lasting price controls at the retail stage will more often keep prices up than bring them down; this is because margins will be fixed at a level that maintains small shops in being, and the supermarkets may gradually stop competing in order to rest on this soft featherbed (it is noteworthy that the European countries, like France, with durable price controls). When price control does keep particular goods below their proper market price, the results will be either a lack of investment in making these things that people most want, or the bogus renaming of old products as new products, or under-the-counter black markets.

Lasting wage controls could have some of these same distorting effects if they are used for any purpose of

resisting market forces (as distinct from that of restraining union monopoly power). In particular it is an economic nonsense to try to make an incomes policy redistributory in favour of the lower paid, because this will increase unemployment by pricing some of the lowest paid out of jobs that are at present on offer only because they are low paid. The proper way to help the low paid is through budgetary action, such as the £90m of extra stimulation of demand which Mr Heath almost casually pumped into his package this week by the promised bonuses to pensioners and others. There may well be room for considerable extra stimulation by tax and other reliefs, see page 77, because in the year ahead Britain might be able to afford a growth rate well over 5 per cent. There is a prospective awkwardness here, because the year of record growth may well be the year into which the wages freeze will partly intrude. In later years, when today's underemployed resources are used up, growth will be lower, and therefore the norm for wage increases should logically be lower too. It is not

going to be easy to enforce that.

The history of incomes policies has often been that of unexpected immediate effectiveness, followed by unnecessary eventual collapse. When sterling was devalued in 1967, about 10 years late, this newspaper was uncertain whether to hail this most loudly as an overdue change that would put the balance of payments to rights (which it was clearly going to do) or to give warning that it was an insufficient step towards floating rates (which was also obviously true). In the week of the new incomes freeze it is difficult to know whether to hail this most loudly as an overdue effort to regain control (which it is) or to criticise it for the nonsenses attached (such as the use of the wrong machinery for enforcement, and the absurdities of price control). The trouble is that inadequacies this time might have much more serious results, because time is now so short. We could be approaching the hurricane belt for the whole future of British society, and are supposed to welcome that Mr Heath is at last carrying an umbrella.



Nixon's best four years

The election in the United States gave an unloved President a landslide victory — on his own

President Nixon has won another term in the White House by an overwhelming victory that is as satisfactory for the pollsters and the journalists as it is for the President himself. Everything has come out as forecast: the Democratic challenger carried only one state, Massachusetts, and the District of Columbia, but in both houses of Congress the Democrats have held on to their majorities, actually gaining a couple of seats in the Senate. This paradox is being taken as proof that Americans were not voting for Mr Nixon on Tuesday but against Senator McGovern. Certainly they were frightened of Mr McGovern, feeling that he lacked the competence, decisiveness and judgment that are essential for a President. But equally the voters were expressing their satisfaction with Mr Nixon's first term in the White House. The size of his majority makes it seem unlikely that any Democratic candidate could have booted him out this year.

The turning-point came in 1971 when the President opened up contacts with China and took firm hold of America's economic difficulties at home and abroad. Luckily for him both these manoeuvres were successful. Then came the nicely timed readiness of Hanoi to negotiate an end to the Vietnam war at last. The United States was thus well on the way to the peace and prosperity that Mr Nixon had promised and few people saw any point in making a change; this was particularly so when the change Mr McGovern proposed might have upset the comfortable lives that the great majority of citizens were leading and revived the fires of social disruption that had been banked down by Mr Nixon. So only the blacks and the Mexicans, the poorer whites, the students, the committed liberals and the hard-core

Democrats—and by no means all of them—voted for Mr McGovern.

What the paradox of a Democratic Congress and a Republican President does suggest, however, is that the voters distrust the power of the Presidency and want to limit it. They are disillusioned with Washington and this election campaign has added to that disillusionment. This is all part of the growing tendency for people to do things themselves at local levels and contract out of national politics altogether. The voters' expression of confidence in the Democratic Congress will encourage the legislators in their efforts, already especially evident in the Senate, to circumscribe the authority of the executive. The election will have done nothing to soften either side in the confrontation over spending which developed in the last days of the 92nd Congress. On the other hand, peace in Vietnam, which seems almost sure by the time the legislators return in January, will remove what has been a source of bitter friction between the President and the Congress over many years. And the new Congress contains a good share of those conservative Democrats who are more ready than many Republicans to support the President's proposals.

What will he do?

Not until January, if then, will the substance of these proposals be known. Mr Nixon set himself 10 goals in the last of his pre-election radio addresses, but they were extremely vague. However, after the first—"a world at peace"—they did refer to America itself. So perhaps in his last four years of office Mr Nixon will spare some attention, for reordering affairs at home, from what has been his very effective preoccupation with reordering them

abroad. (The following article discusses what may now be done there.) He would be well advised to study Mr McGovern's ideas for dealing with tax reform and economic problems; some of them were most interesting once they were worked out in detail. The majority of Americans may be fairly satisfied with things as they are at the moment, but a new wave of dissatisfaction, a desire to put things right, could build up during the next four years. The country has shown this week that it does not want social revolution but this does not mean that reform would be unacceptable. So far, Mr Nixon's record on social welfare and racial discrimination has been far from constructive and civil liberty has hardly flourished under his Administration.

His actions, or lack of actions, on these matters during the past four years have certainly been influenced by his fear of alienating his right-wing supporters and thus of endangering his own re-election. This at least he does not need to consider any more, since he is prohibited by the constitution from a third term in the White House. What he is likely to consider is how to continue building up that permanent majority behind a Republican President that he made a start on this year. Obviously at the moment it is only a temporary majority and partly at least merely an anti-McGovern one. Nevertheless the Democrats' old Rooseveltian coalition has been melting away at the edges for some time.

In his domestic policy at least President Nixon is likely to be considering how best to speed up this process.



The steadying of America

The size of Mr Nixon's victory is evidence that the Americans are coming back on course again in the world

The re-election of Richard Nixon should be the end of one myth about America. For the past eight years, since angry blacks started breaking up American cities in 1964, it has been an article of the conventional wisdom that the United States was a country so bitterly divided against itself—by race, by the Vietnam war, by the generation gap—that it could no longer play a major part in the leadership of the non-communist world. General de Gaulle used that belief to justify the sort of foreign policy he wanted to run anyway; it has helped to shape Mr Heath's ideas, and a lot of other people's. For a time, in 1968 and 1969, it almost seemed that the conventional wisdom was right, although even then things were not quite as bad as they looked to those who thought they knew America if they knew the upper middle class of Manhattan and Washington and Cambridge, Massachusetts. Now Mr Nixon's victory has shown the resilience of the other and much bigger America. The size of his majority, the issues that gave it to him, and the fact that a wet day and a moderate turnout probably actually helped Mr McGovern, are all evidence of how far the United States has pulled itself together again.

The real division has turned out to be inside the Democratic party. The faction that took over the party

At least that is what the politician that he has been so superbly up to the present would be likely to be considering. But maybe now that he has been confirmed so triumphantly in his life's ambition, purely political considerations will no longer weigh so heavily with Mr Nixon. Maybe now he will feel confident enough to be honest with the American people, as Mr McGovern asked him to be. So, maybe, as the President promised on Tuesday night, the next four years will indeed be the best in America's history.

1976 is coming

If they are, the man who gets the Democratic nomination in 1976 may be hard put to it to defeat whomever the Republicans choose to succeed Mr Nixon. While conservative Democrats are naturally claiming that the McGovern disaster was a defeat for liberalism, the Democratic candidate in 1976 seems almost certain to be a liberal nevertheless. After all, Senator Edward Kennedy is politically a good deal to the left of Senator McGovern. But Mr Kennedy also has a healthy respect for faithful party workers, whichever way they lean, and a readiness to compromise for the sake of being elected; Mr McGovern learned about these necessities too late. By 1976 the Democratic party should have digested the internal reforms which nearly exploded it this year. And by then the Republicans, faced with finding a new presidential candidate, may be tearing themselves apart in a similar internal conflict.

at the Democratic convention in July thought the country wanted to wash its hands of south-east Asia, and would be willing to support the withdrawal of half the American army in Europe; it believed that people were ready for radical changes at home, to deal with what Mr McGovern's supporters thought of as the still unsolved problems of economics and race; and it calculated that the young would vote overwhelmingly for these things even if the middle-aged did not. It was a colossal misjudgment, and it gave Mr Nixon what could well turn out to be the biggest margin of victory in the popular vote in American history.

A large majority of Americans, including a large part of the Democratic party, do not believe that the retraction from the world Mr McGovern called for is necessary. They do not believe that the problem of the blacks cannot be dealt with on the basis of the reforms of the 1960s. They do not believe that pollution cannot be controlled by the better technology provided by a growing economy. They are probably right on all these counts, and the striking thing is that the reluctance of the under-30s to believe what the left invited them to believe is hardly less marked than that of the over-30s from whom they were supposed to be unbridgeably separated. There are temptations,

and therefore dangers, for Mr Nixon in this overwhelming vote in favour of keeping America steady on its present course: some of the things that need to be done inside the United States do require radical action (see the previous article). But for the rest of the world, and particularly for America's allies, the important thing is the steadiness itself, and the fact that the very size of the majority for steadiness will now carry the recovery of American self-confidence a stage further.

The period of calm he has bought

It was Mr Nixon's foreign policy that made him unbeatable, and his foreign policy has probably given the Americans the few years of peace and quiet they need to complete the recovery. The very special character of that policy is only just becoming fully apparent. For all the glitter of his negotiating style—the descents upon Peking and Moscow, and Mr Kissinger's virtuoso performance as an airborne peacemaker—the aim of Mr Nixon's policy has been essentially defensive. He has seized the opportunity given to him by the quarrel between Russia and China, and by the fact that both of them need economic help from the west, to persuade the two great communist powers to suspend their argument with the western world. It cannot be more than a suspension of the argument. The governments in Peking and Moscow are both governments of old men, and the next four or five years will almost certainly see new leaders taking over in both capitals. Sooner or later, when that has happened, one or the other of them is going to ask whether it is good marxism to go on letting the west benefit from the private quarrels of communists; and the unique opportunity that has made Mr Nixon's policy possible may start to come to an end.

Nevertheless, those four or five years—and it could be longer, if Russia's and China's obsession about each other survives their change of governments—will have done what they were intended to do. They may have saved South Vietnam. They will have given the enlarged European community a chance to settle down into business. They will have provided the time needed for American defence policy to adjust itself to an all-volunteer army. Above all, they will have given the Americans that much longer to recover from the interlocked crises of war and racial conflict and self-laceration they went through in the 1960s.

No doubt a price will have been paid for all this; part of that price, for instance, looks like being the abandonment of any serious attempt by the west to make the Russians give a little more freedom to the countries of eastern Europe. But then the whole basis of the truce that Mr Nixon has arranged in the great ideological war of our time is an understanding that the dividing lines between the major powers' spheres of influence should remain where they are while the truce lasts. The Nixon doctrine that was set out on Guam in 1969 was never a formula, as some people thought it was, for a camouflaged retreat by the United States from its own zone of influence, in Asia or Europe or anywhere

else. It was a way of making it possible for the Americans to go on playing their part in defending the frontiers of the non-communist world without bearing quite as much of the financial and psychological burden as they had found themselves carrying in the 1960s.

This is the largely completed jigsaw into which Mr Nixon's victory on Tuesday has now been slotted. Of course, it does not mean that the relationship of the United States to the rest of the world is about to return to where it stood in the 1950s. Too much has changed for that. The United States is a relatively much poorer country than it was then: with gold and foreign exchange reserves of only \$13 billion today, compared with west Germany's \$24 billion and something like \$20 billion for Japan, it cannot afford to go on providing for ever almost the entire nuclear strength of the non-communist world and most of its strategic reserve of tanks and infantry too. It has learned how to put self-interest first in its commercial dealings with Russia and western Europe, partly by watching how its friends do it; Mr Nixon's government has sometimes managed to be simultaneously brutal and sanctimonious in matters of trade. And for the countries that depend on American military power there is always the nagging fear that the weak point in American opinion which broke under the strain of a difficult war in 1968 might break again in similar circumstances, and try to excuse its defection by explaining that the war had turned out differently from the way it expected. For many reasons, the United States cannot become again what it was in the high days of the 1950s.

Still the two great rivals

But it should also be clear that the balance of power in the world is no longer what it seemed likely to be even a couple of years ago. Mr Nixon's own oversimplified talk of a world of five great powers has begun to look curiously unreal.

If Mr Nixon's policy has purchased a few years of relative calm in international relations, western Europe is likelier to spend those years in sorting out its internal problems than in any real attempt to define a joint foreign policy. Japan will do much the same: Mr Tanaka's new government is going to concentrate on its plans for making Japan a pleasanter place to live in, rather than using its economic power for political purposes abroad. And so long as Chou En-lai is the effective ruler of China he will make it his chief business to get China's elephant of an economy off its knees. It looks like being a period when three of those five supposed great powers are going to be more concerned with their own affairs than they were expected to be, or than the other two are. It will not be exactly the old bipolar world all over again, and in matters of trade the weight of Germany and Japan will continue to make itself felt. But the odds are that for most of the rest of the 1970s the Soviet Union and the United States will be the main contenders for political power; and after Tuesday the United States seems a more plausible contender than it did before. In a way Mr McGovern did not intend, America has come part of the way home to being itself.



Closer through separation?

The hope has to be that Egon Bahr's treaty, by formalising east Germany's separate status, may eventually bring the two Germanies together

Relations between the two Germanies will not become "normal" if their new treaty goes into effect. The death strip that the east Germans have created all along the border, with its minefields and machine-gun towers, will remain, as will its extension through the heart of Berlin, the wall built in 1961. West Germans will be able to cross the line more freely, but east Germans will get very little extra freedom. Opponents of Herr Brandt's whole Ostpolitik still like to call east Germany the Soviet occupation zone, and, at bottom, that is what it still is. No amount of international recognition of east Germany is going to change these bleak facts.

But no amount of ostracism of east Germany seems likely to change them, either. And its communist masters have obtained many tactical advantages from the situation that has so long prevailed, in which western refusal to acknowledge formally the east German state's existence has jarred with western interest in its trading potential, and with growing acceptance of the need to include it in such practical matters as anti-pollution agreements. East German trade missions and tourist offices have proliferated in western capitals (and trade between the two Germanies has most particularly boomed); at all sorts of international gatherings, the Russians have been able to make western representatives squirm by raising the question of east German participation. Many a western diplomat will welcome the prospect of no longer having to make laboured explanations of a policy that had come to look ineffectual.

The saving of diplomats' blushes, however, would hardly be an adequate justification for the conceding to the Russians of an objective they have long sought. Particularly since 1968, when Mr Brezhnev marched his troops into Czechoslovakia and brutally asserted Russia's right to dragoon its so-called allies, regardless of their formal sovereignty, his aim has been to make the western governments formally accept the accomplished fact of Soviet dominance of Europe east of the Elbe. His campaign for an all-European "security" conference has been a prominent part of this strategy; and he has insisted that east Germany must attend this conference on equal terms with all other participants, its international acceptance being thereby clinched.

The best of a bad job

On the face of things, Mr Brezhnev is picking up all the prizes. West Germany has already, in the treaty with Poland that was ratified in May, accepted the Oder-Neisse frontier. This week a treaty, in which it accepts east Germany as an equal, has been initialled by Herr Brandt's government and, with elections due on November 19th, the Bonn opposition has had to muffle its criticisms, and the government's grip on the treaty has improved its

chances of winning the elections (see page 50). On November 22nd preliminary talks about the European security conference are to begin in Finland, whose government, as an enthusiastic host, will do all it can to smooth east Germany's path into this new multinational assemblage. From other capitals, offers of diplomatic recognition will doubtless pour into east Berlin now that the dam has gone. And east Germany may even draw level with west Germany in obtaining observer status at the United Nations before both are admitted to full membership of the world organisation.

The evident popularity of the new treaty in west Germany is understandable enough, simply in the light of the communist concessions about border-crossing that began to multiply even before the negotiations were completed. But the prospect of a limited increase in the number of German family reunions across the dividing line is not the only reason why this agreement may be counted as making the best of a bad job. Nor need one fall back on the vague idea that all international agreements make for a more peaceful world (there have been, in our time, a good few that didn't).

Essentially, what is being conceded to the communists is the formal recognition of a state of things that cannot be wished away. This concession itself deprives them of chances of making propaganda about western reluctance to settle Europe's unfinished business. But it is not only a matter of more easily brushing off crude accusations about "revanchist Bonn." The prospect ahead is also one of the east Germans no longer looming like reproachful wraiths over international meetings but having to come into the open, and face questioning, at such meetings. East-west talks about mutual and balanced force reduction in Europe, to take one obvious example, ought to stand more chance of being realistic if east Germany, where the most menacing armed force in central Europe happens to be stationed, is fully drawn into them.

The unnaturally strict discipline and seclusion of the communist world depend largely on the maintenance of artificial tensions. If the western participants in an all-European conference are to prevent it from simply becoming a communist propaganda circus, they must put their weight firmly on the argument that Europe cannot achieve real tranquillity until Europeans are free to visit one another and learn about one another's circumstances and opinions. The more Germans are able to do this the better, not only for the Germans but for other Europeans too; if Germans can do it, the communist case for forbidding other Europeans to do it becomes less tenable. It must be hoped that acknowledging the separateness of east Germany will in the end prove to be one step towards making the two Germanies, and the two Europes, less separate.



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BRITAIN



They weren't quite so polite in the Commons

Uproar, hilarity, verbosity and malice greet the bill

The Government had a mildly hideous week in the House of Commons over its decision to impose a statutory freeze. There were just too many quotations lying around for even the present Opposition to miss such a collection of sitting targets. But it could have been a great deal worse.

On Monday, for instance, after Mr Heath's announcement, Mr Wilson was so verbose, and so ineffectual, that it looked as though Mr Heath was going to get away with it almost unscathed. But that did not suit Mr Enoch Powell, who rose with quiet menace and delivered his lines with malicious relish. He had every intention of getting his views into the following day's headlines and of course he succeeded; no sub-editor could possibly pass up that splendid punch-line: "Has my right hon. friend taken leave of his senses?" For the first time in the afternoon there was a full-throated bellow from the Opposition benches.

And then there was Mr Jenkins. He

waited until the cross-examination of the Prime Minister was petering out again and then slid in his simple, deadly question; had Mr Heath now abandoned his constantly reiterated view that a statutory policy could only make inflation worse in the long run, or did he now regard the short-term situation as so disastrous that he could no longer afford to think about the long run?

Tuesday's debate on the economic situation was a pretty messy business; but at least it did not quite achieve the farce contrived by Mrs Sally Oppenheim, the Tory MP for Gloucester, who at question time had all-too-innocently asked Mr Heath whether housewives were to be allowed to make transferred charge telephone calls to the government offices which were monitoring prices. The Labour party howled with laughter.

But there was not much to laugh about in Mr Healey's speech when he opened the debate for the Opposition.

It was an adequate speech—better than anything Mr Healey has done since his appointment as shadow chancellor. But it was made to look rather better than it was by Mr Heath's frequent interruptions, none of which did him a great deal of good. Mr Barber followed with half a serious speech, but this was followed by his old eve-of-poll speech to the good people of Altrincham and Sale. They are clearly not a very demanding lot.

The Speaker then decided to reduce the temperature and called Mr Douglas Jay, who did the job superbly; by the time it was clear that he was going to make yet another of his awful anti-EEC speeches the chamber had nearly emptied. There were a couple of rather good backbench speeches; one from Mr Peter Tapsell, who has campaigned for months for a statutory policy (and made himself thoroughly unpopular with ministers as a result), and the other from Mr William Rodgers.

Then came Mr Powell, and the House rapidly filled. Nevertheless it was a rather arid performance. The whole crisis could, apparently, be left to the money supply. Unhappily this might mean some transitional unemployment; at this point his old allies of the Labour left realised that their hero had, after all, feet of clay.

On Wednesday Mr Barber moved the second reading of the bill tolerably well, and Mr Wilson was given his second chance. Once again he muffed it. The sad fact is that Mr Wilson now seems incapable of inflicting damage on the Government. The spark is just not there any more. Whereas the Mr Wilson of 1963-64 would have demolished the Government, the Mr Wilson of 1972 hardly marked it.

In the evening the Government got its majority without any difficulty, and on Thursday Mr Prior announced that the Government intended to guillotine the committee stage of the bill to enable it to reach the statute book swiftly; the Opposition reacted in the predictable manner of all oppositions, and the week ended as noisily as it had begun.



Shuffled pack: Walker, Rippon, Howe and Prior

Government changes

Walker going strong

The most important of Mr Heath's cabinet changes brings the rumbustious entrepreneur (and therefore skilled politician), Mr Peter Walker, to replace the trained business diplomat (and therefore rather bullable politician), Mr John Davies, at the vast sprawling Department of Trade and Industry; while Mr Davies goes off to become Mr Europe, to replace Mr Geoffrey Rippon, the politician who became a skilled diplomat *malgré lui*, and who is now allowed to go to head Mr Walker's old and almost equally sprawling Department of the Environment.

The 40-year-old Mr Walker, a self-made (or perhaps Jim Slater-made) millionaire before he was 30, is thought by many good judges, possibly including himself, to be a likely next-prime minister-but-two. He would be an unusual sort of prime minister, which is why he may not quite make it. But at the DTI, now given the absurd but apparently popular job of administering most price controls, Mr Walker will be a very interesting minister. He has displayed a considerable zest and capacity for organising and administering a department. He gives the impression of still having energy to spare. He will have a more confident touch than Mr Davies in dealing with Opposition toughies. If Mr Walker was still looking for a place to win yet more spurs, Mr Heath has found just the place for him to win them and dig them into somebody.

A major innovation is to give Mr Walker's department a second cabinet minister by appointing Sir Geoffrey Howe to look after trade and consumer affairs. His work on drafting and piloting in the Commons the Euro-

pean legislation has made Sir Geoffrey a distinguished Solicitor-General, something which cannot be said for many of his postwar predecessors in that office. His major task now will be to carry through the Commons the promised new legislation on monopolies, competition and consumer credit. By leaving a law office and accepting a wholly political one, he moves into the reckoning as a possible very senior minister indeed; one test may be if he hitches his wagon to Mr Walker's rising star, or disengages it rather quickly.

Mr Rippon, still aged only 48, now runs his first major department, and will probably become an increasingly important man. Mr Davies, shorn of a department but given a lot of work to do in handling detailed business at Brussels, may not be. The 45-year-old Mr Jim Prior, one of the Prime Minister's friends, moves from agriculture to take over the leadership of the House of Commons. His first duty was to announce the second reading of the artlessly-named Counter-Inflation Temporary Provisions Bill, which was rather bad luck.

The other changes are not exciting. Mr Joseph Godber becomes Minister of Agriculture, which many people expected him to be in 1970. Two new MPs in 1970 get jobs: Sir Michael Havers because he is the sort of lawyer who looks like a solicitor-general, and Mrs Peggy Fenner because she is the sort of woman who looks like a junior minister (she will watch over food prices). Mr Peter Kirk leaves his job as under-secretary for the navy to become leader of the Tory party's delegation to the European Parliamentary Assembly: a welcome sign the Government means to take community affairs seriously. At defence, Mr Ian Gilmour's abilities have been recognised by making him minister of state, and giving him not just his present responsibilities as minister for defence procurement but also those of

Lord Balmiel, the former minister of state, who goes to the Foreign Office at the same level. The second minister of state there is Mr Julian Amery, whose job as housing minister is taken over by Mr Paul Channon. With promotion for Mr van Straubenzee and Mr David Howell, the Northern Ireland office gets an additional minister of state, which Mr Whitelaw badly needed. Replacing Mr van Straubenzee as parliamentary under-secretary at the education department, Mr Norman St John Stevas is given some responsibility at last; just how much depends on his minister, Mrs Thatcher, who did not lean very heavily on his predecessor. Another man who must wait to see whether he has really got a job or just a title is the personable former professional broadcaster, Mr Geoffrey Johnson-Smith, who was a parliamentary under-secretary at the Ministry of Defence and will have the same rank in the Civil Service Department.

Labour party

The pleasures of moderation

The shadow cabinet election results, announced on Wednesday, were in all the circumstances fairly remarkable. First, because Mr Harold Lever, who resigned with Mr Jenkins in April, won his seat back with the greatest ease, and, second, because of the drubbing handed out to some of the more intemperate anti-marketiers. Mr Lever polled only three votes fewer than Mr Peart and was well ahead of Mr Wedgwood Benn, who did even worse than last year.

It always seemed likely that, if there were any casualties, Mrs Barbara Castle would be among them, but no one expected her to be so humiliated. Running as she did 24 votes behind the lowest successful candidate marks the virtual end of her career on the front bench. Mr Wilson may again give her a job in order to save her face, but Mrs Castle is finished politically, and she must know it.

There were other significant features of the results. There was, for instance, the triumph of Mr Reg Prentice, the shadow employment secretary, and Mrs Shirley Williams, the shadow home secretary. Both are cordially detested by the left, Mrs Williams because of her strong pro-market views, and Mr Prentice because he spoke out bravely

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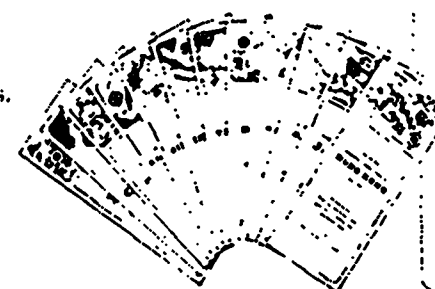
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Prentice: moderate victory

for the rule of law at the time of this year's confrontation in the docks—and when some of his more senior colleagues decided to keep their heads below the parapets. Mr Prentice and Mrs Williams shared joint top place, coming just ahead of Mr Anthony Crosland, who did rather better than last year.

However, the joy of Labour's moderates became wholly immoderate when they learned that partly because of the victory of Mr Merlyn Rees, the party's Northern Ireland spokesman—and a close friend of Mr Callaghan—Mr Peter Shore and Mr John Silkin had tied for the last place on the shadow cabinet, and that there would therefore have to be a runoff election between these two vehement anti-marketisers. This caused the left temporary embarrassment; but Mr Silkin soon announced he would withdraw.

Analysis of the voting for some of the candidates in the three shadow cabinet elections that have taken place since the general election is particularly instructive. Mr Prentice, for instance, obtained 76 votes in 1970, 95 in 1971 and 154 this year. Mrs Williams's record is also impressive: 122 votes in 1970, then 137 and 154. Mr Cledwyn Hughes (a moderate who did not quite make it) received 57 votes in 1970, then 81 and 91. At the same time, Mr Benn has moved rapidly in the reverse direction: 133-122-106.

The Labour moderates did not have it all their own way this week, though. On Tuesday, the left defeated Mr Joe Gormley, the president of the mineworkers, in his bid to be re-elected chairman of the Labour executive's international committee. Mr Gormley was suspected of having secret pro-market sympathies, so he was replaced by Mr Ian Mikardo, who can be trusted to attempt to frustrate any softening of the party's attitude towards Europe. And just to make the point even clearer the left-wing majority on

the committee appointed a delegation of hardline anti-Europeans to go to the Socialist International. All this will guarantee that the Labour party's relations with its sister parties in Europe will become even more poisonous; but Mr Mikardo is not the sort of man to worry too much about that.

Ulster

A question to be asked

Many people in Ulster persist in the illusion that the Government in London is stonily indifferent to their plight after over three years of violence. Mr Heath's two-day visit to the province next Thursday and Friday should do something to dispel such thoughts. Last Christmas, the Prime Minister spent merely a few hours in Ulster talking with the troops. This time, he wants to get about and meet as many people as possible, not just politicians and soldiers, even if this does demand tight security. Such a tour is going to be more than an exercise in reassuring the doubters. It is intended to help the Government to discover how much support really does exist in both Protestant and Roman Catholic communities for Mr Whitelaw's consultative document on Ulster's future.

The province's politicians prefer to declaim and not to argue. Only a general election in Ulster is going to find out whether they speak for many people any longer. The Protestant extremists, under the protective shelter of the United Loyalist Council, poured scorn on the green paper this week. Their leader, Mr Bill Craig, repeated his tired old refrain that unless Britain restored the old Stormont system of government Ulster was going to have to prove its loyalty with a unilateral declaration of independence. It is Mr Craig's opinion that such a drastic step would not impoverish Ulster because countries other than Britain would fork out financial loans at low interest rates. Apparently the ultra-Protestants even believe that Ulster's heavily subsidised shipyards could stay open if the province went it alone.

Such fantasy stems from feelings of frustration. At the same time, Mr Craig is clearly drawing near to a permanent break with the Unionist party with his public support for armed raids by the Ulster Defence Association across the border into the republic. All this is dangerous bluster, but that is the way they talk in Belfast these days. On

Monday, a fanatic goaded Protestant shipyard workers in Harland and Wolff by trying to blow up the giant crane which towers above the East Belfast skyline. In a matter of hours, a Protestant gang went up to the Lenadoon estate, where the IRA Provisionals' truce broke down in July, and burnt three Roman Catholic families out of their homes.

At the same time, the main Roman Catholic opposition—the Social Democratic and Labour party—heaped some faint praise on the Government's consultative document, even though its leaders felt that it “lacked honesty.” The SDLP looks as though it might be ready to talk around a conference table just so long as the Irish government gets a seat at any final round of discussions. But Mr Gerry Fitt, the main SDLP leader, had nothing but criticism for this week's appointment of a three-man commission of judges to start work on the cases of those suspected of involvement in terrorist activities. Many Roman Catholics see the new system as merely the continuation of internment under a new disguise.

The commission is intended to be a temporary arrangement until Lord Diplock's commission reports later this year on how to try terrorists without resorting to internment under the Northern Ireland Special Powers Act. The commissioners will hear cases in camera and the normal rules of evidence will not apply. They are to possess wide powers to deal with not just the active terrorists but also those who are involved in the planning and direction of acts of violence as well. Detention orders will no longer be a matter of executive decision, but Mr Whitelaw is going to retain the power to decide whether to discharge or release anybody served with a detention order by the commission.

It is hoped to safeguard the rights of both the accused and possible witnesses. A person will be given a written statement showing what he is going to be charged with not less than three days before his hearing. No suspect can be held for more than 28 days unless a chief constable has referred his case to the commissioners. A detentions appeal tribunal will scrutinise the complaints of those who insist on their innocence after their trial. Those 284 men still behind the wire at Long Kesh camp will have their cases sifted by the commission.

Such a measure is unlikely to cause much dissent at Westminster, but there could be a spot of trouble next week in the Commons when the bill for hold-

ing a plebiscite on the border issue comes up for its second reading. Many Labour MPs believe that even if the plebiscite is an unfortunate necessity to reassure Ulster Protestants, the bald question stated in the ballot paper—asking whether the people of Ulster want to stay in the United Kingdom or join the Irish Republic—will divide and inflame opinion. By the time the plebiscite is held early next year the Government's specific plans for Ulster should have appeared, so why not ask the people of Ulster instead whether they agree with what the Government has in mind for them?

Ugandan Asians

They got here, anyway

Britain's intake of Ugandan Asians was virtually complete by November 8th, General Amin's deadline. By then 26,000 had arrived (about half the number first predicted), of whom 12,500 were still in the 17 emergency camps set up by the Uganda Resettlement Board. While the national response to the immediate shelter problem has been swift and generous, this large remnant worries the board and some people even talk in terms of years rather than months for clearing the camps. That may be too gloomy. There will be long-term hard cases, but the psychological security of the camps will diminish as more and more move out—as, despite suggestions to the contrary, most are keen to do. A reluctant minority may be pushed by the rather tougher line now being taken—eg, no one who has once stopped living in a camp may return.

But the most effective way of getting the refugees on their own feet would be a Government guarantee for commercial loans to Asian businessmen setting up here. Figures from Uganda show that 28 per cent of the first 6,000 workers to apply to come to Britain were in business or management; the final figure could be as high as 40 per cent. Businessmen, of course, have lost most economically, and seem to have suffered most from Ugandan army brutality and harassment (which, to judge by conversations with refugees, seems to have been under-reported). Swift action could help restore their confidence as well as their fortunes.

Managers may find it still harder to regain their status here. Apart from the prospects generally, it is well known

that coloured people of any origin find most discrimination in managerial jobs, as a report published this week on seven firms surveyed by the Department of Employment makes clear. Meanwhile, things like the large vote won by the anti-immigration candidate at the Rochdale by-election only feed refugee fears of finding hostility outside the camps, in contrast to the friendliness within.

For the first year, local authorities can claim back in full from the Government many special costs they incur for the refugees, such as employing language teachers and refurbishing houses. Leicester (which claims to have received over 3,200 of the refugees) argues that it needs to have more support for spending after the first year. There are indeed problems; but they would be better solved by means of stepping up grants through, for instance, the urban programme rather than continuing to single out the Ugandans for long-term aid, when there may well be other groups of people, including other immigrants, who also need extra help in the local areas concerned.

Television

Open door

The British are so conditioned to professional control of television and radio that, initially, the idea of anyone being allowed to say just what he wants to say is quite shocking. Some of the things particular groups who take advantage of the BBC's experiment in public access television may want to say could be pretty shocking, too.

The experiment is to start next year. Once a week, BBC2 will hand over a slot to, in theory, any group that asks for the use of it. There will be neither political nor moral censorship; the only conditions are that there should be no breaking of the law or incitement to others to break it and no appeals for money. The BBC will provide help and facilities to any who want them but will otherwise leave the non-professionals to get on with it in their own way. The intention is to try to achieve a balance of propaganda over the course of the first year's transmissions. Mrs Mary Whitehouse, while giving a cautious welcome to the notion of wider participation, has said in effect she will believe the bit about balance when she sees it for herself. The man who is to be head of the new community programme unit, Mr Rowan Ayers, has been editor of “Late Night



Ayers: propaganda line-up?

“Line-Up,” which not even its best friends would accuse of political balance.

It would be wrong to see “Open Door”—as the new project is provisionally called—as nothing more than a judicious sop to Wedgwood Bennery. There is a genuine awareness at the BBC that unorthodox views do not get a hearing at all or are heard only within a context dictated by a producer. It is also recognised that there is a tendency in current affairs programmes to limit appearances to those who have proved they can be relied on to give a good performance: the established, the articulate and the show-offs. Coloured people, especially, complain that on the rare occasions when the immigrant viewpoint is solicited, television will wheel on one of its stage-army blacks: someone who, precisely because he is educated and eloquent, is unrepresentative. To carry that argument to its absurd extreme would mean broadcasting only inarticulate, incoherent, ill-informed opinions, a little of which can go a long way. But access ought not to be so limited a privilege.

In the United States, the Federal Communications Commission has ordained that there should be a nationwide experiment in public access television (see *The Economist*, June 3, 1972). In Boston there is a half-hour programme, called “Catch 44,” every evening, whose users have included the Society for Krishna Consciousness, the Polaris Revolutionary Workers' Movement and Gamblers Anonymous. The American experiment is altogether more ambitious than the BBC's, but then the Americans have cable television with channels in search of programmes rather than the other way about. Ultimately it is the political control of broadcasting which has made it an exclusive a medium. Only when there is political sanction for more channel (ie, cable television) will much wider public participation become a real possibility.

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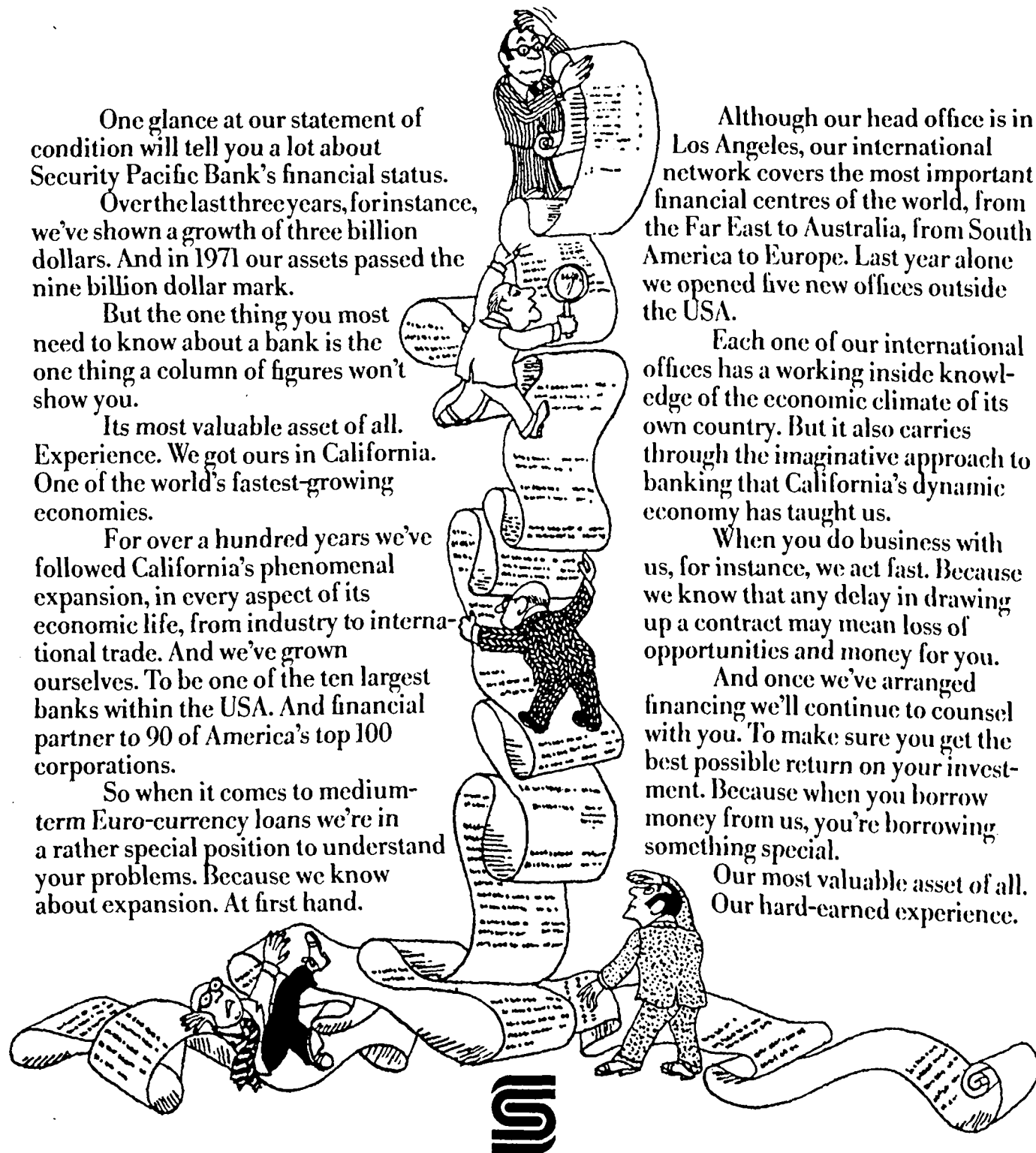
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UNITED STATES

Election Survey



McGovern the missionary, Nixon the manager—and one election issue



"...RIGHT OUT OF MY TEETH!"



Vote against change

President Nixon remarked a little after midnight on Tuesday that he had never known a national election when he could go to bed earlier. A comparison of this week's result with the state of the opinion polls in August suggests that, for any effect the campaign had on the public mind, both candidates might as well have retired to bed three months ago. In that way they would have saved nobody knows quite how much money, but certainly at least \$70m.

Mr Nixon's fifth, last, and most restless campaign for national office has brought him into the tiny company of Presidents elected by more than 60 per cent of the popular vote: Harding in 1920, Roosevelt in 1936, Johnson in 1964. None of the three terms so inaugurated can offer Mr Nixon any reassurance that a huge majority presages a happy Administration or a country easy to govern. And he, accordingly, responded on Tuesday night with gravity and little outward jubilation to the news of his resounding success.

Just why his success was so huge will be long pored over and disputed about. Admittedly the voter turnout was not high, about 55 per cent of the eligible voters and only 2m or so more than the turnout in 1968, though the electorate has expanded by nearly 20m since then both by natural growth and by the admission of young people between 18 and 21 to the franchise. The low vote could be explained by Democrats, unreconciled to Mr McGovern as their party's presidential candidate, staying away from the polls. But this does not account for the rather successful performance of the Democratic party in resisting, and even making some headway against, Republican inroads on its strength in the two houses of Congress and its hold on the state governorships.

When the electorate, those who do turn out to vote, give the Republican President an overwhelming majority and then go on to vote for Democratic Senators, Congressmen and Governors, the most likely inference is that the voters positively wanted Mr Nixon to

continue as President. Why would that be, when his lack of human charm or personal magnetism is widely admitted—among others, implicitly, by himself through his decision to hold aloof from personal campaigning—and when restlessness, apprehension and discontent appear to mark the popular mood?

The answer may be that the restlessness and the discontent generate an opposite and more than equal reaction. Senator McGovern attained the nomination by organising and representing—in the most brilliant way, a thing which his hapless failure in the general election makes it easy to overlook—the forces of dissent and for change within the Democratic party, which is their natural home. He failed completely to translate that success into a movement for change in the country. On the contrary, the idea of social change and the prospect of a government experimenting on lines which the candidate was never able to expound in any complete, lucid or consistent way filled the voters with apprehension. Apprehension was reinforced by the style of the McGovern movement, suggesting as it did the self-conscious adventurous minority: "We few, we happy few, we band of brothers," an approach which normally exerts little

Our correspondents report on the results of Tuesday's elections.

pull on those outside. As the polls have all along suggested, and the election result has made plain, the prospect of social change calls out more Americans interested in slowing it down than in speeding it up.

Mr Nixon perceived this fact and made use of it, not always too scrupulously or in ways best calculated to enlighten the public. For example, although he himself in his first year as President urged upon Congress a more generous and more rational way of administering public assistance for the poor, his speeches dwelt persistently on the evil of idleness and the right of honest working men to hold on to their own. When racial differences were at issue, Mr Nixon as President might have done something to help the public to understand why the courts have been obliged to order reorganisations of school districts and extensive busing of children to distant schools because of the failures of public authorities, from Congress down, to meet their responsibilities as regards social integration themselves. He chose a different course, knowing that protests against school busing were often a front for fears of racial intermixture in residential districts and that this particular fear of change held large electoral possibilities. When a challenger like Senator Goldwater in 1964 or Governor George Wallace in 1968 tries this kind of thing it brings him a block of minority support but no more; he is seen as a danger. When a President in office does it, he is perceived as the preserver of

the existing order; at least Mr Nixon was.

It is not accidental that Mr Nixon fared worse on Tuesday in the only one of the country's electoral units which has a black majority—his own capital, the District of Columbia. He got 22 per cent of the vote in the District, to Mr McGovern's 78 per cent. Together with Massachusetts, which Mr McGovern carried by 56 per cent to Mr Nixon's 44, this gave Mr McGovern his 17 votes to Mr Nixon's 521 in the electoral college whose members were in fact being chosen by the voters on Tuesday.

Mr Nixon has been in the public eye long enough, and in high office long enough, to be associated with continuity and authority in the general mind. People may not love him but they know who he is and they accepted the assurances against uncertainty and precipitate change that he offered them. Mr McGovern they did not know and his tireless exposure of himself, in a remorseless campaigning routine which took him from end to end of the country unrelentingly until election eve, did not correct the difficulty. People who were aware of his personal qualities could feel that, if elected, he would have made a good President. But he never succeeded in conveying to the majority what, as President, he would really be like.

In his acceptance speech at Miami Beach on July 14th Mr McGovern described Mr Nixon as "the fundamental issue of this campaign" and one

had to wonder at the time if he was serious. Most probably he was expressing a feeling, not a calculation. As he perceived, the issue was the challenger, not the man in charge. So Mr Nixon campaigned as the man in charge, offering certainty as against the unknown, asking only to be allowed to get on with his important work. He even underlined the point by sending others out to travel the country and do the speaking for him, a strategy which naturally roused the political commentators to complaint, but which turned out to work at least as well as any other strategy could have done.

Misgivings about Mr Nixon's campaign strategy concern not its demonstrated efficacy as an election-winner, but the legacy of obligations and misunderstandings which it may have left to burden the second Nixon Administration. Laid far ahead, and organised along the formal, rather bureaucratic lines which Mr Nixon likes, with timetables and sub-plots to meet every contingency that could be thought of, Mr Nixon's re-election plans went on relentlessly unfolding long after it had become plain enough that their sum total was more than was required. Had he done without some of the overkill he might have spared himself future embarrassments and prepared the ground more auspiciously for his second term. He might, for instance, have refused to permit the creation of the special fund for secret campaign operations and the secret agents of his Re-election Committee would not then

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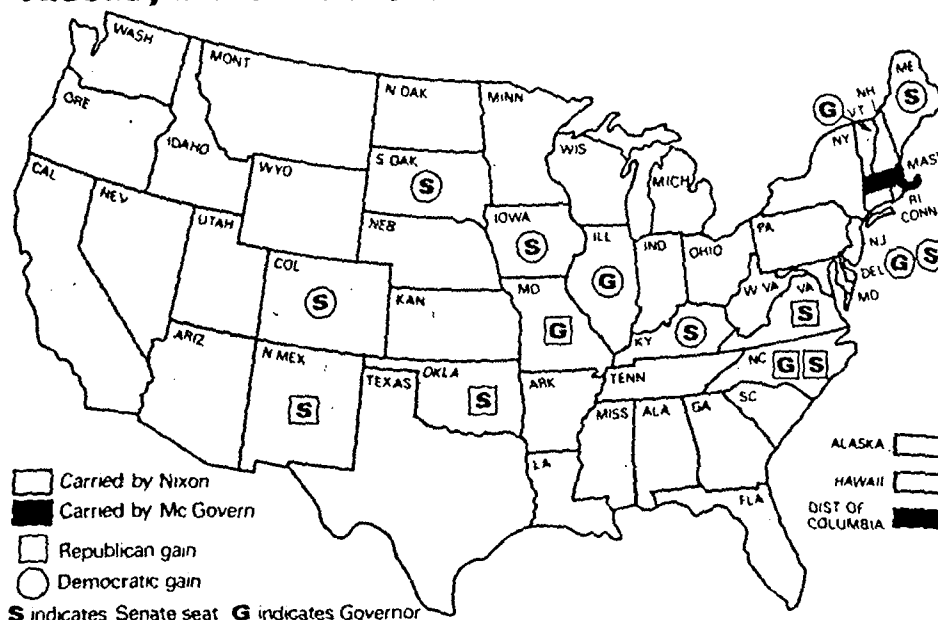
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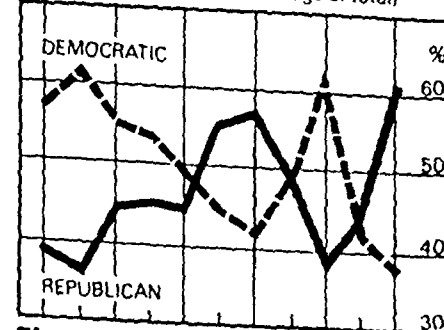
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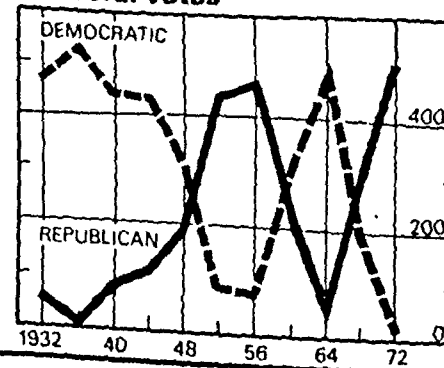


Final position	Senate	Governors	House of Representatives
Democrats	57	31	244
Republican	43(-2)	19(-1)	191(+12)

Popular votes (percentage of total)



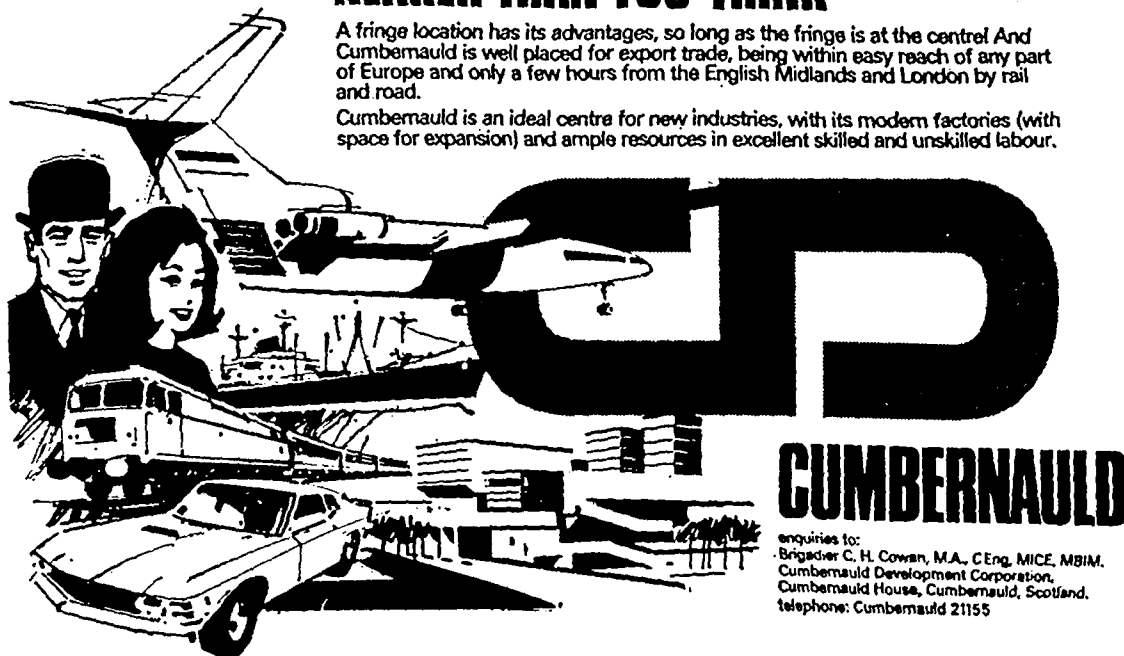
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have been caught red-handed in the offices of the Democratic National Committee. Mr Nixon, it is true, may have known nothing personally of the unsavoury things that were done on his behalf but, on that assumption, if he had not permitted the secret fund, he would have been better placed to retain control.

Having fought his last campaign, Mr Nixon may be looking forward to his second term as a period almost of trusteeship above the squalls of political life. But he cannot insulate Congress from politics and the way he planned his campaign, giving the re-election of the President a total priority over the election of Republicans at all other levels, did nothing to produce a Congress responsive to his wishes. Nor did it leave him or his assistants immune to criticism or inquiry.

Same goes for Congress

Not quite lost in the mists of time are the days when a President's landslide victory could be counted on to bring a large accretion of strength to his party in Congress. President Eisenhower's triumphant re-election in 1956 had no such effect, but President Johnson did do it for the Democrats in 1964. President Nixon's re-election this week is a landslide by any standard, but the accompanying change in Congress is undramatic. The Democrats have lost, very nearly, what they gained two years ago in the House of Representatives and have gained, very nearly, what they then lost in the Senate. For the Republicans the next Congress, the 93rd, will be the tenth in a row in which they have been in the minority in both chambers.

The likely configuration after this week's elections, give or take an independent here or there, is 57 Democrats to 43 Republicans in the Senate and 244 Democrats to 191 Republicans in the House of Representatives. Two of the Democrats elected, Mr Boggs of Louisiana (the leader of the Democratic majority in the House) and Mr Begich of Alaska, were lost in an air mishap last month and will probably have to be replaced in special elections. The relative party strengths, however, cannot change appreciably before 1974 and no great reason exists to suppose that they will then change in favour of the Republicans. While the Republicans may grumble, in some places with justice, that President Nixon might have done more to help them, the

Campaign dollars

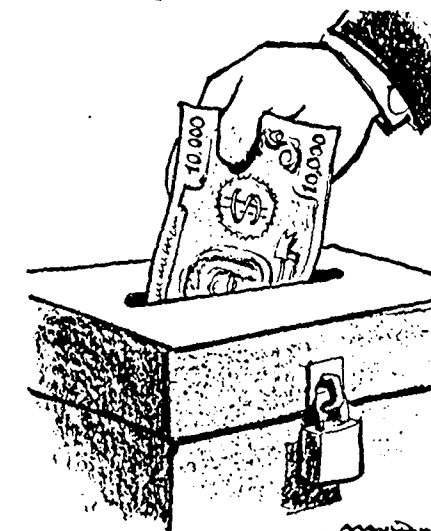
One of the mysteries of the presidential election is how the candidates of the two major parties raised and used the record sum of about \$70m they budgeted between them for their race to the White House. Until the beginning of this week the Republican party refused to disclose any of the sources of the funds, estimated at over \$10m, that it amassed before April 7th; this was the date when the new law came into force which requires the disclosure of all contributions over \$100. Then under the threat of a law suit which was scheduled to begin before the election the Republicans agreed to reveal the donations, but not the expenditure, made before March 9th on condition that the case was postponed until a later date. It is now known that 283 people gave approximately \$5m to the Republican presidential candidate up until March. It is still not known how much was raised and how it was spent during the critical month before the cut-off date of April 7th when the President's fundraiser, Mr Maurice Stans, was at his busiest and when large contributions are thought to have made their way to Republican headquarters by very devious means. Nor have the Republicans accounted for a special fund—reputedly worth \$350,000—which Mr Stans is alleged to have kept in cash in his office for secret assignments such as spying on Democrats.

Senator McGovern's campaign has also come up with its own surprises. Only a month before the election the candidate was so desperately short of money that he himself was reduced to pleading for funds. Then soon after he made his televised statement of policy on the war in Vietnam small donations started to arrive at the rate of about \$500,000 a day. With few exceptions the money did not come from the sources of financial power—rich businessmen and the trade unions—on which the party has relied in the past. Mr McGovern's finance chairman, Mr Henry Kimelman, estimates that three-quarters of the contributions came from people who gave less than \$100. The few big sums, most of which came from young heirs to large fortunes who are new names on the list of Democratic contributors, arrived in the form of loans. These were gradually being paid back as the small donations accumulated. The old financial stalwarts of the Democratic party who had no faith in Mr McGovern reacted in several ways. A few added to the flood of money pouring into the Republican coffers. But most of them either kept their money to themselves or put it in separate funds to help Democratic candidates for Congress.

The Republicans' accounts looked very different from those of their rivals. They relied mainly on large donors, or fat cats as the Democrats called them—in contrast to their own skinny cats. This year the largest gift was \$1m from a Chicago businessman who made no secret of the fact that he wanted to be the next ambassador to Great Britain. Nor did the budget for the Republican presidential candidate have much in common with the Democratic candidate's. According to the most recent reports which cover the period from the beginning of April to the end of October, the President's campaign cost \$32m—the fund-raising target was \$45m—and Senator McGovern spent \$17m. But these figures do not take account of what was going on before April nor of what happened in the last few days of the campaign when the candidates usually step up their spending. The report on the latter period will not become public until January.

Much of the money has gone on television broadcasts but neither candidate is expected to have spent anywhere near the \$14m each of them is allowed for all types of advertising. This year both parties spent much more than usual on direct mailing and the Democrats were expected to put a great deal into their last-minute drive to get people to the polls.

Not the least of the surprises this year was that the Democratic campaign for President should break even; four years ago it ended \$9m in debt. The balanced budget is in part thanks to astute management, in part to subsistence diets of peanut butter sandwiches and coffee and meagre salaries for all McGovern workers and in part to new policies brought in by the airlines, hotels, and telephone companies; this year unlike in 1968 they would not give credit.



THE VOTE THAT REALLY COUNTS

failure to produce a change this year is not entirely his fault. The Republican Party has not offered enough attractive candidates or addressed the voters on matters which concern them enough.

Concealed in the humdrum totals of Senators and Representatives is a great diversity of human events. In the Senate contests the Republicans gained seats in North Carolina, Virginia and Oklahoma and their man in Texas, Senator Tower, defeated a strong challenge by gathering in a very much bigger vote than he has ever won before. These results together with some others—for instance, that in Texas a Republican very nearly defeated the Democratic candidate for the governorship, an unheard-of event suggests that Mr Nixon's success in the South was accompanied by a Republican current there. The other Republican gain was in New Mexico, where the success of Mr Pete Domenici is probably chiefly the product of personal qualities.

Elsewhere things were very different. A Democratic Congressman in Maine, Mr William Hathaway, committed an error of judgment last winter when, believing that the Democratic presidential candidate was going to be Senator Muskie of Maine, he resolved to give up his seat in the House and contest the other Senate seat with a Republican lady believed to be invulnerable in any other circumstances—Mrs Margaret Chase Smith, who is an elegant 74. To the general astonishment Mrs Smith has been beaten after 24 years in the Senate and Mr Hathaway is to be Senator after all. Mr Nixon, however, got 62 per cent of the vote in Maine against Mr McGovern.

A similar error of judgment committed by a Polish-American Congressman from Chicago, Mr Pucinski (who had in mind that Mr Muskie was a Polish-American too), did Mr Pucinski no good whatever. His opponent, Senator Charles Percy, succeeded in proving that he could get more votes in Illinois than President Nixon himself. But the voters of Illinois refused re-election to their Republican Governor, Mr Ogilvie. At the same time as it put a Democratic Governor, Mr Daniel Walker, in the state house Illinois reduced the number of its Democratic Congressmen from 12 to 10 and increased its Republican congressional delegation from 12 to 44. This was the product of an ingenious re-drawing of constituency boundaries.

In Delaware, an industrial preserve which is supposed to be a safe place if there is one anywhere, its Republican Senator, Mr Caleb Boggs, was defeated

by a Democrat, a peace candidate and anti-industrial conservationist, Mr Joseph Biden, who will become eligible to sit in the Senate upon his thirtieth birthday later this month. Colorado was another state where the Republican Senator, Mr Gordon Allott, was thought safe from challenge. Somehow Mr Allott's prospects of re-election became involved with the controversy about having the next winter Olympic Games in the mountains of Colorado. That idea was dropped and so was Mr Allott. The next Senator from Colorado is Mr William Haskell, a liberal former Republican who turned Democrat in 1970 in protest against Mr Nixon's appointments to the Supreme Court and against the incursion into Cambodia. President Nixon, on the same day, got 63 per cent of the Colorado vote for his re-election.

Mr Nixon carried Ohio by a much bigger margin than he has had there before, 60 per cent to Mr McGovern's 39. His conservative Republican opponent of the primary election campaigns, Mr John Ashbrook, was, however, re-elected to the House of Representatives. Mr Nixon did better in California than some people had expected, winning with 55 per cent of the vote; but Mr Nixon's Republican anti-war opponent from the primary campaigns, the liberal Mr Paul McCloskey, was elected to Congress once again.

Beaten, unbowed

As Senator George McGovern conceded his stinging defeat to the President late on Tuesday night, he made it perfectly clear that he intended to continue as the head of the loyal opposition. "We do not rise to the support of policies we deplore," he told a screaming, cheering mob of followers packed into the Coliseum in Sioux Falls. "but we do love this

country and we will continue to beckon it to a higher standard." Indeed, his congratulatory telegram to President Nixon, stripped of the customary courtesies, was almost curt in tone.

I hope that in the next four years, you will lead us to peace abroad and justice at home; you have my full support in such efforts.

To his followers, his message tried to instil a sense of victory because, he said,

If we pushed the day of peace just one day closer, then every minute and every hour of this campaign was worth the bone-crushing effort.

Mr McGovern had been resigned to defeat for some days, although the faint hope lingered even in private that the polls were wrong and that he would be vindicated. But aboard his campaign jetliner, the "Dakota Queen II," in the last 48 hours of the struggle, a change came over him. He became calm, almost serene—he had done all he could, was the way an aide described the mood—and now, while he continued to fight with rising scorn and defiance of Mr Nixon ("this man Nixon"), he was no longer shrill. He drove early Tuesday from Sioux Falls, a small prairie town evocative of Sinclair Lewis's "Main Street," across 75 miles of farm country to vote at a church in his former home in Mitchell. Then he returned to await the returns in his hotel suite. He slept for two hours and, when he awoke early in the evening, he and his staff decided not to prolong the agony, to concede the election and get it over with.

In his statement, he pleaded with the young voters who had begun their political involvement with this campaign not to abandon the system. The Democratic party was improved because of the reforms they—and he—had instituted. So was the United States, he said, "because we never once gave up the battle to renew its



McGovern concedes with his family around him

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ideals." As a leader of the young, new voters in the Democratic party, Mr McGovern's future was assured. But how he would fare with the older, establishment politicians was another question.

The first test is scheduled for December 9th, when official posts in the party's national committee will be reconsidered. The McGovern faction, which won control of the party at the nominating convention in July, will find itself severely challenged at these elections, particularly in the case of Mrs Jean Westwood of Utah, whom Mr McGovern chose to become the first chairwoman in history. His Senate seat does not have to be contested until 1974, so he has two years in which to try to recapture his sagging power base in South Dakota, needed if he is to maintain a national platform in the years to come. As to running again for President in 1976, the answer, Mr McGovern said on Tuesday, was "No. I really mean that."

Governors gain

The races for 18 governors have brought the Democrats some consolation. While losing North Carolina and Missouri, they gained Vermont, Delaware and Illinois. In Illinois and Delaware it was really the question of state taxes that brought both Republican incumbents down. Mr Sherman Tribbitt's promise to the voters of Delaware to be more fiscally responsible was enough to give him the edge in a close fight with the incumbent Republican, Mr Russell Peterson.

In Illinois the tax issue was also behind the narrow victory of the Democrat Mr Daniel Walker over the Republican incumbent, Mr Richard Ogilvie. Mr Walker's victory is remarkable because he is in no sense a friend of Mr Richard Daley, the Mayor of Chicago who is one of the most powerful Democrats in the state. Mr Walker

was the author of the report that described the troubles in Chicago during the Democratic convention in 1968 as a "police riot." Vermont was perhaps the most unusual of the Democratic gubernatorial victories because Mr Thomas Salmon was an avowed McGovern liberal and it is difficult for any Democrat, let alone a liberal one, to get elected in this conservative state with its long history of voting for Republican candidates.

But in the South Mr Nixon's coat-tails do seem to have had an effect on the governors' races. In North Carolina the Democratic candidate, Mr Hargrove Bowles, ran a well financed and efficient campaign, stressing all the right issues and promising no new taxes, while dissociating himself from the unpopular Democratic governor who was unable to run for another term and from Senator McGovern. But the Republican, Mr James Holshouser, who trounced Mr Bowles in this race, seems to have succeeded in making people believe that Mr McGovern and Mr Bowles "are like two peas in a left-wing pod." Missouri now has in Mr Christopher Bond not only its first Republican governor since 1940 but, at 33 years old, its youngest ever.

The closest race of all was in Texas, where the Democrat, Mr Dolph Briscoe, just scraped in with 48 per cent of the vote from the Republican, Mr Henry Grover, with 47 per cent of the vote. Mr Briscoe thought himself so far ahead that he scarcely did any campaigning until the last two weeks. Part of the reason for this near upset was the emergence of a Spanish-speaking candidate, Mr Ramsey Muniz, of the Raza Unida party, who got 5 per cent of the vote—much of which would have normally gone to the Democrats. Another reason for the poor showing in this traditional Democratic bastion was the "Democrats for Nixon" movement led by the Texan Mr John Connally. Some of these Democrats may have gone on to vote the whole

Republican ticket, although Mr Connally did not urge this.

In this disastrous year for their party's presidential candidate conservative Democratic governors who were running for re-election increased their majorities. Governor Dale Bumpers of Arkansas won a second term with nearly 80 per cent of the vote and Mr Calvin Rampton of Utah and Mr Robert Docking of Kansas also increased their majorities.

Two races which were expected to produce upsets and did not were in Washington and West Virginia. In the former state, the Republican incumbent, Mr Daniel Evans, a liberal, was accused by his Democratic challenger and former governor, Mr Albert Rosellini, of allowing the numbers of those employed by the state to double and of raising taxes. But in September Mr Evans took clever evasive action by asking for a constitutional amendment to limit property taxes and calling for a task force to monitor state spending and efficiency. So—with perhaps a bit of a ride on those Nixon coat-tails—Mr Evans has been returned for another term. In West Virginia the most spectacular, and certainly the best financed, bid to oust a Republican governor failed. Mr Jay Rockefeller went down to the Republican incumbent, Mr Arch Moore.

Lone hold-out

Long before Massachusetts went to bed on Tuesday night it knew that it had earned a lonely distinction: it was the only state to deny President Nixon its electoral votes and its only company was the nation's capital, the District of Columbia. Sophisticated Democrats wondered with a shiver whether the new Nixon Administration would make the state pay for its recalcitrance by slowing down the flow of federal funds—something which the Republican Governor, Mr Sargent, was quick to deny and something which the easily re-elected Republican Senator, Mr Brooke, will do his best to prevent. Mr McGovern did much less well in Massachusetts than Mr Humphrey did in 1968, carrying it by only about 200,000 votes compared with a majority of 700,000 for the Democrats four years ago.

Mr Nixon never counted on carrying Massachusetts—he called it Kennedy country. But the reasons why the Bay State stuck obstinately to the Democratic presidential candidate go deeper than that. Massachusetts has been the most militant anti-war state

in the country. The state's longstanding opposition to the war flows naturally from the fact that its greatest industry is education. Its hundreds of universities and colleges gave the peace movement its leaders and the Democratic party its volunteer workers, drawn from among staffs as well as students. Their "sign it now" placards as Mr Nixon sought more time for negotiation with Hanoi showed that they remained unconvinced that he was determined to end the war.

What is more striking is that so many regular Democrats and voters from ethnic groups—the Italians, the Irish, the Poles—found their way back to the McGovern standard after their initial alienation at the time of the Democratic convention. Mr McGovern carried Boston by a smaller margin—two to one—than did Mr Humphrey in 1968, but he won support from the Irish, the Italians and the Poles in the city and he carried most of the smaller cities and big towns. The urban vote is almost the whole story in Massachusetts and there the unions were helping Mr McGovern. Mr Nixon's "Catholic strategy" worked in many places but it failed in Massachusetts, which is just over half Roman Catholic. Some of the working-class ethnics stuck with Mr McGovern for economic reasons (joblessness is running nearly 2 per cent above the national average in Massachusetts), some from Democratic habit. But the peace issue was apparently the strongest element in their decision.

First voters

This was the year when 25m voters between the ages of 18 and 24 were allowed to have their first say in how they wanted America run. The young gave a higher percentage of their vote to Senator McGovern than their elders. But they are by no means the left wing radicals of popular belief. Those who went to the polls voted equally for the Democrat and the Republican. Senator McGovern's support came from college students. While they are heavily outnumbered by the more conservative, wage-earning young they are thought to be more conscientious about registering to vote and going to the polls. A correspondent in Michigan reports on Mr McGovern's student followers:

While the polls showed that Senator McGovern still had the support of a majority of college students his organisation had difficulty in recruiting the student volunteers who were expected to be the bedrock of his campaign. Students at large well-



Young people get their first ballots

known activist colleges like the University of Michigan turned out in droves for Mr McGovern's infrequent visits to campuses but they did not flock to work for him.

During the fight for the Democratic nomination it was not unusual for the McGovern campaign to organise busloads of students from several surrounding states to converge for a weekend on one key city in a state where a primary election was being held and do a blitz door-to-door selling job while being put up and fed by friendly local residents. The door-to-door canvas remained the focus of the McGovern efforts and student volunteers were needed more than ever since the traditional suppliers of manpower in a general election—the trade unions and the local Democratic party organisations—were sitting on their hands in many communities.

But young volunteers did not come forth in large enough numbers. The word was that "the students don't want to spend time when they think McGovern is going to lose." But it was not simply the losing image which hurt Mr McGovern in the colleges. He was damaged by his national advisers' deliberate attempt to blur his image as the radical champion of youth, the image which turned the students on in the first place. Said one member of the McGovern staff in Michigan bitterly: "George McGovern isn't a sexy hero any more to the students. Now he's just another politician."

A lingering part of his problem on the campuses was the sympathy of students for his deposed vice-presidential candidate. Other complaints frequently heard were that Mr McGovern lost his purity

by associating with old-line politicians like Mayor Daley of Chicago and by modifying some of his social welfare proposals in order to deradicalise himself. Perhaps most important, the war in Vietnam had ceased, even before the latest peace moves, to be the burning issue at colleges that it was when Mr McGovern drew cheers on innumerable visits to universities during the two years of his lonely pursuit of the nomination.

Some McGovern organisers argue, however, that it would have made little difference if the Senator had hewn harder to some of his more controversial proposals like amnesty for those who evaded conscription or grants to provide a minimum income. They feel that he was a victim of the abrupt decline in activism at college, reflected in the eagerness shown by first- and second-year students to turn their backs on the turmoil of the 1960s.

Yet, in spite of this apathy some students did sign up to work for Mr McGovern. Furthermore the majority of the full-time paid McGovern campaign organisers in Michigan—and elsewhere—were in their early or middle twenties, indicating that young people are very likely to play a large part in the future of Democratic party politics even though Mr McGovern has lost.

Message from the medium

Television was more important in this presidential campaign than in any previous one, since only through it could the relatively unknown and much misrepresented Senator McGovern hope



New heads of state: Walker, Holshouser, Bond, Briscoe

to spread his name and his true, far from radical, image into every voter's home. His half-hour paid television programmes had, on occasion, up to 30m viewers, according to Broadcasting magazine, while probably not more than 1m altogether saw the candidate in the flesh as he criss-crossed the country. But his travel schedule was planned to ensure that he appeared on as many news programmes, local as well as national, as possible each day.

Even so Mr McGovern's managers felt that television's news coverage had been biased and unfair to him. So they made desperate attempts to do with bought time what could not be done in free news time and counteract the dismal effect of the opinion polls which showed the President to be so far out in front that there was no real contest.

Indeed there was no real contest so far as television was concerned. Wisely Mr Nixon refused to appear in debate with Mr McGovern. The general result was that Mr McGovern seemed to be forever on the screen while the President's appearances were nicely timed to give the impression that he was too absorbed in national and international affairs to have any interest in campaigning. But such affairs could be arranged, to ensure that he was seen on television whenever he wanted.

So far as paid political broadcasts were concerned, Mr Nixon himself concentrated on radio, broadcasting a series of half hour-long "white papers" on matters of policy. Even if few people actually listened to these, they were always fully reported in the newspapers. Until the last weekend of the campaign, when Mr Nixon did take to the television screen, he left that type (and most other types) of campaigning to his "surrogates." They could attack Mr McGovern more harshly than would be becoming from a President.

Senator McGovern began by trying



A cat may look at a candidate

to hit three separate television "markets" a day. Then this exhausting strategy was changed for mass rallies with crowd drawers like Senator Humphrey or Senator Kennedy alongside on the platform; but the cameras tended to focus on them rather than on the candidate. So then Mr McGovern began to stride, laughing and confident, through large out-of-door assemblies. This time the cameras showed the masses to be mostly blacks, Mexican-Americans and young people and the commentators pointed out unkindly that this was holding the hands of the faithful rather than grabbing converts. After that Mr McGovern switched to half hours of "fire-side chat" in prime viewing time.

He also undertook a series of "telethons," question and answer sessions tailored to local interests and viewed only locally or regionally. Viewers telephoned in their questions which were filtered through the Senator's staff. One purpose of the filtering was to suppress questions which were obviously easy or friendly and to pass on to the candidate questions about matters on which he felt that he was being misrepresented. The local campaign organisers felt that the telethons were more helpful to them than the reports and addresses prepared for the entire country.

In addition to the half-hour programmes, shorter commercials (very short in Mr McGovern's case) were put out both on the networks and on individual television stations by the national campaign organisations. The accepted view this year has been that the Madison Avenue approach only alienates voters. The new criticism is that the election commercials have now become too much like documentary films and news reports.

The Committee for the Re-election of the President was responsible for a series of six or seven minute programmes, showing Mr Nixon visiting China and Russia or looking after the environment, ending with the punch line: "That's why the country needs President Nixon." Democrats for Nixon, however, rejected this positive line and in their hard-hitting commercials attacked Mr McGovern directly. Mr McGovern's own commercials began by being low-keyed, often showing the candidate explaining his views to a small group of factory-workers or other voters. But in the desperate last days of the campaign another producer was responsible for a new series of McGovern spots, aimed sharply at the President.

A vote for death

Voters in Colorado do not want to have the 1976 winter Olympic Games in their state. In Michigan they decided not to permit abortion and in California an overwhelming majority want the death penalty back again and want the smoking of marijuana to remain a crime. These are just a few of the numerous issues that shared the ballot on Tuesday along with the candidates. Voters in 44 states had a chance to show their feelings about such things as raising money—never popular these days—a cleaner environment and education; they also had their say about new and old taxes, lotteries, judicial and constitutional reforms and the liberalisation of liquor laws.

In California the voters were faced with 22 propositions, the largest number in any state. A correspondent there writes about the campaign to reinstate capital punishment:

Last February, California became the first state to abolish the death penalty as an "impermissibly cruel" and "unusual" punishment in the light of contemporary standards. But during the summer police, district attorneys, sheriffs and prison guards, encouraged by Governor Reagan, successfully banded together to get more than 1m signatures on a proposition putting this question before the voters. This was a backlash against the ruling of the state's supreme court which in February took 107 people off death row and gave them life sentences instead. Law enforcement men campaigned vigorously to restore the death penalty on the grounds that it is an appropriate penalty for those who kill and that the threat deters crime.

A majority of the American Supreme Court ruled this summer that by today's standards of decency the death penalty is too cruel and unusual a punishment to be acceptable under the Constitution. But the various and complex opinions handed down—there were nine in all—appear to permit capital punishment when it is a mandatory penalty and not one left to the discretion of juries. California police contended, therefore, that the state could restore capital punishment as a mandatory penalty for such crimes as the murder of a prison guard by a man who is serving a life sentence. The California proposition now opens up the door to drafting such laws. There were few who fought against the restoration of the gas chamber and they were poorly financed.



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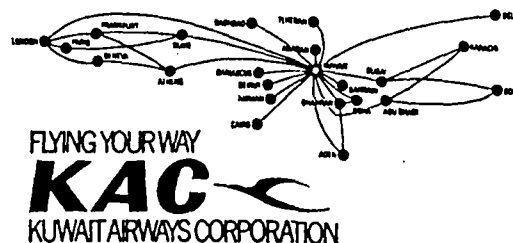
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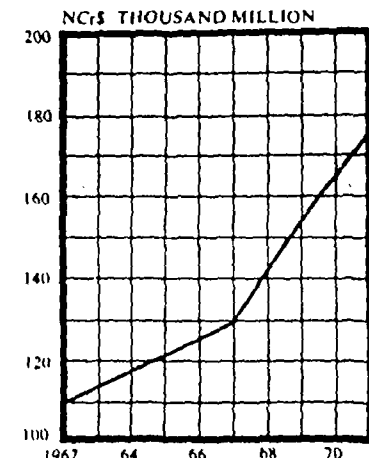
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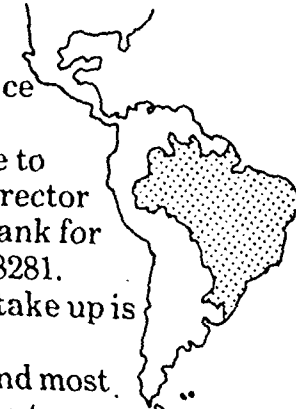
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THE WORLD

International Report

The end of the long, long trail awinding from Uganda

FROM OUR UGANDA CORRESPONDENT

With the help of a piece of semantic jiggery-pokery engineered by the United Nations, General Amin's deadline for the expulsion of Uganda's non-citizen Asians was met at midnight on Wednesday. Two days earlier, faced with the impossibility of all the Asians leaving in time, the Ugandan authorities agreed that the UN should set up so-called departure centres, where those who remained would stay under UN protection until flights became available. On Thursday morning, while Asians who are Ugandan citizens reported for a head-count, about 1,500 stateless Asians waited patiently in two hastily converted Sikh temples and a Hindu community hall, bedecked with UN flags. United Nations officials explained that, so far as the Ugandan authorities were concerned, technically they had already left.

Several factors were responsible for the final bottleneck. General Amin's announcement that Asians who are Ugandan citizens would have to leave their homes in the towns and live among the African peasantry in the villages led about 1,000 to discard their citizenship and plead statelessness in order to get out. There were delays in aircraft movements, and on the eve of the deadline a public holiday was declared for the Moslem feast of Id el-Fitr. There was even last-minute confusion over when the deadline actually fell, the result of an error in official arithmetic. But all these problems were of less importance than the seeming unconcern of the international community.

In the week that followed the appeal by the UN Secretary-General, Mr Kurt Waldheim, for transit facilities for stateless Asians from Uganda, Austria agreed to provide temporary accommodation for 1,200, Italy for 1,500 (later reduced to 940), and

Belgium for 300. Britain, India and Pakistan, which after Uganda itself bear the largest share of responsibility, have remained conspicuously silent, waiting, no doubt, for other smaller countries with fewer resources and more compassion to come forward and help—as in the end they did. But it was not until a few hours before the deadline that Malta offered 400 places, Spain 500, Greece 100 and Morocco 300. Austria and Belgium had meanwhile increased their earlier offers. The German embassy in Kampala had resolutely resisted the suggestion that the Olympic village might make an ideal transit centre, and there was no offer from France, which, with Portugal, is the only west European country not to give assistance in any shape or form. Apart from the situation of these

stateless Asians, the final stages of the exodus proceeded smoothly, although there is as much confusion as ever on the statistical side, mainly because a sizeable group of Asians took out several options. A British Asian, for instance, may have had entry documents for as many as four countries—Britain, India, Canada and Australia—and some of them did. None the less it appears that about 24,000 Asians have settled in Britain—the majority requiring entry certificates but some travelling on exempted passports. Another 3,500 British Asians went to India and Pakistan, and perhaps 2,000 to Canada. Perhaps 500 more have gone to Australia, Malawi and the United States.

Canada has also taken some 1,500 stateless Asians, the United States 800, India about 300, and Switzerland 200. Smaller numbers have gone elsewhere, and several thousand have travelled out as dependants of British and Indian passport-holders. The signs of their leaving are everywhere to be seen. In Kampala alone, three-quarters of the businesses are now closed. On the main street, Kampala Road, there are places



Stateless, in Switzerland, in transit. To where?

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where one can walk along virtually deserted pavements for two or three hundred yards past an unending facade of barred shop-fronts. Over 1,000 formerly Asian-owned businesses have now been advertised in the Ugandan press, with a combined value of some £20m. The government, giving warning of "temporary difficulties" to be overcome, has ordered meetings at a local level throughout the country to decide how they shall be parcelled out. Where the money and knowledge to operate and pay for them will come from has not been disclosed.

If there is doubt about the future of the businesses the Asians have left behind, there is scarcely less uncertainty about the future of the Asians who have remained. It is estimated that 2,000-4,000 who are Ugandan citizens may have stayed, and perhaps the same number of non-citizens exempted by virtue of their professional qualifications. At Thursday's head-count, those holding Ugandan citizenship had to indicate to which villages they wished to be sent. Their rustication, explained a Ugandan spokesman, was necessary "in order to achieve unity, understanding and co-operation among all Ugandan citizens... regardless of their origin." Quite what form the rustication will take has yet to be made clear, but it is expected that when it is the great majority will leave for India.

The final stages of the Asian exodus and General Amin's new moves against Uganda's Asian citizens have temporarily overshadowed other developments affecting Uganda's 8,000 Europeans, and in particular the British. The general has promised that the future of British expatriates will be made clear at a meeting with some 300 representatives of the British community to be held in 10 days' time, but in the meantime it seems certain that he is not contemplating any mass expulsion such as he inflicted on the Israelis in April and the Asians more recently. General Amin's relationship with Britain is too equivocal for that. At the same time there is little doubt that British-owned tea and coffee estates here will be Ugandanised in much the same way as the Asian-owned businesses, and the same fate may ultimately await most British and other foreign-owned companies here. In the end this could have much the same result as the wholesale expulsion of Britons. But events are unlikely to move that far unless the British Government retaliates, and General Amin lets that be his excuse to force the pace.

Germany

Neat from any angle

FROM OUR BONN CORRESPONDENT

It was no accident that a general relations treaty between the two Germanies was initialled in Bonn on Wednesday afternoon—just 11 days before the west German elections. Many a hand had been laid on the collective heart of the government to call the opposition and the electorate to witness that the election date had no bearing on the manner and the speed of the negotiations. But November 19th seems mightily to have concentrated the minds of those veteran negotiators, Herr Bahr of Bonn and his east German counterpart, Herr Kohl, not to mention the ambassadors of the four "occupying" countries, whose agreement last Sunday in Berlin provided the requisite umbrella for the treaty.

The Soviet Union and east Germany wanted the treaty in the bag before the possible takeover in Bonn of the Christian Democrats, who have no loyalties to Herr Willy Brandt's notions of Ostpolitik. And the treaty is all of a piece with the Soviet policy of maintaining the political status quo in Europe by a steadily growing patchwork of agreements. For Herr Brandt's Social Democratic government the intra-German treaty is the culmination of the Ostpolitik and a mechanism whereby German may speak peace unto German. The opposition finds the concept bizarre when people still get shot trying to escape from the east.

The treaty, with a short preamble and 10 articles, simply attempts to establish a modus vivendi between the two Germanies in the absence of a

peace treaty. It provides for the entry of both states into the United Nations (the west German application is likely to be in January), and also for the exchange of "representation" without actually saying what the men doing the representation will be called: the east Germans have been pressing for ambassadors, and the west Germans want just representatives. The vexed question whether Germany is two countries or two states within one nation has evidently been shelved for the time being. The preamble makes reference to different views on the national question, as well it might. Clearly, west Germany's hope of eventual reunification that is embedded in its constitution and east Germany's insistence on its own complete sovereignty have proved impossible to reconcile. The west German government hopes to persuade the Bundestag to swallow this by presenting a letter to the east German government laying down its eventual aim of reunification. This the east Germans will apparently accept.

The treaty, if and when ratified by the next Bundestag, will certainly help those living in districts on the border, which has now been declared inviolable. People in 56 districts severed by it will be allowed to cross from west to east nine times a year for a total of 30 days. There are to be four more border crossing points in addition to the existing five. Even while the treaty was being negotiated, there were improvements at the human level. The east Germans proclaimed a progressive amnesty to begin on November 1st for both political and criminal prisoners. As many as 30,000 people may eventually be involved, with the promise of some 2,000 to arrive in the west by the end of this month. Hundreds of people have been able to leave the east to rejoin their families



The French, Russian, British and American ambassadors provided the umbrella

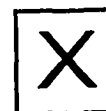
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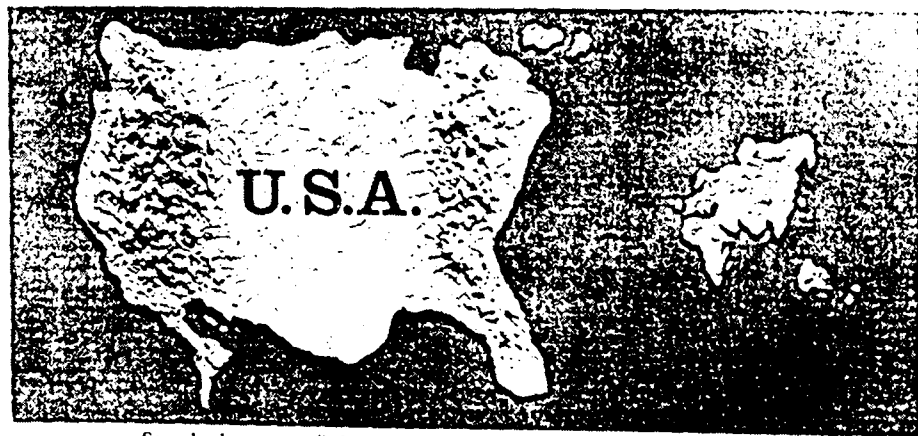
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in the west, and 25 east German fiancées have been reunited with their betrothed in west Germany.

Russia, moreover, saw fit this week to dangle its own particular carrot in front of the march of the Ostpolitik. The Soviet Union has promised that 1,800 ethnic Germans are to be repatriated. An advance party arrived this week. These are from the number of so-called Volga Germans, who settled on the banks of that river in the time of Catherine II and who, in a subsequent century, were sent to Siberia by Stalin.

Perhaps Herr Brandt, like some latter-day Peter the Great, operating in the reverse direction, has "pierced a window to the east." The Christian Democrats do not much like what they see through that window nor the allegedly hasty manner, in a very brittle electoral situation, in which it was put into place. Herr Barzel, the opposition leader and alternative chancellor, is already pointing out, with memories of the passage through the Bundestag of the Moscow treaty still fresh in his mind, that a treaty can be "improved" between initialling and signature.

The signing will take place only after the newly-elected Bundestag has convened, and by then Herr Barzel could be chancellor. He must surely recognise, however, that if he tries to renegotiate or "improve" the treaty the east Germans have a consummate ability to sit on their thumbs. The treaty is a bad electoral wicket for the opposition, since it cannot condemn outright an improvement in intra-German relations and certainly not the release of so many people from the east. It can only continue to hit the government where it hurts most—inflation and the economy.

For the Social Democrats, the treaty brings a new twist to their whole election strategy. The elections can now be presented as a plebiscite to endorse the Ostpolitik in general and the east-west Germany treaty in particular. The treaty was a neat move, whichever way you look at it.

Barzel woos the Ruhr

FROM OUR SPECIAL CORRESPONDENT
Düsseldorf

As might be expected, electioneering in the heart of the Ruhr is aimed mainly at "the working man." But just who he is, how he may vote, and what the rival parties are offering him, remain

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Barzel and friends get the treatment

tantalisingly obscure. Communist posters invite him to vote on November 19th for "social progress, democracy and peace, against big capital"; Social Democratic ones offer "secure jobs and healthy finances"; and, with even briefer imprecision, the Christian Democrats dangle the carrot of "stability." The Free Democrats are emitting such mousey squeaks that one understands Herr Willy Brandt's fear that his junior coalition partners may fail to get back into the Bundestag and so perhaps deprive him of a majority.

The party strategists unanimously agree on the importance of this stretch of Germany between Dortmund in the east and Cologne in the west. Here trade unionists, employers and Catholics are unusually thick upon the ground—the trade unions with millions of votes, the employers with millions of marks, and the church conferring or withholding an incalculable divine blessing on human enterprise. So this week Herr Brandt's sole challenger for the chancellorship, Herr Rainer Barzel, came to the Ruhr to show his paces and explain himself. Thousands of curious voters cheered or booed the Christian Democratic leader at an efficiently staged rally in Essen on Monday night and at another in Düsseldorf on Tuesday.

Herr Barzel catered calmly and dexterously for his variously minded listeners. They were mostly young, sombrely dressed in keeping with the weather. But all sorts were conspicuously there—bosses, foremen, office and manual workers, clergymen, housewives, and a lively seasoning of students of both left and right. Unusually strong contingents of police, with pistols and dogs, watched outside for trouble that never came.

As the conservative alternative to

Herr Brandt, Herr Barzel was at a disadvantage and admitted it. He handled Ostpolitik gingerly since, he rubbed in, he did not know at the time of speaking the text of the general basic treaty between the two Germanies which would probably be initialled by the end of the week. Similarly, pleading involuntary ignorance of the true state of the country's finances, he declined to give details of the Christian Democrats' cure for inflation. Instead, he concentrated on exposing current threats to the sensitive young plant of west German democracy and to the freedom of the individual. The Christian Democrats' "social market economy"—fostered by Herr Erhard and now publicly supported by Herr Schiller, Herr Brandt's former minister for economics and finance—preserved essential liberties whereas socialism eventually destroyed them, he claimed. Further, German freedom would be made safer, he said, through strengthening existing ties with the west rather than by dealing obscurely with the communist east.

All in all it went down well. And Herr Barzel raised the loudest applause when he hit out at the wild, young left-wingers, who, he said, were being encouraged to proliferate at the universities and preach disruptive class warfare. One thing was sure, he added, apparently to everybody's delight: nobody wanted his children to be taught by marxists.

Ireland

Lynch pays out his line

FROM OUR DUBLIN CORRESPONDENT

The government of the Irish republic is now moving on several fronts with the declared aim of contributing to a solution of the Northern Ireland problem. A referendum will be held next month to change the republic's own constitution; new legislation intended to curb IRA activity is being drafted; and a positive response to the British green paper is in the making.

The referendum, to be held on December 7th together with one on the lowering of the voting age to 18, will seek to remove from the constitution clauses that recognise the "special position" of the Catholic church and name other denominations that are permitted full religious freedom. Although the existing constitutional provision confers no practical advantage on the Catholic church, whose status here is

environmental rather than legal, it is resented by liberals who oppose special recognition of any church and by those who feel that it offends northern Protestants. The removal of the provision is supported by all political parties and is not opposed by the Catholic hierarchy. The prime minister, Mr Lynch, is taking no risks in putting it to the people. Both the referendum proposals are expected to obtain overwhelming majorities on December 7th.

Tougher legislation against the IRA had already been promised by the minister for justice, Mr Desmond O'Malley. In a radio interview given last weekend he forecast that it would probably be introduced before the end of November. A number of potential convictions have been frustrated in the past simply because suspects had no incriminating evidence, such as IRA membership cards, on them at the time when they were arrested. The minister may now be planning to bring such people before the existing special courts, offering circumstantial evidence and transferring the onus of proof to the defendants. Meantime he is, to use his own word, "harassing" the IRA and Sinn Fein organisations. Mrs Moira Drumm, the vice-president of the Provisional Sinn Fein, has been arrested and charged with inciting

people to procure arms.

On the political front Mr Lynch is developing a new approach to northern Unionists, seeking to convince them that they would have more power in his "new Ireland" than Britain is likely to offer them in the forthcoming white paper. In a characteristically restrained speech last weekend he welcomed the British green paper as "a constructive contribution to public discussion." He argued that the paper's suggestions about the form of a future assembly in Northern Ireland and about control of security being retained in London would provide only limited power to Northern Ireland, whereas, in contrast, "the people of Northern Ireland could have a very powerful and positive role in an Irish context." The choice for Northern Ireland, he contends, is between having "a small political voice in a United Kingdom context" and obtaining "a positive and major role in the affairs of Ireland."

Mr Lynch sees the proposed all-Ireland council as the main institutional channel through which the northerners would be given this role. At first, the council would confine itself to economic and social matters, but it could go on to acquire wider functions; and since its decisions would require the separate

agreement of both north and south, it would give the north a real voice in decision-making.

Mr Lynch declared his readiness for "negotiations" with the British Government and for "discussions" with the political parties in Northern Ireland. The distinction between "negotiations" and "discussions" was deliberate. In response to northern sensitivities, Mr Lynch is apparently moving away from his former proposal of four-sided talks between the London and Dublin governments and representatives of Northern Ireland's two communities, which could be seen as interference in Northern Ireland's internal affairs. He now envisages decisions being taken by the two sovereign governments after discussions at a more local level with the Northern Ireland parties.

The indications in Dublin are that Mr Lynch will lend his weight to the developments foreshadowed in the green paper. He will also urge the Social Democratic and Labour party in Northern Ireland to co-operate more fully with Mr Whitelaw, although the growing tension between the SDLP's leader, Mr Gerry Fitt, and its chief whip, Mr Paddy Devlin, and its approach to Sinn Fein for discussions may make him wary of too close an identification with it. Mr Lynch will

also want to play down his support for the green paper to avoid Sinn Fein charges of collaboration with the British and to avoid identification with the proposed plebiscite on the border issue.

The plebiscite is regarded by the Dublin government as unnecessary and dangerous, although it is recognised that it may be the price Mr Whitelaw has to pay for progress in other directions. So far, Mr Lynch is resisting demands that a similar plebiscite should be held in the republic on the same day in order to show that there is a majority against partition in Ireland taken as a whole.

The opposition parties in Dublin broadly support Mr Lynch's views on Northern Ireland, but they feel left out in the cold. They would like the prime minister to set up an all-party committee to develop an agreed policy, and both Fine Gael and Labour spokesmen are calling for more substantial constitutional changes than those proposed in the forthcoming referendum. Mr Conor Cruise O'Brien of the Labour party has also accused Mr Lynch of using the Northern Ireland developments to distract the attention of the republic's people from what he describes as the highest rates of inflation and unemployment in Europe.

Turkey

The Republicans walk out

The main casualty of Turkey's latest political crisis turned out not to be the government of Mr Ferit Melen but the Republican People's party which set it off. By Wednesday 25 of the party's representatives in both houses of parliament had followed the example of their former leader, the veteran Mr Ismet Inonu, and resigned from the party. Among them were four of the five Republican ministers in Mr Melen's cabinet.

The RPP decided on November 4th that it would no longer support Mr Melen's government and ordered its five ministers to resign. The party leader, Mr Bulent Ecevit, accused the prime minister of being too much under the influence of the right-wing parties in his coalition, particularly in his measures against left-wing intellectuals and in his attitudes to economic and social reforms. Although Mr Melen could still command a majority in parliament, the RPP's move knocked a hole in what was supposed to be a national government.

The following day Mr Inonu, who had been party chairman for 34 years until he was replaced by Mr Ecevit in May, expressed his disapproval by leaving the party. On Monday 100 of Turkey's senior generals met to decide what should be done. It was this expanded military council which in March, 1971, ordered the prime minister, Mr Demirel, to resign and gave warning that unless a national government was formed to tackle the country's problems the generals would take over themselves. It was widely expected that this second meeting of the military council might decide that the time to do that had now come, and people waited for the generals to move.

But the generals, realising that Mr Ecevit's instructions to his party were not going to be unanimously obeyed, stayed their hands. They did no more than repeat their previous exhortations to the politicians to get on with the job of implementing reforms. Mr Melen did not resign and the government survived once more.

The affair has shaken the Republicans, since Mr Inonu's reputation throughout the country remains high, but although he has now indicated that he may be a candidate for the presidency when President Sunay's term expires next year he cannot be

The world under Peking's streets

FROM OUR SPECIAL CORRESPONDENT IN CHINA

The teeming narrow lane called Ta Sha La is the Bond Street of Peking. It was once the centre of the capital's theatre district and still houses two cinemas and an opera. Another old theatre, framed by a wall of elaborate iron grillwork, has been turned into a department store. Because the products of Ta Sha La—like embroidered satin jackets and whole young goats in jars—are often unavailable elsewhere, the street is always crowded. Besides its 1,800 workers, 8,000 shoppers may be strolling through the doors of its 45 establishments at any one moment. The pace is usually slow and unhurried. But if a signal be given, all 10,000 people could be evacuated in five minutes.

This disappearing act—which has been rehearsed seven or eight times—is evidence of China's fear of Russia. It depends on props hidden in every place along the street. In the Chienmen clothing store, the secret weapon is an indistinguishable square of worn pink tiles behind a glass counter which, at the press of a button, suddenly pulls back to reveal a flight of stairs leading to an underground tunnel. There are two miles of such winding tunnels under and around Ta

Sha La. These connect with similar spider webs under other Peking streets and together form one of China's answers to what it perceives as the threat of war from the Soviet Union.

The tunnel system has been designed chiefly to disperse urban populations to the suburbs in the event of conventional bombing. The Chinese say that the deepest tunnels—26 feet below street level and on average seven feet high and five feet wide—can withstand a direct hit from conventional bombs, although the shallower and narrower tunnels that were dug in the first experimental period can withstand only shock waves. Nobody pretends that the tunnels are a serious defence against direct nuclear attack although the guides claim that they can already offer some protection against radiation, and more anti-radiation equipment will be installed in time.

Peking's shelter programme is not a unique effort to protect the government servants of the capital; rather it is a model for similar systems in all the large and medium-size cities of China. In Shanghai digging below shop floors is clearly visible from the street; fewer than 100 yards from the main tourist

hotel passers-by have to leave the pavement to avoid huge mounds of newly excavated earth. Digging is still going on in Peking as well; concrete half moons piled along the roadside are the clue that there is underground activity nearby. Officials say that the tunnels can now serve more than 3m of the capital's 4m population. The plan is to expand it until there is a trapdoor in every office, shop and residential courtyard and underground standing room for every resident of Peking.

The tunnelling under Ta Sha La street began in December, 1969—that is, four months after the last of three serious border clashes with the Russians. It was only later that the Ta Sha La workers learned that 13-foot-deep tunnels would not provide adequate protection. At some point the army moved in, under the authority of the municipal civil defence office, to lend advice and manpower and volunteer workers were replaced by full-time tunnellers. The deeper tunnels also required materials the shopworkers could not find or fabricate such as steel, cement and lime, so they bought these out of the profits of the shops. In other parts of Peking, where there were no tills to tax, the state paid the bill.

The Ta Sha La tunnels are incomplete but they already contain a number of home comforts, such as a

loudspeaker system which plays favourite revolutionary songs, white enamelled toilets (ladies and gents separate) and sewage wells, kitchens with running water and pump wells, telephones, first aid stations and an experimental centrifugal blower for ventilation.

Electricity for the shelters is currently provided by Peking's municipal grid. But if all goes according to plan, underground generators will eventually be built to provide independent sources of power. There is no plan to deepen the shelters—in Ta Sha La this would be impossible because of underground water—but they will be extended by connecting them with Peking's new subway system.

China's air raid shelters, like so many of its products and projects, are a purely homegrown affair. Officials say they have heard about foreign shelter systems but have neither seen nor studied them. They seem unconcerned about suggestions that the whole shelter concept—abandoned by America some years ago—may be outdated and irrelevant in a nuclear age. This has led some foreigners to speculate that the shelter-building programme is largely a device for hammering home the official line of Russophobia.

Clearly mass participation in shelter-building is a potent means of dramatis-

ing the Russian threat. But a government as skilled in propaganda as the Chinese could undoubtedly have got its point across in other, cheaper ways. There are no figures available about the cost of the shelter system in money or scarce resources but, even allowing for free labour, it must be

considerable. In conventional cost-effectiveness terms, the value of shallow tunnels as a defence against a nuclear-armed superpower might not rate very high. But for the Chinese, who have watched the experience of North Vietnam these several years, tunnel-building must make eminent good sense.



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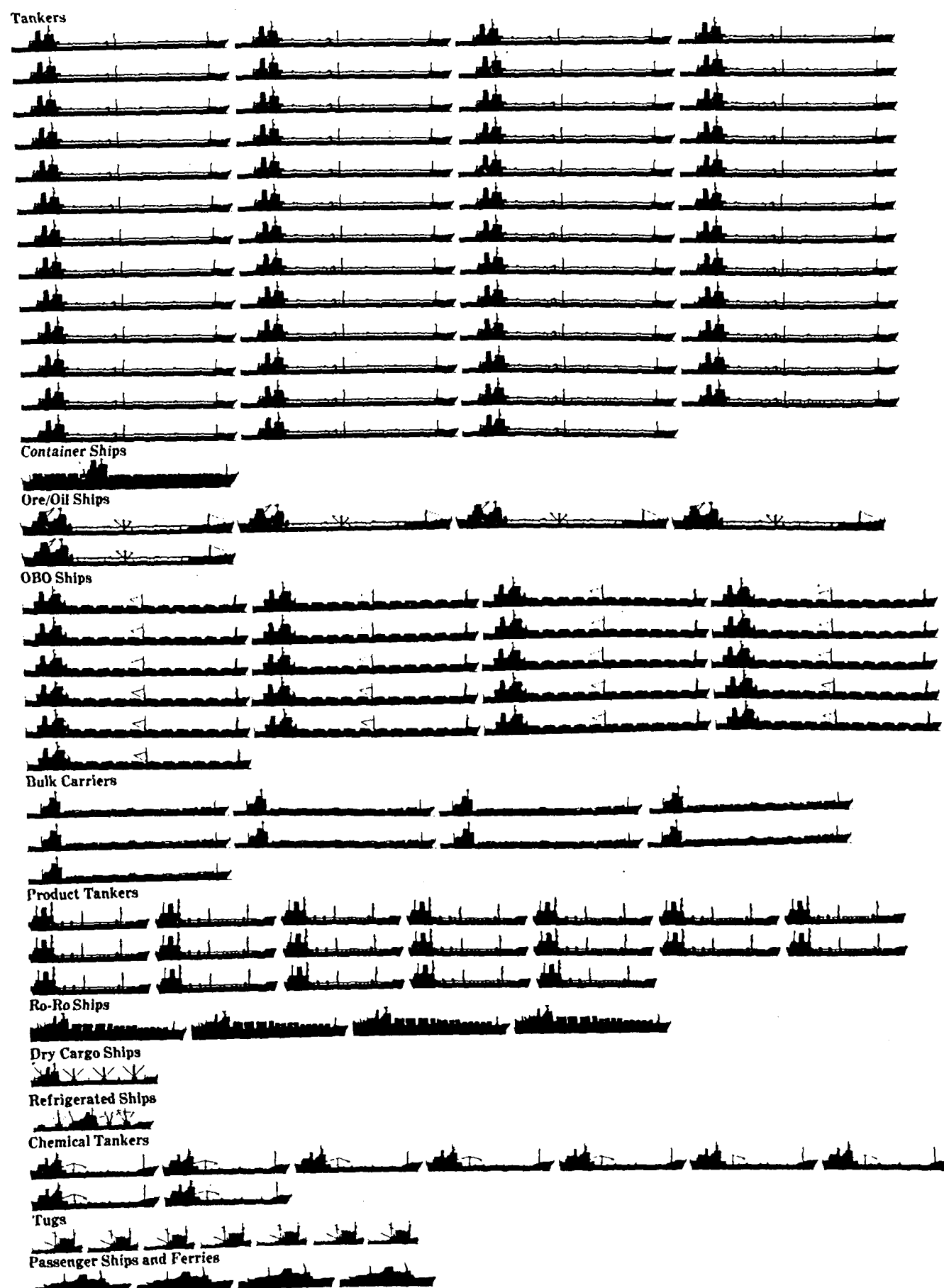
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November 6, 1972

expected to play an active part in the country's life for long. He is now 88. Mr Ecevit has taken the defections from his party calmly. He maintains that the party's grass-root support has not been damaged and that the RPP can project a clearer image of being a radical reforming party now that its right wing has broken away. But whether this will be put to the test in elections next autumn is by no means certain. The final decision on the elections is in the hands of the generals.

Vietnam

The price of a ceasefire now

One of the effects of the Nixon landslide may be to change the terms on which a Vietnam settlement can be achieved. President Nixon is no longer a man under pressure; the moment when he might have cracked came late last month, when some people thought that the action of the North Vietnamese in making public the terms of a draft agreement might have stampeded him into signing on their dotted line before the election. Instead, he successfully stalled for time and it is now the turn of the North Vietnamese, who have gambled heavily on getting an early ceasefire, to be asked for more concessions.

North Vietnam's leaders have made it plain that they still want to talk, despite their apparent threat last month to call off negotiations unless the United States agreed to sign by their deadline of October 31st. Last weekend Mr Xuan Thuy, the chief of

the North Vietnamese delegation at the Paris peace talks, made it known that his side would be ready to go on bargaining with the Americans after the election. He formally rehearsed the demand that the Americans should sign the North Vietnamese draft. But he also said that "we do not have a rigid attitude to another meeting." It is probable that Mr Nixon will send Mr Kissinger back to Paris to meet his North Vietnamese counterpart, Mr Le Duc Tho, within the next fortnight.

There is not much chance of peace breaking out at the next meeting unless one of two things happens. The first would be for Mr Nixon, anxious to get the Vietnam issue out of the way at the start of his second term, to decide to ride roughshod over President Thieu's opposition to the obscurity of some of the terms of the draft agreement. Mr Thieu is currently saying that a ceasefire would make sense only if the North Vietnamese agreed to pull all of their 145,000 troops out of his country, and that the idea of a three-sided commission to organise new elections is merely a front for a coalition government that the communists would try to take over. The other possibility is that the men in Hanoi, anxious to gain a respite from the bombing, will be prepared to give a bit more away in the negotiations—although it is inconceivable that they would agree to the virtual terms of surrender that Mr Thieu is proposing.

Mr Kissinger has said that there are still several points in the draft treaty that need to be clarified. This is not just a question of semantics. There are three key issues still to be decided that would largely determine the survival

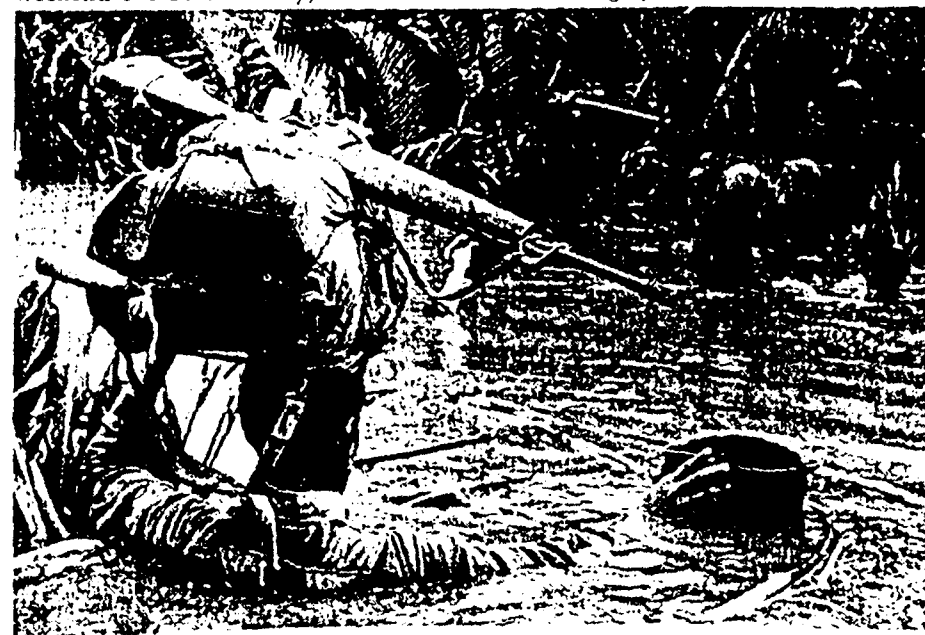
or collapse of a non-communist government in South Vietnam:

1. The supervision of a ceasefire. A standstill ceasefire over the whole of Vietnam would be very difficult to enforce, since the country would presumably be broken up into a patchwork quilt and a team of foreign observers (probably drawn from Poland, Hungary, Canada and Indonesia, and perhaps France) would have trouble keeping check on every hamlet. A document shows that the communists were planning to pursue a campaign of assassination and selective terrorism after a ceasefire with the aim of eliminating pro-government leaders at village level. This would be the hardest thing of all to guard against.

2. The North Vietnamese presence. Assuming that the North Vietnamese will not agree to withdraw the regular units that they have never publicly admitted sending into South Vietnam, the Americans have to search for a compromise agreement that might involve, for example, the withdrawal of the 35,000 North Vietnamese stationed just south of the demilitarised zone and the confinement of the rest to carefully defined zones in the central highlands and the delta.

3. The functions of the electoral commission. The draft agreement provides for the setting-up of a "National Council of Conciliation and Concord" to organise new elections. It is crucial to get explicit recognition from the North Vietnamese that this would in no sense function as a governing body, and that Mr Thieu's administration would last until the new elections were actually held.

It is doubtful whether the North Vietnamese will agree to this kind of "clarification," and equally uncertain whether Mr Thieu could be brought to accept the new version if they did. There is in fact no reason why Mr Thieu should welcome a standstill ceasefire at this stage. For the moment, his government is in a position of military superiority. The communists have taken heavy losses in the small-unit fighting that has raged across the country over the past few weeks and recently came within a few miles of the capital. These local incidents were almost certainly part of a strategy of gaining control of as much of the country as possible in anticipation of a ceasefire that may or may not happen. There is no good reason either why Mr Nixon should not share many of Mr Thieu's doubts—apart from sheer fatigue with the war or an acquired taste for diplomatic coups.



The last few steps can drown a man

Canada

Is it David's day?

FROM OUR CANADA CORRESPONDENT

Canadian politicians are fond of consoling themselves after a setback with the words from the ballad of Sir Andrew Barton: "I'll but lie down and bleed awhile, and then I'll rise and fight again." Mr Trudeau might have followed the example set after earlier elections by such other party leaders as Tommy Douglas and John Diefenbaker, by resorting to this medieval recitation when the electorate dealt his Liberal party a staggering blow on October 30th, but his literary style does not run to balladry and melodrama. So he lay and bled silently for three days, and then went on the television networks to say in matter-of-fact words that he and his diminished band of Liberals would indeed fight on. The real battle will begin in a month's time, when parliament reassembles. In the meantime Mr Trudeau is licking his wounds and calculating how best to secure support for Liberal legislation from among the other three parties.

The party standings may alter slightly in the interval, as judicial recounts follow ordinary recounts in constituencies where the margin of victory is fewer than 25 votes. Already, in ordinary recounts, the Conservatives have yielded one seat to the New Democrats in Saskatchewan, and the Social Credit party surrendered another in Quebec to the Liberals when the trade minister, Mr Jean-Luc Pepin, was reinstated. Present standings are, therefore: Liberals 109, Conservatives 108, New Democrats 31, Social Credit 14 and independents two. Counting has been complicated by the large number of rejected ballots, which have run into thousands in several constituencies. The rejections were highest in Quebec, where the separatists spoil their ballots as a means of expressing their disapproval of the whole thing, but high also elsewhere because of confusion over an unfamiliar ballot form.

Whatever minor changes may yet emerge, Mr Trudeau will still be faced with the need to ensure the support or at least the neutrality of the New Democrats. He cannot squeak by with just the support of the Social Credit group from Quebec, as Mr Lester Pearson used to in his less straitened days of minority government. Nor will Mr Robert Stanfield be in a mood to give the Liberals any extra lease of life if his Conservatives can find any respectable occasion for bringing them



Trudeau: still there, still trendy

down. Mr David Lewis can thus wield more influence in present circumstances, with his 30 New Democrat colleagues behind him, than he would be able to if his party held many more seats but faced a government with an overall majority. During the past week Mr Lewis has been quietly spelling out the terms of his group's readiness to sustain the Liberals in office.

He has trimmed his original list of demands so that it no longer includes such items as a firmer stand against foreign ownership of Canadian businesses than Mr Trudeau had taken during his last administration. Instead he now puts the emphasis on action to minimise the effects of unemployment this winter, when it may well rise above the present 7 per cent rate, and on an immediate increase in old age pensions. Whereas the finance minister, Mr John Turner, sought in his budget last May to create jobs by incentives and tax concessions to manufacturing firms, Mr Lewis wants the government to make a plan for more direct job creation. Whereas Mr Stanfield won votes by attacking the unemployment insurance commission for spreading its benefits lavishly among "loafers," Mr Lewis is calling for an overhaul of its machinery so that cheques are issued more promptly.

It is too early to say whether the Liberals will accept these conditions. The government's first post-election move was the somewhat illiberal action of tightening immigration regulations to prevent visitors from applying for

immigrant status while they are actually inside Canada. Since 1967 some 105,000 people have used this facility, but it has recently been abused by charter flight parties from the Caribbean and India. An anti-immigrant backlash, capped by the publicity given to the welcome extended to 6,000 Ugandan Asians, is being blamed for the defeat in Toronto of Mr Ian Wahn, the Liberal chairman of the Commons external affairs committee.

Chile

Cabinet of incompatibles

There's nothing like a general to stop a strike. Last week President Allende of Chile appointed the army commander-in-chief, General Carlos Prats, as his new minister of the interior. On Monday, after 10 hours of hard bargaining, General Prats persuaded the leaders of the shopkeepers' and truck-drivers' syndicates to call off the strike that had lasted for more than three weeks and cost the country (according to government figures) more than \$170m. The government conceded some of the strikers' key demands by suspending a plan to set up a state trucking authority in the province of Aysen, by agreeing to return shops and lorries that were requisitioned during the strike, and by giving a formal assurance to stop the illegal seizure of private companies by left-wing extremists.

For the second time this year Sr Allende has turned to the armed forces

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6th November, 1972



JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

(Incorporated in the Republic of South Africa)

Extracts from the Chairman's Review by Sir Albert Robinson

Economic Conditions

Since the beginning of 1972 the domestic economy has been showing clear signs of revival. During the second half of 1971 the world demand for commodities began to improve and prices rose. This firmer trend is being maintained. Of special importance to Johnnies is the fact that the prices of diamonds and of the metals in which we are particularly interested have risen. Provided international monetary instability does not cause another decline in world trade, South Africa's exports of primary goods should continue to benefit, both in terms of value and volume, for the foreseeable future.

Accounts

Despite adverse business conditions in South Africa, Johnnies' dividend income from its industrial and financial investments increased during the year. Income from diamond and gold shares also improved. The improvement in the platinum and antimony markets, however, came too late and income from these sources was badly affected. The reduction in the rate of dividend paid by Rustenburg Platinum Mines Limited in September, 1971 and the passing of that company's interim dividend in February, 1972, resulted in Johnnies' income from this, its largest single investment, being reduced to 28 per cent of the amount received in the preceding year. The dividends declared by Consolidated Murchison Limited were also substantially down.

The net effect on dividend income was a reduction from R12.69m to R11.24m. The latter figure is equivalent to 161 cents per Johnnies' share. Our interest in the undistributed after-tax earnings of the companies in which we are invested was 105 cents per share, giving a total of 266 cents per share. The comparable figure for the previous year was 340 cents per share.

The Board is confident that there will be an improvement in our dividend income in the current year. It was for this reason that the dividend distribution was raised from the 85 cents per share paid in 1971 to 90 cents for the year ended 30th June, 1972, despite the decline in profits. The net surplus from the realisation of investments amounted to R4.28m compared with R3.22m in the previous year. This surplus arose largely from switching operations in our gold portfolio.

The sale of our London office building at 10/11 Austin Friars in the City of London for a net amount, after charges, of R11.65m, produced an abnormal capital profit and helped materially to improve the company's liquidity.

Exploration

In recent years we have intensified our exploration efforts and have assigned to them substantial sums of money, high calibre personnel and the best technical aids possible. During the year under review, for instance, the net amount charged to profit and loss account in respect of expenditures on exploration was R1.86m.

Our geological teams have discovered two potential mines and these are currently being subjected to exhaustive technical and financial evaluation.

Platinum

I am pleased to report a notable recovery in the affairs of Rustenburg Platinum Mines Limited since the occasion of my last review. Profits, before tax, increased from R23m to R33m. This recovery has been caused by an energetic international marketing campaign which has coincided with a resurgence in demand for the metal. The stronger demand for platinum is in large measure a reflection of improved economic conditions.

Rustenburg's policy at the present time is to ensure that the needs of its industrial customers will be met in full while at the same time continuing its efforts to promote the use of platinum group metals by the automobile industry. The extent to which the total capacity of the Rustenburg mines will be expanding will largely depend on what new business ultimately eventuates. We must assess with caution the possible benefits that may flow to the platinum producers from this new market.

Gold

The South African Reserve Bank is at present selling on the free market only a portion of the gold mining industry's current production. The unsold portion is being retained by the Bank as part of its reserves. As the gold withheld is valued at the official price of \$38 per ounce, the gold mines have not received the full premium for their output as reflected by the free market price. The rising industrial demand and the continuing role of gold in the international monetary system have contributed to the current price, which is of the order of \$65 an ounce. There is little likelihood of its reverting to \$38 an ounce. Accordingly, I am of the opinion that the gold mining industry can with good reason request the Government to review its pricing policy in respect of the gold taken into reserves so that the industry will receive a more equitable portion of the premiums that result from the higher free market price.

Inflation and productivity

Many views have been expressed as to what action should be taken to curb inflation. In a broad sense, one way is to curb consumption, and the other—the area to which I believe most attention should be directed—is to increase the productive capacity of the community as a whole. However, we will not be able to increase productivity in South Africa generally, and in the mining industry in particular, unless more efficient use is made of the available labour. It has been said before—and its validity is not lost by the frequency with which it is said—that it is of the utmost importance that the official restraints on the extent to which African labour can be employed should, at least, be eased.

A challenge that still confronts the country is how to improve the wages and salaries of the less privileged to the maximum extent that is economically feasible. In this connection Johnnies is endeavouring to play its role. As a first step, and as part of a long term policy, we have recently completed a survey of the work undertaken and the wages paid to African employees at our Head Office. As a result, significant wage increases are being effected over the next six months, to bring their wages to levels well above the scales which various recognised authorities have recommended as necessary to maintain reasonable living standards. In addition all African employees on our mines have received increases in minimum wage rates during the past year.

Proposed share purchasing scheme and increase in share capital

Your Board is of the opinion that it will be in the interests of the Company if the full-time directors and full-time employees primarily responsible for its management are given an opportunity of acquiring a shareholding in the Company and thereby an additional incentive to contribute to its continued growth and profitability. The Board accordingly proposes recommending to members that they approve the establishment of such a scheme.

Johannesburg,

9th November, 1972

A copy of the full speech can be obtained on request from The London Secretaries, 27 Austin Friars, London EC2N 2EY.

to help him ride out a political crisis. At the end of May the high command refused an offer to join the cabinet. This time a top man from each of the three services has entered the government. Admiral Ismael Huerta took over the ministry of public works and air force General Claudio Sepulveda became minister of mines. All of them are regarded as basically non-political officers, but it is worth noting that they agreed to join a cabinet that now also includes Sr Rolando Calderón, a left-wing Socialist who was recently elected secretary-general of the trade union federation (Cut). He took over from Sr Jacques Chonchol as minister of agriculture. The other new ministers are Sr Luis Figueroa, the Communist president of the Cut, who will now combine the jobs of union boss and minister of labour (a combination of powers that may worry those concerned about the right to strike), Sr Fernando Flores, a civil servant who was made minister for the economy, and Sr Sergio Insunza, the new Communist minister of justice.

Sr Allende's new government looks very much like a cabinet of incompatibles, with the Communists and Socialists still feuding behind the scenes and conventional military men taking their seats beside Sr Calderón, a self-proclaimed revolutionary who is said to have helped to organise violent land seizures in the south. The opposition parties hope that the presence of service chiefs in the new cabinet will serve as a brake on the process of state takeover of farms and private companies. But Sr Allende may be taking a risk if he goes ahead with his plan to make a 12-day trip to Cuba, Mexico and the United Nations in New York, starting around November 20th. In his absence General Prats will run the country, since the minister of the interior acts as vice-president under the Chilean constitution. Not many Latin American presidents have that much faith in their commanders-in-chief.

Argentina

Perón names the day

Waiting for Perón has been rather like waiting for Godot. For the past year, the political gossips of Buenos Aires have played their game of daisy petals: will he come back or won't he? This week it was finally announced that the 77-year-old former dictator will fly back from Madrid on November 17th. It



The real Perón will now stand up

is not clear how long he plans to stay in Argentina, or whether he is planning to run as a candidate in the presidential elections scheduled for next March. In theory, he is disqualified, since he failed to register before the deadline last August, but in Latin America rules are made to be bent. The Justicialist party has announced that Sr Perón will be its official candidate.

What is certain is that his return will provoke a highly emotional response from both old supporters and old enemies. Simply to whisk him in and out of the airport without running into an assassination squad or a violent demonstration will be a major technical exercise. President Alejandro Lanusse must view Perón's return with very mixed feelings. It is still possible that he might refuse to let him into the country. The main obstacle to Sr Perón's return has been his refusal to accept the present military regime as a legitimate government and his insistence that General Lanusse should agree to a set of prior conditions. In mid-October, Sr Perón presented a 10-point programme as the basis for a future political settlement. He said he was ready to fly back to Buenos Aires if the army agreed to the plan; otherwise, he claimed, the country would face the prospect of civil war.

Although General Lanusse agreed to the principle of negotiation, he replied that Sr Perón must return to Buenos Aires in order to talk things over. In fact, there are several points in the ex-dictator's plan that the high command would find it impossible to accept. The plan calls not only for radical social, economic and constitutional changes, but for the repeal of all

anti-terrorist laws and the release of all political prisoners. At a moment when Argentina's urban guerrilla movement (which includes self-styled "revolutionary peronists") has emerged as a serious threat, it is inconceivable that the generals would agree to this. Last month the guerrillas chose the 27th anniversary of Sr Perón's release from prison in 1945 as the occasion to bomb the Sheraton hotel in Buenos Aires and the railway line in the industrial city of Rosario. Sr Perón's plan also calls for "the rejection of the dictates of imperialism" (which, in economic terms, appears to mean a break with the World Bank and the confiscation of some foreign investments) and, predictably, the award of the massive wage increases demanded by the peronist-dominated trade union federation.

If the military government wants the peronists to take part in the elections next March, further concessions will have to be made to Sr Perón's demands. It is clearly undesirable to continue to exclude from the political system a movement that commands the support of 30 per cent of the electorate. But Sr Perón has repeatedly snubbed General Lanusse and his cabinet and tried to deal directly with the armed forces. In response, General Lanusse has made some testy speeches about Sr Perón.

If Sr Perón does come back, probably in the company of both his present wife and the embalmed body of his dead wife Eva, it will probably not solve many of Argentina's problems. But it would at least help to separate the man from his myth.

Brazil and Africa

With the rabbits, or the hounds?

FROM OUR GHANA CORRESPONDENT

Brazil is up to something in Africa. That is the only firm conclusion to be drawn from the fact that the Brazilian foreign minister, Senhor Gibson Barbosa, is currently making a tour of eight west African countries, accompanied in his special air force plane by representatives of all Brazil's major newspapers. But it is not yet clear just what Brazil is hoping to achieve in black Africa at a time when it is known to be pressing its trading interests in the Portuguese territories of Angola and Mozambique and in the neighbouring white-ruled countries of South Africa and Rhodesia.

Is Brazil, a former Portuguese

colony, trying to mediate between Africa and Portugal and, if so, in whose interest? Senhor Barbosa's visit to Ghana last week showed the nature of the tightrope that Brazil has chosen to walk in its relations with the continent. A vague communiqué was signed after his talks with his Ghanaian counterpart, Major-General Aferi, but, strangely, the Ghanaians refused to sign a technical co-operation agreement which would have opened the door for Brazilian experts of all kinds to work in Ghana. It is true that Ghana's military rulers are stressing the philosophy of self-reliance, but it seems that the Ghanaians' reluctance to sign the co-operation agreement stems from a fear that Brazil might be playing a role which Ghana itself attempted to play under its last government—that of promoting dialogue between black and white in Africa.

Senhor Barbosa himself, a seasoned diplomat who came to know African feeling on Portugal's colonial wars while representing his country at the United Nations, did nothing to allay the Ghanaians' fears. At a news conference he maintained that Brazil would not judge between Portugal and Africa and, when challenged by a questioner, refused to choose between "the murderers of Africans and their victims." He won more sympathy in this cocoa-producing country by emphasising that, contrary to some expectations, Brazil is strongly in favour of the international cocoa agreement reached in Geneva last month and is taking steps to ratify it. But whatever agreements he signs in Ghana, or in the other west African countries on his itinerary, Senhor Barbosa is unlikely to forget that it has traditionally never been easy to run with the rabbits and hunt with the hounds.

Morocco

Hassan's dilemma

Morocco's wound is grave enough: don't make it deeper. This final plea for clemency, made on behalf of the 220 officers and men of the Kenitra air base who were accused of being involved in the plot to kill King Hassan by shooting at his aircraft on August 16th, fell on deaf ears. On Tuesday a military tribunal sentenced 11 officers to death and 32 others to prison for between three and 20 years. Nor were the military judges moved to mercy by hearing, as they left the court to consider their verdict, all the accused shout out together "Long live



Osman didn't like the answer he got

the king."

The officers who now face execution include Lieutenant-Colonel Amokrane, the former deputy chief of the Moroccan air force, who escaped to Gibraltar after the failure of the assassination attempt. He and Major Kouera, the commander of the Kenitra air base, pleaded guilty to plotting the death of the king, but explained that they had been misled by General Oufkir, the minister of defence, into believing the royal regime to be "disolute and corrupt." They now knew, they said, how wrong that judgment was. Seven young pilots who strafed the airport and the palace at Rabat, killing eight people and wounding over 50 others, are to face the firing squad, as are two officers in charge of the control tower and security at the Kenitra base.

Whether the death sentences are carried out depends on King Hassan. If he allows the executions to take place he risks further alienating the armed forces; if he shows mercy he risks encouraging others to try to rid the country of his rule. The decision on the fate of the air force officers must be taken at a time when the king has again been rebuffed by the two main political parties, Istiqlal and the National Union of Popular Forces. Since September King Hassan has been sounding out the party leaders on their readiness to join a government of national unity. They did not commit themselves but made it plain that any government they joined must be ready to make radical social and economic reforms.

On November 3rd the king appointed his brother-in-law and director of his secretariat, Mr Ahmed

Osman, as prime minister and charged him with forming a government including the political parties. Since Mr Osman had been acting as intermediary between the king and the political leaders it was presumed that they had agreed to work with him. Far from it. Istiqlal's veteran leader, Mr Allal el Fassi, refused to co-operate, saying the country needed a homogeneous and responsible government headed by a political figure, and the leaders of both factions of the National Union of Popular Forces (the party split in June) made it equally clear that they would not join any government on the terms offered by the king. The impasse between the palace and the politicians continues.

Papua New Guinea

The gardens die

FROM A CORRESPONDENT

Port Moresby

The fledgling Papua New Guinea—due to become fully independent in December, 1973—is suddenly faced with a crisis it can ill afford. Some 75,000 highland villagers, whose food gardens have been destroyed by a combination of frost and drought, are now entirely dependent on rations supplied by the government. By Christmas their numbers are expected to double. So far as is known malnutrition has not yet caused any deaths, nor has there been any widespread outbreak of disease, but the villagers are dazed and abject.

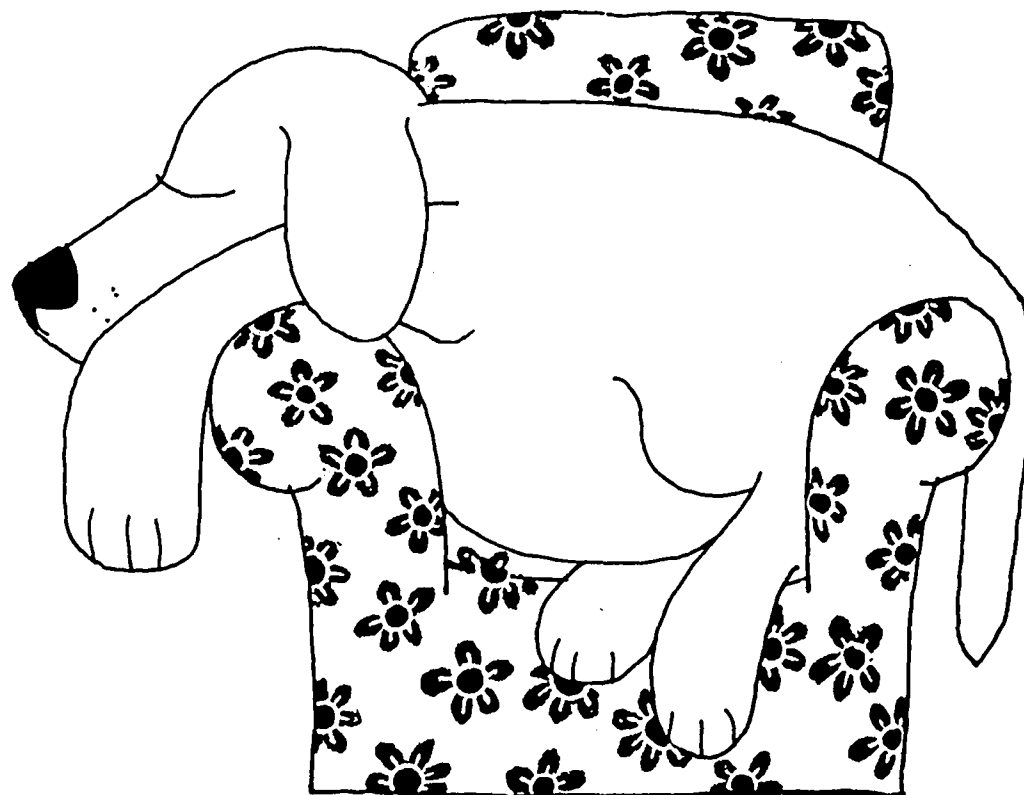
The logistic problems of mounting a famine relief operation in the wild central mountain ranges, over country 5,000-8,000 feet above sea level, are awesome. And with the current slump in world prices for tropical cash crops, Papua New Guinea's economy is not sufficiently buoyant to sustain a relief operation of this scale indefinitely. So far it has cost over £1½m. Some £400,000 has been raised in response to a famine relief appeal, and the Australian government has contributed by making available aircraft and men from its armed forces. But Papua New Guinea's chief minister, Mr Michael Somare, insists that the territory must become self-reliant and bear the bulk of the burden itself.

The famine may continue for several months. It will certainly be a year or more before the ravaged food gardens are fully restored. If his government can sustain the relief operation for as long as that Mr Somare will emerge as a truly national leader among his fragmented peoples.

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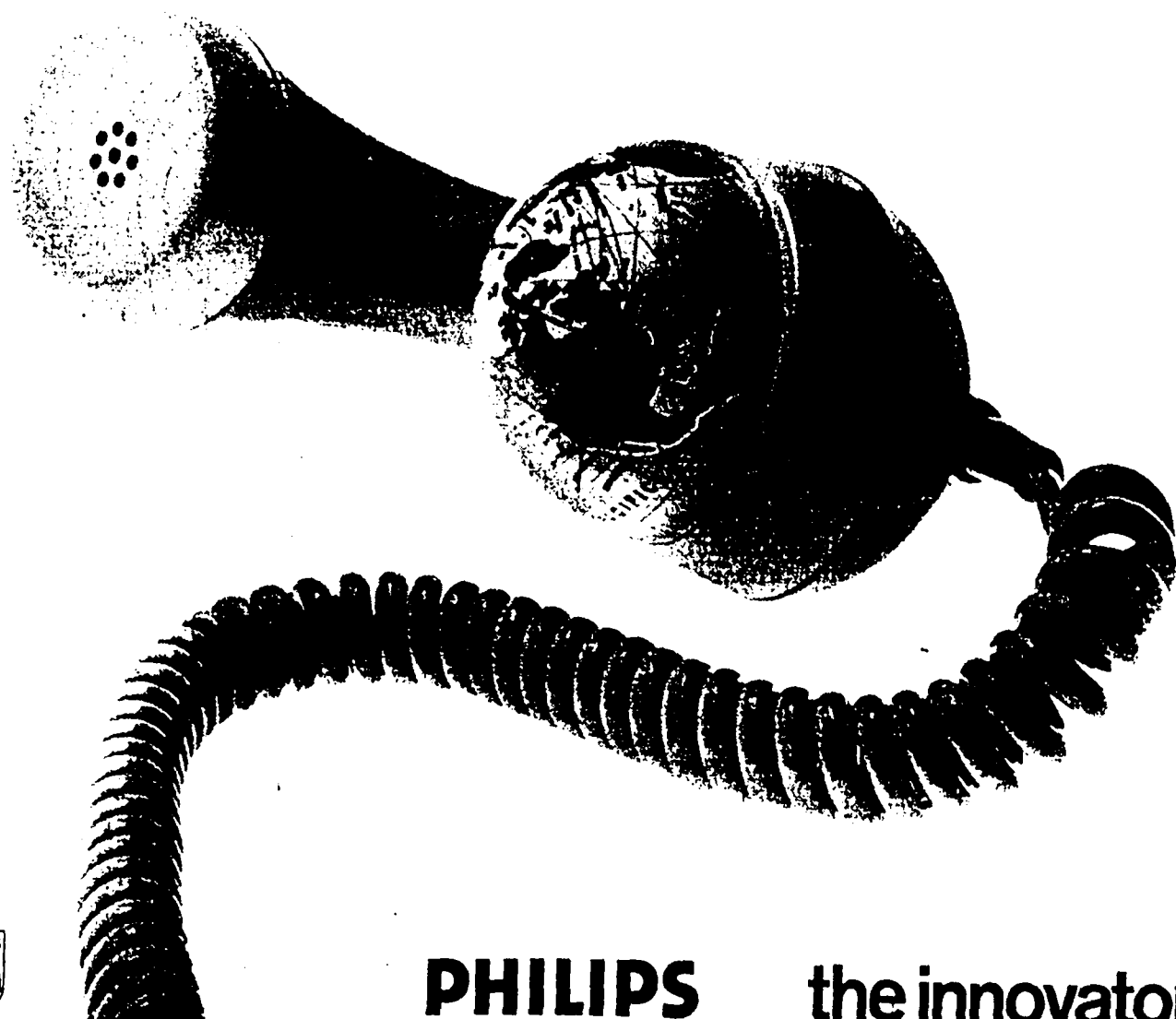
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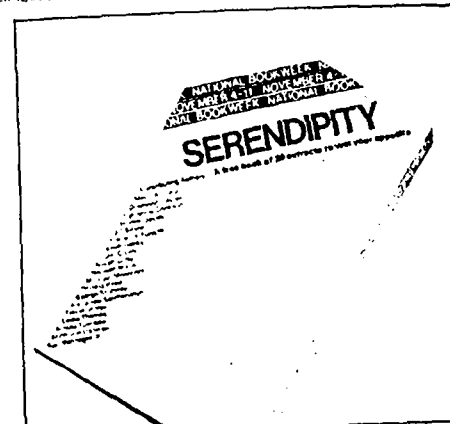
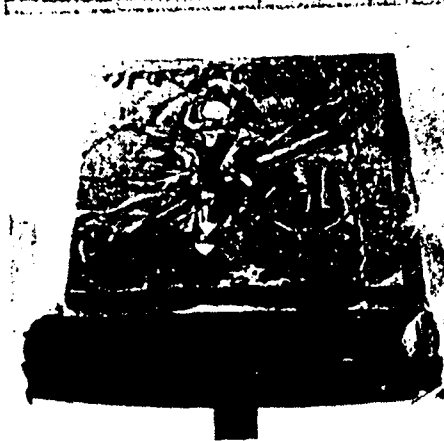
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Autumn books



The *Economist's* autumn book survey appears, suitably enough, in National Book Week. There have been some less orthodox apparitions. The National Book League is displaying "the world's most expensive book" (well, modern book): a single parchment copy of St John's "Apocalypse", completed in France in 1961 and valued — on the basis of a Japanese offer to the publishers — at £400,000. Contributors to the text and its case include Jean Cocteau and Salvador Dali.

A double-decker bookshop-bus, with a face on the front and flapping ears, has been touring Scotland in search of child customers. Belfast, the original destination, has been crossed off the tour; Bristol will be visited mid-month, for one-half of the Children's Book Show — an annual event that has this year split amoeba-like into two places. The London show is on this week. In Edinburgh, the girls have been displaying bookweek tee-shirts; in Luton, there has been a "readership survey". The purpose of both has been to enhance the distribution of the National Book League's most ambitious celebration: the publication of 150,000 free copies of a special paperback.

"Serendipity" is made up of 20 extracts from published books — whose publishers paid £110 for the privilege. Publishers and printers donated most of the printing costs; the NBL had to find a mere £500. The authors range from Norah Lofts to Solzhenitsyn, via Norman Mailer, Leslie Thomas, Hunter Davies, Arnold Toynbee and other strange bedfellows. Will the result help create the 125,000 "new readers" that the NBL's bookweek organiser is optimistic enough to hope for? One author — Frederick Forsyth — is featured twice. Perhaps such eminence, or responsibility, is only his due. As the first review in this survey argues, he is undoubtedly the best British practitioner of the popular but difficult business of writing political thrillers.

Britain

Romantics and insiders

RULE BRITANNIA

By Daphne du Maurier.
Gollancz. 318 pages. £1.90.

THE ODESSA FILE

By Frederick Forsyth.
Hutchinson. 320 pages. £2.

THE HEART'S GROWN BRUTAL

By David Brewster.
Angus and Robertson. 218 pages.
£1.95.

The political novel is an enjoyable art form in America: probably because Washington is a small company town of government, so that any novelist who lives there can work out broadly how decisions are made. In Britain, by contrast, the least bad political novels in recent years have been written by temporary insiders or journalists (Hurd, Osmond, Snow, Fienburgh, Clark), and sometimes their amateurism as novelists shows up: eg, they are often revealingly bad at describing characters older or less clever than themselves, and their seduction scenes are sometimes as unstimulating as a sudden farmyard view of two grunting pigs rutting. Meanwhile, however, too many major British novelists, who can write, seem to live in social circles which are totally divorced from any understanding of the current political or industrial scene. This is a serious reason why we have not had a good novel involving a cross-section of British society (as distinct from waxing contemptuous or romantic about particular groups) since the shared experience of war. The first of these three books is per-

haps the most frightening example yet of this divorce between the real world and the British romantics'.

In Miss Daphne du Maurier's "Rule Britannia," after the collapse of the common market, a coalition government bounces Britain into union with the United States, because Miss du Maurier supposes that a common currency with the dollar will help greedy merchant bankers (although it will be hard on the pensioners, like that dreadful decimalisation). The local resistance in Cornwall to the American occupying forces is led by a famous retired actress who embodies what the authoress regards as all the virtues (extreme environmentalist, gracefully patronising to the lower classes, does noble social work by adopting disturbed boys, even including an "ebony-skinned" piccaninny).

The Americans are initially church-going, and talk about "meaningful relationships," but they want to encourage tourism into Britain (which is a bad thing) and business takeovers (which are worse); moreover they are unreasonably cross when one of the disturbed boys murders one of their marines, and turn nasty like Miss du Maurier thinks they are in Vietnam. An eccentric but lovable Welshman kills 200 of their sailors by blowing up a warship, at which we are supposed to cheer (as "the dark waters of the bay turned streaky red"), and our cheers swell to a crescendo when the lovable Welshman announces that "the boyos have landed"; which means that the fanciful Miss du Maurier has conscripted poor Prince Charles to land in Wales and lead what can only be called the British hick-fascist revolt. Meanwhile Prince Andrew is rousing the clans in Scotland. The Americans then naturally run away,

and the book ends triumphantly with "the helicopters flying eastward into the sun," and with even the merchant banker agreeing that Britain must follow an economic policy first expounded by the most illiterate of the disturbed boys: "community living. Our neighbours support us, we support them. We don't need any money, we can live without it. If everyone did this, throughout the country, there wouldn't be any need for trade outside."

No book can be quite as awful as this perfectly accurate summary makes it sound, especially as Miss du Maurier still writes like a major novelist even while thinking like Little Noddy. But her theme is the decay of Britain's traditional values, and perhaps the fact that Gollancz presumes it profitable to publish this particular rubbish unconsciously proves her point.

Mr Frederick Forsyth, master researcher and most imaginative of journalists, stands at the opposite extreme. He attained considerable fortune and some fame with "The Day of the Jackal," his first novel, an electrifyingly realistic story of an attempt on the life of de Gaulle. Now he has completed another book that many of his readers will think is largely a documentary, although they cannot know. The Odessa is the Organisation der Ehemaligen SS-Angehörigen—ie, the old boys' club of Himmler's SS. The thesis is that in 1944-45 they moved large funds into accounts guarded by the complacent and self-righteous bankers of Zurich, and by 1963 were drawing heavily on them to finance the building of rocket missiles in Egypt which were to rain bubonic plague and nuclear waste on to Israel, "thus ensuring an eternally grateful Middle East, a safe and sure home for our people [ie, SS refugees] for all time, and the final destruction of the Jew-pig State." Mr Forsyth peoples his story of how this plot was foiled with famous small-part players (eg, Erhard, Sadat) and more obscure larger-role players who often do or did exist; there is enough fire behind his smoke to keep libel actions at bay. While the chilling attraction of the jackal was that the author made the motives of both de Gaulle and his would-be assassins intelligible, it is almost impossible even for Mr Forsyth to write about Odessa without committing one common journalistic fault: forgetting that while it is fun to write hate it is uncomfortable to read it (which is why nearly all newspapers risk losing circulation when writing their usual thing about South

Africa or Mr Wedgwood Benn). Surprisingly, one finds in parts of this book that this unreasonable sense of being put off can even be true in reading hate about nazis. Mr Forsyth's second book therefore seems unlikely to sell as hugely as his first one; but both are the two best political novels on postwar continental Europe. It is to be hoped that his next will be about his native United Kingdom.

The obvious area for a political novel is Northern Ireland. Mr David Brewster, the pen-name of a journalist on the Ulster beat for three years, attempts this, but it doesn't quite come off. For three-quarters of his book, stereotypes seem to be sitting around over drinks explaining why they are on each side (with the IRA provo sounding uncannily like Miss du Maurier). Only towards the end, with the death of the trendy liberal drunk who has been helping the IRA, but then finds that the south doesn't want Ulster anyway, does the book suddenly soar above conventional reportorial stuff, and unexpectedly touch a sort of beauty. While Mr Forsyth has convincingly worked out what makes his characters do certain strange and sometimes horrible things, Miss du Maurier and Mr Brewster would be shocked if they ever really worked out what makes them say certain conventional and initially decent-sounding things. And perhaps that is the difference between successful and unsuccessful political novels.

And what could poor Arthur do then?

WELLINGTON: PILLAR OF STATE

By Elizabeth Longford.
Weidenfeld and Nicolson. 492 pages.
£3.95.

"I have," Wellington once remarked ruefully, "been much exposed to authors." Lady Longford is the latest in a long line. But much the greatest volume of Wellingtoniana has been on the military campaigning side. A distaste, indeed, has often been expressed about the Duke's post-Waterloo career, compounded, as the allegations have it, of reactionary politics on the one hand and Horse Guards ossification on the other. The orthodox sentiment is generally that between the age of 46, when he won Waterloo, and death at the age of 83 in 1852, the Duke failed to live up to the level of his performance in the first half of his career. The tendency has been to be apologetic when not dismissive.

But times and taste have changed.



Wellington: ambition spent

When Philip Guedalla produced his biography in 1931 he established a more just scale of treatment, devoting almost as much space to post-Waterloo as pre-Waterloo. Too much, however, of the latter part was coloured by his peculiar weakness for archness, overwriting and devotion to the anecdotal and quaint. This was the full blossoming of the Duke as a bluff English character at a time when the Regency and Victorian eras had become chic and when Englishmen, battered by war and slump, needed an artificial stimulus of nostalgia for the inventor of the stiff upper lip. The Duke was reduced to being amusing. The tone was, for all Guedalla's good intentions, false.

Still, Guedalla's book marked a decisive point as giving the Duke a life seen steadily and, more or less, whole. Lady Longford has the distinction of being the first student of Wellington's life to add what must be described as straightforwardness. All the anecdotes, of course, are here given their due weight; but they are not oppressively pushed forward. With this book, following on from "Wellington: The Years of the Sword," both the balance and the tone are right for the first time. And the handling is fuller and surer because, for the first time, also, the intimate and domestic aspect of the Duke's life gets authoritative and sympathetic though not uncritical treatment.

One is aware throughout all the material bearing on Wellington's exasperation with Kitty Pakenham's shortcomings as a wife and a duchess that Lady Longford is not a Pakenham by marriage for nothing. Wellington's gallantries are likewise dealt with in a convincing mixture of tolerant frankness and sensible scepticism. His relationships with his wife, his children, and his difficult brother Richard Wellesley are now rescued from the

obscurities of rumour, hearsay and legend. The upshot of all this private aspect of things comes down to the same problem that oppressed the public Wellington: he was a man, humanly speaking, of very strong but essentially rather simple and limited talents and capacities who found it extremely difficult to find a satisfactory way of reconciling the strengths which imposed upon him the unwelcome roles of hero and oracle with the limitations which constantly exposed him, both domestically and politically, to painfully unheroic and unoracular predicaments. Old age relaxed but did not really resolve this tension.

It is the major strength of Lady Longford's biography to give this theme a proper centrality. It has not sufficiently been appreciated how difficult Wellington's problem was after 1815. Napoleon, born contemporaneously, had only six years to live and had a clear and dramatic role to play: Prometheus bound to the rock of St Helena, a martyred victim of British vultures. He had in any case already won the mythological battle of Waterloo: almost no one, then or now, goes there to buy Wellington mementoes. Wellington had nearly 40 years of life to live without any sure idea of what the appropriate style or functions of such a life should be. He had no ambitions. He had reached the summit of achievement open to anyone not actually aspiring to royal or sovereign status. He was several times a duke and prince, a grandee of Spain of the first class, addressed by kings as "cousin." He was a knight of every great European order. He was a field marshal of every allied army. His honorific posts and colonelcies were more than he could remember.

Wellington's greatest problem was that there was nothing very much that he wanted to do. He did not want to fight any more battles. He had no great projects for organisational military reform and even if he had there was no money available to him to implement them. He certainly did not want to be prime minister, a position he filled reluctantly, out of a sense of duty, in 1828-30. Unlike Wallenstein he had no schemes to carve out a kingdom for himself; even Bernardotte's throne at Stockholm he regarded as a tedious fate. Unlike Eugene or Marlborough he had no diverting interest in art or architecture: he was content with Stratfield Saye, a mediocre country house full of mediocre furniture, and Apsley House in Piccadilly, rather more of a showpiece but very modest by the



Du Maurier and Forsyth: fantasy—and fiction?

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Longman

contemporary standards set by George IV. He had no positive ideas about political development beyond deprecating change on principle. As a politician he was, as on the battlefield, sensible and pragmatic and knew how to beat a swift retreat when confronted with overwhelming opposition. He was not even particularly interested in being an agriculturalist or in hunting and shooting, which he did rather in the manner of political duties ritually undertaken by virtue of his station in life. He disliked clubs and clubmen.

His greatest recourse was in simple solitariness. Lady Longford points to the extraordinary lengths he would go to, to protect himself from himself—or rather, from the unresolvable perplexities of being the Duke of Wellington—by contriving to be independent of personal obligations, intercourse, services. No trait is more striking throughout his long life than “the will to walk or stand alone.” Sometimes during his solitary rides he would knock on the steps of Ripple Mill and call: “That the miller?—come down and talk.”

The only moderate

THE AUTOBIOGRAPHY OF TERENCE O'NEILL

Hart-Davis. 174 pages. £2.25.

The downfall of Captain O'Neill at the end of April, 1969, after just over six years as prime minister of Northern Ireland, seemed to many British politicians to mark the end of Ulster's last chance to move towards a decent, just society without violence from one religious community or the other. The disappointment at his departure was, therefore, greater at Westminster than it was at Stormont. There was also an undercurrent of resentment as it became painfully clear to Westminster MPs that they were about to become embroiled once again in the insoluble Irish question.

Although Captain O'Neill had failed in the general election two months before to get a liberal majority in the parliamentary Unionist party at Stormont, he had failed only very narrowly, and there was the feeling that a Harold Wilson or an Edward Heath (but not an Alec Douglas-Home) would probably have stayed on and fought. Perhaps they might have done, but even if either man had possessed all the political skills, breadth and willpower of the other it is still doubtful whether they would have succeeded very much better than Captain O'Neill. For what soon became so violently obvious was that Captain O'Neill did not fail



O'Neill down south, with de Valera

because he lacked either skill or determination but because there were simply not enough people in Ulster who wanted him to succeed, and it is probably true to say that no life peerage has been more warmly welcomed than that which was given to him.

What will surprise many readers of Lord O'Neill's autobiography (apart from its slimness and punctuation, which is very Irish) is not so much that he failed in his self-chosen task of trying to reconcile the Protestant and Catholic communities of Ireland but that he ever got the chance of trying to succeed. Neither bigot nor dogmatist, he always seemed the sort of man Ulster needed, to everyone except the majority of the Unionists he ostensibly led. Lord O'Neill does not go in much for denunciation, but it would require saintliness to obliterate all his bitterness at the less than straight dealing that he got from many of his colleagues.

Lord Brookeborough, for example, his immediate predecessor, did not recommend Lord O'Neill to succeed him (although he said he did) in case his chosen successor ran into difficulties. And, anyway, how do you go about succeeding a man who was not only opposed to recognising trade unions (in the 1960s!) but who, “In 20 years as prime minister . . . never crossed the border, never visited a Catholic school and never received or sought a civic reception from a Catholic town.” Lord O'Neill could visit a Catholic school (a month after becoming prime minister), cross the border and have it crossed by the republic's prime minister; he could give the outside world an image of moderate Unionism which his party neither possessed nor deserved; but, in the end, although he could get more trust from the Catholics than any other

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Unionist politician he could not get enough Catholics and Protestants to trust each other.

Lord O'Neill rightly remarks that although his colleagues and successors adopted, under pressure from London, the most urgently needed reforms, the Catholics never believed that the Unionists really accepted the need for them. The same lack of trust is now being shown by the Protestants towards the British Government's declaration that partition will not be abolished unless a majority in Ulster desires it. There is not much politicians can do when communities are determined not to believe them.

It might be thought that for someone who has been in Lord O'Neill's position it is carrying modesty too far to compress his autobiography into a mere 154 pages of text. That is largely because the author is content to await the eventual publication of his cabinet's minutes of crucial periods during his term of office rather than attempt to justify his actions now. Such propriety is part of the man. Nevertheless, the book will help the rest of us towards a better understanding of the problems facing the reformer in Ulster. And nowhere should it be more widely read than in Ulster itself.

Bombs gone

THE LEGACY OF LORD TRENCHARD

By H. R. Allen.
Cassell. 239 pages. £3.50.

One might suppose it to be impossible to maintain a bad temper for six years. Yet this is what Wing Commander Allen appears to have done in the time it took him to compose this attack on the strategic air offensive against Germany, on the air staff and on the father of it all, Lord Trenchard. This is a noisy book, where the original shouts and whispers mingle with their echoes, so that the arguments become confused, bewildering and, on occasion, contradictory. The bomber offensive often has this effect on its chroniclers.

This is a pity, for the author's central thesis has much to commend it. It is that the air offensive, as conducted in the area attacks by Bomber Command, was a gross waste of resources and that its origins can be traced to the confusions in "Boom" Trenchard's mind which produced the doctrine that an independent air strategy had to be preached (even in the face of strong tactical evidence to the contrary) in order to preserve the inde-



Trenchard: under fire

pendence of the RAF.

The author makes a number of shrewd hits, even though he deploys his arguments in the manner that Bomber Command scattered its HEs and incendiaries across Germany. But he fails to provide a satisfying answer to why Sir Arthur Harris had things so much his own way, why Sir Charles Portal failed to control him, why Sir Winston Churchill remained ambivalent about the bomber offensive and why such an intelligent infighter as Sir Alan Brooke and such an old seadog as Sir Alan Cunningham let the air force get away with it. The reason is, of course, absurdly simple: it was the only weapon with which Britain could hit directly at Germany and, despite all the costs and casualties, this is what the British people wanted to happen. The bomber offensive was an unnecessary waste of resources; but it was also, in the circumstances, an unavoidable one.

Guilds and girls

LONDON STREET NAMES

By Gillian Bebbington.
Batsford. 384 pages. £4.50.

"The most famous street name in the world" is Mrs Bebbington's unhesitating claim for Piccadilly. So much for Broadway, the Champs Elysées and all other potential competitors, which in London itself might include Whitehall and perhaps even Fleet Street; yet it is true that Piccadilly is famous in its own right, not because of an association with theatres, parades, government or the press. This fascinating book reminds us how London's peculiar richness in street names reflects the successive phases of the city's long history. London Wall evokes the Romans, Walbrook the Celts, Aldersgate, Fleet Street and Old Palace Yard the Saxons, and Aldwych the Danes. Cornhill was named before 1066, and

Newgate was probably renamed when the Normans rebuilt a gate first built in Roman times. Early medieval markets bequeathed us Bread Street, Milk Street and Poultry; Count Peter of Savoy left his name in London in the thirteenth century, while St James's originated as a leper colony as far back as the eleventh.

Blackfriars, Charterhouse Square and St John's Wood were so named long before the dissolution of the religious orders that owned them. Until the sixteenth century, St Mary Axe treasured an axe with which, it was believed, one-third of St Ursula's 11,000 virgins had been beheaded, and Undershaft annually raised its equally treasured maypole. The transition from medieval to modern may be exemplified by the way that Earl's Court, so named because the de Veres held it for 500 years after the Norman Conquest, passed in the seventeenth century to the Hollands and their relatives of the Edwardes family (who sprinkled it with Welsh names).

It is with the arrival on the scene of the great estate-developing families that Mrs Bebbington really—if the phrase is apt—goes to town. Derivations of many of the older London place names have been examined by other authors, but here at last is a comprehensive guide to all the streets of inner London (extending to Kensington and Hampstead, and including parts of Southwark and Islington), with maps that show the boundaries of the big estates, and family trees that admirably supplement the basic alphabetical arrangement. Look up Harley Street, for instance, and see how Marylebone's streets came to bear such names as Bentinck, Cavendish, Holles, Oxford, Wigmore, Mortimer, Wimpole, Welbeck, Portland, Devonshire, Weymouth, Scott-Ellis, de Walden, Mansfield and Woodstock. The marriages of those Cavendish girls in the seventeenth and eighteenth centuries left as much of a mark on London as did the medieval guilds and monasteries.

But the reader must beware of leaping to conclusions about similar names. Cannon Hill in Hampstead was indeed the work of a Mr Cannon (Queen Victoria's dyer), but Cannon Lane was named after two old cannons, Cannon Row after the canons of St Stephen's, and Cannon Street after the candle-makers who worked there at least 800 years ago. London's street names, like the streets themselves, are still a confusing maze in which one needs a good guide. Here it is—and it is also a very entertaining book.



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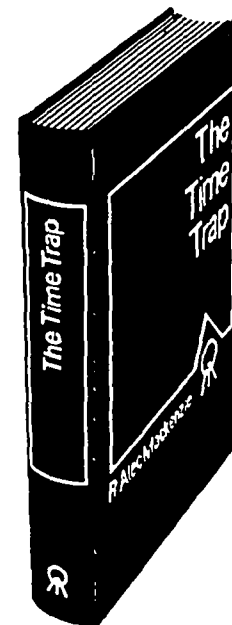


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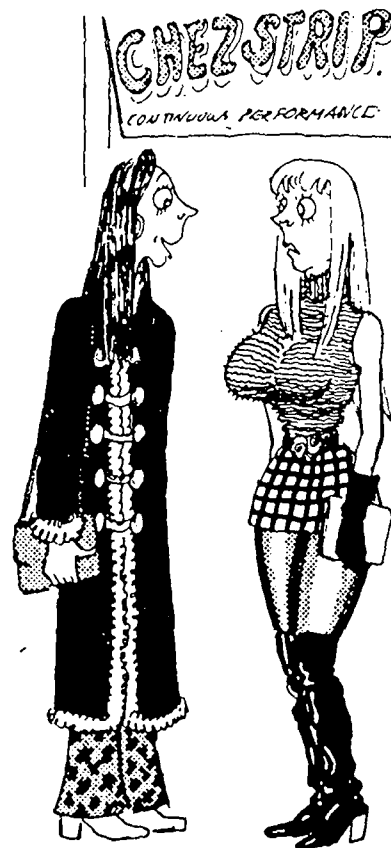
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EUROPE



"Don't overdo it, dear—otherwise you may find yourself liable for Value Added Tax." 23.iii.72.

Theatre in the Flat by Osbert Lancaster (John Murray, 80p). "Wholesome and unrepentant," writes Mr Lancaster in his introduction, "it is clearly high time that I was pulled down and redesigned by Sir Basil Spence." No one who enjoys his cartoons on the front page of the Daily Express would ever agree: his personal antipathies have become as well-loved as the dramatis personae who appear regularly on his small stage. Sadly, though Maudie and her husband and daughter are well represented, Father O'Bubblegum seems to have been eclipsed by the Rev. Trendy—a splendid invention in himself—and the scene is perhaps too full of women's lib brawn.

Europe

End of a legend

LAW AND SOCIETY IN THE VISIGOTHIC KINGDOM

By P. D. King.
Cambridge University Press. 318 pages. £6.60.

The legend of the Dark Ages dies hard; even among historians there are

still to be found some who view the period between the collapse of the western empire and its revival by Charlemagne as an epoch of dimly-discerned chaos, hardly worth investigation. The appearance of works which challenge this interpretation is the more welcome, and Dr King's study of the Visigothic kingdom of the sixth and seventh centuries AD is one such. It is an extremely thorough, and, for the most part convincing, attempt to reach back to the reality of a social organisation through the law codes which survive from it.

Dr King is well aware of the pitfalls of this approach to history. Law may represent the aspirations of a society, but rarely the achievements. It is only by treating a corpus of legislation as a unity, considering the light thrown by individual enactments on the operations of others, that one can arrive at any estimate of the effectiveness of the whole. This Dr King does with great skill. He highlights the Visigothic kings' concern to hedge round their own officials, military, political, and judicial, with the kind of inducements and deterrents which would suffice to give them a greater interest in performing their proper functions than in succumbing to all the temptations of fear, favour and corruption endemic in primitive society. He shows that the Visigothic legal system was designed to be self-righting, counterbalancing severe punishment for the guilty with hardly less severe penalties for false accusation. In all, the level of subtlety and ingenuity in making provision for enforcement is most impressive.

Of course, a great deal of Visigothic legislation was a heritage from the immense sophistication of the empire, but Dr King shows how it was adapted to embrace the customs of an alien people, and to fulfil the needs of the particular conditions of Spain. The Roman emphasis on personal responsibility in law was largely retained, for instance, but the sovereign authority of the paterfamilias was considerably toned down. When it comes to making detailed deductions about society from the laws themselves, Dr King shows a very proper scholarly caution, which, one fears, may not be appreciated by all his readers. Some things emerge unmistakably—the immense exalted role of the king, the subordination of the church, a streak of savage antisemitism, and the acceptance of a highly stratified society, in which, none the less, men might progress from one class to another without too much difficulty.

The most remarkable feature of the

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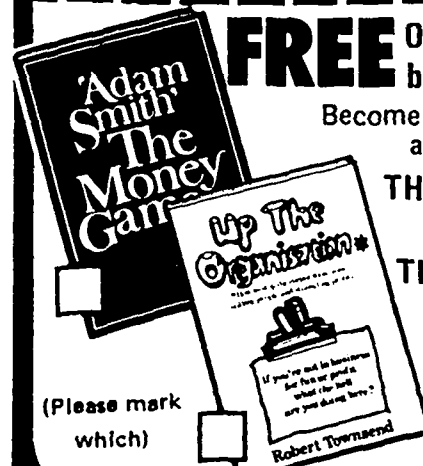
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laws themselves is the sheer scope of their provisions. Whatever one may feel about their success, it is clear that Visigothic kings were prepared to legislate in an attempt to control virtually all the activities of men's lives—not least the economic ones. Such codes would not be acceptable in more developed societies, but it is arguable that in an earlier stage of civilisation they are not merely useful but vitally necessary. Dr King's book is a most useful contribution to thought, as well as to knowledge.

Something in the air

BELLE EPOQUE: PARIS IN THE NINETIES

By Raymond Rudorff.

Hamish Hamilton. 365 pages. £4.15.

The reader may be forgiven for thinking at first that Mr Rudorff had taken the easy way out and opted for a catalogue of Gay Paree, 1890. He begins with the Moulin-Rouge and the Elysée-Montmartre: two inches of bare feminine flesh between stockings and frilly knickers, La Goulue ending her act with a "callypygean display of her behind." We have Aristide Bruant and Yvette Guilbert, brothels of the utmost luxury, the first strip-tease (said to date from 1893) and the amazing Joseph Pujol, known as Le Pétomane, whose aspiring anus allowed him to take in air through his posterior and to break wind at will, thereby reducing audiences to hysteria and causing the King of the Belgians to make a special trip to Paris.

FOLIES-BERGÈRE



Cultural centre?

But Mr Rudorff soon points out that there was more to Paris than gaudy night-life; he sets out to explain the various artistic revolutions which were taking place, the political ideas of anarchists, the issues raised by the Dreyfus affair, the discussions of decadence. The end of the 1890s is typified by the story of President Loubet in the Palace of Painting at the Exhibition of 1900. When he came to the room which had been reserved for the impressionists, his guide barred the entrance and cried, "Go no further, Monsieur le Président, here France is dishonoured." It was, says Mr Rudorff, a brave but futile gesture. The impressionists had become respectable. Paris had accepted experiment. It was the most stimulating cultural centre in the world. And in 1900, some would say, the real Belle Epoque had only just begun.

Perhaps there was something in the air of Paris in the 1890s that encouraged adventure and debate. As a Dutch writer, Willem Bijvanck, put it, what would pass unnoticed in another city became prominent and significant in Paris; or as the hoaxing journalist Léo Taxil said, "The slightest lie, sparked off in a corner of the most obscure paper, immediately blazes into flame throughout France like a powder-train catching fire." There was an alertness and an awareness, a self-consciousness which caused the inhabitant of the Latin Quarter to think of the world north of the Seine as an alien city, whilst the right-banker revelled in the gracefulness, richness and distinction which was every day spreading farther westwards. Much of this excitement, movement and fantasy has been captured in this lively book.

I do believe her

LYING WOMAN

By Jean Giraudoux.

Gollancz. 230 pages. £2.50.

Since "Maurice" so diluted the concentrated excellence of E. M. Forster's *oeuvre*, one is bound to approach another posthumous book by a youthful idol with trepidation and a fastidious distaste for the flavour of wet clay in the well-kissed shoes. It is therefore possible that the extravagant gratitude with which one greets the publication of "La Menteuse," a whole generation after its author's death, is somewhat exaggerated by relief that it can do nothing to harm a reputation.

"La Menteuse" was written in 1936 and reflects, nobody can now say how far, Giraudoux's own experience while

engaged as a diplomatic inspector in the Americas—which is no doubt why we have had to wait so long to see it. Such a book, so concerned with the minutiae of lovers' thoughts and feelings, with nuances too fine to be distinguished through writing talents of longer focal length, could not be written today, and more's the pity: the secret (one of those belonging to what Giraudoux's Nelly calls "the Superior Powers of Earth," who run the lifts at the Crillon and grand motor cars in the Bois) has been lost.

There is, in particular, something like sorcery in the way Giraudoux (and he is fortunate in the excellence of his translator) can provide a deeply serious commentary on the meaning of truth beneath a mask of witty superficiality, a story of tragic stature out of the common ingredients of farce. As Nelly's ordinariness is exalted, by her reliance on lies, to a real grandeur outshining her technical advance to the nobility as the Marquise de Fontranges; as Reginald's grandeur is humbled to ordinary, puzzled humanity through his rigid attitude to truth; as each scintillating image illuminates another facet of this jewel of a book, one succumbs without struggle to the proposition that Giraudoux, too, was of the superior powers. It is not often that one finds a book that exceeds in value the claims made for it in the publisher's blurb: this one is more than "an enchanting novel," and it is unreservedly recommended.

The most unpopular country

THE RARE AND EXTRAORDINARY HISTORY OF HOLY RUSSIA

By Gustave Doré, translated by Daniel Weissbort.

Alcove Press. 207 pages. £4.95.

For the best part of the nineteenth century, Europe did not much like Russia. France, deeply humiliated by Napoleon's defeat in 1812 at the hands of that "Kalmuck Prince," Alexander I, liked it least of all. This russophobia was at its height during the Crimean war, when the 22-year-old Doré produced a pictorial history that fed on every scrap of unfavourable information available. Ironically, Russia became, just over two decades later—after the French humiliation at Prussian hands in 1870-71—a very cherished and desirable ally. But when Doré was working on this book, perhaps the most unpopular man in France was Emperor Nicholas I, "Europe's gendarme," who had sup-



Doré: assuaging humiliation

pressed the Polish uprising in 1830-31 and the Hungarian one in 1849 and was as much of a threat to foreign nations as he was to his own subjects.

That, certainly, was the view of the Marquis de Custine, whose book on Russia in 1839 served as a basis for Doré's work. Custine's in many ways inaccurate, and downright bad, book had one redeeming quality: a certain intuitive understanding of the deeper and darker realities of Russian life, which has led George Kennan to observe that while it might be a bad book about Russia in 1839, it was a very good book about Russia under Stalin.

Doré used the information gleaned from Custine and exaggerated it to the point of the grotesque. The book is so rude about the whole of Russian history and so unfair in every respect to the Russians that it would be difficult to see a similar work being produced anywhere these days, except perhaps in Russia itself at the height of the cold war a few years ago. But the shrill anti-Russianism is relieved by the universal validity of some of Doré's savage satire, which is passionately directed against every form of despotism. There is a cartoon on page 139, for example, showing actors in the theatre sitting on the stage and watching the real performance, the adulation of the emperor by the servile audience, which could easily have been an audience of Soviet party officials paying court to Stalin—or for that matter, any group of frightened sycophants with any number of other dictators anywhere in Europe.

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America

Indian summer

THE ART OF THE OLD WEST

By Paul A. Rossi and David C. Hunt.
Collins. 335 pages. £8.

THE INDIAN HERITAGE OF AMERICA

By Alvin M. Josephy.
Cape. 398 pages. £5.

Lovers of the American West are well-served by the publishers these days. They will welcome (if they can afford) Messrs Rossi and Hunt's spectacular evocation in a large, beautifully-designed art book. The profuse, marvellously reproduced illustrations are drawn from the collection of the Gilcrease Institute at Tulsa, Oklahoma, and reflect great credit on its founder, the late Thomas Gilcrease, a part-Indian oil millionaire. He must have been a remarkable man, with a super-American flair for collection. He acquired numerous specimens, good, bad and indifferent, of the work of every artist of any importance who ever concerned himself with cowboys and Indians. "The Art of the Old

West" is his memorial, and a splendid advertisement for his foundation.

The editors have an ethnographical bias, but perhaps their work is most interesting for the opportunity it gives its readers for their own aesthetic judgments.

Indian work is scarcely represented. Otherwise, there is a wide field, from which stand out the landscapes of Albert Bierstadt, the Indian paintings of Alfred Jacob Miller, the drawings of W. R. Leigh, and the drawings of birds, beasts and Indians attributed to Charles Bécard de Granville (1675-1703). Bierstadt's intensely romantic views have a sensuous quality all their own; Miller, combining Rowlandson's verve with something of Turner's flair for watercolour, easily outshines the more celebrated George Catlin; Leigh's meticulous pencil-studies have a sincerity missing from his paintings; the Granville drawings are as enchanting as Edward Lear—they look like sketches for a new "Book of Nonsense." By comparison with these works the backward-looking statuettes and canvases of more recent artists such as Remington and Seltzer seem on the whole pedantic and, in their attempts at humour and human interest, as



Sioux heritage: the reservation

corny as Norman Rockwell. Perhaps in time they, like Rockwell, will acquire a certain period charm.

As a source of instruction and information "The Art of the Old West" is useful, but cannot compare for eloquence or excitement or intellectual bite with an older picture-book, "The American Heritage Book of Indians," edited by Mr Alvin M. Josephy Jr. Nor, except as to bite, can Mr Josephy's new book (which unfortunately bears much the same name). It has a different purpose. Where the former work was designed to fascinate—which it triumphantly did—the present one is soberly planned: to include as much information as possible on all the Indians from the first crossing of the Bering land-bridge to the present day, from the Arctic Circle to Patagonia. It is astonishing that Mr Josephy has been able to succeed so well.

His range and lucidity are prodigious. He seems to be master of a dozen disciplines, and to have read everything. Yet he is never arrogant. He is as up-to-date as possible, even when this means admitting that a controversy is not yet settled or that a new one has opened. His bibliography alone is worth the money, for it is well-arranged and truly comprehensive. His only fault, in fact, is his use of "thrived" for "throve," "dove" for "dived," and "pled" for "pleaded." Against that must be set all the out-of-the-way information he finds room for. He tells us that the Navaho incest taboo forbids a man to talk to, or even to be in the same room with, his mother-in-law. Ah, that savage wisdom....

The weight of the nation

AMERICAN CIVILISATION

Edited by J. Boorstin.
Thames and Hudson. 352 pages.
£8.40.

There is always a danger with large and glossy books that combine illustrations and text that the pictures will steal the show—especially when the text is in small cramped print on yellowish paper. But in this simply enormous volume—14 inches by 10½ inches—the essays win. There are 13 of them, with such daunting titles as "Freedom and Faith," "Society, Inequality and Manners," "Teaching the Nation," "Written Words," "Missionary and World Power." But the distinguished experts chosen by the editor, Dr J. Boorstin, to tackle the formidable and elusive subject of American civilisation have succeeded for the most part in knocking their themes into shape. They have avoided the vague generalisations that are too typical of such amorphous topics as civilisation. Their arguments are clearly defined and firmly pinned to historical fact. Professor Nathan Glazer traces the successive waves of immigration into the country and the influence that they have on the new nation. He pursues the "melting-pot" versus the "nation of nations" argument through the twentieth century, and shows how internal and external events shaped these attitudes and lent them popularity. Professor Marcus Cunliffe, the only contributor who is not American, has given a lively and comprehensive account of the ideals that shaped American education and how they have been tempered by reality.

Professor Frank Freidel gives a clear and precise résumé of the development of popular politics and political parties.



Civilisation—well, almost

Professor Ernest May has managed to write dispassionately and objectively about the Vietnam war and succeeds in putting the conflict into historical perspective: no mean feat when its final chapter is still unwritten. He concludes, on a somewhat optimistic note, that the end of the Vietnam war may see the return of a more idealistic and positive concept of America's world role.

This book is much more than an historical guide. The tone is enlivened by essays on manners, entertainment, art and literature. A picture of the American way of life and how it has been shaped emerges clearly from these pages. This is partly because the same fundamentals recur throughout the essays—religion, idealism, independence, self-reliance, immigration, the speed of change and the ability to adapt to new situations. But above all there is a feeling of optimism and confidence—a feeling that appears to be shared by the authors themselves.

America! America!

WALK DON'T WALK

By Gordon Williams.
Hodder and Stoughton. 284 pages.
£2.40.

THE ASSASSINS

By Elia Kazan.
Collins. 319 pages. £2.25.

Where is hell? Where but across that Styx to which the jet aircraft (*facilis descensus Averno*) has narrowed what used to be the wide Atlantic? Were the timid shade to judge only from these two infernal Baedekers, he would take his obol directly to the travel agency that entirely excluded from its list of limbos the very name of America. On the testimony of Mr Williams and Mr Kazan—the one a transient, the other resident in the unconsuming fires—over there in the Dis-United States Giant Despair has wed not Mrs Diffidence but Mr Money-Love; and over there the pair of them tear limb from limb the Pilgrims and the Mr Hopefuls who fall into their hands.

Mr Williams's pilgrim to the springs of fame is Graham Cameron, an autobiographical *figura* not made less Williams by the coincidence of his quest—"plugola" for a novel—with that of his author a few years back, or by this book's habit of dropping into the first person and historic present at moments of emotional pressure. Not that puzzles of identity need worry the reader of this funny, serious and cor-

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This is a closely and vividly written account of the vital weeks after Hitler's troops invaded Poland on 1 September 1939, when for a time it seemed that, treaty or no, the West would do nothing to help the Poles. Nicholas Bethell's research follows the opening of the State Papers for the period. The behind-the-scenes manoeuvres in Moscow and Berlin are fully described, the political purposes behind Roosevelt's public statements, the bargaining between Paris and London, and the heroic, terrible story of the Poles themselves.

These essays have two broad themes: the nature of political ideas, and institutional reform in Britain. Among the subjects discussed are tolerance, ideology, sovereignty, tyrannicide, violence, power and the individual, participation and planning, student influence, politics in schools, patriotism and pluralism.

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rosively embittered book: as a picaresque fiction, with its roots in soil as diverse as "Portnoy" and "Tom Jones," it flowers splendidly in its own right, and bears fruit in the mind long after its due season. The chronicle of Cameron's chaotically drunken and ultimately bootless odyssey from cultured east to far-out west amuses, engages, glitteringly reflects what smug Europeans, blind and deaf to the disintegration of their own traditions and culture, have ever believed were their justified prejudices about life and letters in the United States.

Cameron, his soul large with love of an America built out of old movies of which nobody in real America seems ever to have heard, is set awheel on the chat-show circuit holding for support the hand of a publisher's minion whose frigidity (she is—is she?—female) would make Mary Poppins look lickerish. His disorientation in this truly foreign place drives him at last to the edge of the endemic schizophrenia and to the escape, via good old BOAC, to Dullsville. But oh, how sweet the name of Heathrow sounds...

Mr Williams's style mirrors (or meers, as his Americans say) the incipience of schizophrenia of which his hero is warned. It is allusive, dense with fragments of old movie dialogue, joyfully or groaningly playing with and on words, as if he had misread the epigram and thought that genius was, after all, but an infinite capacity for making puns—as if S. J. Perelman had grown fangs and ferocity to match. This weapon—it is no mere tool—Mr Williams uses on his sometime hosts with all the mercy of the serpent's tooth, his outraged innocence harrowing their hell.

Quite apart from this success, Mr Williams has to be taken seriously as a writer on the strength of his previous books (there are seven, and one of them was runner-up for the Booker prize last year). Mr Elia Kazan, on the other hand, is a well-known director of plays and films and in that role has enjoyed well-merited success and great reward—sweets that further showered on him for his first venture into written fiction, "The Arrangement," and presumably set him to the making of this new map of hell. On the evidence available he is no writer but a one-book man; and "The Assassins" is not that book. It is, indeed, really rather bad—confused, windy, ill-constructed, unredeemed by its conscious vulgarities and its spurious if intermittent identification with the dropped-out young and their idiom.

(There are actually a great many more once-unprintable obscenities in "Walk Don't Walk" than in "The Assassins," but being in the first what practical criticism used to call "organic" devices they do not attract attention there; in "The Assassins," where they are scattered, like stock cubes in a stew, for the sake of beefing up the dialogue, their taste is vile).

And yet, irritatingly as it is indeed written, "The Assassins" has something to tell us about the American condition. The theme of the book is the polarisation of American society under the pressures of new ideas and new conventions: an Air Force sergeant, Cesario Flores, cold-bloodedly pistols the hippy who has alienated his daughter Juana, is tried for his life but (it cannot spoil any surprises) is acquitted by a jury prepared, one and all, to have done likewise had their daughters been corrupted. There are opportunities here, certainly, and all are taken, but so clumsily that small insights slip through the mind's fingers and are lost; so dimly that no light is shed by the torch this woolly liberal carries for all American convictions, old or young, past or present, anarchic or conservative; so earnestly that it is impossible to take him seriously. One does not expect a point of view to assail one from a novel, but one does ask for a consistency of stance, of feeling—some indication that the author believes something and that his material means something.

Where Britain lost

THE TRUTH ABOUT FORT FUSOCKS

By Richard Akerman.

Eyre Methuen. 204 pages. £2.50.

BLAZE OF GLORY: THE FIGHT FOR NEW ORLEANS, 1814-15

By Samuel Carter.

Macmillan. 368 pages. £3.50.

THE DAWN'S EARLY LIGHT

By Walter Lord.

Hamish Hamilton. 320 pages. £3.95.

From now until 1976 American towns, counties and cities will be wrestling with the problem of how best to celebrate the bicentenary of the United States. The prospect of a central commemoration in Philadelphia came unstuck when it proved impossible for Philadelphians to agree on a suitable site. Mr Akerman might have had some fun with the city of brotherly love but instead he has let his imagination loose on his own creation, Regina County, vaguely placed somewhere near Baltimore, and on the tribulations



Jackson: the British were beaten

of Mr Peterloo Screugh, a teacher of history who is given the task of tape-recording and preserving for posterity an uncensored account of the deliberations and machinations of its bicentennial committee. Regina County possesses the ruins of an old British fort, the legend of an obscure patriot, Jeremiah Postgate, who died throwing the British out, and the patriot's home, Brandon Hill, now owned by a rural Dr Strangelove, General Alonzo "Bang-bang" Braddick (Retd).

Mr Screugh has also been entrusted with a fourth precious possession, a manuscript in code written and hidden by a British agent who came to a sad end in the war of independence. The manuscript, which holds the secret of whether the British or the Americans won the battle of Fort Fussocks, is decoded bit by bit as the battle of 1974 rages over who is to have the credit—and the profit—of commemorating this nebulous bit of history. After a rather slow beginning both plots catch fire. And in the end the truth is buried to let the bicentennial celebrations proceed.

In "Blaze of Glory" a recounting of the battle of New Orleans, there is no doubt that the British were defeated; they were beaten back by Andrew Jackson, who thus revenged the burning of the Capitol and paved his own way to the White House. This is a handsome book, physically, and the story is engrossing. Mr Carter's style is somewhat romantic but with the accounts of eye-witnesses to draw on and an interest in every detail, he has written a book which is hard to put down. There are remarkable descriptions of Jackson's rag-tag-and-bobtail force—hunters from Tennessee and Kentucky, Baratavian pirates, Creole aristocrats, Choctaw Indians and blacks. A most interesting chapter concerns the arming of the slaves and the "men of

colour," the free Negroes who abounded in New Orleans. (Louisiana seems to have been the first part of the continent to use black militia, in spite of the endemic southern fears of a slave rebellion, and this caused some embarrassment when it was sold to the United States.) This ill-assorted army mowed down Wellington's veterans. Most of the deaths occurred after the peace had been signed, thousands of miles away.

New Orleans provides a chapter for Mr Lord's book, but he is largely concerned with tracing hour by hour, field by field and street by street the attack on Washington, its burning (quite selective it turns out) and the British repulse at Baltimore. Mr Lord ties it all up in a neat parcel, addressed to an American audience. But in Britain it is salutary to be reminded that "The Star-Spangled Banner" celebrates a British failure.

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Herblock's State of the Union by Herbert Block (Simon and Schuster, \$6.95). "The news from Washington is bad," announces Herblock, as he begins his latest book. It covers the four years of the Nixon Administration in words as pointed, as witty and as bitter as his cartoons, drawn regularly for the Washington Post, which make up about half the volume. President Nixon has superseded the hydrogen bomb as, in Herblock's view, the most dangerous threat to the liberties of the United States. His view is hardly unbiased, but would he be America's most honoured (and most beloved) cartoonist if it were?

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Business

Tricks with tractors

HARRY FERGUSON: INVENTOR AND PIONEER

By Colin Fraser.

John Murray. 294 pages. £3.50.

When his wife found Harry Ferguson dead in his bath in the autumn of 1960, stuffed full of barbiturates, he was 75 years old and had survived a wretched childhood, a grisly series of business setbacks, a six-year lawsuit in America, and breaches with almost all his close friends to achieve a degree of world recognition that few inventors are lucky enough to see in their lifetime. And he had also made a fortune. For Harry Ferguson was the man who turned the ordinary farm tractor from a mechanical horse, and a dangerous one at that, into a precision machine tool for farmers.

It took him from around the start of the first world war to close on the opening of the second world war to develop what he liked to call the Ferguson System; and it was Henry Ford senior, who still liked to boast that he had one foot on the land, who put it into mass production for him. What makes the story such an odd one is that Harry Ferguson was a dour, austere, parsimonious, ungracious, bigoted and largely unknown Ulsterman at the time, in a very small way of business; yet Ford was willing to build the tractor for him on the basis of a handshake.

How did such an unattractive personality ultimately win so much support? Mr Colin Fraser, who was for five years a Ferguson instructor in the old man's declining years, credits him with two qualities that do not always go together. Harry Ferguson was a first-class engineer who had the rare ability to get other good engineers to work for him even while he treated them abominably; his tractor with its hydraulically-operated implements was a superb piece of designing. He was also a salesman without parallel, and could charm the birds off the trees if he put his cranky, craggy mind to it. The Ferguson tractor was small, light and cheap, looking like a grey Shetland pony besides the other tractors of its day, but it could only work with its own, specially-designed implements. This was quite a package to sell to farmers already suspicious about such a small machine's ability to do its job and Ferguson had a sure feeling for the kind of gimmicks that had to be



Ferguson and Ford: handshake contract

built into any demonstration to convince them. He performed most of the crucial displays himself.

Success and recognition were both a long time coming, and even when Ferguson tractors were rolling out of factories in Britain and America the boardroom rows were such that one company after another decided that it would prefer to do without Harry Ferguson's business. The historic six-year court battle with Ford made others chary of dealing with him. In his 70s, he sold out to, and was in turn turfed out by, the Canadian Massey-Harris company, leaving him with only his dream of a four-wheel-drive car to sustain him. The fits of depression that had always periodically overwhelmed him grew worse.

Mr Colin Fraser permits himself a sentence of speculation about whether, if Ferguson had been a more sociable man, he might not also have been a happier one. But a less obstinate man could well have succumbed to the repeated business disappointments that preceded success; in which case there would never have been a Ferguson System, and an important slice of industrial history would simply not have happened.

It pays to advertise

THE MARKETING OF PROFESSIONAL SERVICES

By Aubrey Wilson.

McGraw-Hill. 210 pages. £3.50.

Professional services are traditionally surrounded with a special mystique which has effectively ruled out the kind of selling methods appropriate for, say, baked beans. The 1970 Monopolies Commission report on professional services did its best to debunk the myth, recommending a complete review of such practices as restrictions

on entry and advertising, and price-fixing. The professions, predictably, took issue with this judgment and even with the commission's competence to make it. But the old taboos are beginning to be broken down. Mr Wilson's book wisely steers clear of the most sensitive issue, the relationship between the professions and the individual user—doctor and patient, for example—and concentrates on the most likely area of expansion: in the professional services bought by industry and institutions, such as accountancy, of course, or management consultancy.

Mr Wilson leaves no doubt that professional services need skilful marketing in the same way that tangible products do, but details the fundamental differences between the two selling operations. The quality of a service cannot be demonstrated before it is rendered. There is no possibility of a sample; no help from packaging and display. A professional service must make a direct contribution to reducing the uncertainty involved in running a business; it must come to grips with the fundamental problems of the business which is buying the service; and it can only be bought from specially qualified people. Allowing for these differences, the book then considers what should be done by both buyers and sellers; there is a 10-page checklist ranging from strategic considerations to pricing. The book could be an eye-opener for those professionals who up to now have relied on being sought out by, rather than seeking, their clients—even if Mr Wilson's fondness for paradigms, classifications and definitions makes for rather heavy reading.

Sweet bird of youth

THE FUNNY MONEY GAME

By Andrew Tobias.

Michael Joseph. 172 pages. £2.

Wall Street might seem an unlikely locale for chain letters to flourish. But three or four years ago, even the most illustrious of banks, brokers, accountants and downtown law firms were busily handing them round. They weren't called chain letters, of course. Their key phrases were corporate identity and creative accounting, growth of earnings per share and, above all, synergy, which means $1+1+1+1=7$. But in one important respect the result was the same. Wealth was in no way created, but it was very effectively transferred.

Mr Tobias's account of this illusory world is slanted from an interesting angle: inside the soap bubble itself. His was an unusual career, at least by English standards, though it seems common enough in the United States. When he arrived at Harvard, a high school trip to Russia had left him with an interest in Slavonic literature and a self-image, he tells us, well to the left of nasty businessmen. However, to pick up a little money, which he did not really need, he went to work for Harvard's student-run corporation, and ended up, in his senior year, as its president. The next step, logically, was across the river to Harvard's business school but, following conventional wisdom, he decided on a couple of years in the real world first.

Reality, after a tentative start, turned to be the National Student Marketing Corporation where Mr Tobias, at 21, was director of campus businesses, with salary and stock options to match. NSMC was the corporate expression of a simple idea, that a single company could specialise in catering for the needs of young people, a \$45 billion market. Wall Street took to this concept, to its personable young president, Mr Cort Randell, and to the mesmeric nonsense pumped out by its public relations departments, as though to the sweet bird of youth itself. There seemed to be no limit to the urge to be in with the now generation (the ageing president of a college book-cover firm, to impress his youthfulness, did 20 excellent press-ups as part of the merger negotiations). At their giddy peak, the shares traded at 100 times earnings, or twice the multiple accorded to IBM. Yet in fact it was a jumble of poorly assorted businesses, strung together on a necklace of gimmicks. Most of the earnings were coming, at the time, from clothing and insurance, for which a 15 times multiple would have been ample.

Physically, Mr Randell seems to have had difficulty with digestion and, corporately speaking, it was altogether beyond him. He was washed away on a tide of red ink. Mr Tobias soon followed, back to Harvard, where he could ponder, in tranquillity, on lessons which his business school professors could have taught him in the first place. But he could also write this book—engaging, scurrilous, shrewd and funny. It can be commended to anyone who has a taste for this kind of thing—except creative accountants. For them, it should be compulsory reading.

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Pleasure

It's a knock-out

HENRY COOPER: AN AUTOBIOGRAPHY
Cassell. 190 pages. £2.50.

The British, Empire and European heavyweight boxing champion, the man who floored Muhammad Ali (or plain Cassius Clay as he then was), came from fighting stock. Grandad George had died in 1926, before Henry Cooper was born—he burst a blood vessel singing at a wedding; but his reputation around the Elephant and Castle, in south-east London, lived on. And Grandma was a useful ally in a rough-house, too:

In those days if any family had a row they went out and had a stand-up fight. Grandad used to fight like a man and my Gran wasn't like most women, scratching and pulling hair; she could punch like a man. She used to roll up her sleeves and stand up and box. If two families had a row my Grandad would fight the other old man and my Gran would go and fight his wife.

Henry was an Elephant kid, and at heart he still is. His tastes have not changed and he does not try to pretend they have. He remembers with relish the food his mother made: bread pudding, suet pudding, date pudding, shin-bone soups. This book is plain and simple—Henry Cooper talking aloud. It is lively, gutsy and affectionate, with no airs and graces, no side. One would have to be a boxing addict to follow him through every detail of his fights, but the book is interesting as an honest picture of what a professional thinks about his job. This man enjoyed boxing. He was good enough at it to make a living out of it; lucky enough to have a manager as straight and shrewd as Jim Wicks, and sensible enough to save for a rainy day. He was in the fight game for the money. He fought as many fights as seemed worthwhile financially; he took no pleasure in going into the ring on behalf of the inland revenue. That meant, when he was at the top, never more than four fights a year. One year, he says, he earned £36,000 and the taxman took £29,000. No wonder he and his manager campaigned—unsuccessfully so far, it seems—for boxers to be allowed to spread their earnings for tax purposes.

There is not much here for those who see boxing as a dangerous sport. Mr Cooper reckons that Baroness Summerskill must have based her opinions on the bad old days when a boxer like Jimmy Wilde could have 600



'Enery's 'ammer

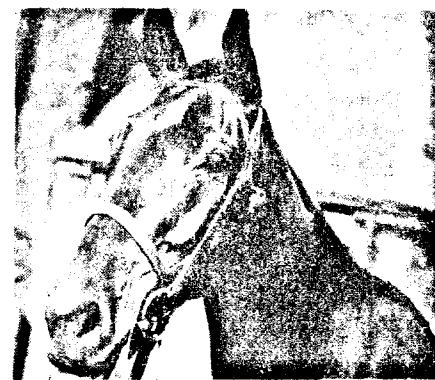
fights in his career. In nearly 17 years of professional boxing Mr Cooper had 55 fights and he considers the risks of serious injury to boxers in Britain—he certainly would not say the same for those in America—are not great:

Risk-taking ought to be a calculated thing. No boxer will get seriously injured if he goes into the ring properly matched, fit and trained up. Fighters know it. Tragedies happen when they are not 100 per cent fit or have shirked their training. Sometimes they may be hiding an injury, perhaps from themselves. A brain haemorrhage is an exception. But that's a basic weakness which is put at risk unknown to the boxer. He could just as easily suffer the haemorrhage by banging his head on the cupboard under the stairs or against a lamp post. . . . The British Boxing Board of Control must always be kept up to the mark by the press and the public, though I do firmly believe that boxing in Britain is the best run in the world.

Henry Cooper is known as a good sportsman, but he makes clear that when he was in the ring he was there to win at all costs. He knew all the tricks of the trade when he was in a clinch and on the blind side of the referee. If his opponent got a cut eye, he did all he could to make it worse. Champions, he says, must have the killer instinct. Henry Cooper had it and his chief weapon was his left hook —'Enery's 'ammer, as it was known in the trade. But he also knew occasionally what it was like to be on the receiving end of a knock-out punch:

The good punches you never see coming. You feel no pain at all. It's like being in a room with the lights on and someone coming in and turning them off and it's pitch black. All you remember is coming to, just waking up. There's no pain, no soreness with a really good knockout blow. It's as if someone had just turned the lights on again. You get a similar sensation when they give you pentathol in hospital.

That's the way it is: you can take Henry Cooper's word for it.



Golden Miller: grand national hero

Photo finish

THE HISTORY OF HORSE RACING

By Roger Longrigg.
Macmillan. 320 pages. £6.50.

THE GRAND NATIONAL: AN ILLUSTRATED HISTORY

By Clive Graham and Bill Curling.
Barrie and Jenkins. 196 pages. £5; £6.50 after 31st December.

For racegoers who want something else besides the latest Dick Francis novel, here are two rather splendid recommendations. The first, by the estimable Roger Longrigg, is fascinating all the way from Diomedes to Piggott, both good at lifting a horse over the line; the illustrations, from a variety of centuries and courses, will keep many an unlucky owner spellbound and hopeful. It is a pity, though, that two of the idols of recent years, Arkle and Nijinsky, are execrably represented.

The second book has some of the best black-and-white pictures ever over the sticks, and pays proper respect to the one and only Golden Miller (Arkle fans, of course, needn't buy). Each of the great occasions is recounted in detail, not forgetting the Foinavon (444-1 on the tote) fluke five years ago. The words are by two fellows calling themselves Clive Graham and Bill Curling, which are merely pen-names for The Scout and Hotspur, and that should be recommendation enough.

Women and song, beware

"Next to the pleasure of drinking wine come the pleasures of discussing and thinking about wine" says the dust-cover of Denis Morris's *Daily Telegraph Guide to the Pleasures of Wine* (Collins, £1.95) and the latter is all this reviewer can provide until it is decided to impregnate the pages of *The Economist* with the bouquet of

vintage Chateau Lafite (a development that is only being held up by some tricky technical problems). Of all these books it is the *Wine and Food Bedside Book* selected by Claude Morny (David and Charles, £3) that most easily puts this pleasure across. This is a collection of articles written for *Wine and Food*, the journal of the International Wine and Food Society. Some five of the 12 articles in Part 5 are entitled "Memorable Meal," three of them written by the late André Simon. An example of these was one enjoyed in 1939 by M. Simon himself: the food was what he chose to call simple, but the wines were La Riva Marchanudo Fino, Blandy's 1792 Madeira (supplied to Napoleon in St Helena but not drunk, on his doctor's advice), Zeltinger Rotlay Auslese Moselle of 1934, two clarets from Chateau Ausone, 1899 and 1892, Tokay Essence of 1811, bottled in 1840 and discovered in 1925 after being walled in during the 1849 revolution, and some 1830 Bisquit Dubouché cognac.

Nor is Mr Morris much concerned with modest wines (guides to chateau plonk are certainly needed, but perhaps hardly in book form) and after a couple of introductory paragraphs he launches into champagne. Following with sherry, madeira and aperitifs, he then goes through dinner fairly systematically, but grouping wines by country: there are five chapters on France, followed by Germany and the rest. He inserts a useful chapter on mulled wine: this is a good book for the less-than-gastronome.

The Gazetteer of Wines by André Simon (David and Charles, £5) is virtually an encyclopedia. It contains descriptions of the major wine-producing areas of the world, including Turkey and Australia as well as the likes of France and Germany, an alphabetical gazetteer of wines and 40 maps of the wine areas—a comprehensive work of reference. *The Wine Trade* by A. D. Francis (Adam and Charles Black, £4.25) is a history of it; largely a British history, as Britain has been the main importer of wine. Although there has always been a good flow of sherry and claret (much of the latter to Scotland—the lubrication of the auld alliance), the main story is about port. Not until Gladstone's chancellorship were the duties on light wines reduced to a level that enabled them to compete effectively. But those who think that the growing taste for wine in Britain is a modern phenomenon can learn of the devotion of Englishmen to wine in the early

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A satisfied customer?

Victorian shopping (David and Charles, £5.95.) A facsimile edition of Harrods' May, 1895, price list (all 1,510 pages of it) cannot now help but provide endless entertainment. From Abdominal Belts to Zymine tabloids, via Camphorated Chloroform, Monumental Masonry and Winker Watering Bridles, fun can be had at any number of different levels: masochistic marvelling at decent claret for 15s for a dozen bottles and "stylish silk tea gowns" at 4½ guineas; nostalgia for an upper middle-class world of summer tents and canopies; plain amazement at the number and variety of potions, lotions, lozenges, patent inhalers and the like on offer; sudden insights into the small discomforts of Victorian domestic life. Then there are the illustrations: page upon page of drawings of objects that would send any Portobello Road bargain-hunter into a glazed trance of delight.

Fantasy

Royal road

DREAMS ABOUT HM THE QUEEN

By Brian Masters.

Blond and Briggs. 144 pages. £2.

Freud said that the study of dreams was the royal road to the subconscious; Mr Masters gives us royal dreams as the road to the subconscious. He mainly recounts his collection of dreams about the Queen and the royal family,

sent to him by loyal subjects all over the world. None is portentous, none is sexy; many are trivial, including those dreamed by intelligent people; many are dreamed by people who go out of their way to add that in waking life they have no interest in the monarch; some are delightfully zany. Nearly all the dreams read as if Her Majesty was on the sort of private escapade invented in the popular tabloid press, but do we not get all our information about her from such sources anyway? Royalty condescends, yearning to get lost in the city incognito, and is invited to the dreamer's home for a nice cup of tea. Incredibly, half of all the dreams, with the whole world of unfettered fantasy open to them, include the sharing of a nice cup of tea. This fact is all that remains in the mind after reading the book, and is a tribute to tea as the ultimate and infallible social lubricant in England.

Only this remains, for the book is slight and ephemeral. The breathless discussion of interpretation in the final chapter is down-to-earth, commonsense and debunking—and none the worse for that—but superficial. It is probably confusing to the undemanding reader, at whom the book appears to be aimed, but a pointless scratch at the surface if the work is serious. The author had a bright idea, made his collection, wrote it up lightly and deftly, and barely stretched it to book size. The book can be read in just about a couple of hours and it palls towards the end. That, of course, is fitting for a bedside book.

Suitcase of sex

THE EROTIC WORLD OF FAERY

By Maureen Duffy.

Hodder and Stoughton. 352 pages. £3.50.

Reading this book is rather like unpacking a suitcase into which far too many things have been crammed, and a gallimaufry of things at that. Miss Maureen Duffy is obviously an enthusiast, who cannot bear to leave out anything that strikes her fancy. She has chosen a vast subject, nothing less than the supernatural in English literature; for the inhabitants of her world of Faery include angels, devils, ghosts, witches, mermaids, satyrs, elfin knights, demon lovers, goblins, minuscule fairies—anything, in fact, that the human fantasy has ever thought up to embody the fears and desires repressed by the inner censor. Particularly, in her view, these non-natural creatures represent forbidden erotic impulses.



The inevitable mushroom

Miss Duffy has worked out her thesis with zest, and in the main it is a tenable one. Within a chronological framework—from Anglo-Saxon spells to Walt Disney and science fiction—she exhibits at breathtaking speed a succession of examples of the faery element in English poetry. And not only poetry: she cannot bear, for instance, to omit the Lilliputians and Brobdingnagians, and one wonders why Apollyon and Giant Despair have not been shoved in as well. Her chapters on "A Midsummer Night's Dream" and "The Tempest" are especially interesting, for in them she brings considerable literary erudition to bear on the themes, as well as the omnipresent freudian formulae. She is also a Spenser enthusiast, and is a good deal more enlightening about "The Faerie Queene" than she is about "Paradise Lost." This might, indeed, have been considered outside her terms of reference, as she begins by excluding from Faery supernatural beings within the Christian fold. However, she has a hunch about Milton being madly jealous of his younger brother, as well as father-fixated, so off she goes. And she does make some excellent comments on the influence on Milton of the Baroque paintings and sculpture that he encountered on his visit to Rome.

Among the most valuable features of this book, incidentally, are the illustrations; a very varied selection, some pretty certainly unfamiliar to the majority of readers, and all pertinent

to the author's main theme. This book does not, of course, set out to be a learned academic treatise, though a wide range of reading underpins it. But she allows herself too many ridiculous generalisations, and she discerns masturbatory fancy, penis-envy or incestuous longings behind every poem with a supernatural element. True, one does not wholly reduce the poet's artistic achievement by analysing all fantasies in freudian terms. The work of art still exists. But freudians seem always to find what they are looking for: the discoveries become either hilarious or monotonous, according to the reader's temperament.

Having begun by complaining that too much has been crammed into this book, it is ungracious to end by complaining about what has been left out. But there is one bare mention of "The Ancient Mariner"; no consideration at all of Coleridge; and no reference to Tolkien's "Lord of the Rings."

Founded on a fraud

THE MAGICIANS OF THE GOLDEN DAWN

By Ellic Howe.

Routledge and Kegan Paul. 334 pages. £4.50.

Mr Ellic Howe's ramble through the arcane corridors of the occult revival of the 1890s is interesting as a footnote to English literary history, since the 25-year-old Yeats was one of the first members of the Hermetic Order of the Golden Dawn, together with Florence Farr, who was then the mistress of that least irrational of men, George Bernard Shaw. The whole movement, it turns out, was founded on a fraud; a London coroner turned part-time occultist invented a female "Secret Chief" in Germany and forged letters from her licensing him to set up his own lodge in England.

The complex rituals and cabbalistic lore of the new order were largely the invention of an impecunious would-be magician called MacGregor Mathers, who patched it all together out of his somewhat confused notions of alchemy, astrology, black magic, freemasonry and Hebrew tradition and "invented" a cipher. Mr Howe solemnly informs us that the coroner and his friend were not swindlers "but occultists and therefore liable to confuse illusion and reality." But the mass of documents he has dug up provides a guide to the "system of correspondences" behind some of Yeats's poetry, as well as the occasional amusing vignette of life in the theosophical underground.

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Longman



An attractive exterior

middle ages, when England had the good sense to own half of France.

Moselle by O. W. Loeb and Terence Prittie (Faber, £4.50) and Sherry by Manuel M. Gonzalez Gordon (Cassell, £4.50) are both thorough surveys of their subject by experts. Dr Loeb and Mr Prittie's chapter on the future of Moselle contains a catalogue of groans about the future of fine wines in Britain. But if there is one commodity for which demand increases more than proportionately with higher living standards it is good wine. The authors hark back to the increases in duty imposed by the Labour government, but wine consumption is now booming again, without any reductions in duty. Sir Manuel Gordon, Marqués de Bonanza, who is over 80, goes back much further in his chapter on the medicinal virtues of sherry, which appears to have saved his life when he was four. (The days when protection of the liver was popularly thought to involve avoidance of sherry are long gone.)

Victorian Public Houses are justly celebrated, particularly in London, and Brian Spiller has produced a good and well-illustrated guide (David and Charles, £2.95). One would appreciate slightly more detailed guidance about how to get to some of them: this reviewer found himself crawling in the wrong direction once or twice. Mr Spiller is more interested in the outside than the inside; but the shock of one or two terrible interiors was more than assuaged by the Crown in Maida Vale—an extravaganza with marble bar, vast marble fireplace and elaborate ceiling, and a billiard room with two full-sized tables.

Elephant's diary

A DICTIONARY OF MNEMONICS
Eyre Methuen. 93 pages. £1 cloth, 45p paperback.

This is an admirable, unpretentious little book in which the publishers have still been decent enough to use up three pages acknowledging their sources. Not, of course, that their informants were necessarily the inventors: mnemonics go back at least to the ancient Greeks, and were heavily relied on in the middle ages. This dictionary includes a mnemonic for the diatonic scale, designed in the eleventh century to depend on the first syllables of familiar hymns. That is not going to stick in the mind very easily nowadays, but there are plenty of mid-twentieth century examples for balance. How about "You'd much better not by car" for the first six motorways (to Yorkshire, the Medway, Basingstoke, Newport, Birmingham and Carlisle), for example, or, just right for metrication, "Kippers hardly dare move during cold months" (kilometre, hectometre, dekametre, metre, decimetre, centimetre, millimetre)?

There is an ample, but not excessive selection on Latin and French grammar; and of course plenty of mathematical and scientific mnemonics. Medical students seem to have the raciest: "Lazy French tarts lie naked in anticipation" (for the nerves in the superior orbital tissue). The best mnemonics make sensible sentences or words: skill, for example, for the excretory organs (skin, kidneys, intestines, liver, lungs). The worst are awkward strings of words: "Peter's tiny vole sings very tenderly" would be tiresome to remember for one of the thermodynamic relationships. With some, one could have done with a little more explanation: it takes a moment or two to work out how "To remember a number is to be a strong or hardy person. I always do" can be a mnemonic for the coefficients of

$$\begin{aligned} \text{? } U_t dt &= (.28U_0 + 1.62U_n + \\ &2.2U_{3n} + 1.62U_{5n} + .56U_{6n} \\ &+ 1.62U_{7n})n \end{aligned}$$

The rule is the same as for the mnemonic for pi (3.141592653589793238462643383279):

Que j'aime à faire apprendre ce nombre utile aux sages. Immortel Archimède antique, ingénieur. Qui de ton jugement peut sonder la valeur? Pour moi ton problème eut de pareils avantages.

But not all are so sophisticated. There are the schoolchild's history memory-aids ("Willie, Willie, Harry, Stee..."), a jingle for the books of the Old Testament, the knuckle trick for the

number of days in the month and a complete code of mnemonics for Morse. Most homely of all is one for checking that your children are presentable: "Hideous fools and morons, keep silent!" (Hair brushed? Face washed? Middle held together? Knees clean? Shoelaces tied?).

Back to nature

What takes over from ecology in publishers' lists? Natural history, apparently, with a revival of the old-fashioned, didactic, everything-you-need-to-know-about sort of book. Not many range as widely or as eruditely as *The Leaping Hare*, a compendium of folk lore, mythology, cookery and tape-recorded accounts of hare watching, trapping and coursing put together by George Ewart Evans and David Thomson (Faber, £3.50). Why hares should at various times in history have been associated with the moon, with witches, with virtue and with practical jokes, and why these beliefs should have been more or less universal from Wales to Kyoto has never been clear, and is not that much clearer by the end of the book; but at least one is prepared by then to agree with the authors that hares, whether in fact or fiction, are remarkable animals, and to feel mildly ashamed at having up to that point known so little about them.

Henry Williamson's *The Scandaroon* (Macdonald, £1.95) does not inflict the same sense of guilt, partly because a taste for even the most bizarre of homing pigeons is really acquired only by pigeon fanciers and partly because much of this book is in the "Yesmye, thaccky li'l ole cat knaws" vernacular. But that aside, it is a pleasant, very professional exercise in Williamson-type nostalgia for a time when the gentry were gentler and the locals freer with their strychnine than either are now.

Not quite in the crib class is *The Concise Flowers of Europe* (Oxford University Press, £1.95) which is Oleg Polunin's scaled-down, paperback version of his original, monumental reference work; and since the original weighs all of 3lb, the need for something closer to pocket-size is obvious. The colour illustrations, like passport photographs, help identification but hardly flatter the sitter, whereas Herman Heinzl's paintings for Richard Fitter and John Parslow's paperback, *Birds of Britain and Europe* (Collins, £1.50), are more birdlike than any photograph is going to be at this price, and if the illustrations in John Leigh-Pemberton's neat little *Wildlife in*

Britain (Wills and Hepworth) are not quite up to the same standard, at 15p that's hardly surprising.

In a different category altogether is *The Complete Cat Encyclopedia* edited by Grace Pond (Heinemann, £4.75), which is neither a paperback, nor a quick reference book, nor cat lovers' goo but a solidly researched account of the 27 recognised long-haired and 37 short-haired breeds of cat, including the relatively new Sphynx, and it is claimed to be the first and only one of its kind. There they all are, eight kinds of tabby, six kinds of siamese, two kinds of curly-coated Rex cats—not to mention the Havana brown—in frozen poses that show off such points as their wedge-shaped heads, the set of their ears and the pattern of their backs. Macavity would have hooted with derision, but the big old Abyssinian tomcat on page 197 might well have been a match for him.

The same care for detail marks out *Deer of the World* by G. Kenneth Whitehead (Constable, £5); the only other book of its kind is 70 years old, out of print and changing hands at £100 a copy. But there are times when care, accuracy and great depth of knowledge are not altogether enough. Were deer extinct today, we would be marvelling at the eccentricity of a species that grew huge prongs of bone on its forehead up to golb (the Giant Deer that did so actually is extinct), and which, the bigger they grew, became more of an ornament and less of a weapon. Nor is that superstructure the work of a lifetime; the silly brute sheds it at the end of each season and starts all over again the next year. The strain on the physique of a big stag must be phenomenal. But because these extraordinary creatures are roaming the earth throwing off and growing antlers before our very eyes, we and Mr Whitehead take them almost too much for granted.

Some readers may, however, prefer the cool Whitehead to the unlimited enthusiasm of Dr Geoffrey Fraser Dutton, whose account of underwater exploration in *Swimming Free* (Heinemann, £2.75) has obviously been ghost-written by a large and powerful codfish. Not for Dr Dutton the warm and exotic waters of Jacques Cousteau-land; he swims flippered, rubber-suited and snorkled in the freezing waters around Britain (Scotland, mainly) among seaweed forests, seals and angry seabirds, and strongly recommends for a holiday break a quick flip down the river beds

of Britain, among the young salmon and the trout. An unusual man, with unusual ideas about replacing swimming pools with aquatic parks that deserve to be taken seriously. But should your taste run more to exploring underground than under water, then there is always *Field Archaeology in Britain* (Methuen, £3.50) and John Coles to tell you how to go about it, in another of those books that assume that readers' interest has already been sparked off elsewhere and all that remains is to fill in the gaps.

Picture books

The Pin-Up by Mark Gabor (Deutsch, £5.50) is sub-titled "A Modest History," but its most strikingly modest feature is the paper on which it is printed. With £5.50 on the dustcover, the price is not modest and with full frontals on the inside pages, nor is the content. The illustrations are accompanied by a pretty absurd text (example: "Although nude art photography can be a valid, meaningful form of creative expression...") and an even more absurd introduction by Ms Nicholson, the editress of *Do It Now*, who gives "a feminist view of the packaging of rape" (example: "Even among homosexuals, lesbians tend to seek a total relationship with other human beings while male homosexuals tend more to objectify their sexual partners"). For old-fashioned male chauvinists who don't mind the flannel of the prose or the flannel on which it is printed, there is still an uncheap thrill to be had from some fairly saucy photographs.

The International Encyclopedia of Film edited by Roger Manvell



An uncheap thrill?

(Michael Joseph, £7). This is a very fat book, a very big book, and one with many hundreds of interesting entries on all kinds of things related to the movies. There are also plenty of excellent pictures of pictures. But it is not an encyclopedia, far less an international one, of film. The Hollywood companies that were, after all, responsible for churning out a goodly portion of the films whose directors and stars get into the book do not even rate an entry each to themselves. Since there is no general index, you will have to look diligently to find a mention of other film production names like British Lion. But a film encyclopedia to please all the film buffs would have to be 10 times bigger and better researched, and in the meantime this one will provide a quick flip answer to many of the questions prompted by the late late movie on the box.

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By Lillian Libman.

Macmillan. 400 pages. £3.50.

ENCOUNTERS WITH STRAVINSKY

By Paul Horgan.

Bodley Head. 224 pages. £3.

STRAVINSKY: THE CHRONICLE OF A FRIENDSHIP, 1948-71

By Robert Craft.

Gollancz. 456 pages. £4.

THEMES AND CONCLUSIONS

By Igor Stravinsky.

Faber. 328 pages. £6.

Only a few days, it seems, since that bizarre funeral of Stravinsky's in San Zanipolo in Venice, Russian rites amid a setting from the doges. Actually, it happened on April 15, 1971. Death had defeated him (having tried hard before) when he was 88. By odd coincidences, the remembrances are tumbling out, written, printed and published within the space of 18 months—something indeed to rival the maestro's own energy.



Stravinsky, by Picasso

Of Miss Libman's book, Madame Stravinsky has let it be known that it is anathema, while "Mr Horgan's is the most faithful and exact picture of my husband in action in his later years"; not, curiously, Mr Robert Craft's book. But in years and in range his will remain the most important consecutive account of Stravinsky's life and work, at least since 1948 when Craft first became the adopted son and literary and musical collaborator of the master; and until the definitive biography comes to be written.

Miss Libman worked with Stravinsky from 1959, first as personal manager and press representative and then occupying the privileged positions of lawyer, guardian, cook, valet, seamstress, chauffeur, companion and even nurse. She has set down a warm and totally unbitchy account of the Stravinsky circle, despite his widow's vetoing of quotations from the composer's correspondence. But she does show some of the warts, in any case fairly familiar: his love of money, his calculation of tax deductions, his belief in the restorative power of Scotch whisky. And she does query how much of the *echt Stravinsky* has emerged, in literary and recorded output, from the close collaboration between the composer and his amanuensis over the 23 years of their working together.

This is a fair question, but one that is impossible to answer for anybody who was not part of the intimate circle and household. It is difficult on the evidence to suppose that Robert Craft did not add a dimension to Stravinsky's own literary output. Stravinsky acknowledged that his "arch-disciple"

not only put an occasional word into his mouth, but indeed sustained his creative life in his last years. "Themes and Conclusions" is a one-volume edition of Stravinsky's two earlier books, and carries a significantly elided title, for Craft has "corrected, cut and expanded" the volumes that it supersedes. It is marvellously vital, sometimes uproariously funny, sometimes undeniably nasty. But to establish the source of its ideas, or even of the wise-cracks, would require a formidable amount of research.

There were rifts, according to Miss Libman's account, in these *maitre-fils* *adopté* relations that bring into question the absolute authority of the "Stravinsky conducts Stravinsky" recordings that, whatever the provenance, form one main glory of the master's later years. Not that this should matter, in this modern age where tapes can be spliced and where the truly important achievement is a recording of impeccable quality. But the essence of the controversy, which was in the air long before Stravinsky died, is how much of the master has emerged unmodified, unprocessed and *sui generis*. Clearly, a very great deal; yet, one must suppose, something short of the whole person. There he was, aloof, suspicious of being managed, yet accepting a considerable deal of help from good and knowledgeable collaborators.

Mr Horgan's is an uncommitted but loving book. But the others are loving, too. His is objective and rather less personally involved, elegantly written and deeply felt. Mr Robert Craft's chronicle requires at many places a good dictionary (pendunculates, ecchymotic and cerebrotonics all on one page). The first section, "Squibs," in "Themes and Conclusions" is a brilliant introduction to the rest. And Miss Libman, who starts with the epilogue of death and the funeral, must be read by anybody who wants a second (or is it a third?) opinion about one of the geniuses of this century.

Arctic art

SCULPTURE OF THE ESKIMO

By George Swinton.

C. Hurst. 256 pages. £8.40.

A never-ending stream of primitive art by ever-smiling northern natives? No, Eskimo art is not that, according to Professor George Swinton, of Manitoba university, who is a leading authority on the subject. Two decades of close study of the Canadian Eskimos and their art (especially sculpture) have



A speaking likeness

convinced Professor Swinton that it is a coherent body of original work by well-differentiated individual artists such as Tiktak, Johnnie Inulpuk, Peter Ahllooloo and many others represented in this splendid monograph.

The art of the *Inuit*, as the 17,000 Canadian Eskimos call themselves, is based on the concept of *sananguaq*, or likeness-making, which creates new reality. Not surprisingly, in a nation of hunters whose mythology centres on man's relationship with the animal world, those likenesses are mostly of bears, whales, seals, penguins and other animals. This remains true even of contemporary Eskimo art, which is of course increasingly secularised.

That art received a big boost from the Canadian government's deliberate effort in the late 1940s to encourage sculpture in Eskimo communities as a means of livelihood, even survival. Production en masse, which was the (temporary) result of this policy, is deeply repugnant to the anthropologists and others who tend, according to Professor Swinton, to romanticise the Eskimo past and the purity of its cultural and artistic tradition. But out of it has emerged the new and noticed contemporary school of artists.

What has this new art in common with the traditions of the past 5,000 years? Extreme simplicity and directness of approach, a certain tendency towards massive bodies and small heads and, most important of all, a great skill and ingenuity in handling

materials. The raw, inhospitable Arctic—the Eskimos call it *Nunassig*, the Beautiful Land—offers few enough of those: ivory, bone, antler, wood and stone. As ivory becomes rarer, stone is being used increasingly, with marvellous skill and dexterity. Like all people living close to nature, the Eskimos have a highly-developed intuition about the potentials of the raw material, which they exploit to the full—as the best of these illustrations show. This book is much more than a guide to modern Eskimo art: it is also a comprehensive compendium of Eskimo history, culture and customs, with a wealth of excellent illustrations and a good bibliography. It is a fascinating, enjoyable and useful book.

Better than ever

THE ART OF JEWELLERY

By Graham Hughes.

Studio Vista. 248 pages. £8.

Mr Hughes, the art director at Goldsmiths' Hall who mounted such a fine exhibition of twentieth-century jewellery, has now given us a splendid survey of the whole craft, which has survived the ups and downs of civilisation in every continent.

Already the author of standard works on modern jewellery and silver, Mr Hughes has turned historian in order to trace the evolution of jewellery-making. He has written a fluent and authoritative account that is the product of much scholarship and a well-nigh exhaustive knowledge of the jewels themselves. The text is supported by an excellent set of illustrations, many of them novel and all of them carefully labelled.

The profusion and sheer beauty of the pieces with which he deals are breathtaking. There are Sumerian amulets, agates and carnelians from ancient Persia and the multi-coloured beads of pre-Columbian America; Hellenistic diadems, Roman earrings, Etruscan *fibulae*, and gold chains from Ptolemaic Egypt; finely modelled torcs from bronze age Ireland, visigothic buckles, and Indian necklaces that display all the intricacy of Mogul art; Limoges enamels, stone-studded reliquaries, and the elaborate hat badges of the high middle ages. Burgundian orders of chivalry, renaissance portrait medallions, rococo sword-hilts, knobs from eighteenth-century walking sticks, and, but by no means finally, those ensigns of a decayed domestic tyranny, the chatelaines on which were once suspended countless keys.



Journal of

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Autumn 1972

Vol. II, No. 1

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Gold bra: for exhibition only

But the kaleidoscope of fashion is not the only aspect covered in this work of reference. A chapter on the "artist-jeweller" unfolds the story of present-day manufacture, and touches on the remarkable revolution which, since the 1950s, has transformed the market and stimulated the design of much of the best and some of the oddest jewellery; the gold bra, for example, designed as a showpiece but never completed.

It is gratifying to find that in at least one art form our standards are as good today as they have ever been. Thorough chapters on technique—including the recent development of electroforming—on the discovery of the lost treasures of Mycenae, Knossos, Thebes and Ur, on the major world collections and on the criteria of value complete the survey. But anyone who regards beauty will derive pleasure from this book.

Statues in a frame

ARCHITECT AND SCULPTOR IN
CLASSICAL GREECE

By Bernard Ashmole.
Phaidon. 218 pages. £5.50.

This handsome and lavishly illustrated book comprises the Wrightsman Lectures which Professor Ashmole delivered in New York (by an odd omission when he did so is not to be discovered from text or blurb), with a wonderful set of photographs, each set at exactly the right place in the text, which presumably correspond to the slides which he showed. The theme is a double one: the development of the practice and technique of inserting sculptural ornament into the confining framework of the only places in a Greek temple where it could be put (he has little to say about the great cult statues, since they have not sur-

vived in the cases which he treats); and the development of the sculptor's art when so employed. This is illustrated by studying three cases only: Olympia, the earliest; then the Parthenon; and finally the Mausoleum, which was not a temple in the ordinary sense, but presented the same architectural and sculptural problems and opportunities. This covers the 150 years, more or less, of the finest Greek sculpture, from the end of the Archaic to the beginning of the Hellenistic.

Professor Ashmole gives most space to Olympia and least to the Mausoleum (probably because the material is so shattered). Yet one feels that his sympathy is with the transitional periods and less with the stationary point of the Parthenon. The statues of Olympia show an astonishing leap forward from Archaic techniques, and a capacity to show emotion in features which was lost for a time in the idealising tendencies of the next generations. The Mausoleum shows many faults, and (to a modern eye) its general structure must have been horrible. But its ornamental sculpture had passages of the greatest beauty. Rather surprisingly, and certainly not acceptably to neoclassicals (if any such remain), he describes a shattered torso of a dying Amazon—features, lower belly, limbs, nipples all gone—as "perhaps the finest female nude that has survived from classical antiquity."

In all three cases he describes, most interestingly, what can be deduced about the technique of construction: where and at what stage the sculptures were inserted into the temple and what was involved, in time and money, in bringing the marble to them. This detail is omitted for Mausolus, since a successful autocrat could afford anything in his own honour. The result is a delightful book, highly instructive and easy on the amateur.

Art catalogue

The Age of Rembrandt and Vermeer by J. M. Nash (Phaidon, £6). Why, for heaven's sake, another book about Dutch painting? The answer—or excuse—is that art interpretation is comparatively new, and it is being continuously rewritten as new evidence comes to light. Mr Nash (of Essex university) tells us in his introduction, for instance, that so little is known about the great Frans Hals that only recent research has made certain that he was acclaimed as a portraitist in his own lifetime. Of the 178 illustrations,

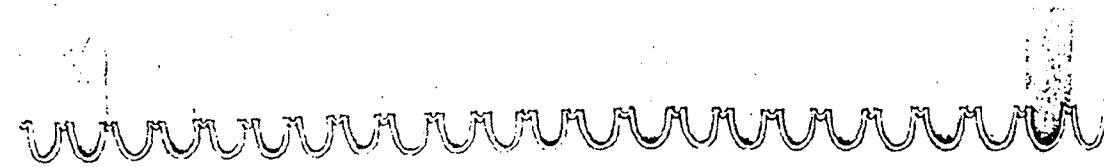
48 are reproduced in colour (but sometimes unfaithfully, particularly noticeable with the Vermeers); the interest in the selection for those who know Dutch painting is in the details.

The Drawings of Watteau by Malcolm Cormack (Hamlyn, £2.50). While the charm and delicacy of the paintings are still there, Watteau's drawings have a spontaneity and realism which may seem preferable to the oversweetness of some of his compositions. Indeed, some of his contemporaries thought more highly of him as a draughtsman than as a painter, although Watteau seems to have considered his drawings only as working material for his paintings. A 13-page introduction by one of the staff of the Fitzwilliam Museum, notes on 132 drawings and the reproductions themselves make up this attractively-priced book.

The Restless Century by William Gaunt (Phaidon, £6.50). Mr Gaunt has worked his way from Hogarth to Turner: now he covers the vast span of imaginative painting encompassed in the nineteenth century. The choice is excellent; the introduction simple and informative; the result admirable. No mood dominates this book, though it is hard to deny to the pre-Raphaelites their present popular lead, which has dragged even such neglected painters as Arthur Hughes into the limelight and established the better-known, such as Burne-Jones, on a pinnacle of fame.



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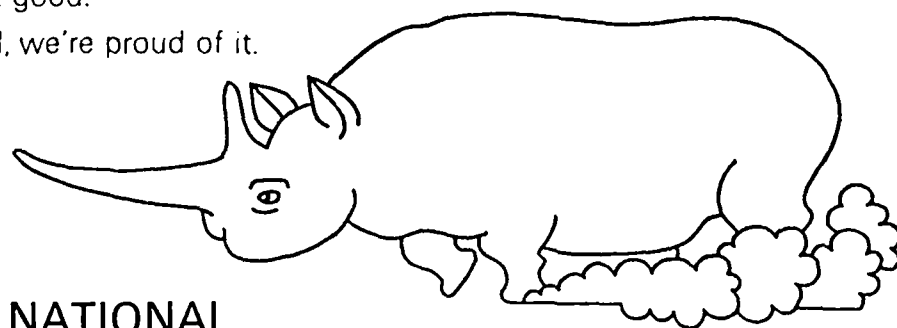
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Business Brief

Two pensions for all

If all goes according to plan, and no general election supervenes, Sir Keith Joseph's state pensions plan will be safely on the statute book by next autumn, and come into force in April, 1975. Now that the Social Security Bill (and explanatory memorandum, Cmnd 4755), has put flesh on the skeleton unveiled 14 months ago in the white paper (Strategy for Pensions, Cmnd 4755), the pluses and minuses can be spelt out.

Like his Labour predecessor, Mr Richard Crossman, Sir Keith intends to put pension contributions on a straight payroll tax basis, in place of the present hotchpotch of flat rates and graduated contributions. Up to a ceiling equal to one-and-a-half times average earnings—which means up to £48 a week at present—every employee will pay 5½% of his earnings into the state pension fund, and his employer will pay 7½% of those earnings into

that fund. This means that the money to pay higher pensions will rise automatically as earnings inflate.

Unlike Mr Crossman, though, Sir Keith has not tried to offer wage-related pensions as well. State pensions will remain flat rate, but they will be escalated annually in line with prices or wages. This means that Sir Keith's scheme will be even more redistributive than Mr Crossman's, and so perhaps even more unpopular. Further, there is no question of generous pensions being promised to today's working population at the expense of future contributors.

Electoral, the Government hopes that criticisms on these points will be more than offset by two definite attractions: the scheme is divinely simple; and it gives a positive inducement to occupational schemes. The aim is that the large majority of British workers will be protected in old age by having a

good occupational pension as well as the state pension.

But a large minority of the work force are not suited by occupational schemes, either because they change their jobs too often, have long breaks away from work (eg, married women), or for other reasons. So Sir Keith has tacked on a reserve scheme, which will run like a state occupational scheme. For any month that a man works without belonging to an occupational scheme, he will pay contributions of 1½% of his earnings into this reserve scheme and his employer 2½%; the money will go into a fund, invested and managed independently of the government. When the time comes, the man will draw a pension from this fund determined entirely by how much he has paid in and (subject to a guaranteed minimum) the investment performance of the fund. A young man paying his 1½% contributions on £48 a week at age 21 is promised an inflation-proof pension of nearly £20 a week (ie, £20 in terms of the year 2016's prices) when he retires.

To be exempt from paying into the reserve scheme, a worker must belong to a "recognised" occupational scheme, which must meet various standards (more stringent, one hopes, than hitherto) of security, management and so on. But it must also guarantee pensions of a prescribed minimum level. It was on this point that Sir Keith and Mr Paul Dean, the junior minister responsible, in their white paper of September, 1971, came very close to defeating their own purpose of stimulating occupational pension schemes.

The flaw in 1971

The hope was that, faced with the prospect of paying into the reserve scheme, numerous small employers would prefer to set up their own schemes. Experience shows that once an employer has taken the plunge, on however mean a scale initially, persistent pressure from employees forces him to improve the scheme again and again. The sprats grow into respectable fish.

So, to qualify for exemption from the reserve scheme, the employer was told, in the white paper, that his scheme must give a pension equal to 1% of pensionable earnings for each year's service. To produce pensions of this size the employer would need to pay in about 5% of salary a year. And this, naturally, would produce better pensions than the 4% that would otherwise have to be paid into the reserve scheme. Cunningly, the cost would be about the same. The employer might have to pay 2½% either way; the employee would pay 1½% (no tax relief), if he were in the reserve scheme, or 2½% (less tax relief) if the employer set up a barebones scheme with a 5% contribution. Quite obviously, employees would have demanded that employers set up their own schemes, because they would produce better value.

The logic looked impeccable, but unfortunately it contained one small flaw. Very few people stay with the same employer all their working life. In future the average worker may well have six or seven different employers between 16 and 65. And for the man who left a recognised employer's barebones scheme after 10 years, on change of job at age 35, the frozen benefits would be nothing like as big as those that would have accrued to him under the reserve scheme.

This is because the reserve scheme is a money-purchase one: you get out what you



Crossman proposed . . . Sir Keith should dispose . . . and the old will eventually benefit

pay in, plus interest. So the contributions paid in by a young man, with accumulated interest, would buy him a much bigger slice of pension than identical contributions paid in by an older man. These would also be bigger than the 1% of total earnings the employer's scheme would have to provide. Although at the end of a normal working life the pension from the employer's scheme would be bigger than the reserve scheme would give, it is clear that younger employees would kick up a fuss. They would say that the bits of pension bought by their contributions to the employer's scheme must be jacked up, to well above the level of 1% of earnings, so that they at least equalled what they would get in the reserve scheme. The employer would meet this demand and then find that the cost of his pension scheme would be a good deal more than the 5% of payroll needed to produce pensions of 1% of total earnings. He would then say "to hell with it; put them all into the reserve scheme instead."

New rules

Fortunately, the Government has taken this point, which the insurance companies hammered home at the time of the white paper. Sir Keith Joseph's bill contains a new "test" of recognition. As an alternative to the 1% rule, the employer may now choose to set up a money purchase scheme himself, on just the same lines as the state reserve scheme, but on a slightly bigger scale. The employer will have to pay total contributions of 5% of payroll into this (against 4% for the reserve scheme); and he will have to guarantee

pensions that correspond to this figure. There will also be a third optional "test," for employers with schemes which make pensions a set percentage of final salary.

Sir Keith has thereby made it likely that even rather poor employers will now set up occupational pension schemes for all but the most mobile of their employees. Those in the prime of their working life now can expect a basic state pensions scheme, with pensions escalated at least annually, when they retire, financed in an inflation-proof manner by a straight payroll tax collected through Paye—and a mixture of occupational schemes and a state reserve scheme, to bring everybody's pension, eventually, up to about half pay, when the system has had time to build up.

Sir Keith has also set proper and adequate standards for the death benefits (where the man dies before retirement)

and widows' benefits (where he dies afterwards) that occupational schemes must give. Most bravely of all, he has grasped the nettle of preservation, and said that all pension rights in occupational schemes must be preserved for employees who leave.

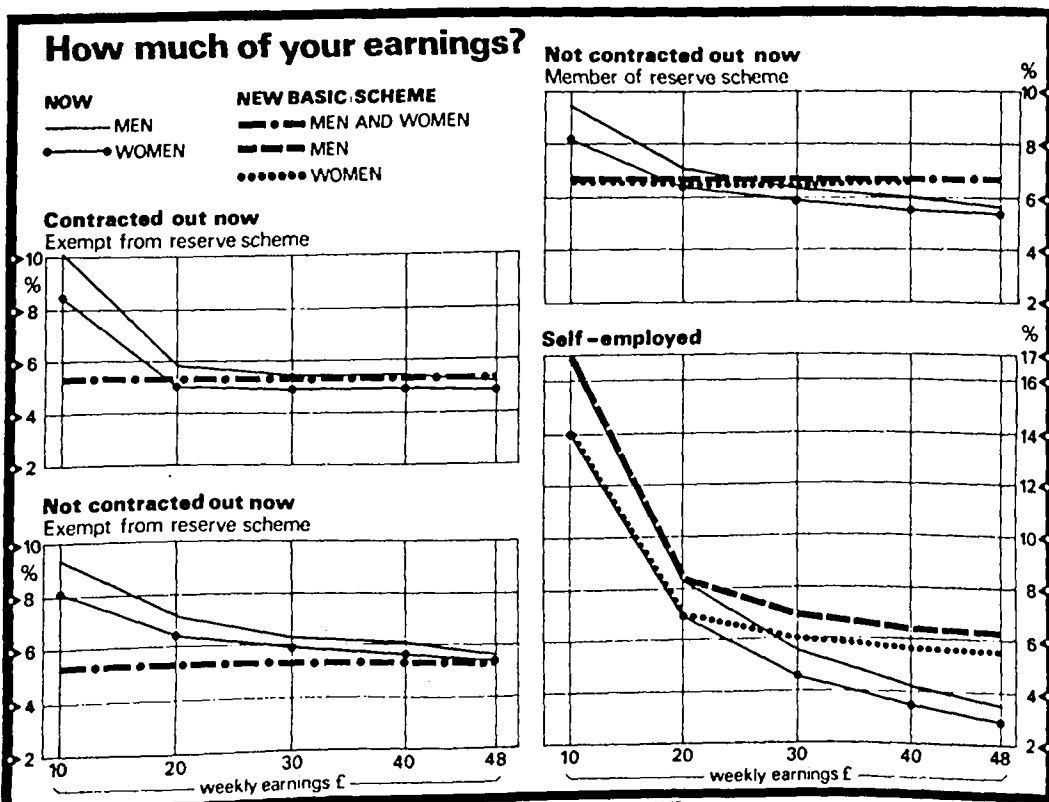
This is a real advance. But it still leaves a lot of uncompleted business—and it is easy to see what reforms will be required from future ministers of social security. Although Sir Keith's scheme envisages that occupational schemes will have to push up pensions after retirement to counter inflation, they can get away with doing so only in a modest way. There will be no open-ended commitment to maintain the real value of approved occupational pensions or preserved pensions of employees who leave.

Most unfortunately of all, little has been done about what will be the most serious remaining weakness of occupational

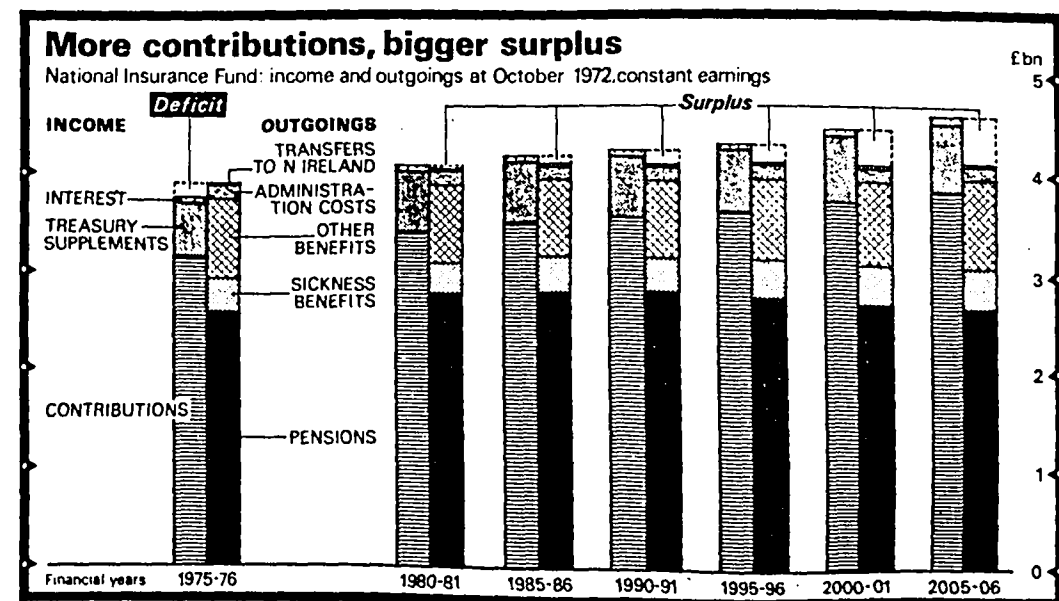
schemes, now that preservation of benefits is to become compulsory. It is an obvious nonsense, in the case of a final salary scheme, for the preserved pension rights to be based on that man's salary when he left, at, say, age 35—without taking into account that, had he stayed, his salary would have risen steadily with inflation and promotion. The new system will only require a 3% annual up-rating to allow for possible inflation.

The Government's defence against these criticisms is that you must not make employers do too much at once. Sir Keith's immediate aim is to get nearly all employers to set up some scheme, and to give preserved benefits compulsorily (which they do not now need to do).

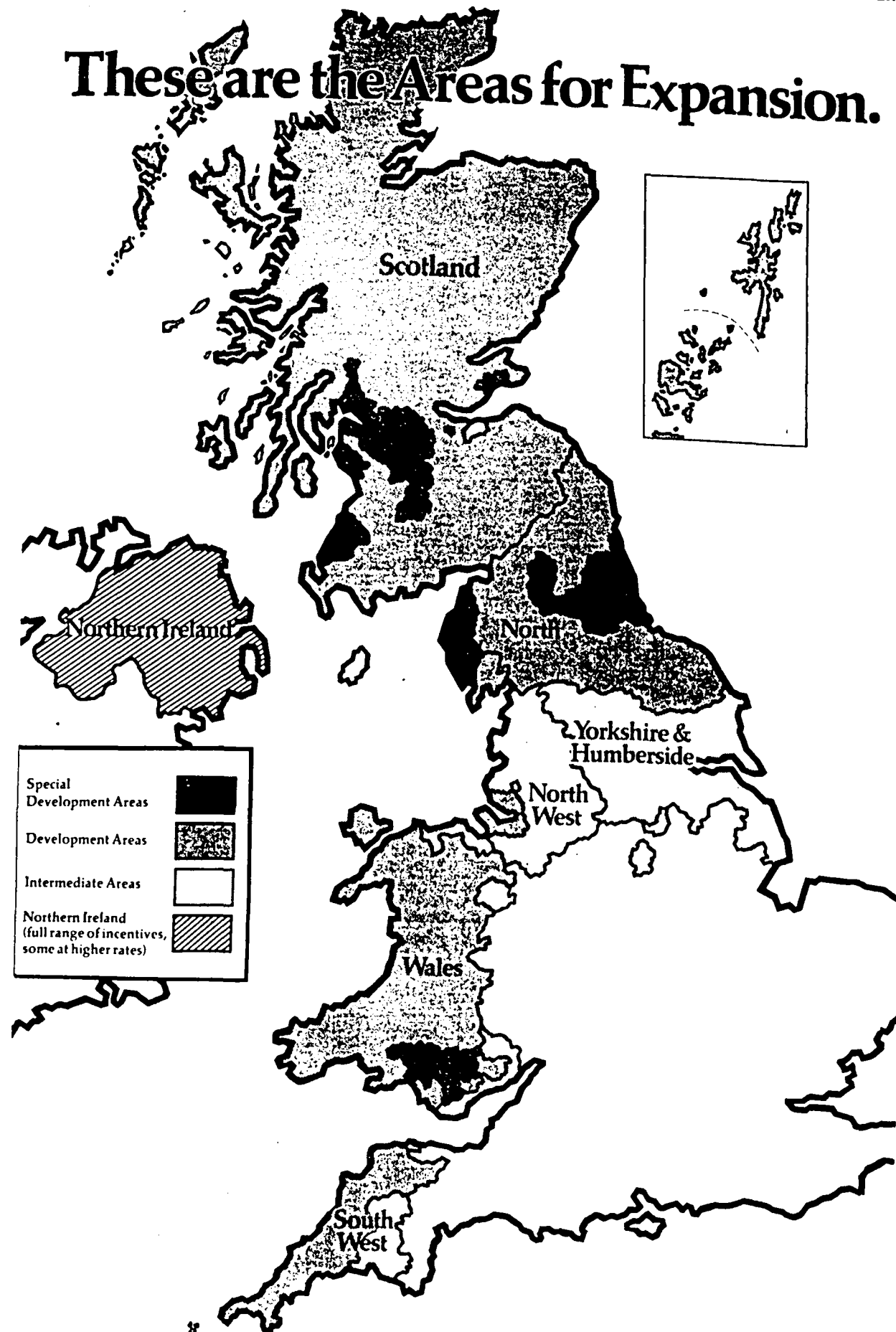
Sir Keith is certainly right to decide that pensions above the basic level can better be provided by the private sector than by the Government. This is more desirable economically (because savings are generated), politically (because it avoids concentrations of power), and socially (because occupational schemes are flexible and can be adapted to the varying needs of different occupational groups, most notably those who retire early or whose earnings peak early on). That does not mean Sir Keith need appear in the Commons debates as chief apologist for private pension schemes. His bill will extend them to wider numbers of employees and set higher standards for them. But those standards will need to be edged up bit by bit several times in the years to come.



Figures based on October 1972, proportions may have changed when the new scheme starts in 1975



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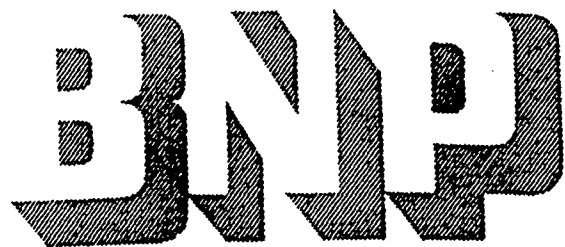
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In the freezer

A man you'd buy a freezer from?

Mr Heath's incomes policy depends on convincing a sceptical public that there are other ways of raising living standards than by pushing for ever bigger wage increases. What prospects for prices, sterling, tax cuts, interest rates?

If the Government is to deliver the goods, Britain will have to push its output up fast enough for consumers to begin to feel the benefit before too many unions have become too restive under the wage freeze to hold back their demands any longer. As his critics took great pleasure in reminding Mr Heath this week, the pent-up pressure of frustrated wage demands wrecked previous attempts at incomes policies by both Labour and Tory governments. But it is at least arguable that what built that pressure up to uncontrollable proportions was the tangible, uncomfortable feel of real living standards actually falling, as each government in turn attempted to squeeze resources from private consumption at the same time as it was attempting to hold wages down.

Mr Heath's gamble is to try to increase growth during the freeze so that real living standards will rise even though wages do not. More than a decade before Mr Wilson's and Mr Selwyn Lloyd's unhappy experiments, there was one postwar Chancellor of the Exchequer who got away with a price and wage freeze for the best part of 2½ years, and that was Sir Stafford Cripps. Arch-exponent of austerity though he was, output grew during his iron rule at a respectable rate; and, although only a third of the increase went to consumption, real living standards did keep rising. But Mr Heath has got to deliver at least that 5 per cent of real economic growth a year.

The freeze and the consumer

The freeze itself makes the immediate task of securing 5 per cent growth a little harder. So far growth has been consumer led. It was scheduled to remain so. As much as three-quarters of the growth in demand next year was expected to come from private spending—the result of incomes rising faster than prices. A successful freeze for up to six months would cut into this rise in consumption. The more so if, as suggested on page 83, it is less than fully effective on food prices. Earnings can go up faster than prices during a freeze, but only if there are factors, other than consumers' spending, pushing up output. Awkwardly, Mr Heath's promise of

5 per cent growth has always looked a bit thin outside the consumer sector.

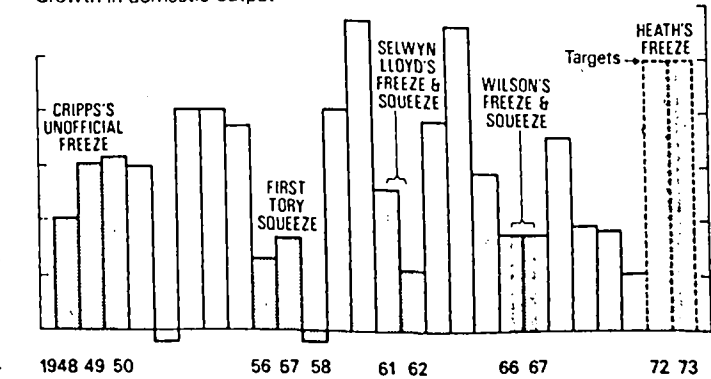
But while the freeze itself is deflationary, the way it has been imposed is not. Many of the wage settlements which just beat the gun were in the public sector (see page 84). These have not been reflected in prices. They will push up money incomes while adding to the public sector deficit instead of prices.

The freeze and the balance of payments

The arithmetic of the freeze does not end with the consumer. While Britain's prices are held down, prices abroad (particularly in Europe) will continue to rise. The common market countries' attempt to tackle inflation looks less realistic than Mr Heath's. Britain's exports ought therefore to rise relative to its imports, giving a welcome and well directed boost to demand—particularly to the heavy end of British industry. But the freeze is for a maximum of six months. It generally takes a year or more for a change in relative prices to have a big impact on the volume of trade. Moreover all this depends upon sterling not rising again, although a rise would help to curb prices. Fortunately, the market seems reasonably happy with a rate of around \$2.35 for sterling; and Mr Heath, wisely, still seems in no hurry to re-peg it.

Most freezes hit growth

Growth in domestic output



The freeze and investment

The freeze will do little directly to encourage manufacturing investment, but it should, through confidence, help it indirectly. If inflation moderates, the dangers of a return to "stop-go" cycles will recede. With faster growth in productivity, the first constraint on the growth of output is likely to be a shortage of capital. Without higher investment, it may be difficult to reduce unemployment very far or very fast. But another important factor is the prospect for interest rates, which will be influenced by the growth in the money supply and the public sector deficit.

The freeze and the public sector

The public sector deficit will bear the main burden of the freeze. A lot of the workers in the public sector have beaten the wage freeze while the price increases that would have paid for their wages have been blocked. On Mr Heath's original £2 a week arithmetic, restraining public sector price increases to 4 per cent would have cost £240m in extra Exchequer subsidies to nationalised industries this year and £280m next. Zero price increases for the next six months may add £200m to this bill, and last weekend's and this week's settlements above the £2 to many public sector workers (electricity workers, busmen, industrial civil servants, dustmen, Uncle Tom Cobbleigh and all) will add a lot more. The lump sum payment of £10 to 7½m pensioners, together with the other sweeteners, will cost about £100m in the year

ahead. On top of that, the less rapid rise in incomes will mean a less buoyant tax revenue.

Altogether the gross cost to the Exchequer could be of the order of £600m to £700m in the year ahead. The net cost will be perhaps half this, as the public sector should gain elsewhere from the wage-price stability. Until investment or exports take up the running, the growth of demand and output will have to be pushed along by public sector spending or tax cuts, which inevitably means a large public sector deficit. One fear is that this deficit, through expanding the money supply, could be storing up inflation for the future.

The freeze and the money supply

Many people, not just Mr Enoch Powell, argue that it is the runaway growth in the money supply that should have been stopped. As Thursday's call for £220m (or 1 per cent) into special deposits underlines, its present rate of growth is certainly too fast. But monetarists rarely explain precisely (a) how we can best go about shortly reducing it; (b) the mechanics by which they think the money supply affects prices; or (c) what their targets would be for interest rates and unemployment.

Control of the money supply basically means managing three variables: the amount of public sector debt being created; the amount taken up directly in the form of gilts sold to persons and companies, instead of being financed indirectly through intermediaries such as banks;

Prices and Charges

The freeze applies to all prices and charges for goods and services on the home market.

All business enterprises must absorb cost increases and pass on cost reductions.

Businesses in difficulties may apply to the Government to increase prices.

Wholesalers and retailers need permission to raise prices and may not increase their cash mark-up.

Perishable foods and imported raw materials exempt.

The freeze applies to prices of nationalised industries.

Employment incomes

The freeze applies to all increases in pay as well as conditions of employment, ie, hours and holidays.

Piece work earnings from increased output are unaffected. Nor will the freeze apply to genuine promotion increases and travel and subsistence reimbursements.

Exemptions

Existing agreements and arbitration awards are allowable if completed and operational on or before November 6th. Otherwise not.

Wage councils and boards increases may be implemented if the starting date of the last increase was at least 12 months before the freeze.

Rates

Local authorities asked to moderate increases.

Rents

Council rent increases from October 1972 under the Fair Rents Act will not be rolled back.

The date when tenants of private unfurnished accommodation move from control to regulation will be postponed. The rents of other private tenants within the fair rent system, and rents of business premises and land, will be frozen.

Dividends

Cannot be more than the previous year.

Timing

Freeze to last 90 days from Royal Assent of the Act. Possible extension of up to 60 days by Order in Council.

Mechanics

Government is taking the power to make orders freezing wages and prices at November 6th levels and to roll back any unjustified increases.

Penalties

A criminal offence to ignore and resist orders, punishable by a fine of up to £400 on conviction.

and the conventional ratios determining how much credit the intermediaries can create with any given deposit base.

If the Powellite prescription is that the public sector deficit should be cut, this would mean higher taxes or lower public sector spending, both of which add to costs and prices in the short run. Moreover the long run effect on prices would be through slower growth and higher unemployment. This would be a sensible counter to demand-pull inflation, but not to the present cost-push inflation.

If the Powellite prescription is that money supply should be curbed without tougher fiscal action, this would mean allowing the gilt-edged market to tumble to encourage more direct private sector purchases, and reducing the banks' ability to extend credit by calling in still more special deposits. That would mean a sub-

stantially larger rise in interest rates than the ½ per cent or so which the call for special deposits may cause. But interest rates are already at a high enough level to hinder investment at a time when a recovery in it is essential.

A successful freeze actually helps the Government to control the money supply without the same risk of dangerously sharp adjustment in interest rates; for the simple reason that it reduces actual or anticipated inflation and increases the real level of interest rates without any change in nominal rates. This can produce a virtuous circle making it easier for the authorities to sell gilts directly to the private sector at any given nominal level of yields. Indeed, the authorities may be able to get the growth in the money supply back under control during the freeze without interest rates being pushed very much higher.

Rescue by index-linking?

Phase two of the incomes policy will start about budget time. Might Mr Heath go for index-linked wage bargains?

When Mr Heath first proposed his £2 a week package we suggested he might clinch a deal with the unions by using what leeway he had to reflate demand to reach the 5 per cent growth target. This we estimated at the equivalent of £1 billion a year of tax cuts. Since the talks broke down on the principle of wage restraint it never really came to that, but the task of boosting demand remains. The form it should now take must depend upon whatever new incomes policy takes over when the immediate freeze ends.

It looks as if that stage two of the Government's incomes policy will begin about budget time. Nominally, it should begin at the end of February, but the Government has to about the end of January to decide whether to take up the option of a further 60 days, which would extend the freeze to the end of April, a maximum of six months.

The decision about the option will depend upon how complicated the legislation for stage two needs to be. The Government wants it to follow the lines of Mr Heath's original £2 package. The legislation could be relatively simple if the unions relented and agreed to co-operate. But in the more likely event that they will do neither, then the legislation will become very complex. The Government may therefore need all the extra time.

Last September's £2 package will look rather flyblown by next April. Its ability to help the low paid and redistribute incomes, which could have been spectacular had it been running throughout this winter, will look much less satisfactory coming at the end of a six month freeze that will have caught some, but been escaped by others. Its element of rough justice will have been undermined—a double dose for some and nothing for others. Industry may be less able to keep to a 4 per cent price target after the freeze. The question therefore is how the Government should use its room for manoeuvre to put together a new and fair package in April's budget. One possibility that the Government could consider is

a move towards the fairly widespread use of index-linking for wage increases, pensions and other welfare benefits. This has its dangers, but it could clarify the real income element in wage bargaining. Bogus claims to pre-empt price increases are shown up for what they are, one union's attempt to grab a larger share in the available real income of the community. Stage two of an incomes policy, if it included a mechanism for index-linking, could have built into it a maximum flat rate increase in all wages that would share out the available growth in real incomes in favour of the lower paid. The original £2 a week package would, under this system, give £1 a week to everyone, plus 1 per cent for every 1 per cent increase in prices.

Index-linking carries the only too well-known effect of building inflation into the system. But when claims are put forward, as they are now, on the basis of exaggerated estimates of what will happen to prices, it may be the lesser evil. And it might make the package acceptable to the unions, which is a factor that the Government cannot ignore. It has to give Mr Feather a twig or two to hold on to as he tries to climb back off the limb on to which Mr Scanlon and his friends have pushed him.

Technically it should not involve any greater problems than are implicit in threshold agreements which the Government had been prepared to give the TUC. It is, after all, a threshold agreement based on a zero price rise. All that changes is the arithmetic. This does not mean that it would be administratively easy, but it would be no more difficult than what the Government is already contemplating. It could be got off to a good start because the remaining room for reflation could be used for such things as a 7½ per cent Value Added Tax instead of the proposed 10 per cent. The index-linking system would then see that such cuts in indirect taxes were passed on in lower industrial costs setting up a virtuous circle, and one in which the wage earner could not lose.

BUSINESS

In the freezer

When it comes to prices, the ice looks a bit thin

The Government set out to create an impression this week of a price freeze mechanism extending down to the most obscure village store—and here it was helped by a credulous press—but its ability actually to enforce such a freeze on all but the biggest manufacturers is more apparent than real. That is not necessarily a bad thing. Control of retail prices has always been impractical because no single price is fair to all shops; one man's barely adequate margin is another's excessively high profit, and to impose the same ceiling on them all would more likely put up, rather than reduce, the cost of living. The Government has left many retail prices to look after themselves.

Given the present rudimentary machinery in Whitehall it is unlikely to be in a position to pick up every small manufacturer of double-ended grommets who attempts to slip a price increase through this winter. What the freeze mechanism rests on is the assumption that, provided the Government can keep an eye on the published price lists of the bigger companies, which will be mainly those which had already been following the Confederation of British Industry's 5 per cent freeze, they will deal in their turn with the grommet makers and their ilk.

Prices up

Fast movers

There have been a few early signs that something of the sort is happening. Big companies that had already been notified of increases in the prices of bought-in components have written back refusing to pay, now that they can no longer expect to pass those increases on in turn to their customers. It is far from clear how many of the

price rises rushed through between the ending of the CBI's voluntary freeze on October 31st and the introduction of the Government's freeze on November 6th are going to stick.

The Government was approximately a week too late to catch the really fast movers in industry who had been ready to raise prices as soon as the CBI agreement that they had signed so reluctantly ran out. Enough kites had been flown since the Prime Minister gave his ultimatum to the unions on October 27th to choose between a voluntary and statutory incomes policy to warn manufacturers that compulsion was on the way, and many had letters ready and waiting to be posted to customers on November 1st announcing that, to their great regret, costs had gone up so much that prices would have to be raised by between 8 and 9 per cent. They reminded their customers how for the past 15 months they had stuck to the 5 per cent freeze, and remained theirs faithfully. The increases followed no recognisable pattern and came from various industries led by electrical components, plastic moulding and sub-contract machine shops. Many of the companies were small.

Apart from building bricks, the price of which went up by 5 per cent in October (the second increase in three months), aluminium is the main basic material whose price has been going up recently, not because costs were rising but because demand was. The aluminium industry publishes price lists that are meaningless and then proceeds to do business at prices well below. Rather more realistic list prices were put out last May and since then actual selling prices have gone up gradually in Britain from £220 to £230 a metric ton. This is already 4 per cent, and so far very little of this increase has

worked through into the selling prices of goods made of aluminium. Aluminium fabricators are just hoping that the Department of Trade and Industry is going to take a charitable view and let prices go up proportionately because the price of ingot represents 50 per cent of the cost of aluminium extrusions and 80 per cent of the cost of sheet. World ingot prices are likely to keep on rising now that they have started, but the selling prices of the British smelters are, presumably, caught in the freeze.

Prices caught

Ouch!

Some manufacturers and importers of consumer durables were fast away with their price increases before last weekend. Dynatron colour television sets and Sony hi-fi equipment were among them. But others, like Hoover and Philips, were caught by a matter of hours. Philips published a new price list on Monday, which means that it just missed the boat. Pay rises were allowed through up to the moment that the Prime Minister spoke in the Commons in the afternoon, but the price freeze was retrospective to Monday morning.

There is uncertainty about the prices of consumer durables that are manufactured abroad but sold under British brand names. A chain like Currys, which retails a lot of imported equipment, is going to pass on price increases which it knows are going to take effect in the new year. But British manufacturers who put their own labels on the goods before they are sold will have to go through the process of clearing changes with the DTI; this shows every sign of being a tedious ordeal.

Many industries are protesting that they had well-merited price increases in the pipeline. They will probably have to whistle for them while the freeze lasts. The most heart-rending complaint comes from glassmakers who gave a 15 per cent wage award six weeks ago, poor things. They were



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The European Movement was founded for this very purpose.

Some of you may shy away from us, suspicious that

we're some kind of lay arm of the government.

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The European Movement,
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"There must be a lot of P & O shareholders who cannot resist a niggling irrational question mark at the back of their minds."

City Editor, Sunday Times, 29/10/72

Jessel Securities and Associates, the largest stockholders in P & O, believe that the facts below will help you rationalize the doubts expressed in the quotation above.

1. The Board of P & O, by bidding for Bovis, have tacitly admitted that changes are necessary at P & O. There is no dispute on this point. The proposed solution will provide new management, but at a cost to P & O stockholders of £100,000,000!
2. The Board of P & O were far from unanimous in mounting a bid for Bovis. The four directors who publicly dissented from the original offer have remained firm in their conviction despite revised terms.
3. The very fact that Bovis are so firmly in favour of being taken over indicates that they are well aware of the advantages that they have negotiated for their own shareholders. It is the existing P & O stockholders who will suffer.
4. Positive alternative proposals have been made. Acceptance of the proposals set out in the Morgan Grenfell circular should considerably enhance the value of your shares—as opposed to giving away the equivalent of £1.60 on every share you hold.

We, the largest stockholders, have no doubt that the bid for Bovis is wrong. Your interests are the same as ours. Unless you are wholeheartedly convinced that the bid for Bovis is in your best interest as a P & O stockholder, you must vote against it.

Complete the blue proxy card sent by Morgan Grenfell and post without delay, but in any case by 12th November at the latest. By doing so you will cancel automatically any form of proxy you may have signed earlier.

Save P&O-tell Bovis NO!

hoping to pass this on (labour forms almost half total costs) as an 8 per cent price increase early next year.

On one point Whitehall has been quite clear: price rises will not be allowed merely because wages have gone up. If companies cannot absorb higher wages in higher productivity, they must put up with what the Government calls a "self-inflicted hurt."

The cement makers are also feeling sorry for themselves. They last had a price increase in April, 1971, but it was a staggering 18 per cent and the fourth rise in 18 months. Many newspapers had been counting their chickens before they were hatched, and had been banking on raising advertising rates in the new year; the top people's daily paper had even announced the amount and taken contracts on that basis. Among their suppliers, the paper makers started shouting even before they were hurt. They had expected to jump on a hardening market and lift newsprint prices by around 8 per cent, in anticipation of a price increase for mechanical pulp from Scandinavia of between 5 and 8 per cent.

The chemical industry has quite different problems. A few months ago, prices were high enough to show a reasonable return on investment. Then a lot of plants came on stream simultaneously and price cutting became the order of the day to shift the surplus output. If the industry's prices are frozen at what it considers to be distress selling levels, while world prices recover to more normal ones, chemical companies were saying this week that they will have no option but to export as much of their output as they can (which they should be able to do because British prices would then be very competitive), and leave British industry to import its requirements. The only guidance here is the advice that the DTI has already given to

retailers; if they were running special offers on November 6th, they are not going to be frozen at that level. But if they regularly sell below manufacturers' recommended prices, as most supermarkets do, then they cannot use the recommended price as their freeze price. If that is any comfort.

The computer industry is not too bothered about a price freeze. It works on relatively long-term contracts covering computer, peripherals and programs. Each contract is individually tailored and individually priced for the customer. But it is probably the best example of the effects of a wage freeze on a mobile and young labour force. During the 1966-67 freeze, computer staff were changing jobs up to four times in a year to get pay rises. During the recession which hit the industry in 1970-71, many companies pruned their labour forces to the bare bones; they have kept the remainder happy with twice-yearly salary increases and merit bonuses. Companies are very worried that the merry-go-round of quick labour turnover will start again, with disastrous results.

To a lesser extent, job-hopping could also develop in the electronics industry.

Cars

Well away

Ford, Chrysler, and Vauxhall win first prize for brazen price increases, with the 5 per cent hike they slipped in between the end of CBI controls on October 31st and the introduction of a statutory freeze on November 6th. British Leyland also deserves a special mention. It refused to join the three-month extension of CBI controls, and raised prices in August: a tactically shrewd move, since customers are less resistant to price increases in August than in November, when the market is moving into its seasonal lull. All that Mr Barber gave away in purchase tax cuts on cars has now been snatched from the public in inflation. Ford has raised prices 18 per cent in two years—and the manufacturers' list underestimates the true cost to the customer. It has become harder to arrange discounts, and some dealers have rationed supplies by lowering the trade-in terms on old cars.

Two main excuses are offered by the industry. First, changes in specifications. Cars for the British market tend to have lower specifications than the same cars built for European customers. Now that the home market is at last boom-

ing, manufacturers have taken the opportunity to add more of the cigar lighters, rear window heating, and other extras, on which profit margins are higher. For the next 90 days, that sort of price increase will be banned under the freeze.

The second excuse is inflation. General wage inflation has not been sufficient to justify the kind of price increases made, averaging 11-12 per cent so far this year.

The trouble has been the industry's willingness to grant extra large wage awards, such as the Longbridge deal struck on the eve of the freeze. The industry's component suppliers met the challenge of the CBI initiative by keeping price increases within the 5 per cent limit, but the entire advantage of this was lost to the motor industry by its higher wages.

Component manufacturers have been making little noise about inflation. They have evidently kept it at bay by the preferred technique of improving productivity. Indeed, Associated Engineering actually reports cost savings sufficient to improve profit margins.

Food prices

Going up anyway

As far as seasonal food prices go, the freeze could hardly have been worse timed. Fresh fruit and vegetables are at their cheapest in the autumn; from now on price increases must be the order of the day. Tomatoes, to take one example, will probably have gone up by 40 per cent by February and 80 per cent by next May, which is fairly typical. Other foods likely to go up sharply in the winter are English lamb, fish and eggs. The 25 per cent cut in prices of Israeli grapefruit on Wednesday is not going to affect the issue. Together these seasonal foods account for only 4 per cent of the retail prices index, but they make up a sixth of the average food bill. It is going to be difficult to convince the average shopper that retail prices are being frozen.

Then there are the imports. A

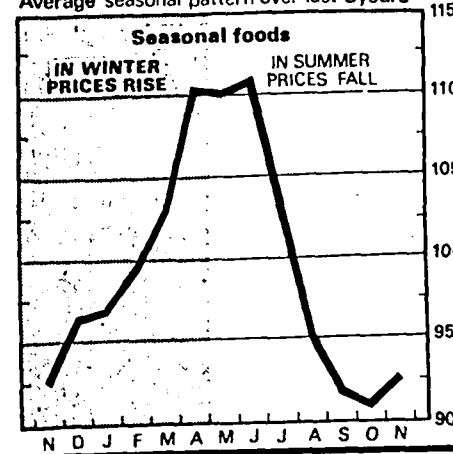
The food bill:

% of total weekly expenditure

Weekly income of household	All households		
	£10-£20 %	Over £50 %	%
One adult	25	16	24
Married couple	31	20	24
+ 1 child	33	18	25
+ 2 children	31	24	28
+ 3 or more	39	24	30

A mountain to climb

Average seasonal pattern over last 3 years



quarter of our food comes directly from abroad and another quarter is manufactured in Britain from imported raw materials. So about half is subject to the twin effects of fluctuations in world commodity prices and in exchange rates, including such basics as meat and bacon (a third is imported), butter (85 per cent), sugar (69 per cent), cheese (51 per cent) and wheat (49 per cent), not to mention tea and coffee.

Altogether, almost two-thirds of the average food bill is outside the freeze, and prices are likely to rise quite sharply in the next few months.

People who live on their own and are reasonably well paid spend only about 16 per cent of their income on food and they can expect to find that their total weekly spending has gone up by $\frac{1}{4}$ per cent by February and by $\frac{1}{2}$ per cent by April. But large, poor families spend nearly 40 per cent of each week's budget on food and they are likely to find that their food bill is up by well over 1 per cent by April. Pensioners will have their lump sums to help them, large families will get bigger family income supplements but there will be complaints of having been taken for a ride.

Dividends

Not too bad

The dividend freeze applies to dividends declared after the start of the standstill, and any declared before, and notified to the stock exchange and the press, will be allowed to stand, contrary to some City rumours. Some companies announced increased dividends for shareholders in return for putting off payment until the company year that straddles the changeover to the imputation system of corporation tax (April 5, 1973). This postponement enables the companies to avoid some tax by taking advantage of the transitional provisions. Shareholders of Imperial Chemical Industries and Woolworths can breathe again. The first company was ordered to cut its dividend on Thursday.

Since the freeze will last five months at most, some companies will miss it altogether: dividends are usually declared half-yearly, but sometimes yearly. Where a particular dividend is caught, it may be possible to make up the increase after the freeze. But this depends on what happens under the permanent prices and incomes policy to be worked out in the interim. If dividends are restrained, like

prices, to 5 per cent growth, their share of profits will be cut, not increased, since profits will probably increase at least as fast as the 10 per cent projected in the Chequers £2 package for money gnp (5 per cent each for real growth and prices). Even if dividends are allowed 9 per cent growth like wages, their share will go down.

Wages up

The winners . . .

More than a million workers snatched wage deals from the jaws of the freeze. Last week the worldly-wise Mr Frank Chapple showed that he understood a last minute, bargain basement, Government offer of a sell-out when he saw one. He left the Electricity Council with a deal worth about 16 per cent. The council had clearly been authorised by the Government to pay his price to avoid an electricity strike. The Government had reckoned that the power stations were not the place for a showdown.

The Electricity Council said the deal was worth just 10.2 per cent, with all the precision of an organisation whose public guesses at the cost of previous deals have been wildly wrong. The cash awards alone will add 11 per cent to earnings in the next year, plus the equivalent of 2 per cent from extra holidays and 3 per cent from productivity hangovers from the 1971 Wilberforce deal. If it is true that the wage bill is expected to rise only 10 per cent, that would imply that the council is expecting to get rid of about 6 per cent of its workers in a year.

The local council workers were preparing for a long drawn out fight, but moved fast once they got wind of the freeze. They settled, with minutes

to spare, for an average 11 per cent rise, although some got up to 13 per cent. This is about 2 per cent less than they might have accepted if no freeze had been pending. The 200,000 industrial civil servants, who work in such places as naval dockyards, were delighted when an arbitration panel gave them 11 per cent on Monday, instead of the 8 per cent originally offered. London Transport says it wrapped up a deal with its busmen last Friday, although both sides kept it secret till Tuesday. Country busmen stretched the credibility of the freeze still further by apparently reaching a still more secret agreement on Saturday not announced until Thursday.

The Government white paper made a special reference to wage councils, the joint groups set up to fix minimum rates in low-paid and under-unionised industries. The Government is prepared to exempt from the freeze proposals made by wage councils for rises that were processed before November 6th, provided that the workers have not had a rise for 12 months. On this basis, eight groups, ranging from toymakers to milkmen, will beat the freeze too.

Wages frozen

. . . and the losers

Mr Heath got a sad letter from Mr Mills, of the bankworkers, on Wednesday. Last week, Mr Mills negotiated an 8 per cent deal for his members, now frozen because it was not due to take effect until January. Mr Mills pointed out how rough it was that his union, which had co-operated so wonderfully with the Industrial Relations Act, should be the first to

The beat-the-freeze game

Winners*	Men involved 000s	Deal %	Losers in the freeze	Men involved 000s	Losers in phase 2	Men involved 000s
Builders	1,000	30	Civil servants	450	Teachers	380
Dustmen	949	11	Food shops	385	Railway-men	280
Ind'l civil servants	200	11	Farms	350		
H'dressers	133	11	Miners	300		
Police	100	15	Hospitals	260		
Power stns	96	16	Other electricity	150	Ford's Vauxhall	46
Tailors	90	11	Banks	100		30
Bread shops	65	9	Laundries	100		
Toymakers	33	16	Milkmen	95		
Booksellers	26	16	News-agents	93		
British Leyland	10	17	Gasmen	60		
Buses	173	10	Shirt-makers	34		
			Water-works	27		

*deals between September 1st and November 6th

be frozen by his fellow Balliol man.

Most of the unions hit by the freeze are those with claims yet to be settled, but a few who thought that they had already settled will also be hit: like the luckless farmworkers. Only last week, they were rubbing their hands because they had beaten the freeze and won a 20 per cent rise. But the rise was not due until January.

Workers in hospitals and the gas and water industries usually settle on the same terms as the local council men, but this time they could not. Militants in some hospitals have called for a one-day strike on November 17th.

Postmen, civil servants, other electricity workers and food shop assistants will all lose out, but none will consider striking. The first major challenge may not come until after February, when the miners' deal expires. The miners met on Wednesday to discuss their claim, but they have not yet put a final figure to it. At the moment, the feeling seems to be less militant than at their summer conference in Morecambe.

If the freeze is still on in March and April, as it possibly will be, there might then be a really major clash either at Fords, Vauxhall or on the railways. Phase two will not be as peaceful. Last year, of the wage deals reported by the Department of Employment covering 11m workers, over half were struck in the three months during which the 90-day freeze is likely to be operative. So although few big unions will negotiate in that period, perhaps a third of the workforce will have wage rises postponed.

America's freeze

It worked, just

President Nixon must be amused, but hardly surprised, that Mr Heath has shifted ground just as he did, and is now trundling along behind him on the incomes policy road. It was all too noticeable how many of Britain's top economic brass visited Washington this autumn to "study" the American system. In the event, the British programme for controlling inflation (first stage) copies the American phase one almost slavishly, down to the precise 90 days for the initial freeze.

Even the different policy over dividends is more apparent than real. Mr Nixon acted on August 15, 1971, under the authority of the Economic Stabilisation Act of 1970, which made

no provisions for regulating dividends; he could, therefore, ask only for voluntary compliance on this front. Most American companies were only too happy for an excuse not to shell out money.

Practically unanimous support has also been given to President Nixon's post-freeze request for dividend restraint, to the delight of Dr Arthur Burns, the governor of the Federal Reserve System, who chairs the committee on interest and dividends and was one of the initial advocates of the controls programme. The upward pressure on American interest rates, which worries Dr Burns, would have been even stronger but for the \$2 billion or \$2½ billion added to companies' cash flows this year through their savings on dividend pay-outs.

The American freeze on prices, like the new British freeze, exempted raw agricultural products and imports. Seasonal increases in prices were allowed. Altogether, about 10 per cent of the items in consumer spending were unaffected by the freeze. Most of the other 90 per cent seem to have been caught. Wholesale prices, which had been rising at an accelerating pace, actually declined at an annual rate of 0.2 per cent during the freeze. Although the increase in consumer prices slowed by no more than half, leaving it still at an annual 1.9 per cent, that understated the effectiveness of the controls because some earlier price changes were reported during the freeze.

The searching question for the Nixon Administration at the start of its freeze, was what to do about pay settlements due to come into effect during the freeze period. It was argued at the time that such contracts have a sanctity which must be respected: but the Administration decided otherwise and deferred the lot. (The British white paper, leaning on this experience, has already announced the deferment of such awards, with minor exceptions.) The annual rate of increase in hourly earnings in America, previously running at 7 per cent, dropped to 1.9 per cent between August and November, 1971. But the catch-up in pay afterwards (see below) was pronounced.

The principle of America's phase two, which runs to next April 30th, is a series of anti-inflationary guidelines enforced by mandatory controls to keep price increases to 2½ per cent and wage increases generally to 5½ per cent. Policymaking is in the hands of top Administration officials representing

the President's direct interest; day-to-day decisions come under committees on which outside interests are represented. Only the largest firms (those employing about 10 per cent of American workers) have to get advance approval for any changes in prices or wages; medium-sized firms have to report them, but the bulk of firms are only subject to monitoring and spot checks. The smallest among them have been exempted altogether in phase two.

Its aftermath

And phase three?

As the Nixon Administration found with its freeze, it found again with its follow-up. The real ball game centres on pay claims. The first major settlement to be reviewed by the Pay Board after the freeze related to soft-coal miners, following a six-week strike. (A glum precedent for Britain?) The board let through a 15 per cent first-year increase as part of a 30.9 per cent increase over three years, hardly a promising beginning. It then managed to clip back a 12 per cent settlement for aerospace workers to 8.3 per cent. But its real test came on the waterfront. Last spring the Pay Board rolled back the earlier west coast longshoremen's settlement of 20.9 per cent to 14.9 per cent; this excess above the 5½ per cent guideline was "justified" on grounds of "catching-up" and dramatic productivity gains.

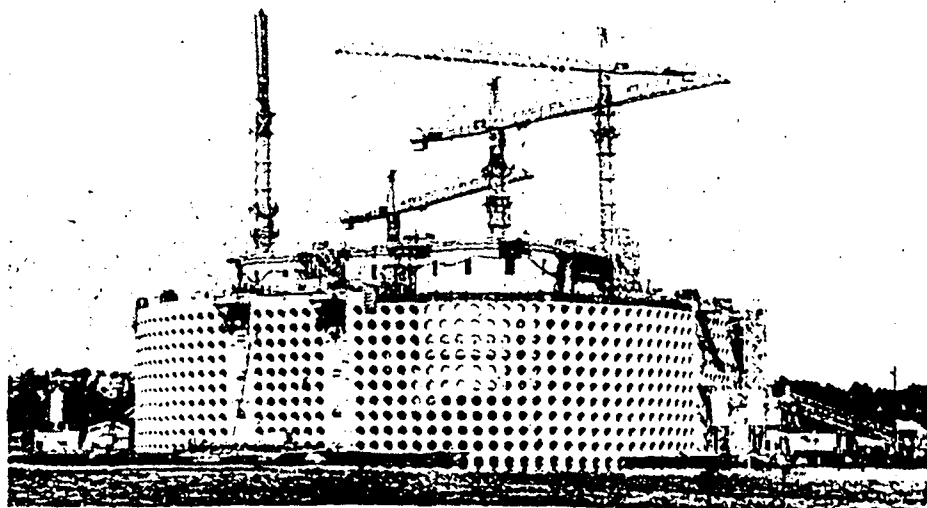
During the months immediately after the freeze, the Pay Board allowed through quite a lot of such claims, on the grounds that awards referring to the period immediately before the freeze had shown a "big bump," and that the new 5½ per cent guideline should apply only to wage awards for the new contract period, starting later in 1972. Between November, 1971, and February, 1972, hourly earnings in the United States therefore rose at an annual rate of 10 per cent, only afterwards settling down around 5½ per cent.

The Nixon Administration has not yet indicated what it will want after April 30th. One school of thought, well represented in the Federal Reserve System, is that controls should continue indefinitely, and even that the wage guideline should be trimmed to 4½ per cent. Others, represented in the Treasury and Council of Economic Advisers, argue that the purpose of controls was to combat inflation psychology, and that it may be self-defeating to perpetuate them.

BUSINESS

International

Phillips believes it has a real North Sea gusher



You heard what I said, it's an underwater oil tank

Phillips Petroleum thinks it will eventually produce 42m tons of oil annually from the Ekofisk complex in the Norwegian sector of the North Sea. This is a lot of oil by anyone's standards and yet another indication that estimates of total North Sea oil reserves are still over-conservative. Next to Ekofisk, the two biggest discoveries so far in the North Sea are British Petroleum's Forties field and Shell/Esso's Brent field. From these, annual production rates of 20m tons and 15m tons, respectively, are predicted, but it was not so long ago that such figures were being quoted for the Ekofisk complex, which includes Ekofisk itself and smaller associated fields: West Ekofisk, Tor, Cod, Eldfisk and Edda. There is a good chance that predictions for Forties and Brent will rise considerably when they are as far along in their development as Ekofisk, which was discovered before them. There is also a possibility that the Ekofisk estimate might rise still higher. The pipeline Phillips wants to lay would have a capacity of 50m

tons a year. These figures are going to cause a good deal of argument in the oil industry but if Phillips revises them at all it is likely to be upwards.

Ekofisk also contains huge quantities of natural gas. Phillips says it will be able to pipe away as much as 1.2 billion cubic feet per day from the Ekofisk, West Ekofisk, Tor and Cod fields and that other nearby fields will boost that considerably. Phillips is now planning to build facilities capable of moving 2 billion cubic feet per day.

Oil production of 42m tons, which probably would not be reached until 1976 or later, compares with current British consumption of approximately 100m tons annually. It is about the same amount of oil that flowed last year from Abu Dhabi or Indonesia, both of which are rated major oil producers. The prospective gas production compares with the 3 billion cubic feet per day now flowing from the British sector of the North Sea.

Oil and gas in such quantities influence their own fates, or so Phillips hopes. The company is still

awaiting approval from the Norwegian government to pipe the oil from Ekofisk to Teesside, where it owns a refinery jointly with Britain's Imperial Chemical Industries. However, many Norwegians also want the oil to come to Norway, despite the deep trench between the oil field and the Norwegian coast. Most oil men think the trench is too formidable for current technology but this is not enough of an argument to convince some Norwegians. They would be willing to wait until technology is equal to the task.

Such a wait might be tolerable since a huge underwater oil storage tank Phillips plans to put in place next year will make it possible to produce more than 5m tons of oil annually. However, no natural gas can be sold until a pipeline for the oil is laid. Before any natural gas can be piped away, a considerable amount must be reinjected into the wells to help to pump out the oil. Until the amount necessary for this is established no one can say precisely how much gas can be sold.

Phillips has been negotiating to sell the gas for some months to either Britain's Gas Council or a continental consortium made up of Gasunie of Holland, Ruhrgas of west Germany, Distrigaz of Belgium and Gaz de France. The negotiations have been complicated by the lack of precision in estimates about how much gas is involved. Just the same Phillips is confident it will have a deal signed before Christmas, contingent, of course, on the oil pipe being laid. With that card in its hand, Phillips hopes it can do business with the Norwegians, who have proved themselves tough bargainers about their North Sea resources. They were expected to announce conditions for the next round of North Sea exploration licences this Friday. The industry, which has a hungry eye on many promising structures in the Norwegian sector, is praying that the price demanded by the Norwegians would not squeeze all the profits from the yet undiscovered oil.

Continued on page 95

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Sir Edward Lewis to shareholders 1971

DECCA LOOKS FOR INCREASED PROFITS

Decca reports increased profits in 1972

"... we look for results for the full year much better than anything we have achieved in the past..." *Sir Edward Lewis*

Twelve months ago, we anticipated a satisfactory improvement for the year to 31st March last and we have been able to produce results that have exceeded our most optimistic expectation.

Consolidated turnover improved by 22 per cent to £81,800,000 with £44,000,000 from overseas sales, including direct exports of £20,100,000. These exports increased by 22 per cent over the previous year and represented 35 per cent of the turnover of the U.K. companies.

Pra-tax profit amounted to £7,063,000, an increase of over £4,000,000.

RECORDS, TV and AUDIO

Whilst all divisions contributed to the year's earnings, the record side of the business remained the largest single profit earner, despite continuing difficulties in the U.S.A., offset, however, by the excellent results of our Canadian subsidiary. I can record an improvement in the U.S.A. and Canada since the beginning of the current year.

Following the removal of credit restrictions in July 1971, sales of colour television and audio equipment became buoyant with a substantial increase in turnover and a satisfactory profit. The high quality of these products has been maintained. During the last few months our Bridgnorth colour tv factory has been mechanised and we believe we now have one of the most modern and efficient colour television plants in the country. As a result, a further increase in capacity has been achieved.

NAVIGATOR

Two years ago I expressed confidence in the beneficial effects of changes of policy in the Navigator company, then in course of implementation, believing that there would be a substantial rise in the profits of the Navigator company by the year ending March 1972. The confidence shown at that time has been justified by the success of last year's Navigator operations. The increase in Navigator group turnover of 20 per cent was spread over the main sections, marine, aviation, survey and the sale and construction of navigator transmitting chains.

RADAR

The re-organisation of the Radar production unit, for which

a comprehensive programme was started at the beginning of the financial year, resulted in higher output and efficiency being achieved. This made a contribution to the improved results of the Radar Division. Our programme, which includes introduction of computer-assisted manufacturing systems and increased investment in machine tools and electronic automatic test equipment, will be completed during the current year.

CURRENT YEAR

During the current year our consumer business has been buoyant and good results for the first six months are assured. Substantial advances have been made in the sales of records, tape cassettes and cartridges, colour television and audio equipment and there is every indication that this strength will be maintained.

The capital goods side will also show improved results for the first 6 months with good prospects for the remainder of the year.

From these remarks you will gather that we are optimistic about the future and, subject to factors beyond our control, look for results for the full year much better than anything we have achieved in the past.

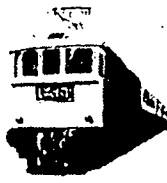
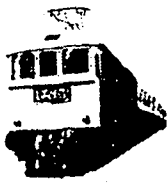
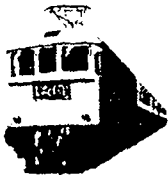
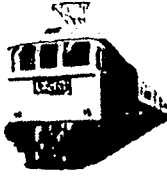
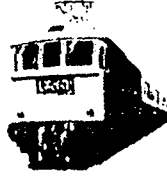
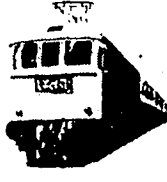
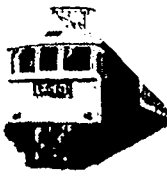
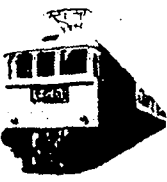
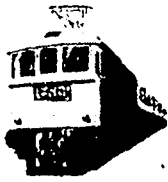
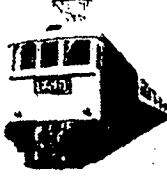
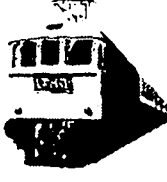
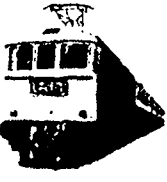
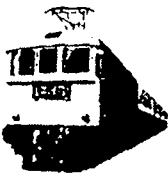
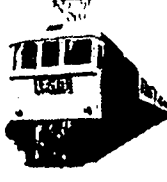
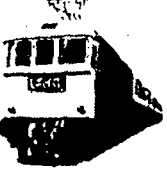
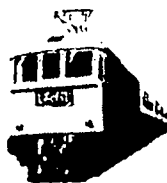
Perhaps, in conclusion, it is not inappropriate to mention that this is our 140th year in business.

SUMMARY OF RESULTS FOR THE YEAR ENDED 31st MARCH, 1972

	1972 £000	1971 £000
Group turnover	81,800	66,700
Exports from the United Kingdom	20,100	16,400
Trading profit	11,633	7,247
Depreciation	2,694	2,707
Interest	1,321	1,076
Profit before Tax	7,063	3,004
Profit after tax and special items	3,858	1,548
Ordinary and 'A' Ordinary Dividends at 11p per share (previous year 9½p)	2,025	1,590
Net cash flow	4,488	2,816

DECCA

Records • Television • Audio • Navigator • Radar

					
07 40	08 10	08 40	09 10	09 40	10 10
					
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This new service combines the fastest times with the highest Inter-City train-frequency in Britain. All day, between 0740 and 2010 Mondays to Fridays, you can be certain a train will leave Euston for Birmingham within half an hour. (Later departures at 2110, 2310 and 0010.) And the 112-mile journey takes as little as 92 minutes. Three services bring you the latest in coach design, fully air-conditioned and exceptionally comfortable. Catch the 0740 and arrive Birmingham

0912—or the 0810 arriving 0942. With timings like these, you can plan your Inter-City trips to Birmingham for short business meetings and for whole or half days there.

You'll travel in true Inter-City style. Start the trip with a hot breakfast or buffet snack; or with lunch (you'll still manage a full afternoon in Birmingham).

The new homeward-bound service offers you a fast train from Birmingham every half-hour up to 1915, followed by special late departures at 2015 and 2115.

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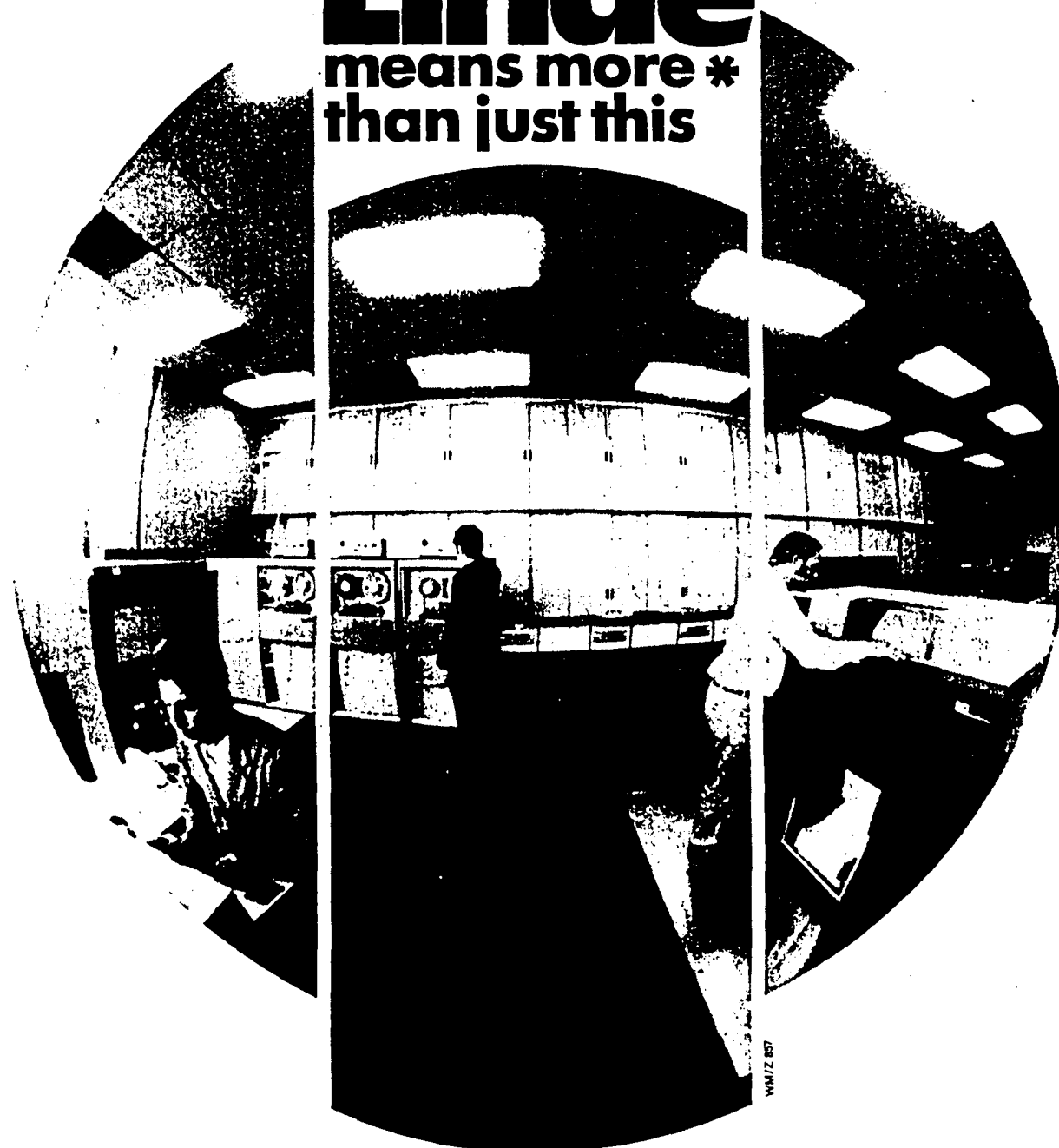
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Air-conditioning is best for both man and machine. Linde has had full experience of all types of air-conditioning.

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means more *
than just this



*Because Linde not only manufactures refrigeration cabinets and similar shop-fixtures but handles all the many aspects of refrigeration engineering and also operates cold storages.

In addition to the designing and constructing of chemical engineering plants, Linde supplies industrial gases and manufactures reciprocating and turbine compressors. Linde manufactures fork-lift trucks, produces hydraulic units and supplies various kinds of machine-tools. In addition, Linde offers a wide choice of household appliances.

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A few words about the machinery of banking.

Time was when lending or borrowing money was practically all that banks seemed to talk about.

Now you can come into Barclays and we'll talk about leasing, factoring, insurance, estate management, pensions, payrolls, unit trusts—we have a growing range of services at our disposal. And yours.

Our managers take a creative approach to finance. They don't respond only to a demand. Rather, they come forward to your problems and try to work out the right solution.

Your Barclays manager can be a rare bird.

An innovator.

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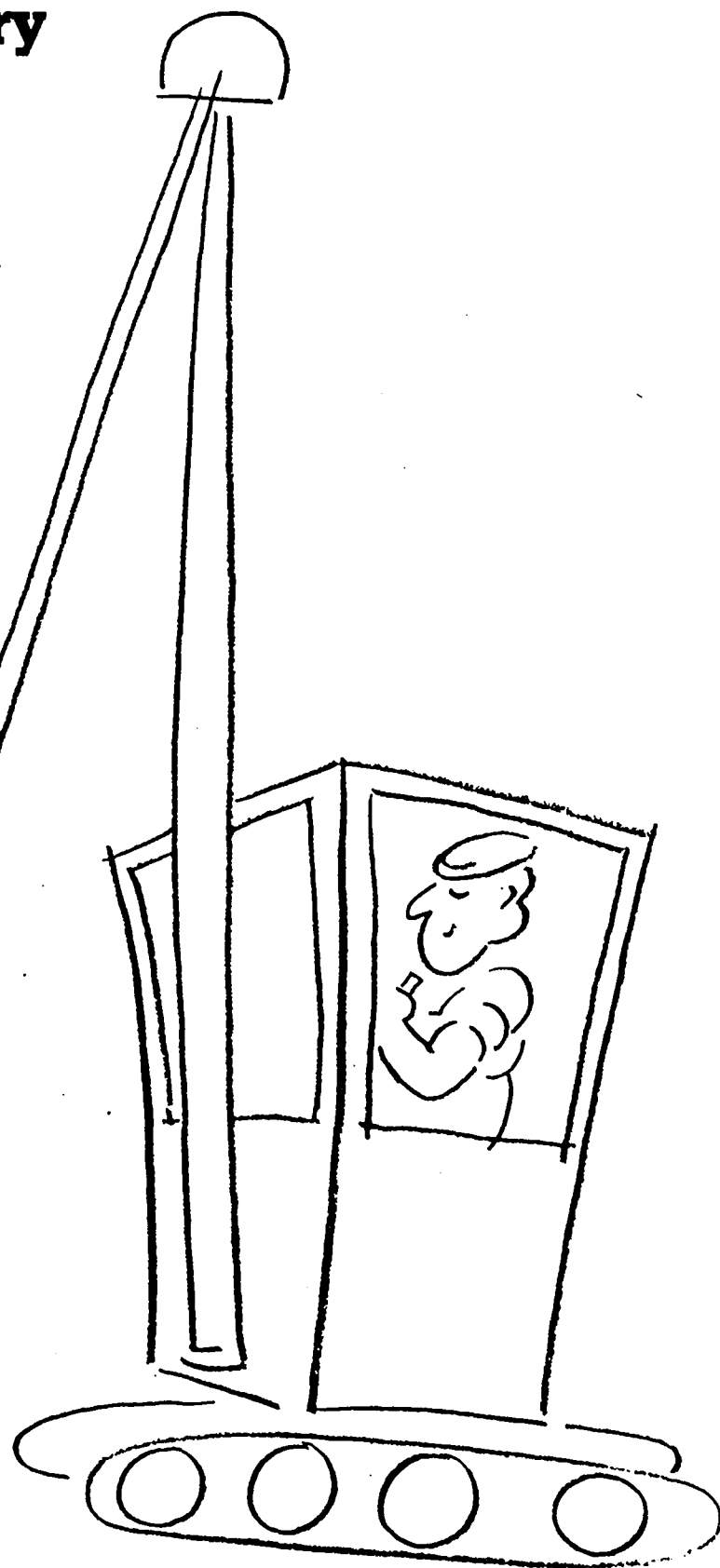
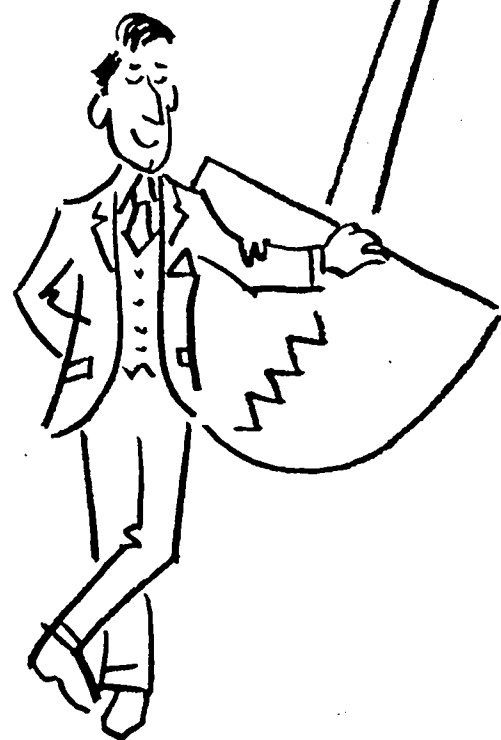
Sometimes he may seem part-magician. That's because he often has a happy way of turning problems into opportunities.

So if you want to expand your business or improve your cash flow, he's the man to see. After all, he's in business, too.

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Lockheed's L-1011 shrinks the noise area around airports 92%.



The U.S. Federal Aviation Administration says the L-1011 TriStar with its Rolls-Royce engines is the quietest big jet in the world.

And that's good news for people who live near airports.

A plane affects people when its sound rises noticeably above the familiar sounds of the city. With TriStar that occurs during take-off over an area of almost 5 square miles. Older four-engine jets affect an area of about 62 square miles. The noise diagram at right shows the difference between the L-1011 and older jets.

Even if you live or work within that 5 square miles, the L-1011 still brings welcome relief. Because it generates less than half the annoying jet noise of older jets (according to acoustical annoyance studies published in U.S. Government reports).

What helps make the L-1011 TriStar such a good neighbour are the Rolls-Royce RB.211 engines.

They simply have fewer noise-making parts.

And much of the noise that couldn't be eliminated is muffled and absorbed inside the engine, while noise that escapes as high-velocity exhaust is insulated in a shroud of low-velocity air.

TriStar entered airline service as the quietest big jet in the world. Today, Eastern and TWA are flying L-1011s. Soon, Air Canada, British European Airways, Delta, PSA, and Court Line, the British tour carrier, will be flying the quieter TriStar.

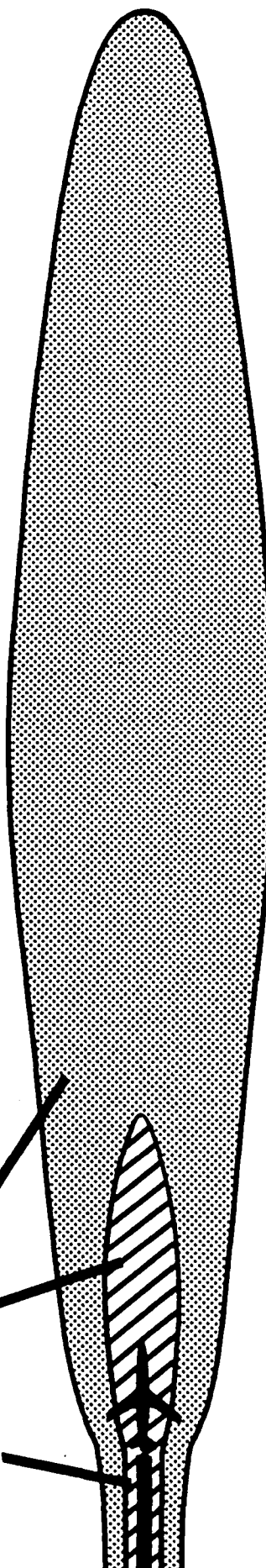
Watch for TriStar. It's hard to hear.

Takeoff noise pattern of older four-engine jets.

Takeoff noise pattern of the L-1011.

Airport runway

The Lockheed L-1011
The quietest big jet in the world.



All these bonds having been sold, this announcement appears as a matter of record only.

NEW ISSUE

October 25, 1972



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Siberian oil East or west

Tokyo

A year ago it seemed that the massive oil and gas wealth of Siberia would fall neatly into the hands of Japan. Not merely would Japan take the fuel it urgently needs from the rich fields at Yakut and Tjumen, but Russia would spend the hard currency it earned from these exports to buy industrial and consumer goods from Japan. That was the hope. But, six months ago, Gulf Oil asked to be allowed to come into the 1,800-mile pipeline that would take fuel from western Siberia to the eastern Soviet port of Nakhodka. Then Esso asked to be included too. The scramble began. This week's announcement that the United States is negotiating to drill and buy up to \$40 billion of Russian fuel has convinced the resentful Japanese that they have lost out on the bulk of Siberian oil, together with its tied trading market. They point out, bitterly, that it was American pressure that kept them from negotiating for the oil years ago.

The huge Russian deal with the United States is still early in the negotiating stage. But it now seems almost certain that the United States and Japan will share the approximate \$5 billion cost of developing and exploring the natural gas of the Yakut field—and that of building a 2,500-mile pipeline to the coast, where a \$750m liquefying plant will freeze the gas ready for shipping in a fleet of tankers. Ten of these tankers are to be built by the three countries to ship the gas to the United States and Japan. Delivery is scheduled to start in 1979, and expected to continue for 20 years.

The Japanese are even more annoyed about American participation in the crude petroleum fields at

Tjumen. The original project for these was a strictly bilateral Soviet-Japanese deal. Now both Esso and Gulf Oil will be taking a share of the 40m tons of oil that will be piped from western Siberia. The Japanese government is being asked to clear a \$1 billion loan to Russia to help construct the pipeline for this field. It has run into some difficulty, as the pipeline, which would have a highway running alongside it, will skirt close to the Chinese border. Peking is indicating that it does not like that.

Switzerland

Gnome of a crisis

When the Swiss President and Finance Minister, Mr Nello Celio, presented his budget this week, its built-in deficit caused widespread horror in his country. The deficit is only £22m, but the president is holding tripartite talks with management and labour to limit wages and prices. What the Swiss regard as their worst-ever inflation is still running at about 6 per cent per annum, despite earlier efforts to curb it. Last year's upvaluation of the franc was designed to dampen an export boom which had generated too much liquidity, but in the first eight months of 1972 exports totalled £1.8 billion, up another 10 per cent.

Mr Celio has no intention of relaxing either the ban on non-residents buying Swiss securities and real estate, or the 8 per cent negative interest rate on new foreign deposits in Swiss banks. But foreign money continues to pour in. Last year, foreigners admitted to laying out £78m to buy land, villas and flats in Switzerland; they really bought far more through Swiss "front men," or via foreigners already living in the country. The subsequent building boom has also been fuelled by foreign firms in Switzerland, which have always been able to bypass the voluntary

restrictions on lending by the Swiss banks through their recourse to the Eurodollar market.

The agreement Switzerland has signed with the European common market for free trade in industrial goods is due to be ratified by a referendum in three week's time. Quite straightforwardly, one of the strongest arguments being deployed for a "no" vote is that the loss of customs revenues would drive federal and canton budgets into deficit. Mr Celio, who is expected to keep his job as finance minister after his year's term of office as president expires next month, says he plans to meet this loss of revenue by an increase in both direct and indirect taxes, including value added tax. But, as these are measures which will require time to take effect, he is asking industry and the trade unions to back voluntary wage and price limitation in the meantime. Given the Swiss propensity for gentlemen's agreements, which are usually observed, he may get a polite answer.

EEC

Glancing south

Brussels

The EEC's ambitious proposal to negotiate free trade agreements with all the countries of the Mediterranean basin looks like being a non-starter. It was knocked on the head by the British and the Germans at this week's ministerial meeting in Brussels. Britain, represented by Sir Alec Douglas Home, was anxious to avoid giving the impression of sabotage by using the classic commission trick of delay; but he weighed in heavily about the political objections.

The Mediterranean policy is essentially political. All nine capitals, as well as Herr Ralf Dahrendorf, the commissioner responsible for the community's external relations, have been under diplomatic pressure from the United States not to hand out trade preferences too generously. It was those countries farthest from the Mediterranean that voiced the American objections most clearly in Brussels this week.

The United States is willing to allow special trading relations between the community and such countries as Greece, Turkey, Spain and Portugal, where the community's links have always been strong. But Washington has always held that there is no justification for bilateral agreements

Key indicators: world commodity prices

Sisal surge
Although sisal, which goes mainly into binder twine, is rapidly being replaced by synthetics, its price has increased sharply, putting on 7% in the past week. The best East African sisal is now £115 a ton. The last crop was ruined by drought. To remain competitive with synthetics, a price nearer £80 is needed. Even with high prices, plantations are likely to go out of business.

	Index 1963=100		Percentage change on	
	Nov 1	Nov 8	one month	one year
All items	153.6	154.0*	+ 0.2	+32.8
Food	167.5	168.2*	+ 3.3	+32.8
Fibres	134.6	135.5*	- 8.9	+55.9
Metals	187.2	186.4	+ 1.3	+ 7.1
Misc	144.5	143.9*	+ 7.4	+44.2

*provisional

with the Middle East and the developing countries of North Africa. If trade concessions are to be made to these countries, the United States argues they must be given to everybody, under the rules of the General Agreement on Tariffs and Trade.

The French and the commission disagree. They point out that trade between the developing countries of the Mediterranean and the United States is so small that to complain of being 'shut out of any special agreements is pure State Department spite. Washington realises this but keeps the objection tabled none the less, in order to have one more grievance to trade off with the community in the world trade talks next year.

The only American interests that would be hurt by the EEC's Mediterranean policy are the citrus producers who are discriminated against in the community in favour of Spanish, Israeli and North African producers. The United States is

already pressing the EEC to reduce its tariffs on citrus fruit to zero. But this is unacceptable to the Italians.

The compromise reached in Brussels nevertheless implicitly accepts the distinction between the European and non-European countries of the Mediterranean made by the Americans. So far as the European countries are concerned (disregarding Yugoslavia which has a non-preferential agreement, and Albania which has shown no interest) it has been confirmed that economic relations should be based on industrial free trade with some concessions on agriculture, as in the agreement with Portugal. The chief beneficiary of this will be Spain which has only a limited preferential trade agreement at present. The non-European countries will not necessarily get the advantage of reverse tariff preferences.

It had been hoped that the free trade agreements would come into force in line with those of the non-applicant countries in Britain's old trading club, the European Free Trade Association. Despite the delay, the commission has been told to be prepared for the negotiations to begin next year.

East Germany

In from the cold

Herr Willy Brandt, who faces his election in west Germany on November 19th, hopes to have wooed his floating voters by Wednesday's treaty with east Germany. If he is beaten at the poll, it is in danger of being renegotiated. If not, the western world will finally be able to have normal trading relations with the wealthiest nation in the Comecon block. But whether the countries which on west Germany's insistence have refrained from attacking this market will be happy with the trading position that they find after more than 25 years of restraint is doubtful. West Germany has used that time to build up a thriving trade with the east Germans that it has denied to others. How strong it has grown can be shown by the fact that, apart from Russia (which takes the lion's share of the 67 per cent of east German trade done within Comecon) no communist country matches west Germany. West Berlin alone does more business than any western country.

Even the Japanese, who are set to triple their exports this year, having been especially favoured at the last Leipzig Fair, will only do a third of the £50m worth of business done

East Germany's trade—£m

	Exports		Imports	
	January-June 1971	January-June 1972	January-June 1971	January-June 1972
France	12.0	16.0	13.2	29.9
Benelux	14.9	18.4	12.0	19.6
Italy	8.1	9.1	4.8	5.3
US	2.2	2.2	5.3	3.9
Switz	2.7	2.9	4.4	4.5
Japan	2.6	2.2	2.6	8.1
Britain	9.8	9.8	8.9	7.1

through west Berlin. The French have been doing well of late, but their doubling of exports is more due to cereal sales following a bad east European harvest than anything else. British companies have been losing out, particularly in machine tools and heavy machinery, where they once held a large market share.

The west Germans have never released trade figures with the east, claiming that their aim of restoring Germany to one nation prevented them. Figures published by east Germany, however, show that west Germany last year sold £390m worth of goods and bought £366m and things can only get better. The April traffic agreement, which preceded the treaty, enabled west Germany to send barges into east Germany, and even on to Poland and Czechoslovakia. From next year a regular rail container service will run from east Berlin to Warsaw.

The east Germans have always stressed that they have "friendlier" relations with France and Italy than with Britain. Now, belatedly, the Department of Trade and Industry is taking over discussions about quotas from the Confederation of British Industry. The future may be largely determined by who recognises the GDR first. The treaty itself says that east-west German trade will continue on its present duty-free basis, but with a new long-term agreement making west Germany's position even stronger.

EEC transport

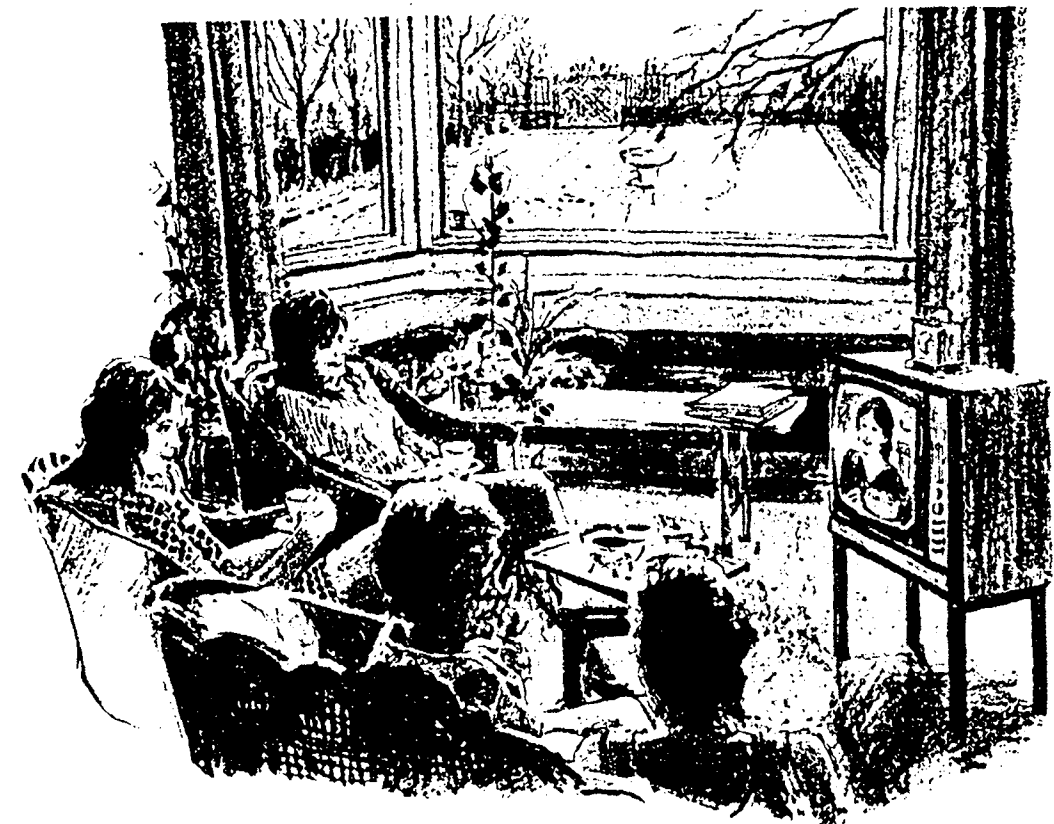
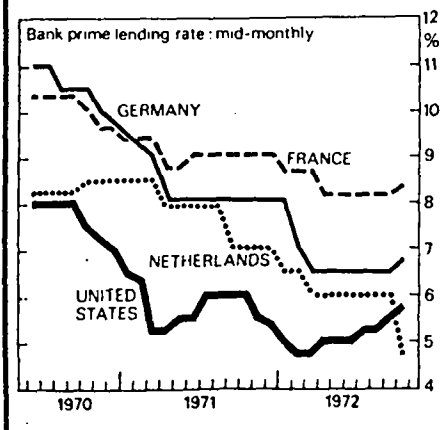
A load off nobody's mind

The common market has failed yet again to agree on maximum axle-weights for lorries. The Six stuck to the 11-ton compromise between the 13 tons the French want and the 10 tons proposed by Germany, Holland and Italy. The Six are pledged to reach a decision before the three new members, who are fighting a rearguard defence of the 10-ton limit, get the power to vote. Another meeting has been called for December.

Interest rates harden

Since the common market talks at Luxembourg on fighting inflation, central banks in France, Germany, Britain and Holland have all moved to tighten money—the rise in American rates providing the necessary leeway.

The Bank of France hiked its discount rate by $\frac{1}{2}$ point to 6 $\frac{1}{2}$ per cent and is expected to follow up this move by using its new discretionary powers to raise, from 15 per cent to as much as 50 per cent, the maximum reserves which banks and credit institutions must deposit with it against their loans. The Bundesbank raised its discount rate by $\frac{1}{2}$ point to 4 per cent and its Lombard rate (for loans against securities) by a full point to 6 per cent. Holland followed suit, raising its bank rate from 3 to 4 per cent. The Bank of England has made a call to special deposits. The exception to this pattern of hardening rates in Europe was, not surprisingly, Italy whose economic recovery is still less than full blown.



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Commercial Union Assurance Company Limited

The following are the estimated and unaudited results of the Company for the nine months to 30th September 1972 together with the comparable results for the nine months to 30th September 1971, and the actual results for 1971.

	9 months to 30 Sept. 1972 Estimate £m	9 months to 30th Sept. 1971 Estimate £m	Year 1971 Actual £m
Net Written Premiums			
Fire, Accident and Marine	424.7	354.8	467.8
Underwriting—			
Fire, Accident and Marine	1.6 (Loss)	3.6 (Loss)	.7
Investment Income	32.8	28.2	38.6
Life Assurance Profits	1.8	2.0	2.4
Associated Company	1.7	—	—
	34.7	26.6	41.7
Less: Loan Interest and Minorities	7.5	6.3	8.2
Profit before Taxation	27.2	20.3	33.5
Taxation	9.0	5.7	10.8
Profit after Taxation	18.2	14.6	22.7
Earnings per share (fully diluted)	9.09p	7.84p	11.92p
Principal Exchange Rates Used			
U.S.A.	\$2.42	\$2.48	\$2.55
Canada	\$2.38	\$2.51	\$2.55
Australia	\$2.04	\$2.15	\$2.15

Underwriting Trend

Fire business in the U.K. continues to be profitable. Motor business shows some improvement although still unprofitable and there is a marked deterioration in the liability classes. The results in the U.S. continue to show an improvement and the statutory operating ratio for the nine months was 95.5% compared with 99.3% for the same period last year. Australia and Africa show substantial losses, largely due to the exceptional items referred to in the statement in respect of the first six months. In Western Europe, Austria and Germany have

shown substantial improvement but this has been offset by a number of large fire losses in other European countries.

Life and Annuity

	9 months to 30 Sept. 1972 £m	9 months to 30 Sept. 1971 £m	Year 1971 £m
New Sums Assured	670.0	556.1	918.6
New Annuities per annum	7.9	6.0	8.4
New Life and Annuity			
Premiums—			
Annual	7.3	5.9	12.7
Single	23.0	17.2	20.0

Insure with Commercial Union Assurance



Taming the lorry requires a mixture of measures, including rules on noise, power-weight ratios, exhausts and routes. But it is over the more solidly economic issue of axle-weights that the fight is on. Britain claims that an 11-ton axle would mean £20m a year in road repairs alone. Many roads are so cheaply made that a single overweight lorry can damage them, and keeping the axle weight down is the easiest way to protect them. In Michigan stiff axle-weight restrictions mean that trucks with 10 axles are quite a common sight.

But the commission has done its own figures, based partly on the work of the Highway Research Bureau in the United States, which suggest that the 11-ton limit would add only 2 per cent to the cost of paving a road—and, of course, nothing to the cost of land. The expense of reinforcement, it argues, rises only slightly between 10 and 11 tons, and then very steeply, and anyway, because of the difference between long and imperial tons, the British limit is already over 10 continental tons.

But is a compromise the thing to go for? The French have their anti-lorry campaign too, and France is having to reinforce its roads at the rate of about 2,000 miles a year. The commission has not studied British roads, and should at least have the courtesy to listen to British experts who have. Meanwhile it has been asked to study the possibility of restricting the heavier lorries to certain routes. But there are few warehouses that can be reached in Europe without using at least some low standard roads.

Dutch terrorists

Held to ransom

When Mr Jan Bavinck, a member of the board of the Dutch Philips company, backed out of his garage last month he found a 3 lb time bomb under his car. This was not a complete surprise. It was the company's eighth bomb since February. The senior management has been the target for a barrage of threatening telephone calls, and has been living under more or less constant police protection.

The first seven bombs, planted in various offices and factories, were all small; two of them failed to go off. It was said that the bombs were a protest against Philip's defence contracts. The bomb in Mr Bavinck's car was of a different order. It was bigger, plainly intended to kill, and



They paid up for Van de Panne

the Department of Justice at The Hague does not think it was planted by the same group of people. A group describing itself as "the tribunal" claimed responsibility and asked for £6,000 to call off its attacks. Rather bigger bombs, containing up to 4½ lb of explosive, have also been found in a hotel, a bank and another factory: none of them associated with Philips.

In September, Philips's chief executive in Argentina, Mr Jan Van de Panne, was kidnapped by Peronist guerrillas. The company paid immediately the £160,000 demanded for his release, rather than see him murdered as Fiat's local executive, Dr Oberdan Sallustro, was after he had been kidnapped and the Argentine government had forbidden Fiat to negotiate. There may be no connection between this and the recent bomb attacks in Holland; but, from October onwards, Philips has had at least 20 increasingly menacing letters and telephone calls, the most recent of which said that the last warning had been given and the "next phase of action" was about to begin. And so, apparently, it did.

France

Few strikes, but fewer steaks

Every autumn since the spectacular events of May, 1968, the French unions have threatened sound and fury. And every autumn nothing much has happened. Already this season there have been a few rather poorly supported "days of action," culminating in a wave of 24-hour strikes called for next week. The railway system is one of the targets for disruption, together with the docks, the post office, and a wide range of government services. But next day almost certainly everyone will go peacefully back to work.

The whole process has become a

ritual: to enable the unions to demonstrate to the government and probably to themselves that they are not just a talking shop. At the national level, the important activity now takes place in the conference room. In spite of their comparative weakness on the shop floor, the unions have made solid advances in the past few years, both in terms of wages, which have risen by a steady 10-11 per cent a year (allowing an annual gain of about 4 per cent in real terms) and working conditions. Genuine bargaining now takes place. Before 1968, say the unions, it needed a strike to get employers even to talk.

This year, with next spring's elections uppermost in their minds, both sides are walking even more delicately than usual. The unions are nervous of endangering the chances of the electoral pact between Communists and Socialists. The government is continuing to play one of its main themes over the past few years: greater social harmony through negotiations with the unions and help for the poorer sections of society.

At the end of October the government raised the national minimum wage, or SMIC, for the second time this year; it thus went at least part of the way towards fulfilling one of the unions' main demands at the moment, for a minimum monthly income of £84. The SMIC affects about 600,000 workers, many of them in farming; but if raised to £84, it would bring another 2m-3m of the lower paid into the net. Although the government has not gone this far—calculated on an average working week, the minimum wage is now about £75 a month—it can argue that over the past year the real increase for the poorer French workers has been around 12 per cent. Differentials are therefore being narrowed fast between the lowest paid (including pensioners) and the average worker.

The main threat to this programme of social peace comes less from the unions themselves than from the accelerating cost of living. France, which a year ago was rather less inflationary than the average industrialised country, is now rather more. Prices at the last count were rising at an annual rate of 6.3 per cent, with food prices growing more rapidly. Meat has soared by 18 per cent in a year. The consolation is that real national income is still rising by nearly 6 per cent a year. But if the government cannot stabilise the price of steak, tempers, and the gaullists' potential majority, will be frayed.

BUSINESS

Britain

Coal digs its head in

For all its talk of wanting to raise productivity, the National Coal Board is resisting the adoption of a new piece of machinery that could increase output by 8 per cent in a majority of its pits. The key device, which has been developed by the NCB's own research engineers, is a radioactive sensor which steers the coal-cutting machines automatically and far more precisely than they can be directed by hand. It would reduce the amount of rock and dirt the machines produce when they cut through the seam.

It has been tested for the past three years at production coalfaces. The NCB's research engineers claim that all technical snags have been eliminated. But they are finding it hard to get colliery managers to use it. Ten commercial versions are on order and no one knows where they will be installed when they arrive or even if they will be installed.

The economics are favourable enough. The device adds about £10,000 to the non-automatic part of the cutting machines, whose prices range from £5,000 to £10,000, ie, it doubles the cost. However, one pit has used the equipment and calculated after

tests that, for an outlay of £50,000 on the necessary adaptation to five machines, annual output could be increased by £400,000. A side benefit would be the improved relations with the Central Electricity Generating Board that cleaner coal would create. One persisting headache for CEGB engineers is the varying proportion of debris that NCB coal contains. Often there is as much rock and dirt as coal, although where this happens regularly some of the rubble is washed away as a matter of routine. But this is expensive.

The NCB's reluctance to adopt the automatic steering device has several roots. One is organisation. To get new equipment accepted, research engineers must convince each individual colliery manager in turn that it is worth using, and colliery managers are notorious for not being able to see further than the 18-month production periods on which they are judged. The NCB lacks a headquarters committee that could evaluate new devices independently and approve or reject them for general use throughout the country. Another problem is the low morale of the industry after years of running down the labour force, with more redun-

dancies probably to come. The automatic steering device rubs a sensitive nerve here. It would be just a short step from an automatic steerer to an automated coalface.

Automation must come because young men are increasingly put off by the thought of going down the pit to earn a living. However, this is at present an unpopular notion when the industry's ageing miners are so worried about their jobs. Then, too, the political problems associated with the miners tend to absorb the attention of NCB executives, who seldom have time to study ways of actually increasing productivity, as distinct from making empty speeches on the subject. This is unfortunate because rising oil prices could lead to improved opportunities for the industry in the late 1970s or 1980s, provided it is then efficient enough to take advantage of them. Coal's revival has already started in the United States where sharply increased production is confidently being predicted. Output is seen rising to 1 billion tons by 1985, compared with the less than 600m now produced.

Union elections

Basnett's the one

As expected, Mr David Basnett won Tuesday's election for the £7,000-a-year-job as leader of Britain's biggest moderate trade union, the General and Municipal Workers. Although he had a 60,000 margin over his nearest rival, he only won 29 per cent of the total vote. The surprises were that the distinctly new-look Mr Derek Gladwin came close to beating the old-timer, Mr Alec Donnet, into second place and the right-winger, Mr Jack Eccles, won 14 per cent of the vote.

One of Mr Basnett's first jobs is to reform the absurd election process which took him to the top. He may introduce canvassing and try to eliminate the block vote by which the handful of branch members who turned up to meetings can bespeak the votes of the entire branch. He might even introduce a postal ballot. Mr Basnett, who

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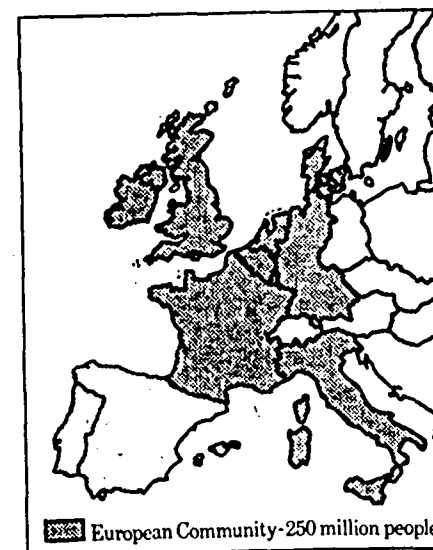
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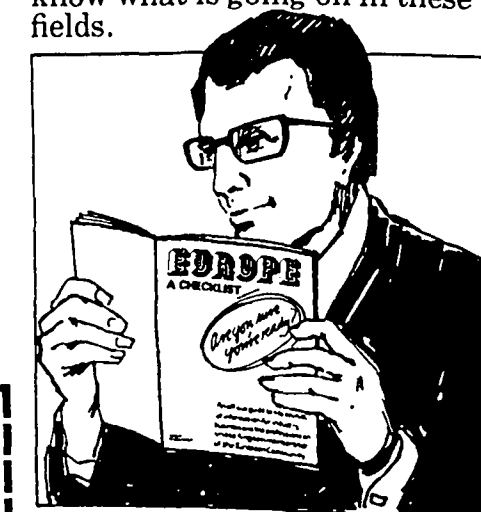
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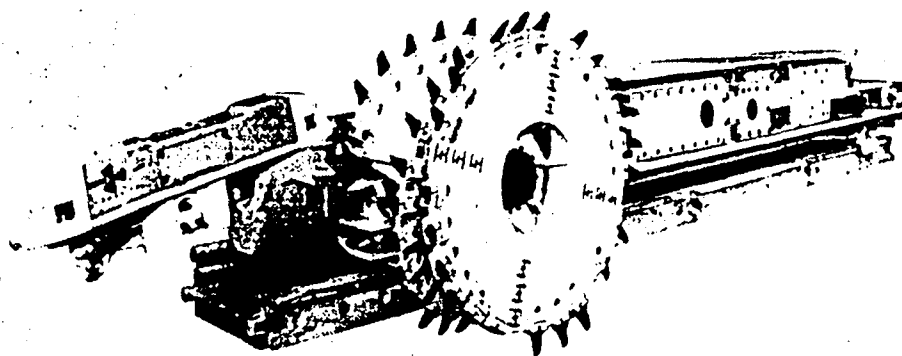
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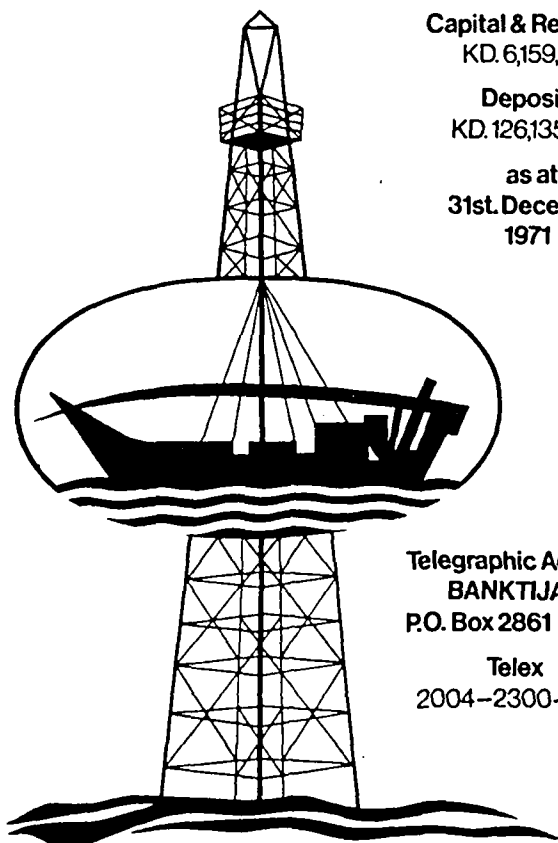
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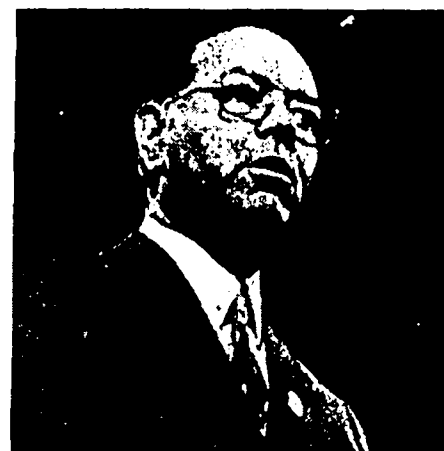
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David may build a Goliath

started life as a bank clerk, and was once an RAF pilot, is a moderate, but likely to be a more outspoken one than the retiring Lord Cooper. He could become the kind of television personality moderate unionism has so lacked since the death of Les Cannon. Mr Basnett, unlike Mr Gladwin, did not have a university education, but he has a faster mind than most employers.

For years, the GMWU has been a sleepy, slow-growing union. Mr Basnett, who previously handled mergers for the union, is likely to embark on an ambitious acquisition policy. He may, for example, try for a merger with Mr Frank Chapple's union. He is also likely to try to develop collective bargaining in other areas than pay. Unlike most British union leaders, he is sympathetic to workers' participation. As a keen European, he might persuade the rest of the TUC to support the recent plan for participation put forward by the European Commission.

The outgoing Lord Cooper, like Sir Sidney Greene, has been one of those powerful union moderates who seldom dared to oppose the militants publicly. His biggest contribution to the GMWU was a remarkably successful piece of property dealing, when he sold the old central London headquarters at such a high price that the union could buy a mansion near Esher, acquire some prime housing land, build a new headquarters and still have money to spare.

Industrial court

If Hughie still won't come . . .

Sir John Donaldson fined Mr Hugh Scanlon's engineering union £5,000 on Wednesday for contempt of court. The union had refused to obey a court

order to appear and explain why it refused to admit Mr James Goad of Suffolk to a branch meeting. If the fine has not been paid by November 21st sequestration writs will be issued and four sequestration commissioners appointed (nominated by Mr Goad).

Sir John, however, made it clear that the writ will not cover the entire assets of the union. The commissioners would be able to take possession only "of so much of the real and personal estate of the respondent union as is necessary to meet the said fine." So if it comes to the crunch the commissioners will presumably confiscate £5,000 worth of the union's property. The union itself seems pleased that the fine was so low. But it is an even bet whether Mr Scanlon will pay up or wait for the commissioners. The fine may seem small, but his union's finances are in a parlous state after the long dispute last summer. Its bank accounts are overdrawn.

The story may not end when the £5,000 reaches Bow Street court. On Friday next, the Sudbury branch of the union will meet again. If Mr Goad is excluded once more, he can return to the National Industrial Relations Court again. On past precedent, next time the fine might be a good deal higher.

Mr Jones's Transport and General Workers' Union will be in the dock again, this Friday, facing a charge of contempt from Howitts, the Liverpool lorry firm. The union does not support the blacking campaign against Howitts, but its own shop stewards are taking part. It could follow a similar pattern to the Heaton's saga. But, unlike Mr Scanlon, Mr Jones will be represented in court.

Textiles

Weave up

Courtaulds has told the 1,000 employees of its £7m weaving operation at Skelmersdale, Lancashire, that the plant will have to close because of "the cumulative effect of continual labour difficulties." In the language of the trade, it is to "weave up" immediately. Courtaulds is tight-lipped about the decision. The local union, the Amalgamated Weavers' Association, is hoping to reopen talks with the management and might take up the offer to send in its own cost accountants.

Courtaulds took a big risk when it built the huge and ultra-modern weaving shed in Skelmersdale. It was near the traditional Leigh weaving area but took its labour from among the Merseysiders who have been rehoused in

Skelmersdale. Weaving requires high skills, and a sense of the precariousness of profit margins and the necessity for the continuity of operations that long, insecure years in textiles have given weavers. An element among the Merseysiders tended to down tools, car-industry style, with disastrous results on productivity.

The commercial decision to build such a large plant was based on the hope that the high efficiencies and productivity of using the best and latest looms would enable the cloth to be produced at a price competitive with imports. This has clearly been thwarted by the labour problems. Unless the local workers learn the attitudes, as well as the skills, of their new industry, the factory will stay closed. The last Courtaulds accounts comment that the northern weaving losses were greater than in the previous year, when they were "substantial," but blamed imports and running-in expenses.

Steel

Melchett-bashing on the Clyde

A private group, which includes German money, is to put to the Government the biggest of the many proposals made so far for a major steel plant in Scotland. The Department of Trade and Industry is taking it very seriously. The group is hoping to cash in on the unease that Lord Melchett, chairman of the nationalised British Steel Corporation, caused the Scottish trade unions when he confirmed that he had no plans for a major greenfield development in Scotland. The most they could expect, once the immediate revamping of Ravenscraig had been completed, was a 500,000-tons-a-year minimill, costing £35m-£40m and providing 400-500 jobs, either at Hunterston beside the major ore terminal being built there, or at one of two possible sites in Lanarkshire.

The private group's proposed development would build up to a billet capacity of around 2m tons a year by 1978-80 and be based on four direct reduction units producing sponge iron pellets by the same process used by Korf at Hamburg. These plants could either use natural gas (as at Hamburg) or the tail gas from the refineries that have been suggested for the Hunterston site.

This project has an Achilles heel. It turns on being able to persuade the

Government to sell at least one and preferably two or three of BSC's present plants where BSC plans to shut down steelmaking but leave the rolling mills working. The Steel Corporation will resist this mightily. It is still refusing to sell off the Birchley mill in the Midlands, which is one of those that it is planning to close immediately. The private group's main weapon is the fear among Scots that eventually BSC will close down most of their mills, eliminating two or three times the 7,500 jobs that BSC admits will go by 1975. The private group is holding out the temptation of no shut-downs and no further jobs lost.

The next few weeks will see an increasingly vociferous Scottish lobby, led by the Scottish TUC, vying for a greater share of Britain's future steel developments. The Scots believe that the Government has to make its decision before European entry, because the responsibility for steel investment then passes to the commission. For different reasons, both the STUC and the new private group are hoping that the new Secretary for Trade and Industry, Mr Peter Walker, will follow his previous form and be a lot tougher with BSC than his predecessor, Mr John Davies.

Value-added tax

Retail relief

The Chancellor's change of mind on the treatment of retailers' stocks at April's changeover to value-added tax is good sense and good politics. Shops are simply going to be allowed to deduct the purchase tax element in stocks from their Vat bills for the first Vat period; just as if it were Vat on

purchases, which is deductible under the normal mechanism of the tax. Retailers will have to claim for such purchase tax rebates on a special form and produce some evidence they have really paid the tax. This is a huge advance on the mulish insistence by Customs and Excise that such an arrangement would be impossible to police. The details have still to be worked out, which suggests that the decision was taken in a hurry, quite properly in view of the little time left. Firm political control of the Vat changeover is not before time. The previous arrangement was going to be a purchase tax holiday for a short period before April, to allow retailers to clear out tax-paid-up stocks. A fine old chaos that would have caused.

Ports

Baby bogies

The many little ports outside the Dock Labour Scheme, which the dockers so vehemently attack for taking away their jobs, turn out to handle more of the nation's trade than expected, but they employ a much smaller proportion of the labour force than was thought. The preliminary report on the small ports issued by the National Ports Council on Tuesday concedes that they offer pay and conditions comparable with their competitors, their capital investment is much lower in relation to the trade they handle, and few of them could be called new—some date back to Roman days. None of this suggests they deserve to be clobbered, which will be a disappointment to the dockers, and even to some employers. On safety, one area where it was hoped there might be some skeletons in the cup-

board, they seem to be no worse than the big ports. A docker wearing a hard hat is unheard of almost anywhere.

The small ports' share of the market has risen from 15 per cent to 20 per cent since 1966, but since they only employ about 3,000 men they can hardly be held responsible for the 30,000 reduction in the rest of the dock labour force in the past few years. Much of the business they have gained seems to have come from special factors. Felixstowe is nearer certain continental ports than Tilbury, so a ship using Felixstowe can make more voyages in a year. Dover has a rush hour problem with its car traffic, so it has been able to expand into the roll-on, roll-off lorry market at abnormally low cost.

But on the whole it looks as if the big ports have commercial misjudgments to blame for their problems. They planned massive redundancies on the basis that the economy was expanding fast enough to absorb dockers as they were put out of work by containers, and so on. As it happened, the other jobs did not materialise, and this was especially expensive for the big ports, because they have progressively allowed the dockers to limit their flexibility about whom, and how many, they must employ.

Also, the big ports have failed to exploit opportunities for expansion. The NPC report shows how few of the little non-scheme ports have facilities for big ships, and so how few are able to compete in the deep sea trades that are the traditional markets of London and Liverpool. But it is the short sea trades that have been expanding fastest, and that is where the small ports have cashed in. It only shows that competition can be a healthy thing.

Key indicators: British economy

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Retail trade Clothing sales rebound in September, but food shops lost trade.					
Consumer credit Credit sales down in September except in department stores. But in the third quarter as a whole they were 11% higher in value than in the previous quarter.					
Banks Reserve ratios only slightly down in the four weeks to mid-October, from 14.9% to an average 14.6%. They may well have risen since, taking some of the edge off the Bank of England's call for special deposits.					
Industrial production*	August	130.0	-1.2	-0.7	+3.4
employment*	August	88.6	-0.1	-0.1	-3.4
productivity*	August	146.7	-1.1	-0.6	+7.0
Export trade*†	September	155	+67	-1	-1
Retail trade*	September	117.3	-0.8	+1.4	+6.3
Unemployment*	October	154	-4.7	-3.6	-4.8
Average earnings*	August	207.6	+0.6	+2.7	+10.9
Retail prices	September	160.6	+0.5	+1.6	+7.0
Export prices	August	156	+2½	+4	+6
Import prices	August	141	+2	+4	+6

Export trade, retail trade: in volume terms (value at constant prices).
Unemployment: wholly unemployed excluding school-leavers; latest rate 3.4 per cent. *Seasonally adjusted. †Provisional

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BUSINESS

Investment

Wall Street puts its boots on

New York

For about an hour after the New York stock exchange opened for trading on Wednesday, following President Nixon's landslide, the market was euphoric. The Dow Jones industrial average rocketed by nine points in extremely heavy trading, to just 1.3 points shy of the record close of 995.15 in February, 1966. Then, just as abruptly, the rejoicing gave way to greed. In the next hour the rally was obliterated by profit-taking, and the session closed at 983.74, actually off 1.06 on Richard Nixon's glory day.

In a showier display of pre-election pyrotechnics, the Dow Jones the week before had netted a total increase of 38 points, on the expectation of both a Nixon victory and a growing conviction that a Vietnam ceasefire was coming closer. The rise delighted brokers because it was achieved in a remarkable string of five trading sessions in a row, with daily trading volume in excess of 20m shares, instead of the recent 15m-odd which they had begun to fear was all the market was

ever going to muster. After several months of low business and scarce commissions, this was balm in Gilead.

Many brokers said they saw in the resumption of heavy activity a return to the market of many individual investors who had been on the sidelines since last spring. The trouble is that institutional sellers were ready for them. Many institutional investors, notably bank trust departments, which this summer had bid up (and loaded up on) so-called glamour growth stocks, were lying in wait for the first concerted rally to unload blocks of overpriced shares. On Wednesday, therefore, the list of election day losers was led by these "busted" glamour issues, as Wall Street has come to call them. Burroughs dropped \$2½ on the day to close at \$208; Avon Products went down \$3½ to \$128½; Polaroid was clipped \$3½ to \$112½; Xerox by \$5 to \$150. While Richard Nixon in his greatest victory was no longer an object for newspapermen "to kick around," as he complained in his cele-

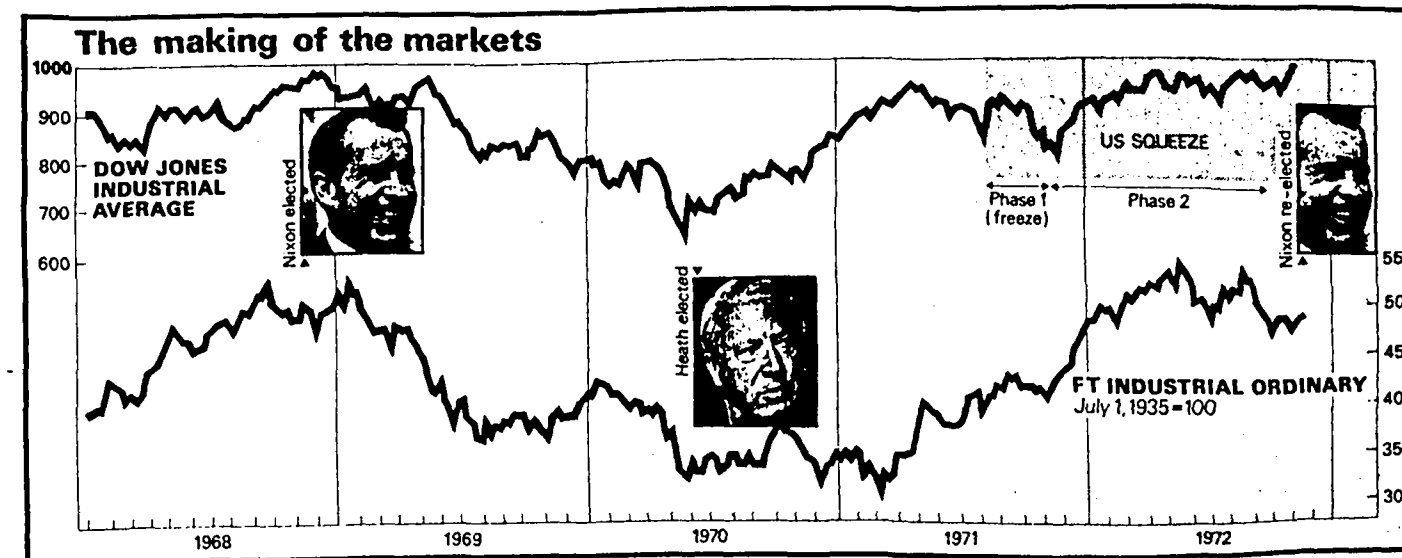
brated defeat speech after losing the California gubernatorial race in 1962, he seems nevertheless to have created a new booting opportunity for investment institutions.

As institutions have dropped the faded glimmers, they have been moving into issues on cheaper price/earnings ratios with favourable earnings growth rates. These include some motors, life insurance companies, utilities, oils and savings and loan associations. Soon, however, the market will have to absorb the traditional year-end tax selling. Brokers are therefore forecasting that the market may move further into a "consolidation phase" for the next several weeks. Most analysts see this as a base-building interlude, preliminary to a further advance in prices, at last carrying the Dow average well over the elusive 1,000 mark.

London market

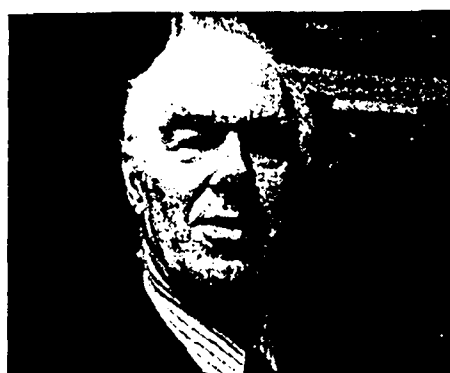
The Queen of exchanges

With pomp but rather uninspiring circumstance, the Queen cut the ticker-tape of the London stock exchange's new building on Wednesday evening. The building is not yet finished, but



P&O/Bovis

No, no, P&O



Ford Geddes: charming

Next Friday, P&O is holding the delayed extraordinary general meeting at which shareholders will be asked to increase the authorised share capital of the company and thus allow the majority of their directors to proceed with their plans to buy Bovis. They should vote against.

Last week *The Economist* published a tentative, but detailed, profits forecast, arguing that an independent P&O might earn as much as £20m in the year to next September—and suggesting that the board of P&O should publish its own guesstimate. The board has stuck to its guns: it argues that the shipping business is less predictable than others, and that any forecast to which it could attach its name would need such wide contingency margins as to be useless. This is an honourable view to hold, but do the P&O directors realise that it is not shared by their fiancées at Bovis? After all, what could be more unpredictable than the construction industry, with its strikes and seasonal upsets, and yet Bovis has a forecast for next year and a projection for the year after. Forecasting, targets, budgetary controls—that is the stuff of management, and it is hard to believe that P&O sees itself as an unstuffed turkey running around blindly for a year. If the management is so bad that it needs to be taken over, is it good enough to decide by whom and for how much?

The majority of P&O directors recoil from the notion, shared by most of the press, that the Bovis deal is a reverse takeover to get the undoubtedly good Bovis management. Their rationale is that, over the long term, shipping will become increasingly competitive, and thus it will be harder to earn a decent return on heavy investment in ships.

Bovis, in the growth areas of housebuilding, construction, property and banking, is in on a steep profits incline from a tiny assets base. So, said Lazard Brothers (advisers to P&O, and ex-advisers to Bovis) marry the assets to the profits. In the sweep of this grand strategy, next year's profits may seem to pale into insignificance. But how secure are housebuilding and property profits over the next decade, which might see a Labour government with notions for nationalising property?

In spite of the £200,000 worth of advertisements in the press by Bovis and P&O, shareholders should vote against the board. The battle has been long (and clean, thanks to the charming and exemplary behaviour of P&O's chairman, Mr Ford Geddes). But it has not produced enough information to judge whether Bovis is the best buy. P&O can afford to stay independent a bit longer.

Shell

Snip if a snap

Shell's third quarter figures show why international oil companies are out of favour. With net income of £45m, compared with £53m in the previous quarter and £91m in the same quarter the year before, it is clear that some old chickens are still coming home to roost. The basic problem has been that while demand in Europe has been low for the past year—affecting all oil companies—the situation has been exacerbated for Shell by unfortunate timing. First, of its move into the tanker market: it took out three-year charters in 1970 when rates were at the dizzy height of worldscale 300 compared with 95 now. And then in its expansion on the chemical side.

Demand has been the key factor. The third quarter, for seasonal reasons, is usually one of especially low volume. This should be less of a worry for Shell, compared with British Petroleum, for example, because the company has a higher proportion of sales in the lighter end of the market, in fuel oil and gasoline. But this year gasoline prices have only just begun to move upwards; they usually begin to creep up in May as cars take to the roads. Another factor that has hurt margins this quarter, compared with the equivalent one last year, is that unit costs per barrel are up. In the second half of 1971 the company built up its inventories in expectation of the cold winter snap that never came, and has had higher carrying costs ever since.

Then there is the Catch-22 Venezuelan scheme: if a company's oil production falls below a certain limit it has to pay a penalty to the government; if it rises above a certain limit payments automatically increase. Shell has been hit by the low production penalty, and apparently is making no profits from its Venezuelan operation. However, the future looks less bleak.

Rotterdam spot oil prices have moved slightly upwards; on the law of averages, there should be a colder winter; and the tanker charters of 1970 will be coming to an end soon. More significantly, Shell could benefit from Arab participation. The company is bigger than most in European refining and marketing and could get some contracts from the Arabs to sell their oil. The American subsidiaries have already shown that things are picking up on their side of the Atlantic and this trend should continue. If the shares get down to their trading-range low of 300p in the short-term, they would be a snip for the cyclical upturn.

Investment Trusts Survey on page 118

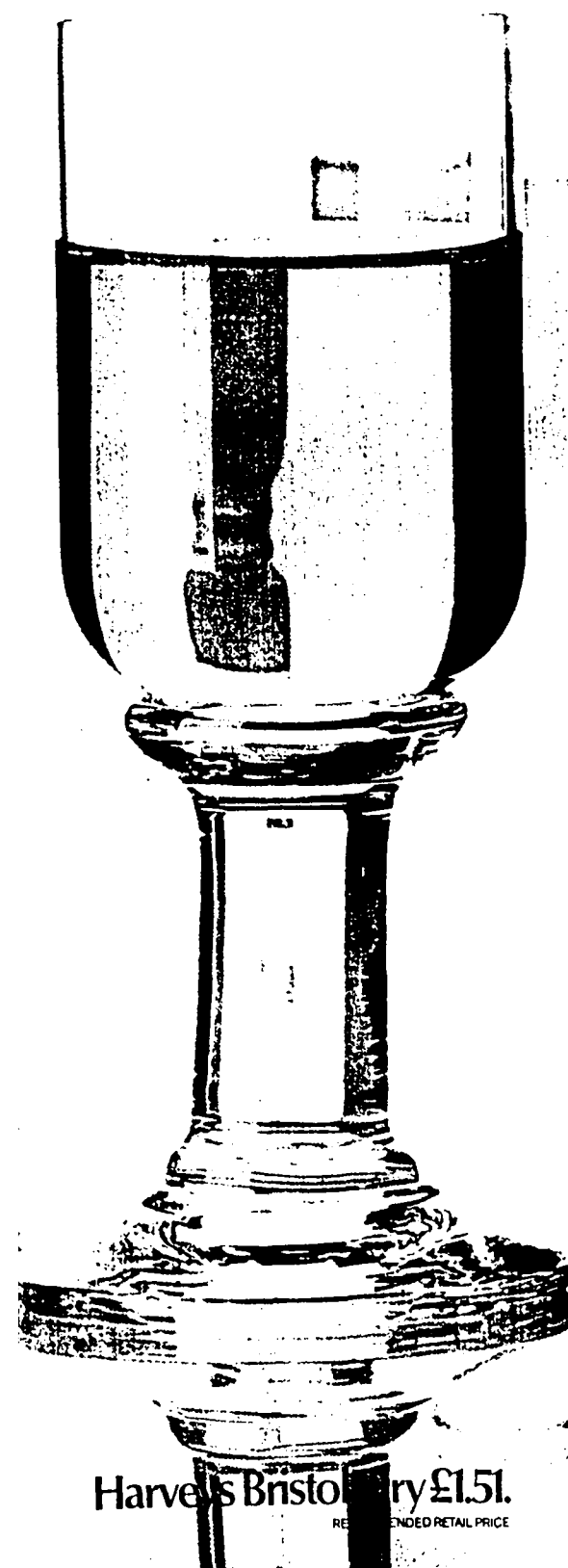
Key indicators: world bourses

	Stock price indices			Percentage change on			
	Nov 8	1972 high	low	one week	one month	one year	record high
London uninspired by the freeze, then worried by the Bank of England's call for special deposits.	483.4	543.6	461.6	+ 0.1	—	+17.7	-11.1
Wall Street's rapture over the Nixon victory short-lived. Japan and Hongkong record-breaking again.	983.7	984.8	889.2	+ 1.6	+ 3.9	+19.1	- 1.2
Canada	229.2	243.0	187.5	+ 2.5	- 5.6	+37.1	- 5.7
Australia	590.5	639.8	490.1	+ 0.4	+ 3.8	+40.0	-11.0
Japan	337.0	337.0	199.9	+ 0.8	+ 2.6	+94.0	—
H'kong	699.8	699.8	324.0	+10.6	+30.7	+110.4	—
Belgium	117.2	120.8	96.9	+ 0.6	- 3.0	+28.4	- 3.0
France	84.5	89.3	67.6	- 1.8	- 3.4	+32.0	-10.1
Germany	112.1	121.3	97.1	+ 0.9	+ 0.3	+25.4	-25.8
Holland	149.1	155.3	105.4	- 0.2	- 1.8	+56.8	- 4.0
Italy	50.9	50.9	43.9	+ 1.6	+ 3.9	+12.1	-56.3
Sweden	352.9	366.5	308.7	+ 0.2	- 0.4	+23.8	- 6.0

Stock prices and yields are on pages 131 and 132

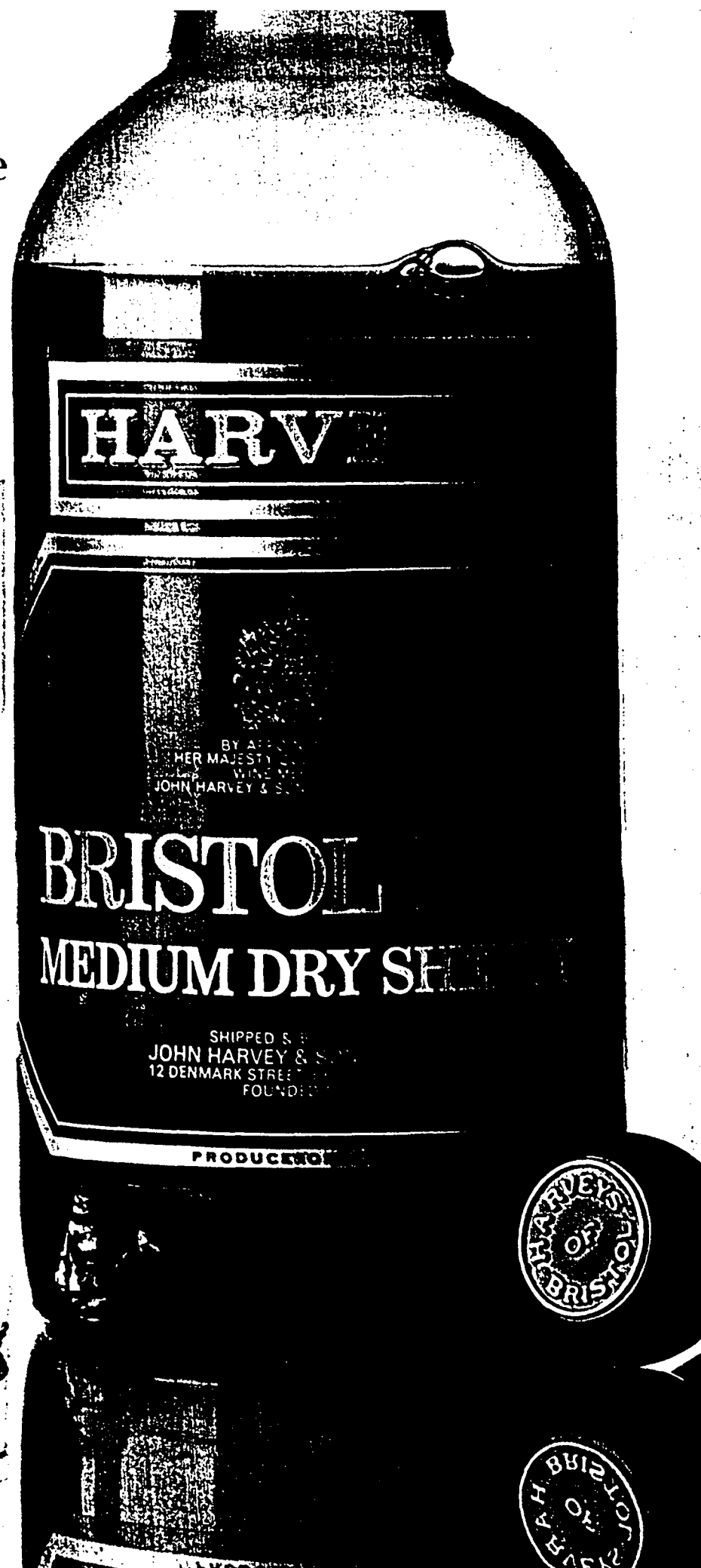
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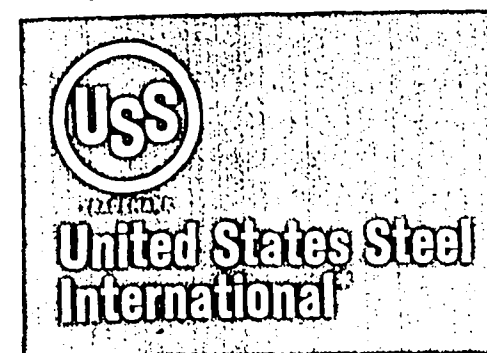
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Investment trusts

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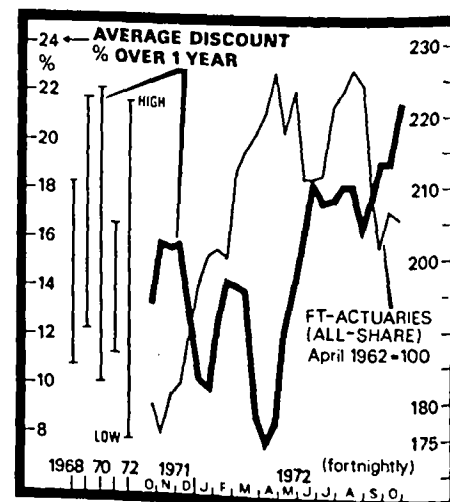
Investment trusts have been left a tiny corner of warmth in Mr Heath's freezer. Dividend limitation is not to apply to them, so their shareholders can benefit from any higher dividends that have already been received from British companies and any increases still to come from foreign holdings. The value of the concession is small. The institutions—which have, on the whole, been net buyers of investment trusts from the public for some time—may be more tempted to buy trusts for the franked income, and members of the public who have held their trust shares since the stone age will be a little happier. Since the yield on investment trusts is only 2.6%, few new seekers after income will be tempted into them.

But there are now other reasons for investors to buy British investment trusts. The discount of the average share price of investment trusts on their estimated underlying net assets is 20%—ie, the buyer of £80 of investment trusts is getting £100 of equities. Investment trusts always sell at a discount on net assets, but not usually such a big one. Thus there is a cushion

against any further fall in the market, since some of it might well be taken by the discount being reduced. Although investment trusts have fallen, they have fallen less than the market over the past three months. When the upturn in the market comes, the discounts almost certainly will narrow so that trusts should rise by more than the market does. The relative cheapness of British investment trusts is the more striking because 29% of their holdings, on average, are in American stocks. And few people have been forecasting that Wall Street will go down.

The effect of the widening discount can be seen in our usual "one-year" league tables opposite. Even the least successful fund, Globe, showed a growth in net assets which is higher than the price performance of the average investment trust.

Investment trusts sell at a discount because the whole is looked at as worth less than the sum of the parts; this is a tradition based on several factors. First, there is a potential liability to capital gains tax on the disposal of the shares; but in Britain this is now 15% instead of 30%, and this should have



caused a narrowing of the discount. Secondly, the supply of investment trusts is increasing to meet a demand which is not growing. The public at large prefers to put its eggs in unit trust baskets, while the institutions are choosy. In 1971 £116m was raised for new investment trusts, and in the first nine months of 1972 a mammoth £334m hit the market. Thirdly, the discount is usually large when general market sentiment is glum.

The size of the discount for each trust should reflect how well the management has done in the past, and what the market expects from it in the future. In exceptional circumstances, the discount is replaced by a premium. Thus Atlantic Assets, top again of the yearlings, is at a whacking premium of 60%. Management matters, and new management is sometimes more successful than old-established manage-

ment. One of the more delightfully cynical members of the investment trust club makes no secret of his view that, with a few exceptions, investment trusts are the worst-managed businesses in Britain.

Slater, Walker has become one of the whizz-kids of the business, after having had to fight its way into the club. Its SWIT, a year old, is second in the yearlings, but its Flag has dropped out of the top 20. However, Flag shareholders benefited from the Slater, Walker wheeler-dealing; three-quarters of it was sold to Mr James Goldsmith at peak net asset value.

The discounts are now showing a pattern which is not rational. We have analysed the statistics provided for us by Wood, Mackenzie, the brokers who specialise in investment trusts (all comment is ours), and suggest that in the short term there should be a distinct advantage in following smaller trusts. The accompanying table shows that in the past year they have significantly outperformed the bigger trusts, even though our figures exclude all trusts with under £10m of net assets. Unless

this table is a statistical freak, the smaller funds should now logically be at lower discounts. A lot of them stand cheaply at high discounts instead.

We have had a go at repeating this analysis for relative performance between small and large trusts over the past five years, but ran up against

Small = Good

Size of trust	No of trusts	Average % growth Nov. 1971 - Oct. 1972
£100m+	11	24.3
£50m-£100m	29	26.6
£25m-£50m	43	29.5
£10m-£25m	45	35.6
Wood Mackenzie index		16.1

a technical snag: we use the trusts' financial year-ends so as to get an accurate figure for net assets, and can therefore only compare them with the performance of the Wood, Mackenzie composite index (of British and American shares and bonds) over the relevant period. That aside, we got the rather curious result that in 1967-72 as a whole the very biggest funds have done

best, the smallest funds second best, then the £25m-£50m group, with funds between £50m and £100m doing worst.

Two funds which look attractive on both a discount-to-size and a discount-to-performance basis are General Funds and Investing in Success, both managed by Vickers da Costa (under their trade name of City Financial Administration). Vickers are experts in Japanese stocks and in small growth companies. Since both trusts are also in the top 20 in the five-year table, their results do not seem to be flashes in the pan.

If one believes that the reign of Nixon II will see a post-election boom, this might seem a good week to recommend investment trusts with a large American involvement. The trouble is that many of these seem to have followed the sheep into growth companies with high p/es. Among the better buys may be the large Foreign and Colonial which has been proving itself more than usually adept at international management. But is this the year that big will prove beautiful?

One-year growth to October 31, 1972

	Managers/ Chairman	Change in net assets per share (%)	Discount (-premium) %	North America %	Size £m
Top 20					
Atlantic Assets	Ivory & Sims	88.1*	-60.5	38	33
Slater Walker	Slater Walker				
Inv Trust	Investments	53.3	23.5	0	29
General Funds	City Financial				
	Administration	52.4	27.3	4	14
Berry Trust	GT Management	47.5	15.9	28	17
Investing in Success	City Financial				
	Administration	46.0	32.8	5	11
Tribune Inv Trust	Baring Bros	44.7	22.4	28	17
Scottish United	McClelland				
Investment	Moore	44.2	-15.2	28	78
Electric & General	Henderson Admin	44.1	-12.6	33	28
Scottish American	Stewart Fund Mgrs	40.4	11.2	30	80
English & New					
York Trust	Kleinwort, Benson	40.1	21.9	24	38
Throgmorton Trust	Keyser, Ullmann	39.1	15.8	0	42
Flag Investment	Slater Walker				
	Investments	39.0	26.9	2	15
CLRP	Touche, Remnant	38.3	28.1	12	14
Carlisle Inv Tst	Carlisle/Tyneside Gp	37.3	29.7	23	19
Caledonian Trust	Murray Johnstone	37.1	11.8	28	47
Cardinal Inv Tst	F&C Management	36.3	20.1	18	20
Foreign & Colonial	F&C Management	35.7	15.4	35	154
United British	Fleming & Murray	39.8	25.3	18	65
Securities	Thomson				
Ailsa Investment	Thomson				
	McIntock Glas	35.0	23.9	11	12
Second Gt Northern	Murray Johnstone	34.5	11.0	29	28

Bottom 10

Border & Southern	John Govett	20.6	13.9	38	74
Monks Investment	Baillie, Gifford	20.6	24.5	22	56
Bankers Investment	Touche, Remnant	20.2	28.1	12	32
Grange Trust	Thomson	19.7	25.3	19	11
Telephone & General	Electra House	19.7	27.0	5	25
Scottish Mortgage	Baillie, Gifford	19.3	19.8	34	115
Gt Northern Investment Trust	Lawson & Miller	18.5	25.2	11	71
London Scottish American	Garnett-Orme	17.4	22.9	33	28
U.S. Debenture	Garnett-Orme	16.9	23.4	33	48
Globe Inv Trust	Electra House	16.6	24.9	10	138

Five-year growth to trust's latest year-end

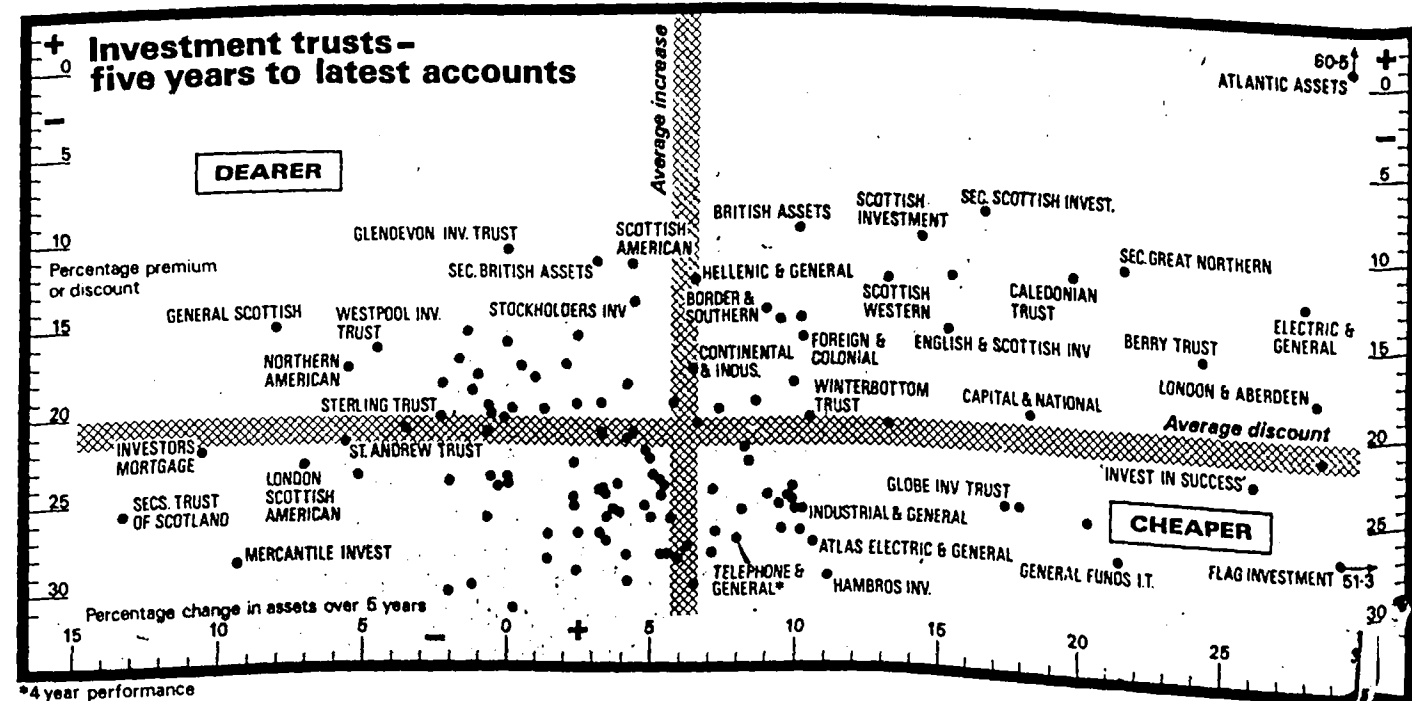
	Managers/ Chairman	Change in assets %	Discount (- premium) %	North America %	Size £m
Top 20					
Flag Investment	Slater Walker Investments	+51.3	26.9	2	16
Atlantic Assets	Ivory & Sims	+29.6	-60.5	38	33
Philip Hill	Hill Samuel	+28.6	21.1	16	127
London & Aberdeen	John Govett	+28.4	17.9	18	29
Electric & General	Henderson Admin	+27.9	12.0	33	26
Investing in Success	City Financial Administration	+26.1	22.8	5	11
Berry Trust	GT Management	+24.4	15.9	28	17
Second Gt Northern	Murray Johnstone	+21.6	11.0	29	28
General Funds	City Financial Administration	+21.4	27.3	4	14
United British Securities	Fleming & Murray	+20.3	25.3	18	65
Caledonian Trust	Murray Johnstone	+19.9	11.6	28	47
Capital & National	Fleming & Murray	+19.3	19.5	18	24
City of London	Touche, Remnant	+17.9	24.9	1	40
Brewery	Electra House	+17.4	24.9	10	138
Globe Inv Trust	Macgregor & Glen	+16.6	8.0	42	73
Second Scottish Inv Trust	Murray Johnstone	+15.4	11.8	24	71
Clydesdale Invest	Murray Johnstone	+15.2	14.9	21	23
English & Scottish Investors	Gartmore Invest	+14.4	9.6	42	42
Scottish Inv Trust	Macgregor & Glen	+13.2	20.4	19	22
Brunner Inv Trust	Kleinwort, Benson	+13.1	12.1	27	78
Scottish Western	Murray Johnstone				

Bottom 10

Charter Trust	Kleinwort, Benson	-3.5	20.8	30	38
Westpool Inv Trust	Schroder Wagg	-4.7	16.2	29	13
U.S. Debenture	Garnett-Orme	-5.2	23.4	33	48
Northern American	Aitkenhead & Marr	-5.5	17.2	34	44
St. Andrew Trust	Mr A. L. McClure	-5.7	21.5	28	18
London Scottish American	Garnett-Orme	-7.1	22.9	33	28
General Scottish	Robertson & Maxtone	-8.2	14.9	12	11
Mercantile Inv Tst	Mr G. P. Ladeboer	-9.4	28.3	25	139
Investors Mortgage	Mr J. Chiene	-10.5	22.0	31	68
Securities Trust of Scotland	Martin Currie	-13.3	25.6	12	58

(1) Net asset values at 31.10.72 are based on W.M. estimates.
(2) Net asset values at 31.10.71 are based on companies' declared figures if available, otherwise on W.M. estimates.
*Performance takes account of extra 40p per share, from valuation of Edward Bates.

The five-year performance figures are based on the movement of each trust's total net assets relative to an index representing the average distribution of trusts in the major United Kingdom, American and fixed interest markets.



BUSINESS NOTICES

Banco di Roma, Commerzbank, Credit Lyonnais and Bank G. Trad (Credit Lyonnais) have just created in Beirut, Lebanon:

SOCIETE LIBANO-EUROPEENNE POUR LA GESTION PRIVEE (CREDIT LYONNAIS) SLIGEST SAL

The object of this company is to offer a new and complete range of financial services in order to meet the needs of private and institutional investors in the Near and Middle East.

This new company is another clear evidence of the particular interest the group of associated banks has in the development of its financial relations in this part of the world.

LARGE BUILDING BUSINESS

rated as first class by the Belgian Ministry of Public Works, located in southern Belgium is available for take-over.

Capital	Belgium frs 54m
Turnover	Belgium frs 300m
Order Book	Belgium frs 460m
Labour Force	585

Please send your offer to l'Agence Rossel No 529,932, 112 rue Royale, B 1000 Brussels/Belgium.

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Telephone JEJ Johnson
01-930 6155

INTERNATIONAL INVESTMENT COUNSELLING Establishing a Policy

Your international investment portfolio *Policy* should include consideration of safety, income and growth.

At Lionel D. Edie International, we are prepared to assist you in balancing these factors to fit your requirements; advising whether or not you should have straight bonds, convertible bonds, or equities—and in which countries and in what ratio.

We are also prepared on the basis of a professional research to select the investment vehicles we consider right for you, maintain continuous supervision and recommend changes when, and if, it is decided that an investment no longer suits your requirements. Whether it be a change in safety—income—or growth potential.

Senior Counsellors have ample time to devote to establishing your *Policy*, and to maintain close and continual attention to your investment portfolio.

If you would like more information contact Edouard Iselin, our Executive Vice President in Geneva. He will be glad to discuss services, fees and answer any questions you may have.

**Lionel D.
Edie**

Lionel D. Edie International, Ltd.
62, Rue du Rhone
1204 Geneva, Switzerland
Telephone: 25 43 66

TENDER

SYRIAN ARAB REPUBLIC MINISTRY OF PETROLEUM & ELECTRICITY & MINERAL RESOURCES

S.A.R.

CALLING FOR OFFERS

General Petroleum Company S.A.R. calling for offers to sell the production of Home Refinery Petroleum Coke extracted from the process of Syrian crude oil representing the yearly production which is around 200,000-250,000 metric tons and minus ten per cent and moreover the quantity available to be delivered as from the signature date of the contract which is 300,000 metric tons and minus ten per cent and in accordance of the following conditions.

1. APPARENT DENSITY	120-130
ANALYTICAL DENSITY	130-140
MOISTURE % WT	0.60 MAX
VOLATILES % WT	12.00 MAX
SULPHUR % WT	9 MAX
ASHES % WT	0.80 MAX
FIXED CARBON % WT	82.50 MIN

METALS	P.P.M.	500	MAX
V	"	50	"
Ni	"	50	"
Mo	"	50	"

Gross calorific value. . . K cal/KG 8300-8440

GRANULATOR	
FINES	Less than 1" % WT 75-80
NUTS	From 1 to 4" % WT 10-15
LUMPS	From 4 to 8" % WT 3-6
CHUNKS	Over 8" % WT

GRINDABILITY FACTOR 60-80

2. **Delivery and Reception:** As from the signature date of the contract, buyers should receive, and sellers should deliver a monthly quantity which will be lifted at Tartous port representing the whole monthly production which is 20,000 metric tons and minus ten per cent and at least 20,000 metric tons from the surplus quantity available at the port.

3. **Loading Conditions:** The delivery and reception will be executed at Tartous port on the F.O.B. basis by daily loading rate of 1,500 metric tons on lots up to 8,000 metric tons which represent the maximum capacity of the acceptable vessels demurrage, will be paid in accordance with this rate, and despatch many but other loading conditions will be discussed later between sellers and buyers to be agreed upon in accordance with GENCON, the AMWELSH, or the Africanphos charter parties.

The draught at Tartous port is not more than 10.5 metres and the maximum length of the vessel not more than 300 metres.

4. **Payment:** The value of the pet-coke will be paid by L/C, such L/C should be open to the G.P.C. favour through Central Bank of Syria and should be confirmed by C.B.S., the a/m L/C should also open by the nominated value of the contract, revolving to cover the value of each shipment,

divisible and payable by US\$ against the documents presentation required.

5. **Expenses and Dues:** All fees and expenses charged on the merchandise will be paid by sellers and the delivery will be executed F.O.B. stowed and trimmed on the vessel free from the expenses but not the maritime services and fees. All expenses charged on the L/C will be paid by buyers outside Syria and by sellers inside Syria.

6. **The Validity of the Contract:** Long term contract can be agreed upon and negotiated, sailing at a part of quantity is acceptable by sellers.

7. **Bank Letter of Guarantee:** Should buyers present a performance bond representing 10% of the contract value to guarantee the good execution, such a letter of guarantee should be issued by a bank accepted by C.B.S. and should be confirmed by C.B.S.

8. **Buyers Representatives:** Sellers will arrange the whole facilities for the buyers' representative to obtain their presentation of the loading, sampling and weight operation, in case they are on inspectors nominated by buyers their costs will be on buyers' charge.

9. **Disputes:** Any dispute between both parties will be settled amicably or by arbitration according to the regulation of the international chamber of commerce Paris or in other locality will be agreed upon between sellers and buyers.

10. **The Closing Date:** The last date to accept offers from those who are interested is 10th November, taking into consideration that we will confirm the acceptable offer after the closing date, within one week, to those who will pay the highest price and the best condition, especially for the participant, who they will include in their firm offer a preliminary performance bond of 5% of the offers value at least.

11. **Offers' Validity:** The validity of offers should not be less than ten days as from the closing date to enable sellers to discuss the offer details and to give their approval and to obtain the authorities' ratifications.

Those who are interested to participate should present their offers in a sealed envelope to the following address:

General Petroleum Company - Import - Export
Department Damascus Mutanabbi Street, P.O. Box 2849

Referring on the envelope Pet-Coke offers.

In urgent case connection should be made to the Telegraphic address Petsyria Damascus or to the Telex No. 20006 Petsyria.

TENDER

SYRIAN ARAB REPUBLIC
MINISTRY OF PETROLEUM & ELECTRICITY
& MINERAL RESOURCES
S.A.R.

ANNOUNCEMENT

SYRIAN GENERAL COMPANY OF PHOSPHATE & MINES S.A.R.

Announce the sale of a quantity of rock phosphate production extracted from khnefis mines in accordance with the following conditions:

- 1—Quantities:
The yearly quantities available to be sold of the rock phosphate produced from khnefis mines are 150-250 thousand metric tons.
- 2—Specifications:
- | | |
|----------------------------------|-----------------------|
| % P ₂ O ₅ | 30.7—32.5 (68—71 BPL) |
| % CaO | 45—51 |
| % SiO ₂ | 2.5—4 |
| % F | 2—4 |
| % CL | 0.15—0.25 |
| % Fe ₂ O ₃ | 0.2—0.5 |
| % Al ₂ O ₃ | 0.1—0.60 |
| % MgO | 0.2—0.5 |
| Losses of Ignition: | 7.5—11 |
| Humidity | 5—9 percentage max |

3. Delivery and Reception as from the signature date of the contract. Buyers should receive and sellers should deliver at Tartous port a monthly quantity of not more than 2,500 metric tons and not less than 8,000 metric tons plus or minus 10% according to the captain's option.

4. Loading Conditions: As from the signature date of the contract sellers accept to sell and to deliver, and Buyers accept to buy and receive the rock phosphate quantities sold under the contract on F.O.B. Tartous Basis, and at a daily loading rate of 2,000-2,500 metric tons, which will be loaded by the conveyor belt belonging to GECOPHLM on vessels whose capacity should not exceed 8,000 metric tons maximum within 1972-1973, but after this period the daily loading rate will be 1,000 metric tons per hour and the vessel's capacity will be up to 25,000 metric tons maximum. Demurrage and despatch money will be calculated on the daily loading rate basis, which will be agreed upon between both parties, but any other loading conditions will be discussed later between both parties, to be agreed upon according to Africanphos Charter parties' conditions. Draught at Tartous port is 10.5 metres and acceptable vessel length is 300 metres maximum.

5. Payment Conditions: Participants should be engaged by the following payment conditions:
A. The value of the contract should be paid by an L/C opened to G.P.H.O.M.I.CO. through the Commercial Bank of Syria; such L/C should be confirmed by C.B.S.
B. The A/M/L/C should be opened by the nomination total value of the contract, and should be, revolving, renewable automatically to cover the value of each shipment, divisible, and payable by U.S. against the presentation of documents required to the bank which the L/C opened through.
C. All expenses charged on the L/C should be paid by the Buyers.

6. Expenses and Dues. All expenses and dues charged on rock phosphate in S.A.R. will be paid by sellers who should deliver the merchandise free from any dues or expenses including the stowage and trimming fees, but not the maritime services and dues which should be paid by the owners represented by the captain, the maritime agent, or the buyers.

7. Contract Validity: The validity of the contracts, which will be arranged as a result of the offers presented, may well be a year, or more than a year, as the selling of a part of the quantities is acceptable by sellers.

8. Bank Letter of Guarantee: Buyers should present a bank letter of guarantee representing 10% of the contract value to guarantee the good execution of the contract. Such a letter of guarantee should be issued by the Commercial Bank of Syria, or by a bank accepted by C.B.S., providing that it should be confirmed by C.B.S.

9. Buyers' Representative. Buyers have the right to nominate representatives on their behalf to present the weight, loading, sampling operations, but sellers should arrange the whole necessary facilities to those representatives, which permit them to execute their obligations required.
- In case Buyers want to nominate an inspector company, so the expenses will be charged to the Buyers.

10. Disputes: Any dispute that may arise between both parties should be settled amicably, or by arbitration in accordance with the rules of the International Chamber of Commerce in Paris, or in any other locality that is agreed upon between both parties.

11. Closing Date for Presentation of Offers: Offers will be accepted at the latest on 20th November, 1972, taking into consideration that any suitable offer will be reconfirmed to the participant within ten days, as from the presentation date, otherwise the unacceptable offers will be kept up to the closing date, while being compared, and reconfirmation will go to those who submit the highest price and best conditions, especially to those who attach to their offer a preliminary deposit, representing 5% of the offer's total value.

12. Offer Validity: The validity of any offer submitted should not be less than ten days, but in case the offer is not suitable, so it will be kept up to the closing date, and we will ask the participant to extend the validity of his offer which should be valid for ten days after the closing date to obtain the General Company of Phosphate & Mines, to discuss, study and compare the offers and to notify the approval and the ratifications of Syrian authorities. Whatsoever, those who are interested to participate for purchasing any quantity of Syrian rock phosphate should present their offers to the following addresses referring on their envelope (Phosphate Calling Offer):—

- The mail address: Ministry of Petroleum Electricity and Mineral Resources (Commercial Directorate) Damascus Mutanabbi Street.

- The cable address: Petrol Ministry Gecopham Damascus
- The telex No. 20006 Petsyria.

TENDER

INVITATION TO BID
TSSKK.4
TÜRKİYE ELEKTRİK KURUMU
ANKARA—TURKEY

WILL ACCEPT BIDS BEFORE November 27, 1972, 2.00 p.m. for capacitive voltage dividers with HF coupling devices. Financing contemplated through IBRD loan.

Bid documents will be mailed to prospective bidders upon written request with attachments showing ability to produce such goods, to

TEK
ŞEBEKELER DAİRESİ
Necatibey Caddesi No. 3
Sihhiye, Ankara—TURKEY

COMPANY STATEMENTS

HARRISONS & CROSFIELD
LIMITED

HEAD OFFICE: 1-4 GREAT TOWER STREET, LONDON.

Secretaries and Agents of Plantation Companies; General Merchants, Importers and Exporters; Insurance Brokers; Shipping, Insurance and Timber Agents; Manufacturers and Processors of Industrial Raw Materials, Chemicals and Rubber and Engineering Products; Investment and Finance.

SUMMARY OF RESULTS

Year ended June 30th	1972	1971
Group profit before tax	£5,912,430	£5,619,386
Profit attributable to Ordinary Shareholders after tax	£3,635,667	£3,151,069
Ordinary dividend per share	27.5p	22.73p
Earnings per share	61.1p	53.2p

Scrip Issue: one for ten Ordinary Shares



APPOINTMENT

LAND USE PLANNER

SYDNEY AIRPORT STUDY

Applications are invited for a land use planner, initially to work in Sydney on the Airport Study. Applicants should be experienced in urbanisation studies and some knowledge of land valuation would be an advantage. They should be familiar with a systematic approach to such studies.

The position offered is permanent with a U.K. base and future assignments carried out in U.K. unless overseas work is preferred.

Send detailed curriculum vitae to:

D. W. Triptree
R. TRAVERS MORGAN & PARTNERS
Wellington House
Strand, London WC2R 0AR

TELEFUSION
LIMITED

PROFITS UP 54%

- NEW INVESTMENT IN RENTAL TV SETS MORE THAN DOUBLED
- TRIDENT DISCOUNT CENTRES NOW NUMBER 55 TO BE INCREASED TO 100
- 233 HOME AND OVERSEAS RENTAL, RETAIL, AND DISCOUNT OUTLETS NOW IN OPERATION
- MANUFACTURING TURNOVER UP 55%

"Telefusion shareholders have the advantage of holding equity in both the dynamic operation of colour television rental and the fast growing field of electrical discounting."

J. C. WILKINSON - Chairman

Summary of Results

FOR 53 WEEKS ENDING 29th APRIL, 1972

	1972	1971
PROFIT BEFORE TAX	£1,729,000	£1,102,000
NET CASH FLOW	£4,031,000	£2,542,000
EARNINGS PER SHARE	13.39p	8.76p
DIVIDENDS PER SHARE	7.27p	6.52p

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APPOINTMENTS

ASSISTANT EDITOR

International financial magazine needs someone with economics degree (or similar), some journalistic experience, and an interest in learning about international finance, to train as its assistant editor. Age will probably be mid-20s, salary is by negotiation. Box No 2541.

EDITOR—PPE graduate (or similar degree) with knowledge of economics and social sciences wanted for international publishing project. The work entails the ability to translate abstract concepts into visualised form. Salary negotiable, above £2,000 p.a.
Write to Keith Spence, Mitchell Beazley Ltd, Mill House, 87/89 Shaftesbury Avenue, London W1, or ring 01-437 6645

COMPANY STATEMENT



Shares doubled since formation

During the past financial year, which was marked by the most serious international monetary crisis since World War II, the value of a ROLINCO share has shown a satisfactory rise of about 12% to Fl. 199 as at 31st August 1972. Since ROLINCO started its activities, in less than seven years the value of a share, adjusted for all free scrip issues, has doubled. Since the end of the Company's first financial year – six years ago – assets have increased more than tenfold to Fl. 2,331 million.

Investment policy

Our investments in U.S. and Japanese growth stocks this year have shown a considerable increase. Our investments in Japan have been a striking feature of the year amounting to nearly 22% of our total assets or twice the percentage of previous years.

Our interests in America and in Europe, 35.78% and 33.99% respectively, are about the same. In the autumn of 1971 we made fairly large investments in America, and towards the end of the winter season we also resumed investing in continental Europe. The slight percentage decrease of our U.S. investments since the publication of our interim report does not mean that we have reduced our holdings in that country. On the contrary, these investments have shown an increase from nearly Fl. 780 million to Fl. 834 million as at 31st August.

Capital

In the past financial year the Company's ordinary share capital rose from Fl. 444,300,000 to Fl. 606,000,000. This was due to the issue of 3,234,000 new shares. Of these 892,171 shares were issued following the one for ten scrip issue and 2,341,829 to meet the enormous demand on the stock exchange. Thus a total amount of about Fl. 410 million worth of new funds became available to the Company.

Dividend

ROLINCO aims not at yield but at capital appreciation. In the financial year 1970/1971 we held at first a large amount of liquid assets in view of the short term expectations on the stock exchanges. The extremely high interest rates prevailing at the time thus resulted in unusually high interest income and in increased profits. As under fiscal law we are held to distribute all fiscal profits to our shareholders, this resulted, for the year 1970/1971, in a rise of our cash dividend from Fl. 2 to Fl. 3 per share.

However, at the beginning of the year under review our liquid assets had been reduced again to virtually nothing, and we continued to be fully invested in low yield stocks almost up to the end of the year, so that profits were at a normal level again.

Accordingly, we propose to reduce the cash dividend to its former level and to distribute an amount of Fl. 2 per share on the capital as increased by the 1 for 8 scrip issue.

Copies of the full Report and a descriptive booklet may be obtained from the Company:—

ROLINCO N.V., P.O. BOX 973, Rotterdam.

BORROWING AND BANKING

About £3,000

Applications are invited for a post within a Section of the Financial Department primarily concerned with the important activity of financing the electricity supply industry. The successful candidate will have an interesting range of duties which entail regular contact with Electricity Boards, banks and other outside bodies. The work is largely concerned with the forecasting of the industry's cash requirements and the raising of its funded and temporary borrowings which amount to about £450m. annually. It involves monitoring the industry's banking facilities, its internal pooled banking system and the calculation of interest and financing expenses for the purpose of forward estimates. Applicants should preferably be qualified in accountancy or banking, but candidates able to demonstrate the requisite experience would be considered. A keen interest in these fields is essential.

Write giving full personal and career details and quoting ref E/135/72 by 20th November, to:— Howard Bussey, Personnel Officer.



NATIONAL ECONOMIC DEVELOPMENT OFFICE

Applications are invited from suitably qualified men and women for the following appointments in the National Economic Development Office:

(a) One post and possibly others in the near future for the sections serving various Economic Development Committees (Little Needles). The work calls for (i) familiarity with statistical sources (ii) experience in collection and analysis of statistics and of their use in making projections (iii) general ability in investigating and reporting on industrial problems (iv) secretarial ability relating to committee administration.

(b) A macro-economist with knowledge of major post war developments both in the UK and abroad and ability to write concisely. Interest in public finance would be an advantage.

(c) An economist or econometrician with experience of applied econometrics and the use of advanced computing methods to develop economic models of UK industries; initially he will be responsible for the on-going development of models of the UK agricultural industry, covering food demand and agricultural output, manpower and investment; work is also in hand on an input-output model of the textile industry and on financial models of other industries to which he will contribute later.

(d) An economist who has some experience of transport problems; his field of activity will include a study of the competitiveness of handling air freight in the UK compared with the continent and a study of the impact of cash and carry wholesaling on the distributive trades.

Applicants should preferably possess a degree in economics although for posts at (a), a degree and/or a professional qualification in a subject of relevance to industrial questions would be an acceptable alternative. Salaries will be in the range £2500-£4500 depending on qualifications and experience.

Applications, stating which post is being applied for, and giving full details of age, qualifications and experience, including the names of two referees should be sent not later than 24th November to:

Mr P N Odell, National Economic Development Office, Millbank Tower, Millbank, London SW1P 4QX.

APPOINTMENTS



The Economist Intelligence Unit

TRANSPORT & ENERGY DIVISION

Transport Economists and OR Staff

This Division of the EIU wishes to make appointments in the following fields:

1. Port Economist. An economist experienced in the analysis of port investment projects, with knowledge of the economics of shipping.
2. Shipping Economist. An economist with detailed knowledge of shipping, preferably gained through work with a shipping line.
3. Operations Research Analyst. Applicants should be interested in developing computer models in the transport field, should have a degree in economics or statistics, and preferably have experience of transport operations. This post is intended to be at intermediate to senior level. At the same time a more junior post would be offered to the right candidate who has significant ability and interest in programming.

Applicants for the economists posts should have knowledge of statistical techniques. All applicants should be willing to travel: the EIU's work in this field has an emphasis on the study of transport projects and policies in developing countries.

The salaries for the above posts would be commensurate with experience and qualifications: they are likely to be in the range £3,000-£4,500 per annum.

DEVELOPMENT & PLANNING DIVISION

Economists

The Division requires economists to work in the following fields:

1. Macro-economics (both UK and overseas)
2. Property Economics.
3. Regional Economics and Economic Planning.
4. Industrial Project Appraisal (both UK and overseas)
5. Economic Appraisal of Financial Investments.

These vacancies are at both intermediate and senior levels and are likely to be of interest to economists aged between 25 and 35. Salaries from £2,500 to £4,000 or more, according to qualifications and experience.

Applicants with suitable qualifications and practical experience in the above fields should write with full details to either the Transport & Energy Division or the Development & Planning Division, as appropriate, at the following address:

The Economist Intelligence Unit Ltd.

Spencer House, 27 St James's Place, London SW1A 1NT.

LONDON BOROUGH OF GREENWICH

P.P.B.S.

Corporate Planning and Research

Two posts are vacant in the Council's multi-disciplinary team responsible to the Chief Executive for the development and operation of Corporate Planning.

Corporate Planning is a new and rapidly growing field. It involves:

- Specifying objectives
- Research and analysis into problems and needs
- Evaluation of alternative policies
- Setting of targets to be achieved
- Preparation of 4-year corporate plan and budget
- Monitoring progress against targets and objectives

Both posts offer practical experience in an advanced application of this system in a progressive authority. The system is already in operation, but much remains to be done to refine the planning processes and to research important issues.

RESEARCH OFFICER

(£2,670-£3,099)

An important function of this central team is research and analysis into planning issues spanning the Council's services. This involves surveys to assess needs and problems, the development of alternative plan policies, and the use of advanced techniques for analysis. Examples of research already under way include the needs of pre-school children and the elderly.

PROGRAMME PLANNER/RESEARCH OFFICER

(£2,670-£3,099)

This post will involve both research and implementation of the planning system as the occasion demands. It is an excellent opportunity to get wide experience of planning systems.

Applicants for both jobs should be numerate and have a good degree of relevant professional qualification. A background in economics or statistics would be useful, but not essential. Ages are likely to be mid to late twenties. Local government experience is not essential.

Over 5 weeks' leave; staff restaurant; removal expenses. Application forms from the Chief Executive, Town Hall, Woolwich, SE18 6PW. Closing date: 24th November.

APPOINTMENTS

THE COMMITTEE ON INVISIBLE EXPORTS

Applications are invited for the post of Assistant Director of the Committee on Invisible Exports. The Committee represents the principal contributors to Britain's invisible earnings and its terms of reference are to suggest, and where possible implement, measures for the encouragement of such earnings. Its work is wholly financed by contributions from firms and institutions in the private sector of the economy.

The Assistant Director is required to plan and supervise the preparation of statistical and other material for publication, and generally to assist in running the Committee's activities, including its research projects.

Applicants should have a good grounding in Economics (academic qualifications are preferred), with a specialised interest in finance and commerce, including the activities of the City of London. Experience of writing for publication is desirable. Age limits are 30 to 45; salary will be £4,500 a year.

Applicants should write to the Director, Committee on Invisible Exports, 18th Floor, 23, Fenchurch Street, London, EC3M 3DD, stating their qualifications and experience.

Cambridge University

FACULTY OF ECONOMICS AND POLITICS

Lectureship or Assistant Lectureships

Applications are invited for two Lectureships or Assistant Lectureships in Economics from people whose interests lie in any branch of Economics, including Economic Statistics.

The appointments will be for three years in the first instance, with the possibility of re-appointment. Candidates must be able to take up their appointment by 1 October, 1973. (An earlier start would be preferable.) The maximum tenure of a University Assistant Lectureship is five years.

The pensionable scale of stipends for a University Lecturer is £2,715 a year, rising by twelve annual increments to £4,614; the scale for a University Assistant Lecturer is £1,923 a year, rising by four annual increments to £2,656 a year. The starting point will depend on age and experience.

Further information may be obtained from the Secretary of the Appointments Committee, Faculty of Economics and Politics, Sidgwick Avenue, Cambridge CB2 9DD, to whom applications (nine copies), including a curriculum vitae and the names of not more than three referees, should be sent as soon as possible. The closing date is 29 November, 1972.

University of Nottingham

Readership in Agricultural Economics

Applications are invited for this recently established Readership in the Department of Economics. The appointment will be effective from a mutually convenient date and the salary will be within the range £4,143 to £5,247 per annum.

Further particulars and forms of application returnable not later than 4th December, 1972, from the Staff Appointments Officer, University of Nottingham, University Park, Nottingham, quoting ref. no. 224.

University of Oxford

University Lectureship in the Economics of the Firm

Applications are invited for the above post. Preference will be given to candidates with special interest in the internal management of firms. Stipend according to age on the scale £1,644-£4,616. Details may be obtained from the Secretary of Faculties, University Registry, Broad Street, Oxford, OX1 3BD, to whom completed applications (seven copies) should be sent by 1 December 1972. The successful candidate may be offered a Fellowship at Lincoln College; details of the fellowship may be obtained from the Principal.

Birkbeck College

(UNIVERSITY OF LONDON)

Department of Economics

Applications are invited for posts as LECTURER IN ECONOMICS in the recently established Department of Economics, which is intended to cater especially for part-time mature students attending in the evening. The Department will offer instruction to part-time and full-time students for the M.Sc. (Econ.) beginning in October 1973, and it is also accepting a limited number of research students. Of the prospective twelve members of the teaching staff, two Professors and five Lecturers have so far been appointed. While welcoming applicants from all branches of economics, the Department does particularly wish to attract candidates from the following specialist fields: Applied Macroeconomics, Economics of the Public Sector, Urban Economics, Industrial Economics, Labour Economics, Economic Development and International Trade. A research interest in one or more of these fields combined with a good quantitative background would be especially welcome. The successful applicants will be appointed at levels appropriate to their qualifications and experience on the scale £1,784 x £1,560-£4,289, plus London allowance of £182 p.a. Further particulars and forms of application should be obtained from the Secretary (E) Birkbeck College, Malet Street, London WC1E 7HX. Closing date 24 November, 1972.

APPOINTMENTS

Polytechnic of the South Bank

DEPARTMENT OF BUSINESS STUDIES

Lecturer in Economics (Ref. WB.16).

to specialise in Public Sector Economics for students on degree, H.N.D. and professional courses in the Faculty of Administrative, Liberal and Social Studies.

Appointment of Lecturer Grade I or II level according to qualifications and experience.

Salary up to £3,201 (for Grade II post).

Further particulars and application form from The Clerk to the Council, Room 299, Polytechnic of the South Bank, Borough Road, London SE1 0AA. Tel. 01-928 5989.

For further

announcements

see pages 5 and

120 to 129

The University of Manchester Institute of Science and Technology

Applications are invited for the following vacancies in the Department of European Studies and Modern Languages.

LECTURER IN EUROPEAN STUDIES (POLITICS) (Ref. ES/193/AD)

A preference will be given to applicants whose teaching and research interests lie in the field of French Politics and Institutions.

LECTURER IN EUROPEAN STUDIES (HISTORY, ECONOMICS OR ECONOMIC HISTORY) (Ref. ES/194/AD)

A preference will be given to candidates whose teaching and research interests lie in any of the following fields:—

- (1) Economic development of modern Europe;
- (2) Social history of modern Europe;
- (3) Economic policy in Europe.

Commencing salary, according to qualifications and experience within the scale £1,784 to £4,143 per annum (£4,289 in October 1973) with F.S.S.U.

Requests for application form and conditions of appointment quoting appropriate reference number should be made to the Registrar, U.M.I.S.T., Sackville Street, Manchester, M60 1QD, to whom the completed form should be returned by 30th November, 1972.

University of Malaya

Faculty of Economics and Administration

Applications are invited for the posts listed below which are now vacant and new posts expected to be available early in 1973. For all posts, subject to suitable professional/academic qualifications and experience, preference will be given to candidates who are competent in Bahasa Malaysia (Malay). Candidates should have high academic and/or professional qualifications and wide experience in teaching and research in their respective fields.

CHAIR IN LAW STUDIES (Industrial Law; Commercial Law; Income Tax Law and Constitutional Law in the relevant areas of Malaysian Laws)

CHAIR IN ACCOUNTING

CHAIR IN ANALYTICAL ECONOMICS (Micro Economics; Theoretical Economics)

CHAIR IN PUBLIC ADMINISTRATION

ASSOCIATE PROFESSORS (3 new posts) and LECTURERS/ASSISTANT LECTURERS (several posts) in any of the following fields: Accounting; Analytical Economics; Applied Economics; Business Administration; Public Administration; Rural Development.

For the Lectureships/Assistant Lectureships, candidates should have at least a good Honours degree with suitable teaching or research experience in addition to the special qualifications indicated in the further particulars. For appointment as Associate Professors, high academic and professional qualifications together with wide teaching and research experience are required.

Emoluments (approximate sterling equivalents per annum) are:

- (i) Salary Scales
Professor: There is a range of basic salaries, to a point on which a Professor is appointed, depending on his qualifications and experience. These are: £2,919, £3,032, £3,146, £3,259, £3,373, £3,486, £3,600, £3,713.

Associate Professor (Senior Lecturer): £2,278 x 89-2814/RP/2919.
Lecturers: £1,524 x 73-1962/2035 x 81-2441.
Assistant Lecturers: £1,130 x 65-1460.

- (ii) In addition, a Variable Allowance is at present payable at the following rates: 35% of basic salary subject to certain maxima depending on marital status: minimum £243 per annum, maximum £649 per annum.

- (iii) Supplementary Housing Allowance: £503 per annum.

Medical benefits are provided under the Medical Services Scheme of the University.

Further particulars, details of superannuation and application forms are obtainable from the Association of Commonwealth Universities (AppU), 36 Gordon Square, London WC1H 0PP. (Tel: 01-387 8572).

The closing date for the receipt of applications is 30 November 1972.

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This is an unusual career opportunity with excellent prospects for the man who meets the challenge.

Applicants should send a typewritten curriculum vitae with a handwritten letter of application, outlining their eligibility to:

Graham Billington,
Circulation Manager,
The Economist,
25 St James's Street,
London SW1A 1HG.

Applications should arrive by November 26th.

VACANCIES FOR ECONOMISTS OVERSEAS

Government of Malawi ECONOMIST

required to work in the Economic Planning Division of the Office of the President and Cabinet. Candidates, aged 25-35, must have a degree in Economics plus two years' post-graduate practical experience. Familiarity with modern techniques of project appraisal would be an advantage. Salary is on a scale approximating to £1,720-£2,825 per annum. A Gratuity of 25% of total salary drawn is payable on completion of a normal tour of 30-36 months' resident service (M3A/721038/EN).

Government of Fiji SENIOR PLANNING OFFICER

required by the Central Planning Office to research on various aspects of the Fiji economy and to help formulate Government policies on those areas; and to help in reviewing, implementing and drafting the nation's economic and

Social Development Plans. Candidates must have an Honours degree in economics and statistics, with at least three years' relevant experience which can have been in University, Government, private sector or research institutions.

Salary is in a range equating to £2,970-£3,580 incorporating tax-free Inducement Allowance in range £996-£1,176 per annum.

A Gratuity of 25% of total salary drawn is payable on completion of a tour of duty, which will be of 30-36 months' duration (M3A/721030/EN).

The posts described are partly financed by Britain's programme of aid to the developing countries administered by the Overseas Development Administration of the Foreign and Commonwealth Office.

Apply to: CROWN AGENTS

M. Division, 4 Millbank, London, SW1P 3JD, for application form and further particulars stating name, age, brief details of qualifications and experience and quoting the relevant reference number.

APPOINTMENTS



Transport Policy Research

Applications are invited from graduates in the social sciences, political science, economics or associated subjects, for a post as RESEARCH ASSOCIATE to work on a transport policy study forming part of a large-scale interdisciplinary transport programme sponsored by the S.R.C.

The appointment is for two or three years at a salary within the scale £1923-£2238.

Application forms and further particulars from Professor Norman Ashford, Department of Transport Technology.

Loughborough Leicestershire

University of Birmingham

CENTRE FOR RUSSIAN AND EAST EUROPEAN STUDIES RESEARCH, DEVELOPMENT AND INNOVATION IN THE U.S.S.R.

Applications are invited for research posts associated with this project, which is supported by the Social Research Science Council. An accurate reading knowledge of Russian and good background knowledge of the Soviet economy and/or Soviet science and technology are essential. One three-year appointment is to start as soon as possible, and two two-year posts from 1st October 1973. Applications for part-time appointment will also be considered.

Salary: Research Fellow, £1764-£2079 p.a.; Research Associate, £1419-£1626 p.a. plus F.S.S.U.

Further particulars from the Assistant Registrar (RS) University of Birmingham, P.O. Box 363, Birmingham B15 2TT, to whom applications (five copies) including names of three referees, should be sent by 27th November, 1972. Please quote reference RM4.

For further announcements see pages 5, 120 to 129

Strategic Planning

We have a vacancy for an ECONOMIST in our Central London Headquarters.

The work covers a wide range of economic and planning studies contributing to the preparation and integration of the Board's individual plans, including the writing of briefs on key issues facing the Board. The breadth and pace of the work are demanding; they call for a high degree of both creative and analytical ability, as well as the capacity to communicate clearly and effectively across disciplines and with Management.

Candidates should possess a degree, preferably in Economics or some related subject and have recent relevant industrial or postgraduate experience.

Salary range: £2430-£3312 p.a. incl., according to qualifications and experience.

Applications stating full relevant details and present salary to the Personnel Officer (Headquarters), Central Electricity Generating Board, Sudbury House, 15 Newgate Street, London EC1A 7AU., by 22 November 1972. Quote Ref. E/271.

Central Electricity Generating Board Headquarters



THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS (Chatham House)

DIRECTOR OF STUDIES

Applications are invited from candidates with high academic or other relevant qualifications for the post of Director of Studies. The appointment—to commence in 1973—will be for five years in the first instance and subject to renewal.

The duties include the planning and supervision of the Institute's research and publication programme, which is concerned with all aspects of international relations; the initiation of research projects; and the direction of a small research staff. The holder of the post is also expected to undertake some research on his own account for publication by the Institute. The post is regarded as the senior appointment on the Institute staff after that of the Director, for whom the Director of Studies would deputise as appropriate.

The salary will be in the range applicable to a University professor in London but is subject to negotiation in the light of special qualifications and experience. Further particulars may be obtained on application to the Administrative Director, 10 St James's Square, London, SW1Y 4LE. The closing date for applications is Monday 18 December 1972.

University of Liverpool

Chair of Accounting

Applications are invited for the newly established Chair of Accounting. Applicants should be highly qualified in accounting and should have teaching experience.

The salary will be within the range currently approved for full-time professional appointments and in any case not less than £5,667 per annum.

Applications (12 copies), together with the names of three referees, should be received not later than 15th December, 1972, by the undersigned, from whom further particulars may be obtained. (Candidates overseas may send one copy only, by airmail.) Quote ref. RV/E/14118.

The University, P.O. Box 147, Liverpool, L69 3BX.

H. M. Burchnell, Registrar.

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(Dept. G92), St Albans, or call at 30 Queen Victoria Street, London, EC4A 3DF. Tel: 01-248 6874. (Founded 1910.) Accredited by the Council for the Accreditation of Correspondence Colleges.

The University of Manchester Simon Fellowships

The University offers a number of Simon Fellowships for research in the Social Sciences. This term is used in a wide sense to include not only Economics, Government, Sociology and Social Anthropology, Economic and Social Statistics, etc. but also fields such as Industrial and Economic Organisation, Education, Jurisprudence, Law, Social Administration, Social Medicine and Hospital Administration. The Fellowships will be tenable normally for one year from October 1st in the academic Sessions 1973/74, 1974/75 or 1975/76. Values normally within the range of £1,641-£3,999 (Simon Research Fellowships) or of £3,852-£4,134 (Simon Senior Research Fellowships) (scale under review), according to qualifications and experience. They are not confined to persons with academic experience. Further particulars and application forms (returnable by December 1st, 1972) are obtainable from the Registrar, The University, Manchester M13 9PL, and enquiries about the scope of the fellowships are welcomed. Please quote ref: 144/72/E.

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Wolsey Hall

Oxford, OX2 6PR.

University College, Cambridge

Gabriel Harrison Research Fellowship in Land Economy and Environmental Studies

Applications are invited for the above Research Fellowship tenable for three years at University College, Cambridge.

The Fellow will be expected to carry out research, as part of a project directed by the Scientific Committee of the College, into the effects of the urban environment as it bears on the individual. The Fellow will work in the Department of Land Economy. Preference will be given to applicants with interests in land economy with particular reference to the medical and psychosocial aspects of industrial and commercial development in urban areas. The Fellow will be expected to spend an initial period formulating a detailed plan of study.

An applicant for the Fellowship should have had at least three years research experience in a relevant field. The stipend will be either in the range £2,500-£2,750 (Senior Research Fellow) or in the range £1,800-£2,300 (Junior Research Fellow) according to age and status. Applications, which should be fully detailed and include the names of two persons to whom reference can be made, should be sent to the Bursar, University College, Cambridge CB3 9BB (from whom further particulars may be obtained) to arrive not later than Wednesday, 15 November. It is hoped that the successful candidate will be able to take up the Fellowship on 1 January, 1973.

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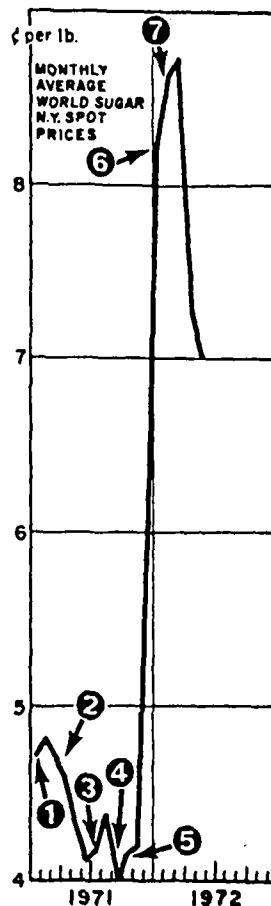
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- 1 Jan. 1971 — Sell on near term advance. Weakness will follow.
- 2 March-April 1971 — Broad downward trend. Buying opportunity around mid-year.
- 3 July 1971 — Expect selling on approach to 4.5¢.
- 4 Aug.-Sept. 1971 — Only moderate further weakness. Add to purchases on weakness. Long term trend up. Maintain long positions.
- 5 Oct.-Nov. 1971 — Long term trend up. Maintain long position.
- 6 Jan. 1972 — New Highs expected first quarter 1972 followed by downward trend in second quarter. (this advice was first given in Aug. 1971.)
- 7 Feb. 1972 — Significant price depression in March.

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1972 British funds					Eurobonds					Last week's prices					This week's prices					Yield to maturity %		
High		Low		Price, Nov. 8 1972	Change on week	Yield Nov. 8	Prices, 1972		Ordinary stocks		Price, Nov. 8, 1972	Change on week	Yield Nov. 8	Prices, 1972		Ordinary stocks		Price, Nov. 8, 1972	Change on week	Yield Nov. 8	Yield to maturity %	
				1972			High	Low	High	Low	High	Low		High	Low	High	Low					
Banks, other financial																						
97%		British Electric 3%		1968-73	98 1/2	98 1/2	4-240	7-065	1													7-42
75%		British Electric 3 1/2%		1976-79	76 1/2	77 1/2	6-110	7-730	1													8-43
96		Treasury 8 1/2%		1980-82	101	101 1/2	5-135	8-710	1													7-78
94 1/2		Treasury 8 1/2%		1984-86	98 1/2	98 1/2	5-435	9-055	1													7-86
80 1/2		Funding 6 1/2%		1985-87	80 1/2	81 1/2	5-835	8-825	1													7-75
54 1/2		British Transport 3%		1978-88	56	56 1/2	6-290	8-085	1													7-41
69 1/2		Funding 6 1/2%		1993	72	72 1/2	5-955	9-035	1													7-75
111 1/2		Treasury 9%		1994	94 1/2	95 1/2	5-785	9-515	1													7-55
58		British Gas 3%		1990-95	46 1/2	46 1/2	6-225	8-235	1													7-86
73 1/2		Treasury 6 1/2%		1995-98	74 1/2	75	5-985	9-360	1													7-81
30 1/2		Treasury 5 1/2%		2008-12	60 1/2	60 1/2	5-895	9-340	1													7-75
43 1/2		War Loan 3 1/2%		after 1952	36 1/2	36 1/2	5-735	9-535	1													6-91
25 1/2		Consols 2 1/2%			26 1/2	26 1/2	5-690	9-525	1													7-28
Breweries, etc.																						
107p		Allied Breweries		107p	-8	3-2																
\$ 60p		Anheuser-Busch		\$ 60p	+1 1/2	0-9																
160p		Bass, Charrington		160p	+7	3-1																
FI 146 1/2		Bols NV		FI 146 1/2	-3 1/2	2-5																
196p		Courage		196p	-4	2-2																
173p		Distillers		173p	+3	3-9																
\$ 41		Distill Seagrams		\$ 41	+1 1/2	1-7																
DM 412		Dortmund Union		DM 412	...	2-4																
198p		Guinness		198p	+8	3-7																
FI 326-3		Heineken		FI 326-3	-1-2	1-1																
Y 326		Kirin Brewery		Y 326	+6	2-3																
\$ 16 1/2		Nat Distillers		\$ 16 1/2	-1 1/2	5-5																
140p		Scottish & Newc.		140p	+3-3	2-3																
96p		Sch African Br		96p	+8	3-6																
106p		Whitbread 'A'		106p	+4	3-4																
Building, building materials																						
208p		Assoc Portland		208p	-6	4-5																
168p		BPB Industries		168p	+5	4-2																
\$ 11 1/2		Boise Cascade		\$ 11 1/2	+1 1/2	2-2																
450p		Bovis Ltd		450p	+30	1-3																
Fr 239-9		Cimenteries Lafarge		Fr 239-9	-5-1	5-8																
Fr B 2560		Cimenteries Briq		Fr B 2560	...	5-0																
306p		Costain		306p	+22	2-4																
135p		Eng China Clays		135p	+4 1/2	1-9																
L 27200		Italcementi		L 27200	+1050	1-8																
152p		Laing 'A'		152p	+5	1-7																
87p		London Brick		87p	+1 1/2	3-8																
100p		Marley		100p	-1	4-3																
320p		Pickington Bros		320p	-1	3-3																
125p		Redland		125p	+5	3-2																
126p		Rugby Portland		126p	...	3-0																
143p		Steeley		143p	...	3-7																
274p		Tarmac		274p	+7	3-3																
274p		Taylor Woodrow		274p	+7	2-1																
218p		Wimpey		218p	+7	1-1																
Catering, hotels, entertainment																						
124 1/2		ATV 'A'		124 1/2	-5	5-5																
\$ 52 1/2		CBS		\$ 52 1/2	+1 1/2	2-7																
228p		Granada 'A'		228p	+3	2-8																
224p		Grand Metropolitan		224p	+1	2-5																
\$ 43 1/2		Holiday Inns		\$ 43 1/2	-1	0-6																
43 1/2		Lyons 'A'		43 1/2	-13	2-3																
232p		Trust Houses-Forte		232p	+14	4-3																
Chemicals																						
FI 67-4		AKZO		FI 67-4	+0-3	5-4																
L 630		ANIC		L 630	-5	3-7																
\$ 33 1/2		Amer Cyanamid		\$ 33 1/2	-1 1/2	3-7																
DM 162 1/2		BASF		DM 162 1/2	-6	4-6																
DM 130-4		Bayer		DM 130-4	+2-4	5-0																
Fr S 2715		CIBA-GEIGY		Fr S 2715	+65	0-8																
89p		Dow		89p	+2 1/2	1-8																
\$ 170p		DuPont		\$ 170p	-1 1/2	2-4																
408p		Fisons		408p	-1	2-8																
\$ 27 1/2		W. R. Grace		\$ 27 1/2	...	5-5																
DM 149-9		Hoechst		DM 149-9	-0-6	5-0																
273p		ICI		273p	...	5-1																
88p		Laporte		88p	+5	4-3																
\$ 51 1/2		Montecatini		\$ 51 1/2	+1 1/2	3-5																
L426		Montecatini-Edison		L426	-13	...																
Kr 310		Norsk Hydro		Kr 310	-20	1-0																
Fr 189-7		Rhône Poulenc		Fr 189-7	+4-9	6-3																
Fr B 3000		Solvay 'A'		Fr B 3000	+65	5-2																
Fr 189-7		St Gobain		Fr 189-7	+2-6	4-9																
Y 240		Takeda Chemical		Y 240	...	3-5																
+		Union Carbide		+	+1 1/2	4-3																
Coal & steel																						
Fr B 4150		Arbed		Fr B 4150	...	6-0																
\$ 28 1/2		Bethlehem		\$ 28 1/2	+3 1/2	4-2																
SA 11-00		Broken Hill Pty		SA 11-00	+0-05	...																
Fr 152-1		Denain Longwy		Fr 152-1	+1-1-3	8-9																
L 355 1/2		Finsider		L 355 1/2	-29 1/2	...																
DM 136-1		Fried Krupp		DM 136-1	-0-8	...																
Fr 155		Granges A B		Fr 155	+4	7-7																
Electrical, electronics																						
DM 157		AEG Telefunken		DM 157	-4-4	3-2																
Kr 275		ASEA		Kr 275	+6	3-6																
177p		BICC		177p	+7	4-4																
Fr 506		CGE		Fr 506	-11	4-6																
120p		Chloride Group		120p	...	3-5																
409p		Deca		409p	+14	2-7																
183p		EMI		183p	+4	4-1																
Kr 264		Electrolux 'B'		Kr 264	+11	3-8																
Kr 257		LM Ericsson 'B'		Kr 257	-6	2-1																
\$ 65 1/2		General Electric		\$ 65 1/2	+1 1/2	2-1																
151p		GEC		151p	...	2-7																
\$ 29 1/2		Gen Tel & Elec		\$ 29 1/2	-1 1/2	5-4																
Y 205		Hitachi		Y 205	+7	2-9																
\$ 128 1/2		Honeywell		\$ 128 1/2	-7 1/2	1-1																

Prices, 1972						Prices, 1972						Prices, 1972						Prices, 1972						Prices, 1972					
High	Low	Ordinary stocks	Price, Nov. 8, 1972	Change on week	Yield Nov. 8	High	Low	Ordinary stocks	Price, Nov. 8, 1972	Change on week	Yield Nov. 8	High	Low	Ordinary stocks	Price, Nov. 8, 1972	Change on week	Yield Nov. 8	High	Low	Ordinary stocks	Price, Nov. 8, 1972	Change on week	Yield Nov. 8	High	Low	Ordinary stocks	Price, Nov. 8, 1972	Change on week	Yield Nov. 8
500	410	Tube Investments	412p	3	4.6	49½	24	American Airlines	\$25½	-3½	...	425	202	Mitsubishi Shoji	Y 425	+5	1.6	...	...	...	...	...	...	...	...	...	...	...	...
284	19	US Industries	\$21½	1½	2.9	301	229	Brit & Comm	268p	+5	3.2	285	240	S Pearson & Son	Y 435	+2	1.6	...	...	...	...	...	...	...	...	...	...	...	
121	77	Vickers	79½p	+1½	5.0	16½	14½	Candian Pacific	\$C14½	+½	...	38½	30	TRW	256p	+10	2.5	...	...	...	...	...	...	...	...	...	...	...	
142	93	Weir Group	99½p	+4	5.6	424	315	Furness Withy	416p	+6	3.6	36½	23½	Tenneco	\$29½	+1½	2.9	...	...	...	...	...	...	...	...	...	...	...	
125	100	Thos W Ward	103½p	+2	4.8	331	17½	Greyhound	\$18½	+3	1.5	29½	30½	Tetron	\$32½	+1½	4.6	...	...	...	...	...	...	...	...	...	...	...	
						3500	1580	Jet Air Lines	Y 2650	+30	...	151½	114	Thomas Tilling	132p	+6	2.7	...	...	...	...	...	...	...	...	...	...	...	
						131½	66½	KLM	Fl 118	-1½	...	25½	182	Turner & Newall	205p	+5	5.2	...	...	...	...	...	...	...	...	...	...	...	
						79	103	Lufthansa	DM 68½	-1½	...	624	442	Oil				...	...	...	...	...	...	...	...	...	...	...	
						180	136	Ocean Steam Ship	172p	+1	4.4	416	482	Aquitaine	Fr 442	-26	4.1	...	...	...	...	...	...	...	...	...	...	...	
						17½	10½	Pan American	Fl 5½	-½	...	696	363	BP	515p	+3	...	...	...	...	...	...	...	...	...	...	...	...	
						390½	186	P & O Deld	338p	-20	3.5	416	482	Burmah Oil	Fl 415p	+3	...	...	...	...	...	...	...	...	...	...	...	...	
						740	575	Swissair (Bearer)	Fr 5 692	-3	4.3	230	203½	Cit Petrols	Fr 211½	-1½	5.2	...	...	...	...	...	...	...	...	...	...	...	
						58½	34	TWA	\$45½	-½	...	850	69½	Exxon	\$85½	+2½	4.6	...	...	...	...	...	...	...	...	...	...	...	
						29½	24	UAL	\$36½	+½	...	93½	66½	Gelsenberg AG	DM 70½	-½	...	...	...	...	...	...	...	...	...	...	...	...	
												30	22	Guil Oil	\$24	+½	6.3	...	...	...	...	...	...	...	...	...	...	...	
												71½	49½	Mobil Oil	\$71½	+½	3.6	...	...	...	...	...	...	...	...	...	...	...	
												5330	3650	Petrofina	Fr 5 5250	+160	2.1	...	...	...	...	...	...	...	...	...	...	...	
												36½	25½	Phillips Petroleum	\$36½	+1½	3.5	...	...	...	...	...	...	...	...	...	...	...	
												129½	111½	Shell Dutch	Fl 118-6	+1½	3.5	...	...	...	...	...	...	...	...	...	...	...	
												380	277	Royal Transport	\$40	+1	6.1	...	...	...	...	...	...	...	...	...	...	...	
												80½	54½	Standard Oil (Calif.)	\$74½	+½	3.9	...	...	...	...	...	...	...	...	...	...	...	
												80½	60½	Standard Oil (Indiana)	\$80½	+1½	3.0	...	...	...	...	...	...	...	...	...	...	...	
												38	29½	Standard Oil (Ohio)	\$88	+½	3.5	...	...	...	...	...	...	...	...	...	...	...	
														Texaco	\$37	-½	...	...	...	...	...	...	...	...	...	...	...	...	
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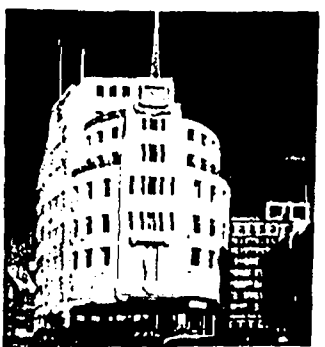
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November 18, 1972



A world for pirates

It is because modern society moves so many things so skilfully from place to place—people, mail, food, information, even household water and sewage—that it offers so many striking-points for the modern terrorist; and society will have to be as ingenious as the hijackers and letter-bombers and the other, coming interferers with traffic if it is to beat them, page 11. The sky-jack map for 1972, page 36. Britain tries to cope with bombs in the post, but Christmas is coming, page 22.



50 years on

The BBC deserves the tributes it has received on its golden anniversary. But its greatest days are already in the past, page 15. The restless life of old John Reith, page 63.

Living like pigs

House prices go in the same sort of cycle that pig prices used to do—which means that they are due for a fall very soon, page 72.

On the tiger's back

All the Nine have their troubles when riding the tiger of inflation, but some have it bumpier than others, page 76. The CBI thinks it's found a loophole in Britain's freeze—and the Treasury's looking for spending cuts soon, page 78.



Content with either

There's enough to be said for either Willy Brandt or Rainer Barzel, page 13. Inflation is a key issue, but it may be losing some of its terrors, page 75. Election eve in Germany, pages 29 to 33.



Nixon never!

The Nixon victory in the United States has not gone down well with fashionable politicians and commentators, especially in Britain, who had attached themselves more devotedly to the McGovern mini-bandwagon than even American liberals had. This display of nostalgia, prejudice and genuine concern says a lot about the British intelligentsia, page 17.

Back into the breach

Is this really the last Vietnam peace session?, page 34.

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Stock Prices and Yields

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Letters

The freeze

SIR—Your table on "How to talk yourself into an incomes policy" (November 4th) was a stimulating exercise in the politics of incomes policy. I might add that as an Englishman engaged in research in the United States, it is not only interesting but disturbing to read your well-informed but comprehensive reports on developments in this field. The success of Richard "four-more-years" Nixon in winning the support of employers and unions in his incomes policy is largely due to the careful political manipulation of both parties and the appearance of the Administration in the eyes of the American public as a benevolent body, eager to protect the country from the ravages of inflation. Mr Heath's Government surely has the latter attribute. I would submit, however, that he has failed in not convincing either employers or unions that both of them will be penalised equally.

Apart from this, there are more rogue elephants in the unions and corporations than would be compatible with either a voluntary policy or a statutory policy, where the pressures of discipline or public opinion may well backfire. Hasn't the economic ineffectiveness of incomes policy been proven in Britain—let alone Europe (see Ulman and Flanagan, "Wage Restraint: A Study of Incomes Policies in Western Europe," University of California Press, 1971)?

It appears that union leaders are taking an overtly militant stand to avert their power being usurped from below. Employers appear to be resisting price controls and unions as a matter of principle only, and the Government lays the blame on both parties—but it can only buy a short period of rake's progress. Unfortunately, a statutory policy seems to be the only escape from such an impasse. My point is, what happens when the politics of incomes policy becomes firmly institutionalised? There appears to be little discussion about the conflict which is endemic to such a situation.—Yours faithfully, G. A. MAGNUS
University of Illinois

SIR—I am surprised it has not been pointed out that in the recent tripartite talks the TUC did not represent the registered trade unions which were recently expelled, or the majority of workers who are not members of trade unions. Had the latter been consulted it is more than probable that there would have been a large majority in favour of a voluntary prices and incomes policy.

Would it not be possible at future talks for the majority of workers to be repre-

sented? More sense would emerge more quickly.—Yours faithfully, E. MADDOX
Stansted, Essex

SIR—My admiration goes to Sir John Lomax, whose letter (November 11th) is the best commentary on current economic nonsense to appear in your pages.

The following jingle seems to arise more or less naturally from his remarks:

The lady with
The overdraft
Was thought by all
Completely daft.
She wrote a cheque
To pay it off:
But experts think
It's wrong to scoff
When Britain cuts
The selfsame caper;
Tries to live

On worthless paper.—Yours faithfully,
Northwich, Cheshire S. J. LARCOMBE

Heath and Nixon

SIR—After reading your article "The kidding had to stop" (November 4th) and then hearing the Government's proposals, announced the following Monday, to counter inflation by the use of statutory powers involving an immediate freeze etc, I was apt to spring to the conclusion that you were a clairvoyant, or else had enormous influence in Whitehall.

The fact is that Mr Heath has always been a great admirer of President Nixon, and was one of the few people to show the President any attention when his fortunes were at a distinctly lower level than they are now. That this attention was appreciated was shown when Mr Heath visited the United States after he became Prime Minister; his reception was presidential.

This mutual respect does not spring from any belief that it can reap any political dividends for either man, but from the genuine fact that both men have a similar outlook and view the direction in which the world should evolve in the same way. This can be shown and emphasised by the number of parallels in their policies, and not just domestic economic policy with "phase one" (sorry, "stage one") "stage two" etc, but with the whole panorama of their foreign policy, their view of the world in five major blocks, maintaining an equilibrium balance of power, their willingness to negotiate disagreements and use force only as a last resort—the list could go on, but it is merely to illustrate that we may look forward to a generation of peace, with statesmen at the helm, rather than vacillating and ineffectual "poll-watchers." For, as John F. Kennedy said:

United there is little we cannot do in a host of co-operative adventures, divided there is little we can do for we dare not meet a powerful challenge at odds and split asunder.

Yours faithfully, M. R. TULLOCH
Bristol

IBM

SIR—Your article "What shall we do with IBM?" (October 21st) surprised me by falling short in several ways of your usual high quality:

1. The implicit acceptance, as background to the piece itself, that commercial success leading to worldwide leadership in an industry characterised by ease of market entry and rapid technological innovation with low capital requirement is in itself reason for antitrust action.

2. You make much of "over-selling." I can assure you that over-buying is the real problem. While there are undoubtedly cases in which this has occurred, to my own observation, over-selling has far more frequently been by non-IBM manufacturers, and especially new entrants into this field eager to demonstrate a competitive price performance capability they later find it impossible to deliver.

3. You make much of the need for better education of computer users. No company has done more than IBM to educate its customers and industry at large. Typically the newcomers to the field have done the poorest job in this regard for the understandable reason that they have not maintained the gross profit margins necessary to provide the customer proper backup services. You criticise the company that has provided the overwhelming bulk of such support, for lack of such support, and talk blithely of cutting it up.

4. You make no mention in your piece of the competition IBM faced, when it was a far smaller company, from then established giants such as GE (US), RCA, Philips, et al. IBM was a tiny company when it faced this competition. It has become one of the world's greatest companies, not by cartel arrangements, price fixing or any of the other practices that antitrust laws were designed to fight, but rather by the most "straightlaced" Protestant ethic—hard, intelligent competition.

Who benefits from an IBM split-up? I find it hard to see who, other than competitors (and they only in the short run), would gain. In such a situation is not the public really better off to let market forces settle the issue, rather than bureaucrats in a necessarily highly political environment? Have the behemoths ever before predominated for any sustained period? Do trees grow to the sky—or do the forces in man and nature predominate?—Yours faithfully, JOHN DIEBOLD
New York

Rochdale by-election

SIR—In your report on the Rochdale by-election (November 4th) you refer to the size of the vote for Mr Merrick, the anti-immigration candidate, as "alarming" and states: "Some 4,000 voters must have strong feelings on the subject of immigration which they do not speak aloud but which the secrecy of the polling booth allows them to express."

Are you really so much out of touch with public feeling on the matter of

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immigration that this vote comes as a surprise to you? There has been much indignation expressed regarding our entry into the common market without a public referendum being held, but who has ever suggested asking the indigenous people of Britain how they feel about immigration? Successive governments have completely ignored public opinion on this issue and have foisted on to us the Race Relations Act, an ever-expanding race relations industry, Ugandan Asians etc, etc, ably supported by the mass media (particularly the BBC and Penguin Books). Anyone who objects is usually ignored or is labelled a "racist" or "fascist" and made to feel that he is on a par with Hitler cremating the Jews.

It is, therefore, not "alarming" that 8.9 per cent of the electorate voted for Mr Merrick, but alarming that the polling booth is the only place where so many people feel free to express their opinions. —Yours faithfully, A. J. HEATH
Pinner, Middlesex

Ugandan Asians

SIR—I wish to second Mr Gillams's assertion (Letters, November 4th) that dispersal of the immigrant population in this country would lead to greater integration. However, I do not believe that it is the help of over-anxious volunteers and professionals or fear of a strange land which turn new immigrants toward the established immigrant communities. It is largely the need to have a roof to sleep under. Only in the immigrant areas can they find accommodation at a suitable price or friends to let them in.

Once in such areas an important barrier to eventual dispersal—even if personal economic circumstances improve—is the language problem. This problem is being tackled with as much effort and concern as limited funds and manpower can

muster—in the schools. But of what avail is hours of patient work by specially trained or understanding teachers if the children never hear a word of English in the home?

It is naive to divorce "origins" from "culture" as Mr Gillams does. Common history is an important determiner of culture and outlook. I have not been to East Africa as Mr Gillams has, but it certainly seems that the Asians there were a distinctive enough group to trouble General Amin's dreams.

Any idea of integration which involves forcing immigrants into a "British" mould is doomed, rightly, to failure. Britain benefits already from the distinctive contribution of sections of the community with different origins from the "Anglo-Saxon." While dispersal will aid integration, when it happens it will be more an index of integration occurring. To achieve this we need to put much more effort into teaching new immigrants (and older ones) of all ages English and be prepared to accept immigrants into our "white" communities just as unquestioningly as their fellow immigrants welcome them into theirs.—Yours faithfully, R. C. DUNCAN
Oxford

SIR—If Master Gillams of Whitgift School (Letters, November 4th) cannot put up with people who have other customs, dress and diets, then his education cannot have done him much good. I hope his housemaster gave him a good spanking when he saw the letter in print: if not, he should remedy the omission now.—Yours faithfully, RALPH LEAVIS
Oxford

Suicide

SIR—Your article "Gunning for the system" (November 4th) says that the overall suicide rate has remained remarkably steady. In fact, suicide in the United Kingdom declined by 34.4 per cent between 1963 and 1970—as pointed out by the Office of Health Economics in its widely publicised report (October, 1972). This report attributed the decline to better diagnosis of depression; better recognition of social conflict; the spread of non-toxic gas; and to the Samaritans. As Professor Erwin Stengel, president of the International Association for Suicide Prevention, has pointed out, availability of resources does not affect suicide rates, except sometimes temporarily; when gas became non-toxic in Basel, the rate fell for six months till people started drowning themselves instead.—Yours faithfully,

BASIL HIGGINSON
General secretary,
The Samaritans
Slough, Bucks

Hijacking

SIR—Your normally impartial magazine shows an unusually partisan approach in its condemnation of the German government's attitude to the Palestinian hijackers (November 4th).

I think you should be aware that, as a 150,000-mile per year traveller on many of the world's major airlines, I (and many others) are very appreciative of Lufthansa's primary consideration for passengers' safety in these difficult situations.

By contrast, I have no intention whatsoever of flying El Al, with its impossible approach to air piracy.

The world is becoming somewhat tired of the Jews' continued protest against supposed ills, when in fact it is they who at this time are clearly the aggressors in Egypt and Syria.—Yours faithfully,
New York M. TREVOR

Pornography

SIR—Your reviewer says of my book "The Pseudo-revolution" (October 28th) that it goes "on and on about 'Oh! Calcutta!'" and there is personal hatred of Mr Kenneth Tynan.

The book was written at a time when hardly a day went by without a news item, or item on television, about "Oh! Calcutta!". Memories are short; and now the British seem anxious to demonstrate that they never really acclaimed this stage revue at all—while they certainly don't like to be told how obscene and sadistic it is. How the British must hate sex, to allow such degradations of it to continue for three years in public!

My hatred is directed at anyone who humiliates woman as a symbol of our humanness—whether naked Jewesses on the tables at Treblinka, or on the stage in London nightly. I have no personal hatred for Mr Tynan: I have never met him; have never read anything by him except the scripts for "Oh! Calcutta!"; have never seen him on television, or indeed seen a photograph of him, or read an interview with him. When I use the name "Tynan" in my book I mean him and his collaborators—John Lennon, Samuel Beckett, Edna O'Brien, Robert Stigwood, Jules Feiffer and others—all of whom collaborated in this show. As Colin Wilson says in "Books and Bookmen," it is all "nasty, infantile and vicious"—the "contributors only seem to understand the most trivial kind of human nastiness." Yet this is advertised in the newspaper every day as "breath-takingly lovely"—surely an occasion for someone to try, as I have done, to break the spell?

Your reviewer would like to read George Steiner on pornography. There is a splendid essay by him in my symposium "The Case against Pornography," also published by Tom Stacey.—Yours faithfully,
Lustleigh, Devon DAVID HOLBROOK

Ireland

SIR—Mr Patrick Bury in his letter (November 4th) certainly has a point all right and perhaps he would like to say what would happen to Ireland if all those people in Britain did return home!—Yours faithfully,
Cobh, Co. Cork HUGH REYNOLDS



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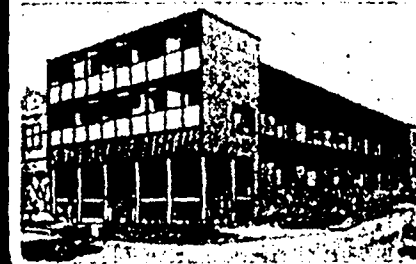
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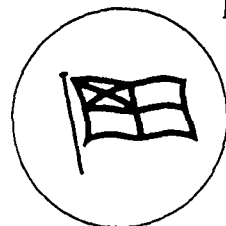
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The Economist

November 18, 1972



Under skull and crossbones

Terrorism is developing into a form of total war, the kind of war in which there is no distinction between combatants and non-combatants, and passers-by find themselves thrust into the firing line. The causes that the hijackers and letter-bombers think they are pursuing—those of them who are not in it just for kicks or to appease some suicidal fantasy—matter very little to most people in most western societies. But far from that being a reason, as they suppose, why they should be left alone, they are assured by the fanatics that that is precisely why they ought to suffer for grievances real or supposed. The modern methods of terror affect many people's lives and gnaw at the system of communications that binds countries together. The letter-bombs that started arriving in Britain from India at the end of last week might have blown the heads off post office sorters and secretaries as well as the Jewish businessmen they were meant to kill if Scotland Yard had not moved so fast in getting warnings out and if the men behind the campaign had not lowered their chances of success by indulging a gaudy taste in stationery.

The India-based letter-bomb campaign seems to have petered out without killing anyone, but there are plenty of cities where postmen are overworked or inefficient and the volume of air mail passing through their hands is too vast to permit proper screening. There have been three serious letter-bomb campaigns since September: one aimed at Israeli diplomats, one at Palestinian guerrilla chiefs, and the latest at British businessmen named in the Zionist Yearbook. The prospect now is for another misguided group of Jewish extremists to strike back. The Palestinian terrorists might then use that as a pretext for a Christmas spree of terror, as the post office men, deluged with mail, are obliged to let through letters and parcels that may well contain bombs but will be all the harder to detect because many will be addressed to private individuals who cannot easily be spotted as potential targets (see page 21).

The police and the postmen can be organised to

screen the mail going to target addresses, such as foreign embassies, or posted from suspect areas, such as the Middle East or Yugoslavia (which has become a favourite post-box for terrorists). But how can they be expected to stop letters getting through to, say, a right-wing stockbroker in the City or a Jew who runs a stall down the Portobello Road? People had better learn, before the things blow up in their faces, of the dangers presented by the terrorists' attack on communications. Company executives had better learn to spend money on proper private screening devices or automatic letter-opening machines. And it may not remain just a problem of letter-bombs. The trouble is that a lot of the convenience of civilised modern life consists of having things provided over a distance instead of having to go out and get them yourself: not only communications with your friends, but food and goods and information of all kinds, even your daily milk and water. Every one of these acts of transmission is a chance for the terrorist to get his hand in. That is why modern society is wide open to the fanatics with bombs or poisons—maybe one day with germs and atomic devices.

The Cubans think again

The hijackers, even more obviously than the letter-bombers, are dealing in innocent lives. There has been an upturn in the number of successful hijack attempts, according to figures collated from British and American sources (see page 36), which show that in 32 out of 63 attempts so far this year hijackers have managed to gain control of planes. The corresponding figures for last year were 26 out of 61. In many of these hijackings the motives of the hijackers were clearly pathological rather than political, and that especially applies to the United States, where half of the hijack attempts took place. There was a dramatic example on November 10th, when three black Americans hijacked a Southern Airways plane and eventually landed up in Cuba with \$2m in their pockets after a 29-hour odyssey that had taken them as far north as

Toronto. It was a spectacularly successful operation—or it would have been but for the fact that Dr Castro, who regards himself as a genuine revolutionary, has little time for refugee rapists and escaped convicts. He seems to have clapped all three men into cells in a Havana jail, and the Cuban government now says it is ready to negotiate with the United States about piracy in the air. The Cubans, like the Algerians, are starting to get fed up with the riff-raff who have been turning up on commandeered planes and are pretty useless even when it comes to cutting sugar cane.

When the Cubans are actually prepared to repatriate an American hijacker, the world will have gone a long way towards achieving the most effective deterrent: the denial of a place to escape to. The fact that the Cubans have asked for details of the charges that are pending against another batch of Americans who took a plane to Cuba early last month leaves some room for hope. Some of the men in that group, led by a Mr Charles Tuller, had been involved in a murder during an armed bank hold-up and afterwards gunned down a ticket-clerk. It is desperate men like these, psychologically unbalanced and responsible to no disciplined political organisation, however extreme, who will continue to present the most serious menace to aviation until governments come together to cut off their escape-routes.

There are two different sorts

The Americans, who feel the problem most acutely, have been studying how to handle the sick skyjacker. One of the results is their "profile system," which is supposed to enable airport staff to recognise potential hijackers according to a sort of psychological identikit. A Texan psychiatrist, Mr David Hubbard, has argued that the typical American skyjacker is a suicidal schizophrenic, deeply frustrated in his private life, who is excited by violence and tends to regard the threat of death as a stimulus rather than a deterrent. Certainly some hijackers are plain nuts, like the man who tried to take over a Swissair plane over Rome in April, demanding to see the Pope, or the series of would-be skyjackers who have this year tried to copy the man who parachuted out of a United Airlines plane with his ransom money. According to the Hubbard school, once this kind of hijacker gets control of a plane he has to be treated with great care, and slowly talked into surrender by negotiators who know how to play upon his growing fatigue and overwhelm him with minor problems (hitches in refuelling, supply of food and so on) that will finally compel him to give up. The FBI men who shot at the tyres of the Southern Airways plane last week tried the opposite approach, with very nearly disastrous results. They failed to stop the plane taking off, but made the pilot's job much harder and, by panicking the hijackers, got the co-pilot shot.

It is essential to understand the confused mind of the enemy. Terror can be used as a political instrument by rational men with a clearly defined policy. But many of the hijackers do not come within that category. Once they have gained control of a plane, dealing with them is often rather like arguing with the man stand-

ing on a 14th floor window ledge, except that this time he is threatening to pull other people over the edge with him.

Hijacking and the other forms of international terrorism can be curbed, but not if public opinion, its nerves and imagination blunted by media that sandwich images of real violence between cowboy films and police thrillers, comes to regard them as routine hazards—or entertainments—of modern living. Until more effective measures are taken, everyone who boards an airliner should be mentally prepared to find himself flying under the sign of the skull and crossbones.

The problem has to be tackled by the authorities at three levels. It has to be made harder for hijackers to get their guns and bombs on board a plane, through body-searches and better screening of baggage. It has to be made harder for them to gain control of a plane if they do manage to slip through the net. This may involve a whole series of precautions, such as fitting a special screen between the flight deck and the passenger compartment, a ban on cabin luggage, and perhaps—although the airlines and many passengers will understandably hate the very idea—the placing of armed guards among the passengers, equipped with low-velocity weapons. It should also involve careful research into the chances of producing a non-lethal gas for use when the plane is on the ground, giving airport police the chance to enter the plane. If these precautions also fail, expert negotiators will be needed who understand the psychology of the people they are dealing with and have some chance of talking—or bluffing—them into surrender.

Get it defined

But the most effective measure of all is to seal off the hijackers' bolt-holes. Unfortunately, although President Boumedienne and Dr Castro are irritated by most of the men who have applied to them for asylum, there are still several countries that provide sanctuary. This year, for example, the Libyans have given refuge to a group of Yemeni hijackers and to the Black September squad that blackmailed the west German government into releasing the Munich killers by seizing a Lufthansa plane. And there are still occasions when even western governments have given refuge to hijackers. The west Germans gave asylum to some Czech hijackers last June. There is a genuine moral problem when people use hijacking because they have no legal way of getting out of their country.

Unfortunately, there is still little sign of the kind of international consensus that is needed to get the Montreal convention (which provides for collective sanctions against countries that harbour hijackers) into effective operation. Maybe the current session of the United Nations Assembly will help to provide some impetus. The Americans have again tabled their proposals for a draft treaty defining "international terrorism" as political violence conducted outside the territory of the parties involved in a conflict, or violence conducted against the citizens or property of a third party. This is the kind of violence that most governments should badly want to see stopped, but so far they have shirked the collective measures that are the real

response to an international problem.

It is no good mouthing all over again the old pretexts for prevarication, or even the arguments that the murder of innocents and the barter of human lives can easily be justified by a just cause. The means usually usurp the end, and the only end that glimmers in the minds of



Happy with either

Germany's friends can be content with whoever wins on Sunday. The real danger is still more stalemate



Brandt or Barzel? After an election campaign that has thrown up no really decisive issue between west Germany's parties, the answer to the simple question of personalities is most likely to determine the result of Sunday's election (see pages 29 to 33). And that is just the way Herr Willy Brandt and his Social Democrats have been hoping it would be. They have based their campaign on Herr Brandt's undoubted popularity both at home and abroad, and on the attention captured by the Ostpolitik that he has created.

The Christian Democrats, on the other hand, have not attempted to project their chief, Herr Rainer Barzel, as the more attractive leader. He is still a relatively unknown man, for he has never held a major ministry and this is the first election he has fought as party leader. Instead, the opposition has tried to concentrate the voters' minds on where they claim Herr Brandt has most visibly failed—his handling of the economy. The Christian Democrats believe that the fact that the cost-of-living index has risen 6.4 per cent since October last year is their strongest card, although they may be wrong (see page 75). Inflation at 6.4 per cent is quite a bit less than the rise in Britain and several other countries; but for older Germans the memories of what inflation meant in the pre-Hitler era are still sharp.

Herr Barzel is promising that he and his party will restore "stability," and in a last-minute move he has attempted to persuade Herr Karl Schiller to fall in beside him and lend a hand. In the 1969 campaign Herr Schiller was the Social Democrats' strongest electoral card, because of his successful heading of the economics ministry in the grand coalition government. It seems that the Christian Democrats have conveniently forgotten that, not so long ago, Herr Franz-Josef Strauss, who will take charge of the economy if they win this election, was calling Herr Schiller "the minister of inflation."

Herr Barzel has had little to say about Herr Brandt's latest act, the negotiation of a treaty with east Germany which recognises that east and west are separate states, that the border between them is "inviolable," and that it is time for them to establish almost-normal diplomatic relations with each other. The opposition leader has said that he needs time to study the treaty's implications, but should he form the next government it is unlikely that he will attempt any major renegotiation. Herr Barzel can claim that six months ago, when the Bundestag

most of the hijackers is to blow a ragged hole in the fabric of a society to which they have nothing to contribute. Liberal opinion, for admittedly lofty motives, has been too sympathetic to the argument that such violence is the response of desperate men to an impossible political or social situation. It is now clear where that logic leads.

debated the ratification of the 1970 Warsaw and Moscow treaties, it was his pressure that forced Herr Brandt to insist that Russia should accept a letter that set out the west German interpretation of the agreed text. He might usefully try to wring some further concessions from the east German government on the freer movement of east Germans to the west, and to gain some undertaking that any of them who try to cross the border without permission will not be simply shot down.

But although Herr Barzel did have some success in strengthening Herr Brandt's stand over the Moscow and Warsaw treaties in May, the same episode revealed a weakness in his capacity for leadership: his inability to stand up to Herr Strauss, the leader of the CDU's Bavarian sister party, the Christian Social Union (CSU). Herr Barzel wanted the CDU-CSU to vote for the treaties' ratification: Herr Strauss did not—and he won the day. Whether, once in office, Herr Barzel would be able to take a firmer line with him is a question the German voters may have much in mind.

Who will stand up to France?

The Christian Democrats emphasise the need to integrate the European community more closely, and Herr Strauss, in his election speeches, has made a particular charge that Herr Brandt has neglected western Europe; he says that his own goal is a European state capable of achieving the degree of unity needed to provide for its own defence. The charge is not entirely fair. The British Government owes much to the sympathy and support Herr Brandt has given it throughout its negotiations with the community. In the end, Britain got into Europe because Mr Heath persuaded President Pompidou to let it in. But there may soon be times when Britain needs German support against France. The Franco-German co-operation that had been forged by Adenauer and de Gaulle remained a cornerstone of west German policy when first Herr Erhard and then Herr Kiesinger became chancellor. Neither of these Christian Democrats was willing to endanger his close relationship with Paris. Whether Herr Barzel would feel able to stand up to President Pompidou is open to doubt, and it is a question of some concern to the British. And certainly the Labour party would find it easier to overcome its hesitations about a full British commitment to Europe if west Germany, the strongest economic partner in the community,

still had a Social Democratic government.

Another charge that has been levelled against Herr Brandt is that he has allowed his party to be infiltrated by marxists, and that the SPD, if it retains power, will inflict full-blown socialism upon the Germans. The Young Socialists undoubtedly have loud voices and have made their presence felt, but there is nothing in the SPD election manifesto that could frighten off the middle-of-the-road voter. Moreover, Herr Brandt's chances of forming the next government may well depend on whether his Free Democratic allies survive Sunday's voting. Under Herr Scheel's leadership the Free Democrats have committed themselves to maintain their alliance with the Social Democrats in a new coalition if the voting enables one to be formed. Nobody sees much chance of the SPD obtaining a clear working majority by itself; so Herr Brandt will again have to cut his coat to suit Herr Scheel's cloth. This alone should reassure the German voter that the Social Democrats will not spring any radical surprises on the country.

On the other side of the electoral divide, Herr Barzel,

since he took over the leadership of the CDU, has done much to reinvigorate his party, and he has brought new energy to its thinking. He has proved himself an able politician, an aggressive leader of the opposition and an efficient party boss. He has also voiced some doubts about the long-term consequences of Herr Brandt's Ostpolitik that could usefully be built into German policy, and into the wider debate on the subject. His misfortune is that he has had only one year in which to show his paces. If his party is defeated on Sunday he may have to face an attempt, led by Herr Strauss, to replace him as leader. It will be unfortunate if such a bid succeeds, for Herr Barzel has many of the qualities required in west Germany's present circumstances. If the voters do turn to him on Sunday, Germany's European partners will have a man they can live with as well as they can with Herr Brandt. Here are the two moderate alternatives, just right and left of centre, that not enough European countries have. The worst outcome for Europe, as for Germany, would be if neither Brandt nor Barzel were able to form a government that could survive.



Another step away from Europe?

Mr Wilson's friends on the left wing of the Labour party want him to forfeit more respect by boycotting the Strasbourg parliament

The Labour party is in danger of taking another unwise step away from Europe. There has been an increasing belief in the past weeks that the parliamentary Labour party would decide eventually in favour of its MPs and peers joining the all-party delegation to the European parliament at Strasbourg; but this has rested on the assumption that Mr Wilson would come down against Labour boycotting the parliament. Now there are serious doubts about that.

There are certainly two powerful reasons why Mr Wilson will pause before committing himself totally against Labour's participation. First, there is the attitude of the socialist parties in the community. Mr Wilson knows that Labour's relations with the socialist parties of Europe have never been worse than they are now. But if the parliamentary Labour party were not to join the all-party delegation—thus preventing the socialist group from becoming the largest in the European parliament—he knows that he risks a painful and humiliating breach of personal relations. Second, Mr Wilson is aware that even if the opinion polls still show that a majority of Labour voters are still nominally against British entry to the community (largely, though not exclusively, because of their general anti-Government views) an Opposition boycott of the European parliament would not be understood by many Labour supporters in the country. How would it be possible to complain about the bureaucracy of the commission in Brussels while refusing to send parliamentarians to the only democratic body capable of making them answerable for their decisions? And how would it be possible to present such a decision to the

moderate majority in this country, without whose support Labour cannot win a general election, as anything other than just another surrender to the prejudices of the left?

Yet Mr Wilson may be finding the counter-arguments more persuasive. There is, for instance, the party conference's decision. While prime minister, Mr Wilson showed a fine disregard for conference decisions; and he has probably not changed his basic views all that much. After all, the Blackpool conference also passed a neo-neutralist resolution on nuclear bases, and there is no indication that Mr Wilson has the slightest intention of adopting its sentiments. But the trouble is that not many people care very greatly about nuclear bases at the moment; Europe is an altogether different matter.

Conference didn't say no

The left maintains that the boilermakers' resolution adopted at Blackpool called on a future Labour government to do a great many things, including declining to participate in the European parliament until satisfactory new terms have been negotiated, so that it is mandatory on the Opposition to refuse to join the all-party delegation now. The truth is that the resolution made no such demand; and, even if it had, a Labour party conference has no power to instruct the parliamentary party on how to handle its day-to-day business. Mr Wedgwood Benn demonstrated the correctness of this view only a few months ago when he persuaded Mr Wilson and the parliamentary party to back his demand for a referendum on Europe despite the clear decision of the previous

party conference against any such thing.

Still, the view that the parliamentary party should heed rank-and-file views on Europe (which, freely translated, means the opinions of Mr Jones and Mr Scanlon) has some appeal, all the more so as it has been backed by the party's new general secretary, Mr Ron Hayward, in a speech of remarkable confusion. Mr Hayward angered many moderate MPs by intervening at all in the internal affairs of the parliamentary party, but he no doubt succeeded in pleasing the left (presumably the purpose of the exercise) and creating doubts in the minds of some of the flabbier MPs in the centre. It is a little hard to believe that Mr Hayward would have spoken in these terms if he believed that Mr Wilson had set his mind the other way; and even less likely that some of Mr Wilson's remaining personal allies, such as Mr Frank Judd and Mr George Thomas, would have committed themselves so firmly against Labour's participation without checking on their leader's views.

Tantrum on the left

There is also the wider question of the present mood of the left. Despite its victories at Blackpool, its control of the national executive and its success in ousting the miners' leader, Mr Joe Gormley, from the chairmanship of the party's international committee, the left is by no means happy. It fears that however much it may triumph outside the Palace of Westminster, inside it is still a minority. And its fears were justified when it got a bloody nose in the shadow cabinet elections. The left did not believe that Mr Harold Lever would be re-elected, nor that Mr Silkin would be defeated, nor that Mr Wedgwood Benn and Mr Shore would do so badly. The result has been quite a neurotic little tantrum. Mrs Castle has withdrawn to the backbenches, and both she and Mr Mikardo have complained bitterly that the party in the Commons is so much out of touch with rank-and-file opinion in the country. And in *The Times* on Wednesday Mr Richard Crossman proposed "one simple change" in the parliamentary party's rules: that Labour MPs should be deprived of the right to choose

the shadow cabinet. This, he said, should be entrusted to the party's officers and a small liaison committee who would then choose "a balanced shadow cabinet."

The sulking of the left has evoked more mirth than indignation in the parliamentary party. But even that may have a quite different effect on Mr Wilson. Whenever the left bleeds Mr Wilson suffers a haemorrhage. He is aware that the bulk of his personal support in Parliament comes from the left, and although there is no likelihood of anyone standing against him for the leadership this side of the next election, he does not like to become isolated from the left. If he really were to support sending Labour MPs to the European parliament when the shadow cabinet gets down to it he knows that he will have to rely more in the future on the marketeers and the centre; and this prospect fills him with gloom. Time and again Labour's marketeers have persuaded themselves that Mr Wilson is about to make a gesture their way; and they have consistently got it wrong. It is now more likely than not that he will try to devise the sort of compromise that will earn him the votes of colleagues such as Mr Crosland and Mr Merlyn Rees. This would give the left the substance of its demand—a boycott—while leaving alive the possibility that the party might reconsider its decision at some time in the future.

Stony solution

Mr Wilson will not be able to prevent the Tories and the Liberals from sending their men to the European parliament, though with each MP and peer facing a workload of up to 50 days in Europe each year, and no pairing possible, the Tories may have to send rather more peers than they would otherwise have done. That does not matter much. But it will matter a great deal if, once again, Mr Wilson feels that he has to stifle his instinct for statesmanship for the sake of a party unity that, on Europe, he believes can only be maintained by following the left-wing line. He has a dilemma, but it is a stony solution that denies him respect in Europe as well as in this country. His friends demand too much of him.



Auntie's birthday

The BBC has celebrated its 50th anniversary this week. It has done very well—but it should not go on doing it indefinitely

The tributes which are being paid to the BBC on its 50th anniversary have been well deserved. The BBC is almost certainly the finest broadcasting service in the world, although there are many, in this country and abroad, who would not regard that as an unequivocal encomium. To people who have grown up with it, the BBC's faults inevitably seem more manifest than its virtues, and perhaps one must live for some time at the mercies of broadcasting at either of the extremes of total commercialism or total state control fully to appreciate how really good the BBC still is. But if it would be

wrong not to congratulate the BBC on its very considerable achievements, or to be ungrateful for the very high standards it has usually set itself, it would be equally unrealistic not to wonder whether the BBC's greatest days already lie in the past.

It would be no great national tragedy if that were so. On the contrary, if the BBC ever celebrates another such significant anniversary in an equivalent position of eminence in British broadcasting it will be either because (a) television has proved such a socially harmful medium that rigid control is necessary (which seems unlikely) or

(b) because muddled, unthinking conservatism has held Britain back from the next important stage in the development of mass communications (which seems all too likely). On any sensible projection of the future, if the BBC is around in 50 years' time it should be as a very minor, British Council-type operation keeping expensively alive such minority arts as opera, ballet and petit point embroidery in a national multi-channel cable television system.

Unfortunately, only a very few people are looking that far ahead, and under the totally spurious slogan that public service broadcasting must survive the BBC's very highly-developed off-screen persuasive powers will be enlisted in aid of all those who will say cable television is either too expensive, or too dangerous, or both. Indeed, the boundaries for the debate on broadcasting over the next decade are already being drawn far too narrowly. The Mrs Whitehouses want to talk about broadcasting's prurience, the politicians about its power, while so-called informed opinion continues to be obsessed with its "role." The BBC will no doubt be happy to keep the debate at that level, and it has a heaven-sent red herring in the 405-line television channels which will become free in the early 1980s. Who, if anyone, should run that new service, and how, will no doubt keep most concerned people happily, if barrenly, talking for years while the United States goes even further ahead in the real development of communications.

Is power a myth?

Of course, those problems will not lose any of their present importance in the next few years, but that is very largely because the social and political effects of television in an advanced society are not yet demonstrable. What evidence there is, however, based on 50 years' experience of radio and the academic surveys which have been done, increasingly tends to suggest that the once-vaunted power of television is no less, and no more, a myth than the power of the printing press. Indeed, it may prove that while individual television services strive to capture such huge and diverse audiences their influence will be more limited than that of the printed word. Of course, no one would deny that television has, at times, an enormous impact; but whether it has all that greater an impact than the event it is portraying is another, and rather more fundamental, question. On the limited knowledge available it appears that television has no significant influence on the outcome of a British general election, and it is at least an open question whether the reactions, say, of the people of the United States to the war in Vietnam, or of the British to the conflict in Ulster, would have been very different if television had not even existed.

By the end of this decade it ought to be possible to say that if television has no demonstrably deleterious effects such effects can be presumed not to exist. Even the medium-term future, say from the mid-1980s, of the BBC will very largely depend upon whether that question is squarely faced and honestly answered. The main justification for allowing the BBC to grow into such a great public institution has always been the ready

acceptance by politicians and informed opinion that as first radio and then television were such powerful influences in the community they had to be controlled (when Independent television was set up to break the BBC's television monopoly in 1955, the theoretical controls enacted, and accepted, over it were even greater than those over the BBC). At the moment, of course, much of the conflict between the politicians and the BBC is because it seems the corporation has grown so big and powerful that it cannot be controlled; which, some would say, serves the politicians damn well right. But what if the whole assumption that television is such a powerful medium proves less than justified?

In one way it would greatly ease many of the immediate pressures which are on the BBC, and which are bound to increase if present assumptions are maintained. If it does not matter as greatly as we are accustomed to believe what the BBC (or ITV come to that) puts out, it would not greatly matter whether Mrs Whitehouse and her friends were shocked by rude words or a woman taking off her clothes in a BBC play; they seem incapable of distinguishing between what might personally offend and publicly corrupt anyway. And if it were accepted that television by itself was hardly able to influence a single vote, it would not really matter whether there were more reds than blues in the control rooms, or more anarchists than decent Labour or Tory men in front of the cameras. Of course, the imbalance or outright bias would continue to upset those broadcasting journalists who take a professional pride in putting out impartial or objective programmes, but it would not be something for successive prime ministers to get steamed up about.

The questions of control

But the BBC would only welcome a more level-headed approach to broadcasting up to a point. If it ever accepted that broadcasting was really no more important than the press, the cinema and the theatre combined it would forfeit any right to be subject to more public control than the other media of information and entertainment; and if broadcasting is not so powerful that it requires stringent public control, it is not so vital that it requires a huge and expensive public service.

Most of the BBC's present difficulties stem from the fact that it is signally more effective in persuading everyone that it is terribly powerful because it is so influential than in convincing many people in public life that it is exercising responsible control over all those who wield its power. This is most notable, because it is considered most dangerous, in its documentary and current affairs programmes (its news bulletins, about which other criticisms can be made, are generally, and rightly, excluded from that charge). Too much is made of this, even by those who swallow whole the current mythology about broadcasting; there is, nevertheless, some substance in the complaint.

Television (like radio, to a lesser extent, before it) has always attracted the politically-minded; either they see it as a congenial preparation for, and assistance towards, becoming an MP or as a vehicle of political

influence in itself. In the 1950s and the first half of the 1960s a number of such broadcasters went on to Parliament; some others failed and still remain highly regarded broadcasters. But whichever major party they belonged to, or ended up in, they were all essentially middle-of-the-road politicians (Mr Wedgwood Benn's left-wing metamorphosis occurred long after he ceased to be a professional broadcaster). The politically-minded producers and performers who have succeeded that wave have, however, been very largely of an entirely different breed. Younger, inevitably, more politically illiterate, unfortunately, they have been impatient with party policies—partly, perhaps, because they have deluded themselves that television is a more powerful instrument for social change than any single party. However left they may seem they are political spoilers rather than serious, even if extreme, politicians, and their only success has been to arouse the anger of all the parties.

Over the top

There might be a rather simple reason for that change. When the first, postwar generation of political commentators was effectively running current affairs television it was a medium which was expanding both physically and in concept. All that has now changed. The only areas for physical expansion are in a possible non-BBC fourth television channel and in commercial radio. But even so, in television and radio generally there is a growing and worrying awareness that the apex in technical

and professional performance has already been reached, or soon will be, and that from now on there is not much new to be done which is little better than gloss or gimmickry. Within a remarkably few years, television has reached the point where it seems everything has already been done, and as a result creativity has become equated with the capacity to shock by irresponsibility. It is probably no more than a passing phase, for if such irresponsibility really does matter it will be stopped, and if, as is far more likely, it is seen to be ineffectual, its practitioners will become disillusioned and pass on or grow up.

On its 50th birthday the BBC has tried hard not to seem dead, or even apparently dying. Yet the reality which the most dedicated BBC men and women know they must face is that their corporation has stopped growing. There may be some minor extensions in local radio yet to come, but that will be the limit of the BBC's expansion; indeed, it may not be able to use all the time it already has available.

So, for all the fanfare of this and previous weeks, the BBC is fighting a defensive battle for its existence from now on. Certainly, there will be times when it will deserve support in that battle against the crassest of its critics. But it does not follow, as the BBC and its friends will try to argue, that the proper development of public service communications can only be advanced by maintaining the BBC intact. On the contrary, whatever the present alarms, the BBC will eventually prove to be one of the most truly conservative of British institutions.



The view down one's nose

The way some people in Britain reacted to Mr Nixon's victory says a lot of unhappy things about Britain

President Nixon's revenge on the fashionable commentators in the United States and Europe who have reviled him and traduced him throughout his career (and often written him off besides) has naturally not gone down well with fashionable commentators anywhere. Some Anglo-Saxon pundits on the British side of what used to be the special relationship have even surpassed Senator McGovern (who said the Nixon Administration was the most corrupt in American history) in heaping acrimony on the President and warning of imminent disaster. When Mr Peter Jenkins, in the *Guardian*, declared that "only a stroke of divine providence can save the United States and the world from four more years of President Nixon" he met a tartar in *The Times*, Mr Bernard Levin, who is never at a loss in pouncing on the unwary. Mr Jenkins was rather pushed in his reply in Mr Levin's paper on Monday.

What has become the fashionable middle-class British view of American society is one matter: a number of British people with experience of the United States are rightly concerned by aspects of American life and values. Their feeling is encouraged by some of the better-known American liberal expatriates who have settled in Britain

and who enjoy what they see as great merits of British society: that there is less striving, or less effective striving, after material ends, that (perhaps partly because of this) there is less recourse to drugs and violence, and that educational and social welfare priorities (however imperfect to local egalitarians) are sometimes more consciously directed towards the underdog. It is not surprising that in a country which shares, besides many of the same principles, the same language as the United States, and whose dissatisfied youthful minority speaks the minority American language of dissent in evident imitation, there should be a predilection among the articulate communicators who want change to favour the candidate of change in an American election and to lament his defeat when that happens. This is not intellectual silliness or even bad manners. Americans need to know less and less about Britain; British people still need to know more and more about (and try, however vainly, to influence in some small way) America.

The real worry about the political and intellectual quality of some of the British comments about Mr Nixon's re-election is not that they were critical of America; no British paper ever goes as far, or as close to home, about

the troubles of America as the New York Times or the Washington Post. The worry is that the comments were not concerned about British interests. It is an easy mental transference for almost anyone in Britain who has ever read the New York Times or the Washington Post to imagine himself or herself a resident in the Commonwealth of Massachusetts or the 20th Congressional district of New York or the District of Columbia. The block seems to be when it comes to considering such matters as the future balance of power, the security of western Europe and the preservation of the international trading system. These are not, admittedly, easy subjects. It is much less demanding on one's own research energies, and one's conscience, to concentrate on racial prejudice or medical insurance or just the rape of the environment.

Of course, commentators take other commentators too seriously. The British eye, reading the French press, is chiefly impressed by the treatment of the struggle for the presidency less as a family feud than as the Americans' own business, however much the Americans have habitually tended in the past to mind other people's business. There was also Mlle Françoise Sagan, after a week in New York and one night in Washington (as she had the frankness to admit), sighing over the elegance of Mr Sargent Shriver and mourning the "mental sterility" and "boredom" of the next four years. Well, that is an openly subjective, sentimental response, and no one would deny the right of its author to translate it into words. No one has to like Mr Nixon.

These who had to dislike him

But it was left to some of the British (and, it is worth noting, to some of the Scandinavians) to suggest that it was actually an intellectual offence to think that Mr Nixon was better fitted to govern than his adversary, or even that his re-election might in many ways suit European interests better than the election of Senator McGovern. The west Germans saw clearly enough that what was at stake, so far as their national interest was concerned, was the determination of the American government to maintain its commitment to European security. No serious German commentator pretended that he had the right to tell the Americans whom to vote for. Yet among some commentators and politicians in Britain Mr Nixon cannot even be given credit for many of the things that traditional liberals as supposed to approve of: for improving relations with the communist powers, for example, or for coaxing concessions out of the North Vietnamese that have brought a genuine settlement of the Vietnam war within reach. The French, again, were quicker to give credit where it was due. M. Jean-François Revel, writing in *l'Express*, argued that Mr Nixon has to be regarded as "the president who put an end to the cold war." Maybe the French are better equipped to recognise a gaullist policy when they see one, although most of them chose the obvious Metternich analogy (for Mr Kissinger) instead.

It has become platitudinous to point out that it is much easier, politically, for a conservative party to prac-

tise a flexible, innovating foreign policy, since it is bound to carry many of its right-wing constituents with it as well as some liberals and many of the uncommitted. If not the whole, that was the main part of Mr Nixon's first term. What are we to expect from the next? Greater emphasis on relations with the European community, on sorting out the world's monetary system, and on the American economy, certainly. That implies an effort to get the Vietnam issue out of the way once and for all—although not at the price of a collapsible settlement that would lead to the disintegration of a non-communist regime half-way through Mr Nixon's second term. The most peculiar of all the apparent counts against Mr Nixon, permanently condemned as that realist of the gutter, is that his realism does not, it seems, extend to securing his own peace of mind, far less his place in history, in the four more years that liberalism has had to concede to him.

The left looks west for a hero

It is very likely that the majority of the British press and television pundits would have castigated Mr Nixon anyway, at any juncture; but what needs to be thought about a little is the conjuncture of his re-election with Britain's definitive anchoring beside the continent of Europe. Perhaps it is not just a coincidence that among those who most abhor Britain's entry into the European community there has been this curious, late obsession with America, as if there would come, if it were willed strongly enough, some sign that the world was not entirely made of Nixons and Pompidous and Heaths. Somewhere up near the Canadian border, in South Dakota, Minnesota or Maine, there must be someone to lead an American party in the way the British left wing likes. Certainly since 1940 it has mattered greatly to British people who has been in charge in the United States. The British, like the blacks and the Jews, are, in that sense, to be numbered among the last remnants of the Rooseveltian coalition. So, unable to bring itself to take an interest in the politics of a Europe it does not like joining, the British left-wing intelligentsia seems to have cast a last, despairing and imploring look towards the Americans; seems to have indulged, almost consciously, if belatedly, in the prerogative of being the concerned and critical cousins; seems even to have engaged itself more fiercely in the hopeless fortunes of Senator McGovern than the American intelligentsia ever brought itself to do.

It would be a sad day if the British were either so uninterested in America or so preoccupied with Europe that they did not try to advise on and indicate consent (or do the other thing) to the American presidency. But the world, and even more the Americans themselves, must increasingly recognise what is real and what is hallucination in this. It was Harold Macmillan who saw the British as Greeks in another Roman empire. There has been a little in that. But nowadays it is not respect, in Europe or America, that is engendered by the spectacle of the British pretending to be wise, if dilapidated, Greeks sitting like Diogenes in his barrel in the sun, concerned only to lecture the more affluent passers-by.



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BRITAIN

Thalidomide children: it is not a party issue

National tragedies are not good subjects for party politics, and the Opposition ought not to have tabled an official motion on the thalidomide children. Mr Jack Ashley, a Labour backbencher, had already, through his persistence born of a genuine concern for the plight of these children, persuaded the Speaker to accept his own motion calling upon Distillers to "face up to their moral responsibilities," and this should have been debated as a non-party matter. It will not help the children for the Labour party to have taken over this motion and to try to appear as the party supporting them by contrast with a Government that is holding back. Mr Heath was quite right to tell Mrs Castle that the Government cannot interfere to bring pressure on one side or the other in legal proceedings.

Nevertheless, those proceedings should be speeded up. Protracted litigation has the worst possible psychological effect in all compensation cases. It has been shown time and time again that accident victims, for instance, cannot adjust themselves to their disabilities until their claims have been settled—whether for or against them. In the case of the thalidomide children 62 actions, which were brought within the three-year limitation period, were

settled early in 1968. Claims for negligence against Distillers were withdrawn, and the company agreed to pay 40 per cent of the damages that would have been paid had it been found totally liable.

In all, the company paid nearly £1m in respect of this settlement. It then announced that it would set up a charitable trust of £34m, to be used for the benefit of other thalidomide children—374 in all—on behalf of whom claims had not been made within the necessary three years. However, in 260 of these cases the time bar was surmounted for one reason or another, and in five of these the parents refused to accept the offer of a charitable trust, arguing in rejection of it that their children might fare better from a court action if it succeeded. Distillers, on the other hand, has taken the view that the offer is an all or nothing affair. By refusing to accept it, the company says, these parents are holding up a settlement for the remaining 369 children.

To add to the legal complexities, the Attorney-General has argued that some discussion of the issue has amounted to pressure on one side, and therefore, while legal proceedings are still going on, is contempt of court. Judgment is expected shortly on his application to restrain the Sunday Times from printing an article on Distillers and on the contempt case he brought against London Weekend Television.

In the meantime, Parliament should be concerned to treat the matter non-politically and to try to establish some facts. How many, for instance, of the 400-500 thalidomide children born in Britain—even their exact number is in doubt—are seriously handicapped? Not all of them are limbless—the disability with the biggest emotional

impact—and a report on the Scottish cases published two years ago found that on the whole they were no more likely to be maladjusted than ordinary children of the same age—though admittedly they were then all under 10. That survey found that deafness was an underrated handicap of thalidomide children. But there are many deaf children born each year, and also some with missing limbs, whose mothers did not take thalidomide in pregnancy. Or did they? Some doctors are concerned that there are still many medicine cabinets containing pills marked for sleeplessness or depression which are in fact thalidomide.

But by concentrating on thalidomide the Commons is in danger of overlooking the needs of those other congenitally handicapped children; for instance, the 1,500 spina bifida cases born each year of whom—as a result of modern surgery—600 are likely to survive, but often with fearful physical and emotional handicaps. Any foundation that the Government sets up, once the legal issue has been settled, should surely not be restricted to those disabled by thalidomide.

Census

Main crop

The advance analysis of the 1971 census,* published on Friday, contains only such basic information as it was possible for the enumerators to transfer, quickly, from the original forms on to machine-readable documents (and even then, it seems, the computer failed to read the birthplace of 200,000 people), and only covers Great Britain. But this wealth of information will be quite enough to satisfy most people's curiosity while the full reports—three per county—make their gradual way into the light from the Office of Population Censuses and Surveys. The tables in the advance analysis cover the major topics of age and sex distribution, birthplace, household size, economic activity and what is in statisticians' parlance called marital

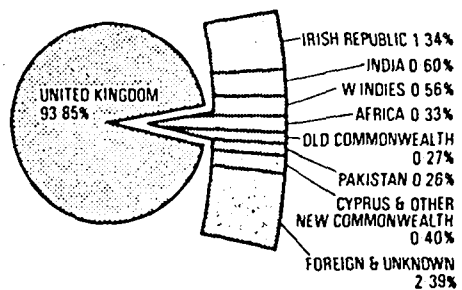
*HMSO. £4.50.



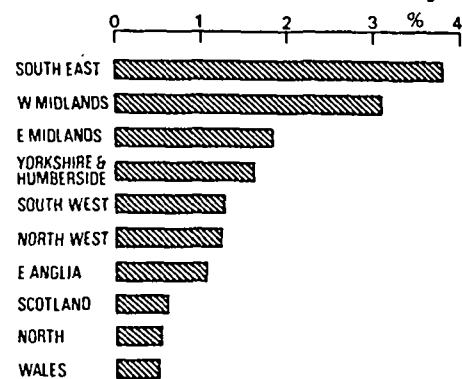
Ashley: persistent concern

Britain by birthplace

Percentage of population* born in:-



Percentage of New Commonwealth-born* in each region



* Figures for the New Commonwealth-born include an estimated 130,000 people of British ethnic origin.
Source: 1971 Census

condition.

The figures for age and sex distribution contain no great surprises, and were foreshadowed by the mid-year population estimates. Some 20 per cent of females, as against 10 per cent of all males, were of pensionable age (all figures are four months out, because the enumerators transferred the year of birth, rather than age on census night—which was in April). Even if one excludes the 60 to 64-year-old women, the percentage is 15 per cent. Since women live longer, they outnumber men. The overall ratio is 106:100, though men outnumber women in all age ranges up to 40.

Almost exactly a quarter—24 per cent—of the population was under 15, but the proportion varied markedly: 27.8 per cent of Clydesiders were under 15, but only 21.5 of Londoners. So too did the distribution of old people, with the highest proportion of them in the south east, outside London. The sex distribution followed the same pattern. Over a quarter of those over 65 in private households were living alone, but there was a considerable sex difference. Only 14 per cent of old men in private households were living alone as against 36 per cent of old women. The proportion of widowed and divorced people in the population continues to grow and, naturally, increases with age. One would expect the proportion of single people, similarly, to fall with age: but, curiously, it reaches a minimum—9 per cent—in the 50-55 age-group.

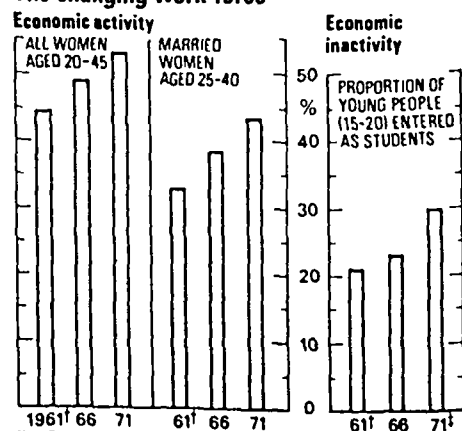
One of the most interesting tables shows the remarkable increase in female economic activity: over 53 per cent of all women in the 20 to 45 age-group were economically active (meaning in work, looking for work or not working through sickness). Even

among married women, nearly 44 per cent of those aged 25-40 were economically active. The chart above shows how greatly this figure has grown since 1961, and also how the proportion of students in the population has increased.

The "out of employment" figures, which include those looking for work but not registered, followed the pattern of the regular unemployment figures (high in the north, decreasing towards the south) but the advance analysis contained a particularly interesting breakdown of immigrant unemployment. The summary figures for the birthplace of Britain's population, illustrated above, suggest that the Home Office's estimate—650,000—of the number of New Commonwealth-born immigrants over the past decade (allowing for deaths and re-emigration) was remarkably good: the 1971 census results show an increase of 625,000 people. They also suggest, as expected, that the 1966 census was nearly 10 per cent too low in its enumeration of immigrants (for no more sinister reason than that multi-occupied dwellings were under-represented in the sample). But the Home Office's estimate—250,000—of net increase from the Republic of Ireland in the decade 1961-71 now looks about 150,000 too high.

The number of New Commonwealth-born people in Britain on census night was 1,160,000, or 2.15 per cent of the total. This includes an estimated 130,000 people of British ethnic origin, who will be distinguished in later census publications. These immigrants included a lower proportion of children than the population as a whole, a higher proportion in the 25-45 age group and a very much lower one of those over 45. There was a lower proportion of females, particularly among

The changing work force



1 Estimated; age-groups for the 1961 census were slightly different.
2 Age groups are slightly distorted because for advanced analysis year of birth was used rather than age at the time of the census.

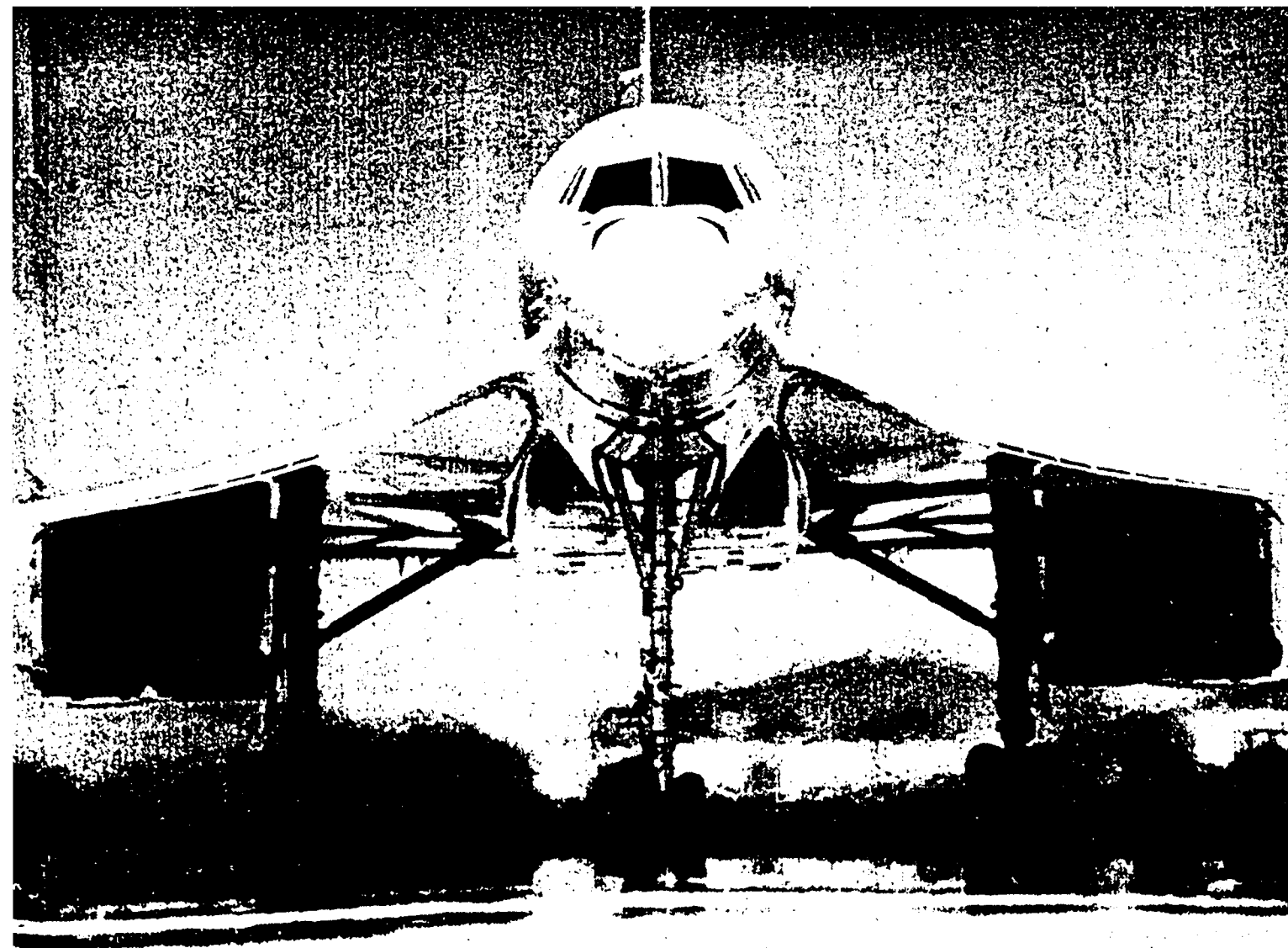
those born in Pakistan, who included only 39 women for every 100 men.

By far the most disturbing figures displayed the marked difference between the proportion of overseas-born and British-born who were out of employment: this was particularly large for West Indians, but even larger, interestingly enough, for the Irish-born. Some 9 per cent of Irish-born men aged 20-45 were out of employment, as against 4.7 per cent of the British-born (and only 4.4 per cent of the Indian-born). But West Indian-born teenagers showed the highest out-of-employment rate of all: 16.2 per cent, as against a figure for the British-born, itself depressing enough, of 8.1 per cent. It will be interesting to learn from later census data whether this distinction is as great when British-born teenagers of West Indian ethnic origin are included in the calculation. For the moment, the best estimate of the number of British-born people of New Commonwealth ethnic origin is still 500,000. Meanwhile, a breakdown of births in 1971 shows that the number of babies born to New Commonwealth immigrants is actually falling slightly.

Letter-bombs

And Christmas is coming

When Mr Tom Jackson, general secretary of the post office workers, described a statement about letter-bombs put out by the Metropolitan Police this week as "alarmist in the extreme," he was probably trying to calm the understandable fears of his own members about handling letters or parcels from overseas which might be carrying plastic explosive. But the police attitude was that although



Leadership

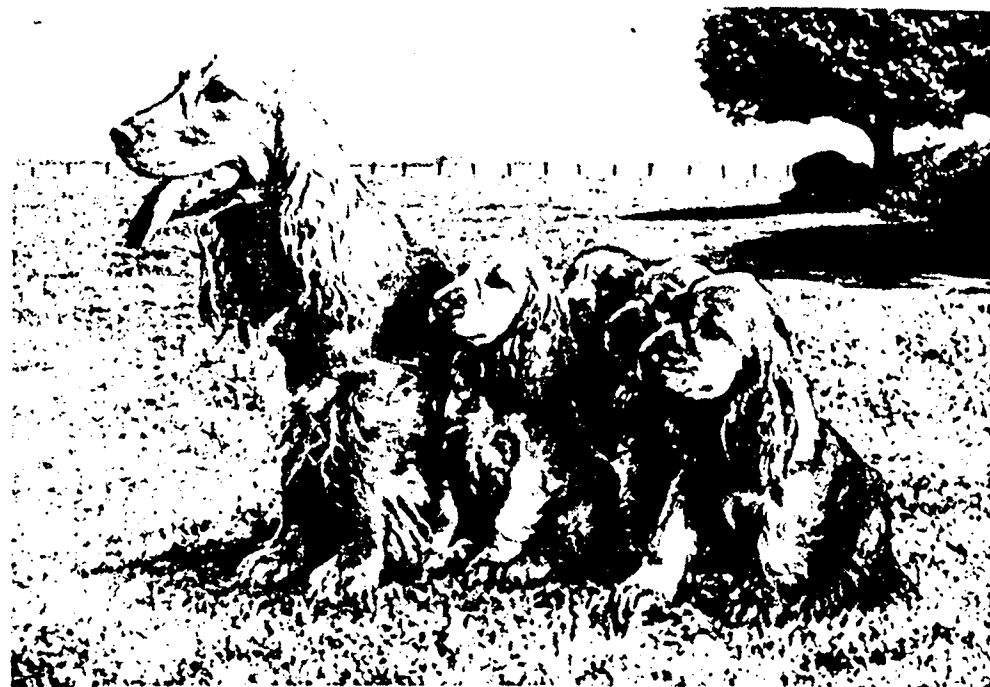
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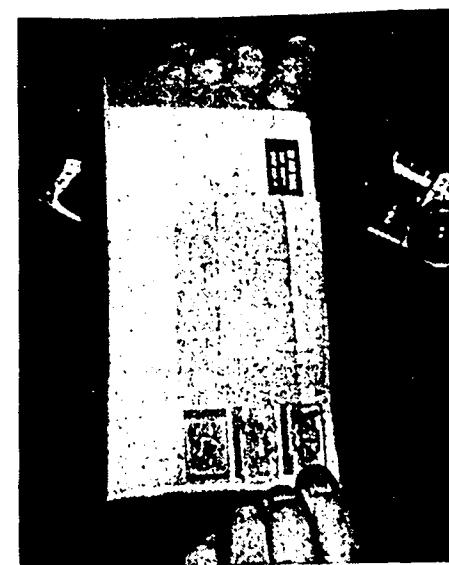
In textiles, for example, where Trevira high tenacity fabrics have, at long last, rendered outdoor events independent of the weather; and where 'Jersey Man', evolved in collaboration with leading UK knitters and based on Trevira Jersey cloths, is introducing an entirely new concept into male fashion. In resins, where Mowilith, 'the raw materials with a thousand uses', is helping to preserve and restore works of art such as the priceless lace and gobelins in Karen Finch's Ealing workshop. Or in pharmaceuticals, where construction has recently begun at Milton Keynes of a new research centre for nuclear medicine to develop new diagnostic techniques and to speed the evaluation of new preparations.

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Letter-bombs: outside and inside



only one of the 22 letter-bombs which arrived in Britain between Friday and Tuesday had caused injury—a London diamond merchant opened one which blew up in his face—any or all of them could have killed. They were therefore dealing with 22 cases of attempted murder.

That is why the matter became the business of the Criminal Investigation Department and why a special bomb squad was created under the leadership of Commander Ernest Bond (who had been known as Commander "X" during investigations of Angry Brigade activities last year). Under him was an ad hoc team recruited from the Special Branch and the CID, with a chief superintendent acting as an international liaison officer. As it was, Scotland Yard's resources were well stretched in destroying actual bombs sent through the post to Jewish companies and in following up what turned out to be false alarms but could not be ignored. The Yard has only four explosives experts capable of this kind of work, all of them former army officers, three ex-majors and one ex-captain. The army's own experts are kept busy in Ulster. The Home Office also has a small team which followed up calls from Glasgow.

To protect both the public and post office workers—for whose safety Mr Jackson was, of course, properly concerned—a security system was quickly set up. Extra supervisory staff were given the job of watching for all suspicious mail and the screening was especially intense at ports and airports and major centres of population. The Post Office was sensibly discreet about the methods being used but satisfied

it was doing all it could. Some embassies and firms invested a rapid £2,300 in a special detection machine, but experts reckon the really foolproof device for discovering which letters or packets are concealing plastic explosive has yet to come on the market.

For its part, the Metropolitan Police issued detailed guidance about the likely form a bomb sent through the post would take, how it could be recognised and what should be done about anything that looked like a bomb. Emphatic advice: don't put it in water and don't try opening it or tampering with it in any way—leave it to the experts. But the Yard statement left the impression that anyone who followed the instructions and behaved with care should be able both to spot a letter-bomb and not get hurt by it.

For all the precautions that have been taken and will be taken the Post Office is vulnerable and believes it must always be so. It is aware of the dangers and so are the police, and the focus of all their anxiety is the approaching Christmas rush. Normally 35m items of mail are handled each working day, but over the three weeks of Christmas collections and deliveries just under 1,000m items will be handled, with room a day at the peak.

Letter-bombs are not all that delicate, and any airmail letter that makes its way from India to Britain has to put up with some pretty rough handling. But what happens at Christmas is just that much more rough. The police would be less worried if they—or their opposite numbers in other countries—had any idea where in the world the bombs are being manufactured. But so far they haven't,

and they feel sure there are more to come. The question is—from where?

Ulster

Crossed fingers

There is a real possibility that the Roman Catholics of Belfast will fall into line behind the Catholic ex-Servicemen's Association (strong in the Ardoyne) and the association itself is quite likely to take on a paramilitary form. On the other side, the wild men of the Ulster Defence Association and the Ulster Volunteer Force could still decide to translate their rhetoric into street violence against either Roman Catholics or the army. Yet Mr Heath should be able to draw some comfort from his two-day visit to the province this week.

Just by being there he has shown yet once more that he has no intention of washing his hands of the whole business. The main aim of the IRA Provisionals' campaign of urban terrorism has been to make British public opinion fed up with Ulster's troubles to the point of forcing the Government to withdraw. But however much pub gossip in Britain may be for pulling the soldiers out, that populist mood has not so far won many supporters at Westminster. On the contrary, there is plenty of realism about Ulster on both sides of the House, even if Monday's Commons debate on the Government's green paper was an arid and predictable affair. Naturally enough, many Labour MPs are unhappy at the holding of the plebiscite on the bald question of whether Ulster's people wish to stay in the United Kingdom or join the Irish Republic. During the plebiscite bill's passage through the Commons, they will try to get the questions broadened, but Labour will not object to the measure in principle.

The Government's green paper has found some friends abroad. Senator Edward Kennedy, who last winter made several ill-informed attacks on Britain's Ulster policy, welcomed it in a BBC television interview on Friday, and Lord Windlesham, minister of state for Northern Ireland, has spent the week explaining it to the Americans. He told a Harvard audience that the aim of successive British governments since August 1969 has been the same. There were three objectives. First, to create a stable peace in the province "under conditions of equal opportunity for all its citizens." Second, to keep and strengthen cordial rela-

tions between Britain and the Irish Republic "which should exist between neighbouring states with so high a degree of mutual interest." Third, "to reassure the Protestant community that they will not be forced into a united Ireland against their will." In the words of Lord Windlesham, such a policy "simply stated is far from simple to achieve." That is the kind of caution every politician has learnt to show in talking about Ulster, even when there are small signs of hope.

Planning Pain-killer

The Land Compensation Bill, published at the end of last week, goes far to meet the material objections of people affected by such things as new motorways and airports. In line with the recent white paper (Cmd 5124) it offers for the first time compensation to people living nearby who can show, within certain time limits, that their property has been reduced in value by the building of new or enlarged public works. Formerly only those actually bought out from the site were compensated. At the same time, to give public authorities a chance to make a more tolerable job of fitting new roads and other works into their surroundings they are to have additional powers to acquire adjacent property. At an official guess, these and other aspects of the bill may cost central and local government up to £65m a year plus a short-term £25m for two years to deal with the backlog.

Another new feature is the right to personal compensation for people who lose homes or farms in the process of development; quite rightly, this section covers slum clearance too. Lump sums of up to £1,500 may be paid to anyone who has been in occupation more than seven years. Given a time limit, there is no justice in excluding furnished tenants from any home loss compensation, while the exclusion of statutory tenants (those benefiting from the security of the rent acts) looks merely spiteful. All in all, though, these innovations plus improvements to the existing law—such as terms for traders and a much firmer rehousing obligation on local authorities—should take quite a bit of pain and fear out of these major upheavals.

Perhaps the Government should now concentrate on improving what happens at the pre-building stage. There is much resentment, currently

being aired in The Times letter pages, about Whitehall secrecy over trunk road proposals (though local government can be just as clam-like about road plans at times). Waltham Holy Cross council is in hot water with the Department of the Environment for publishing off its own bat details of a controversial motorway through Epping Forest in order to get public views before the last minute. The difficulties faced by objectors at public inquiries seeking official information are well known. On the other hand some Buckinghamshire villagers who successfully fought off a bypass road were told by Mr Peter Walker, shortly before he left the environment department, that they could reclaim their legal costs from the county they had opposed.

Police

Not so softly, softly

Police and journalists are not natural mates and it is very much easier to say that relations between them ought to be better than to make it happen. But that is what Mr Robert Mark, the metropolitan police commissioner, wants and there is no doubt of his determination or that of his senior colleagues to achieve it.

Mr Mark is prepared to let policemen of all ranks, down to the man on the beat, speak to the press and be interviewed for television and radio. He is taking an acknowledged risk that some will put their big feet in it but is ready to forgive genuine mistakes so long as a man has stuck to what he is responsible for—eg, how an accident happened, how a hold-up was staged—and does not talk on matters of policy, such as wages or race relations. At least 200 members of the metropolitan force, starting at the top with the four assistant commissioners, are going to be trained in broadcasting techniques in the next year by the same firm that put the army in Ulster through its initial paces.

Eventually this sort of indoctrination into the hazards and opportunities offered by the media is intended to become part of a policeman's basic training. It is one thing, however, to teach a man to face a camera and to abandon the language of the notebook—"I was proceeding along the high street in a northerly direction..."—but quite another to change deeply ingrained attitudes of mind. The instinct of the policeman is to keep



Mark: talk up, coppers

what he knows to himself and to keep himself at a mental distance from the public he serves. If anyone is to talk to the press or appear on the box, he would say, let it be one of the top brass. He sees no reason for sticking his neck out and, considering what the attitude at the top has been in the past, no one should blame him. But Mr Mark is concerned with fostering more trust and confidence in the police, and he is right to think that a more open attitude towards the press could contribute to that objective.

The metropolitan force has held a series of meetings recently with media representatives. One outcome is to be the issuing of new press passes by the police, passes whose wording will stress the help the holder should be given wherever possible rather than, as at present, warning against misuse. In the past they were issued only after the journalist had been vetted by the Special Branch and the Criminal Records Office. In practice, the pass has conferred no great benefit or privilege in the capital itself, as some who have tried to get round parking restrictions and the like have soon found out. But it has been helpful in other cities and especially in Ulster where the knowledge that a reporter has been vetted and found clean is a starter in his favour at least. Now the vetting is to go; an editor's recommendation will be enough and it is the editors who will be told if a journalist's conduct is persistently unsatisfactory from the police point of view. That must ultimately lessen the value of the metropolitan police pass as a respectable visiting-card, but it does show again the wish of the commissioner to remove some of the more obvious barriers to media-police relations.

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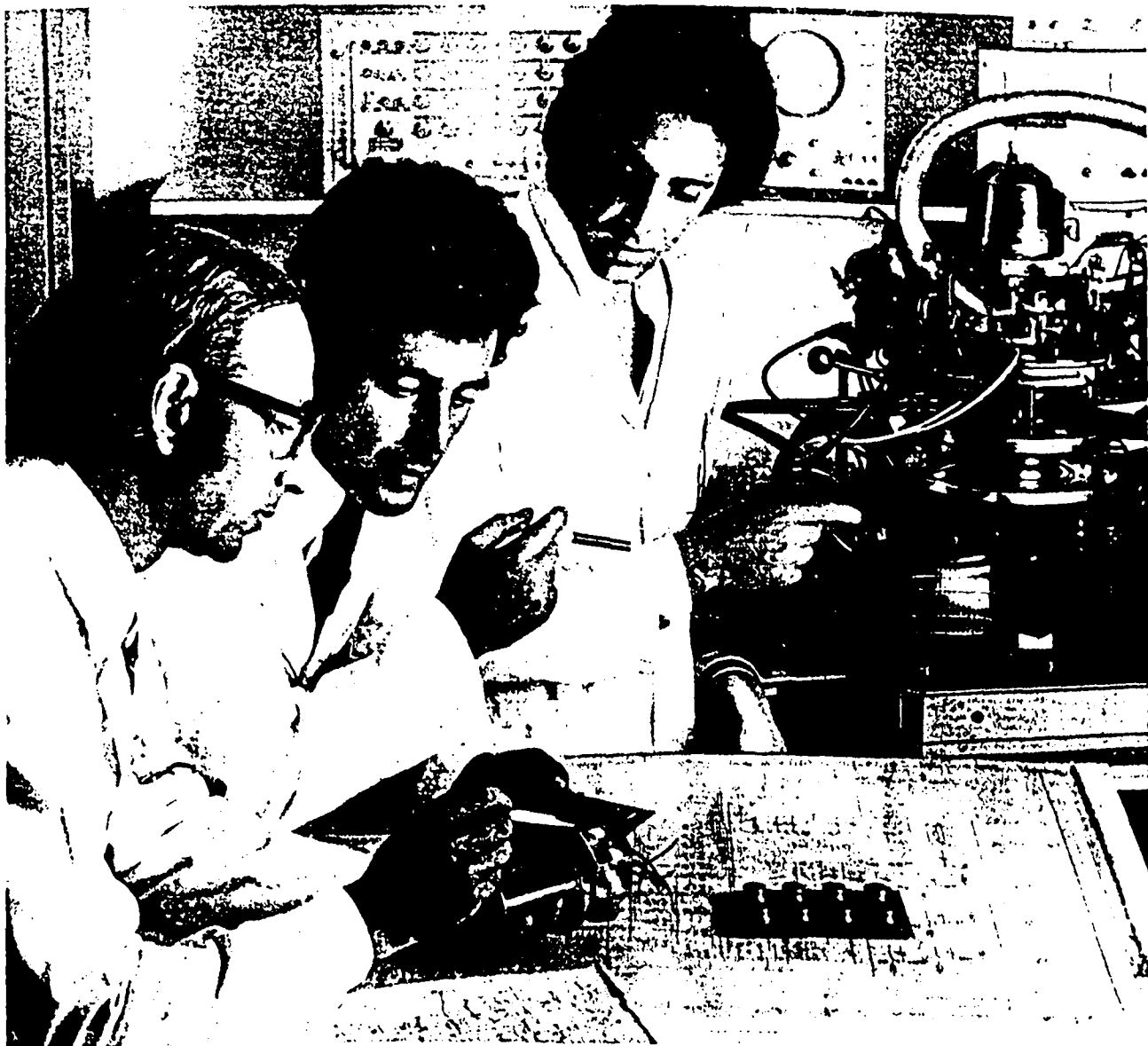
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THE WORLD

German elections

A choice between two ideas of Germany

FROM OUR BONN CORRESPONDENT

In Sunday's computerised west German elections, the polls will close at six o'clock in the evening. Immediately, the teleprinters will start to bring the verdict of an electorate of 40.8m people to Bonn. Here, for a feverish hour, the vote (half by direct constituency election, half by proportional representation) will be counted by computer and analysed under television lights by party leaders. Soon after seven o'clock it should become clear, by normally accurate computer prediction, whether Herr Willy Brandt will remain chancellor or whether the Christian Democrat leader, Herr Rainer Barzel, will move into the Palais Schaumburg.

This week's run-up to the run-off has been lively enough. Both the Brandt and Scheel coalition team (Social Democrat-Free Democrat) and the opposition Barzel-Strauss combination (Christian Democrat-Christian Social Union) have been giving their images a final polish on the television screen and making daily whirlwind tours around the provinces. One thing that is required of any leading German politician, as much as of any American, is an iron constitution. Additionally, on this particular occasion, when the campaign was curtailed because the government had failed to complete its full four-year term, your politician has required a delicate sense of timing. Herr Brandt has shown that he possesses more of these attributes than Herr Barzel.

Last week's initialling of the newly negotiated treaty with east Germany got the opposition well and truly over a barrel. Herr Brandt somewhat disingenuously remarked that the treaty need not necessarily become a bone of contention in the campaign. For a few hilarious days it became an issue whether the treaty should be an issue

or not. The personable Herr Barzel, revealing an unsureness of touch, convoked a press conference and told it at some length that he had not had time to read the treaty properly and had no comment to make.

Herr Barzel has since been moved (prompted, perhaps, by his formidably forthright Bavarian partner, Herr Strauss) to accuse the government of having acted dishonestly in not providing full information about the background to the treaty, and to declare that it must not be signed until all shooting by east German border guards has stopped. The two shooting incidents on Tuesday, in one

of which a would-be escaper was wounded by an automatic firing device and in the other a girl was stopped from crossing the line by heavy fire from east German border guards, have given some useful last-minute support to Herr Barzel's argument. He has also been haranguing the ambassadors in Bonn of Russia, Britain, France and the United States, suggesting that it was unfriendly of them, in the circumstances, to "help" the government by signing the declaration on the four powers' continuing rights and responsibilities in Germany and thus making it possible for the treaty to emerge.

While all this was going on, Herr Barzel seems also to have been searching for a last-minute secret weapon with which to counter the government's treaty coup. He lighted, unfortunately as it turns out, on Professor Karl Schiller, who until his resignation in July was minister of finance



Would you guess that Barzel offered stability, and Brandt mobility?

and economics and a leading member of the Social Democratic party (SPD). After the professor had had two meetings with Herr Barzel, it was reported that he had agreed to help the CDU to fight inflation. The clear implication was that the professor, who had been the SPD's star performer in the 1969 election, would be wheeled out before the electorate during this last week to damn the government for its economic policies (for which he himself was until recently responsible). However, the secret weapon was insufficiently primed. The professor, who is given to delphic utterances, has denied that he was seeking any public office and has retired to keep his own political counsel once again—at least, presumably, until he knows the result of Sunday's election. Collapse of secret weapon.

Professor Schiller has, however, been featured in newspaper advertisements alongside the former Christian Democratic chancellor, Herr Ludwig Erhard, embracing the opposition's electoral slogan of economic stability. This was, is and will be the CDU catchword. The slogan appeals to an electorate which has seen the cost of living index rise by 6 per cent during the past year, a sight that revives tortured memories of galloping inflation under the Weimar republic. What the CDU would actually do to curb inflation is not spelled out in detail. For its part the government reiterates its argument that a 5 per cent increase in prices is better than 5 per cent unemployment. It also claims that inflation is due to international circumstances.

The government counts on its successes in its eastern policy to keep it in power. But the real deciding factors on Sunday will be attitudes of mind rather than straight issues. The conservative Christian Democrats consider themselves the true inheritors of traditional German values; Social Democrats claim that they are establishing a new social order internally, and that externally they have created a good-neighbour relationship with the communist east while retaining and even strengthening the alliance in the west.

One of the Social Democrats' main slogans, which is apt to have a nationalistic ring in the ears of the younger generation, is: "Germans, we can be proud of our country." This has been printed under pictures of Herr Brandt, who says he thought it up himself and that he was thinking chiefly of older people who could remember



Schiller: as delphic as ever

the years before 1945. In the eyes of right-wing-minded electors, who are accustomed to think of Herr Willy Brandt as an "outsider" because of his exile in Scandinavia during the years of Hitler, the slogan is a piece of outrageous cheek.

A sizeable part of Sunday's decision, however, does not lie with those who have memories of Hitler or of war. This is the first election in which 18-year-olds will have the vote, and altogether some 4.8m people will be voting for the first time. The majority of these, according to one poll, would prefer to see the present coalition remain in power.

Immediately after the last elections in 1969, the line-up in the Bundestag was: SPD 224, and their coalition partners the Free Democrats (FDP) 30, against the CDU/CSU's 242. The coalition thus had a majority of 12, which was subsequently whittled away, by defection to the opposition, until the two sides were equal and the Bundestag was deadlocked. At this turning point in European affairs, what many people most fear is that Sunday's voting may produce a situation uncomfortably similar to the one this election has been called to resolve.

Behind Scheel's smile

Bonn

"Blessed are the chancellor-makers, for they shall see Brandt"—thus spake one contemptuous CDU supporter on the eve of the election. The chancellor-makers are the Free Democrats (FDP), led by Herr Walter Scheel. In the 1969 elections they won 30 seats—none of them outright, but all on the propor-

tional representation system's "second list." They thus enabled Chancellor Brandt to come to power, and in the process they picked up the two plum jobs of foreign minister and interior minister. But they polled only 5.8 per cent of the total vote, which came too close for comfort to the 5 per cent threshold below which parties are debarred from being represented in the Bundestag.

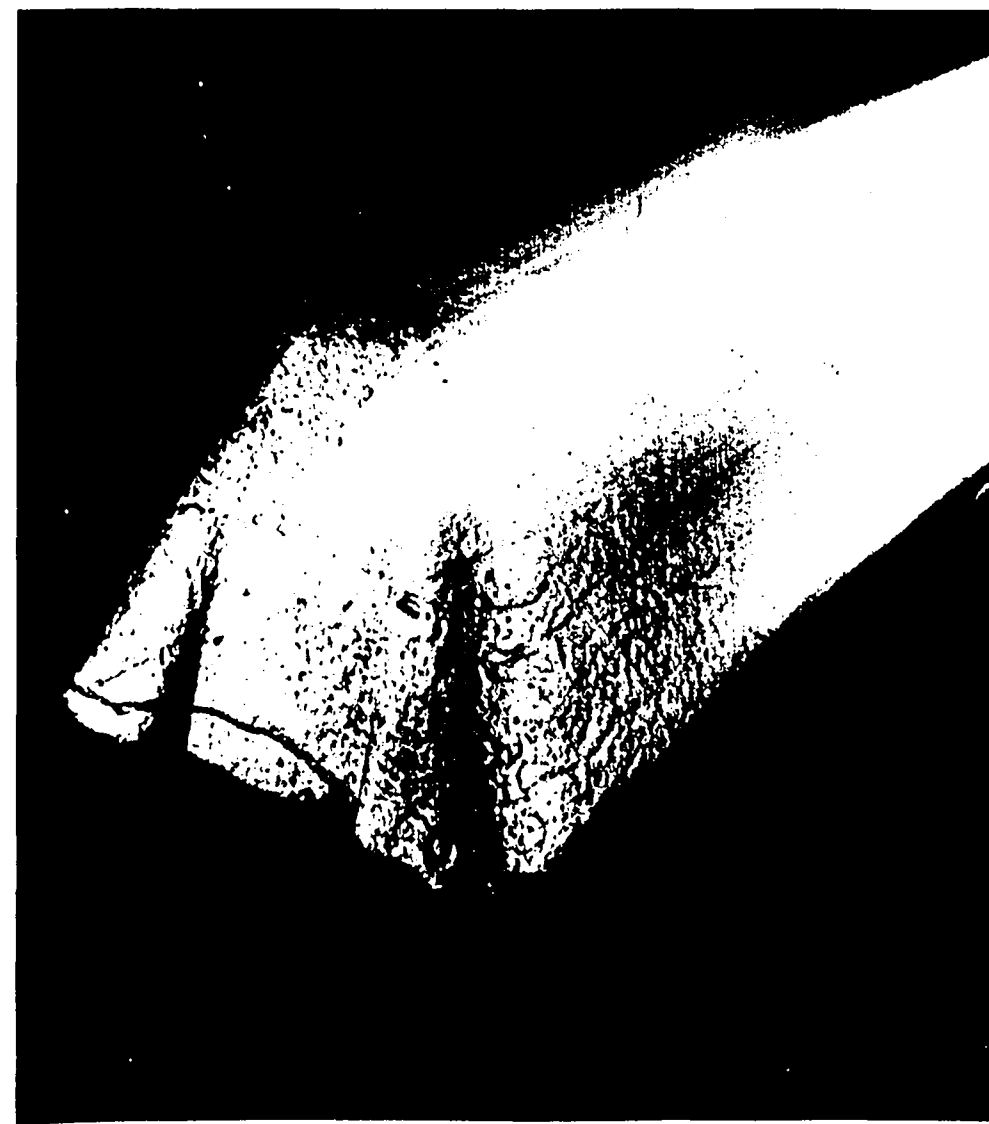
The party says it is confident that in Sunday's election it can improve on its 1969 showing. But in fact it could be touch and go whether it can get the vital 5 per cent, since the German electorate is showing a tendency to polarise itself between the two big parties, the Social Democrats and the Christian Democrats. And if the FDP fails to cross the threshold, it seems to follow that Herr Brandt is not going to be returned to power. Nobody believes that his Social Democrats will get a clear majority of their own over the Christian Democrats. The Free Democrats are the gum in his strategy, and if they come unstuck, so does he.

It was the defection of several of their Bundestag members to the opposition this year that made it impossible for Herr Brandt to carry on. Now they are in much better shape, having purged themselves on both the right and the left. They have sought to ensure, by a vigorous screening process, that all their candidates know what the party is about. They are publicly pledged to a continuation of the present coalition.

During the election campaign they have had a difficult row to hoe. They have had to display themselves as an independent party, but at the same time to insist that their differences with the Social Democrats are not big enough to prevent a continuing and harmonious coalition. In this task they have been greatly helped by the performance of Herr Scheel, the smiling Rhinelander, who perhaps comes across on television better than any of the other prominent politicians.

They confidently expect themselves to emerge again as chancellor-makers on Sunday. But there is another possible perspective that has been discussed by some people in Bonn. Suppose the government wins the elections only by a narrow margin, and the Free Democrats only just get their 5 per cent of the total vote. The resulting situation might yet tempt some of the Free Democrat members of the Bundestag to cross the floor when suitable issues come up; and then history would begin to repeat itself.

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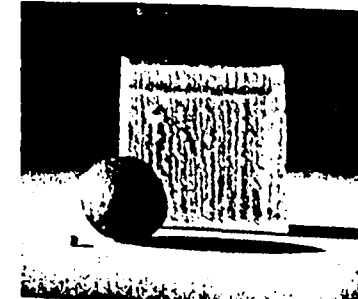
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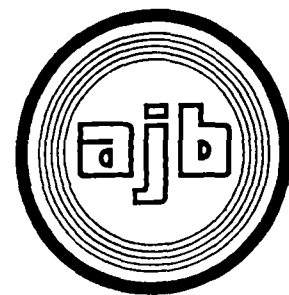
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The closing gap

This west German general election will be the seventh to be held in the Federal Republic. Two distinct trends have marked the elections between 1949 and 1969. The first has been the gradual elimination of most of the smaller parties. The electoral system was altered before the 1953 election to prevent the Bundestag and the Land (provincial) legislatures being overrun by small splinter parties. Two hurdles were erected, which any party must surmount before it can be represented in the parliaments. A party must either win seats outright in at least three constituencies, or it must receive at least 5 per cent of the total vote.

These hurdles prevented the extreme right-wing National Democratic party from getting any seats in the Bundestag in 1965, when it polled 2 per cent of the vote, and even in 1969, when it got 4.3 per cent. Its complete failure in subsequent provincial elections suggests that it will fare very badly on Sunday.

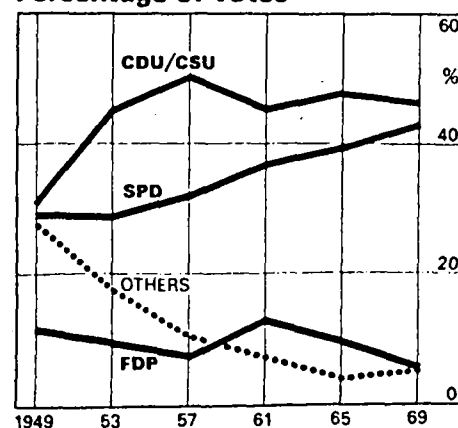
Since 1961 only three parties have been represented in the Bundestag and the strength of the smallest of these, the Free Democratic party, has steadily declined. The vital question to be answered on Sunday is whether this party, whose alliance with the Social Democrats has made Herr Brandt's coalition government possible,

will get more than 5 per cent of the total vote. In 1969 its percentage fell to only 5.8.

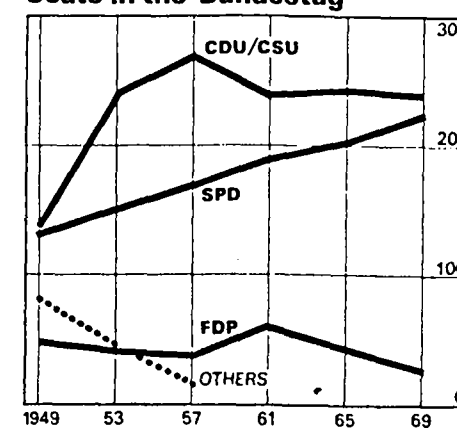
The second important trend which has shown itself since 1957 has been the narrowing gap between the two major parties, the Christian Democratic Union (here taken to include its Bavarian sister party, the Christian Social Union) and the Social Democratic party (SPD). In 1949 there was no more than a 1.8 per cent difference between their shares of the poll, but this widened to 16.4 per cent in 1951 and to 28.4 per cent in 1957, when the CDU-CSU won over 50 per cent of the total vote. But after the SPD party congress of 1959, when the party quietly dropped its more rigid socialist doctrines, its fortunes turned; in 1961 the gap narrowed to 9 per cent, and in 1965 to 8.8 per cent. In 1969 the SPD was only 3.4 per cent behind the conservatives.

The opinion polls have given no clear indication which party will emerge victorious. At the beginning of October the Allensbach poll showed the SPD well in the lead with 49 per cent of the votes, the CDU-CSU with 44 and the FDP with 5 per cent. The same organisation's latest poll, this week, indicated that the CDU was just ahead of the SPD, but that the SPD and the FDP together might get 52 per cent of the total vote. The FDP had the support of 6.1 per cent of the electorate.

Percentage of votes



Seats in the Bundestag



Postwar governments

	1949-57	1957-61	1961-65	1965-66	1966-69	1969-72
Governing parties	CDU/CSU + FDP + GB + DP	CDU/CSU + DP	CDU/CSU + FDP	CDU/CSU + FDP	CDU/CSU + SPD	SPD + FDP
Chancellor	Adenauer	Adenauer	Adenauer, then Erhard	Erhard	Kiesinger	Brandt

CDU—Christian Democratic Union. CSU—Christian Social Union. SPD—Social Democratic party. FDP—Free Democratic party. GB—All German Block. DP—German party.

The border view

Helmstedt

At first sight it looks temptingly easy. The old signboard still stands at the eastern exit from Helmstedt, two miles from what they still call the zonal border, proclaiming in black on yellow: Berlin 185kms, Danzig 653kms, Königsberg 784kms. No hint of the "inviolable" east German, Polish and Russian frontiers that you would in fact have to cross before you could reach east and west Berlin, Gdansk, and Kalininograd. But the eastward-bound through trains are still subject to an hour's close scrutiny when they reach Marienborn, the first stop in east Germany.

But soon things will be easier, according to most of the Social Democratic and Free Democratic candidates, for a lessening of the present border obstructions is expected as soon as the new Bundestag ratifies the basic general treaty between east and west Germany. Most directly affected, at first, will be the 6m west Germans who live near the border in a belt, from 25 to 40 miles wide, that includes several sizeable towns. Four new road crossing points are to be opened to supplement the four existing ones. And the west Germans of the border belt are to be permitted, "on application," to enter a corresponding belt of east German territory and to spend up to 30 days a year there, which they may divide into nine separate visits.

Christian Democratic speakers in the border region are echoing the doubts voiced by Herr Gerhard Schröder, the former foreign minister. In his speeches up and down the country, he is asking whether the promised "alliations" are guaranteed, whether east Germany might cancel them on some contrived pretext, whether four-power responsibility for Germany and Berlin has in any way been eroded, and why the unity of the German nation is not mentioned in the treaty.

At a subdued rally in a Helmstedt beer hall on Monday night the federal minister for transport and communications, Herr Laurenz Lauritzen, plunged straight into the subject. Sunday's election, he said, had largely assumed the character of a plebiscite on the treaty with east Germany. He was sure that the east German government meant business, and that the four powers would honour their responsibilities for Germany as a whole. At this juncture the west Germans could not afford to demand all or nothing.

THE WORLD

International Report

Once more into the breach,
dear enemies

FROM OUR SAIGON CORRESPONDENT

The Vietnam peace negotiators are assembling again in Paris, for what may or may not be the one last session Henry Kissinger was talking about three weeks ago ; but it is still impossible to tell whether the gap that remains to be bridged is a yard wide or a mile. Le Duc Tho, North Vietnam's chief negotiator, left Hanoi for Paris on Tuesday, with stop-offs in Peking and Moscow for consultations on the way. His equivalent from South Vietnam, Pham Dang Lam, was due in Paris on Thursday, without knowing whether he could join in the private Kissinger-Le Duc Tho talks. Mr Kissinger himself, who has to provide most of the ingenuity needed to span the gap, was expected to take off from Washington at any time.

From Saigon it now seems clear that Mr Kissinger was uncommonly lacking in prescience when he failed to foresee the South Vietnamese government's reactions to the draft peace agreement. General Haig's visit to Saigon at the weekend appears to have done little to soften President Thieu's objections to it. No reliable information has been released on the substance of the two men's talks, but the president's public relations machine continues to utter the same dire warnings as before.

On the face of it, Mr Thieu is still demanding what amounts to a fundamental revision of the agreement. The point he is concentrating on is that North and South Vietnam are two entirely separate countries, and that this should be reflected in the agreement. Of course, lawyers could spend a long time arguing whether this is what the 1954 Geneva agreements really intended, as Mr Thieu insists they did; but the Americans are not well placed to disagree with him, since they have long used similar arguments to justify their Vietnam policy. The

consequence, for Mr Thieu, is that there can therefore be no justification for northern troops to stay in the south. Mr Thieu wants North Vietnam's men either to leave directly after a ceasefire, or to regroup in areas where they can come under international supervision, and then pull back to the north later. North Vietnam is resisting this—indeed, any change in the draft text, Mr Xuan Thuy said on Thursday.

But Mr Thieu could be playing a very skilful hand of diplomatic poker. He has suggested as much by asserting that there are 300,000 North Vietnamese in South Vietnam, whereas the Americans—from whom the South Vietnamese get much of their information on such matters—say there are only half as many. It is the sort of

tactic you might use if you were planning to bargain about numbers. There may also be more bargaining room in the geographical aspects of the ceasefire agreement than most accounts of it suggest. To begin with, it would indeed be of the "leopard-spot" sort. But North Vietnam and the Vietcong seem to accept that a certain amount of regrouping must then take place. What they are shooting for is a viable piece of territory that the Provisional Revolutionary Government can call its own. This would have to lie mainly along the border areas, but it might also include some areas along the coast, either in the Mekong delta or along the coast of central Vietnam.

Is President Thieu trying to make sure the other side gets as little territory as possible, just as he is trying to get the Americans to ask North Vietnam to withdraw more troops than it already seems to have tacitly agreed to pull out? Maybe. The trouble is that if Mr Thieu does in the end agree to compromise he is going to look to the South Vietnamese as if he has given in to the Americans. And any-



It's one way of looking for North Vietnamese, but why should they have to?

THE ECONOMIST NOVEMBER 18, 1972

35

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way the old question of how much pressure the United States can really apply to Mr Thieu has never been more vexed. In theory the Americans could cut him off without a penny tomorrow. In practice Mr Thieu seems to be a necessary part of Mr Nixon's peace-with-honour formula.

While the bargaining goes on the communists have cut back their military activities. The number of "enemy-initiated incidents" has been running at only 60 or 70 a day this week, most of them consisting of a few rockets or mortar bombs. That is half the number in the upsurge that started just before the middle of October. The South Vietnamese say the communists have now been driven out of all the villages they moved into at that time around Saigon. But guerrillas in small groups remain in this area, far more in evidence than they were before this year's offensive started.

North Vietnam

The others who deserve a break

FROM A SPECIAL CORRESPONDENT IN HANOI

Hanoi is preparing for peace in pretty good shape, despite the attention it has received from American bombers since April. The only bridge over the Red river has gone, severing the rail-

way to Haiphong to the east and the food surplus provinces to the south. But there are no apparent signs that this is hurting the city. Some people have been evacuated to safer zones, but the majority of the population still lives and works here, and it is eating and drinking as well as before. There has been no cut in rations and it is said that the prices in state shops are unchanged.

The new pipelines running across the border with China evidently keep North Vietnam adequately supplied with oil. There is plenty of long-distance truck traffic to be seen, which suggests that bomb damage to roads gets quickly repaired and that trans-shipment across rivers by ant-like labour brigades working through the night makes up for missing bridges. The six-month-old naval blockade has certainly hampered the flow of war materials to the south but there is no evidence of a creeping paralysis. The North Vietnamese claim that imports of both civil and military requirements are "adequate," and that shipments are still coming in by sea. But they do not deny that Haiphong is out of commission: nothing has moved in or out of that port since May.

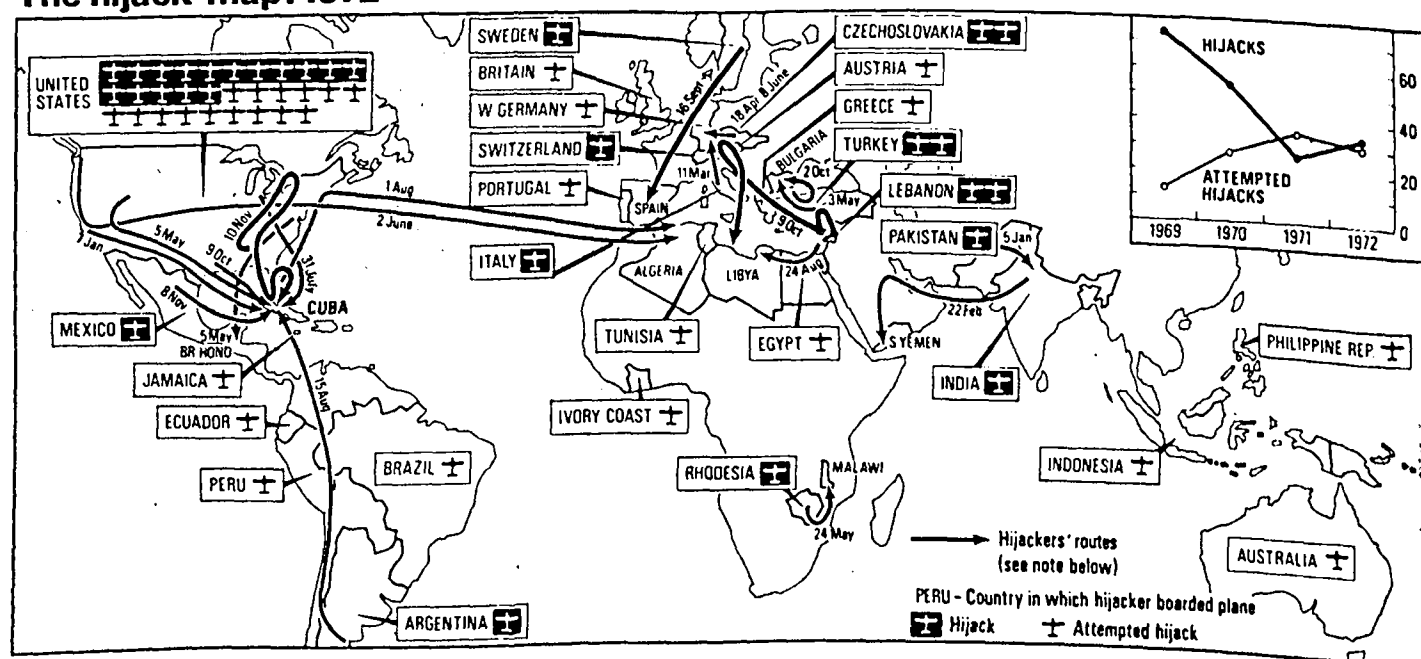
It is difficult for a western observer to make any firm judgment about the state of morale. The North Vietnamese make no secret of their desire for an

early end to the war, but they add quickly that they have always wanted peace. It is admitted that the loss of manpower is holding back agricultural growth, but even so they claim that rice production has moved ahead thanks to higher yields from new paddy strains. They complain loudly that bomb damage to dikes will hamper the harnessing of water for irrigation in the current dry season. But whether the repair job has been unexpectedly quick, or there is a simpler explanation, the fact is that there is little dike damage to show to visiting correspondents or wide-eyed delegates from American anti-war organisations.

In contrast, a large part of North Vietnam's slender industrial base is visibly in ruins. Some machinery and equipment was perhaps dispersed to the countryside, but not much. A great deal will have to be rebuilt from scratch. This is where the American offer of aid will help to ease the burden. The unanswered question is whether North Vietnam is willing to make itself dependent upon American spares. Since it cannot, even if it tried, produce everything itself, it may well have to choose carefully what it agrees to receive by way of American "contributions" for reconstruction.

Continued on page 43

The hijack map: 1972



This map shows where most of this year's hijackings took place, which of them were successful, and where the hijackers who managed to divert their planes to a foreign country actually went. The American definition of a hijacking as an incident in which the hijackers manage to gain control of a plane is used here; so the figures for hijackings should not be taken to mean

that the hijackers actually made a clean getaway in every case. That happened in only six of the 16 hijackings in the United States this year; four planes were taken to Cuba and two to Algeria. Two other American hijackers parachuted out of their planes (one over British Honduras) but both of them were later arrested.

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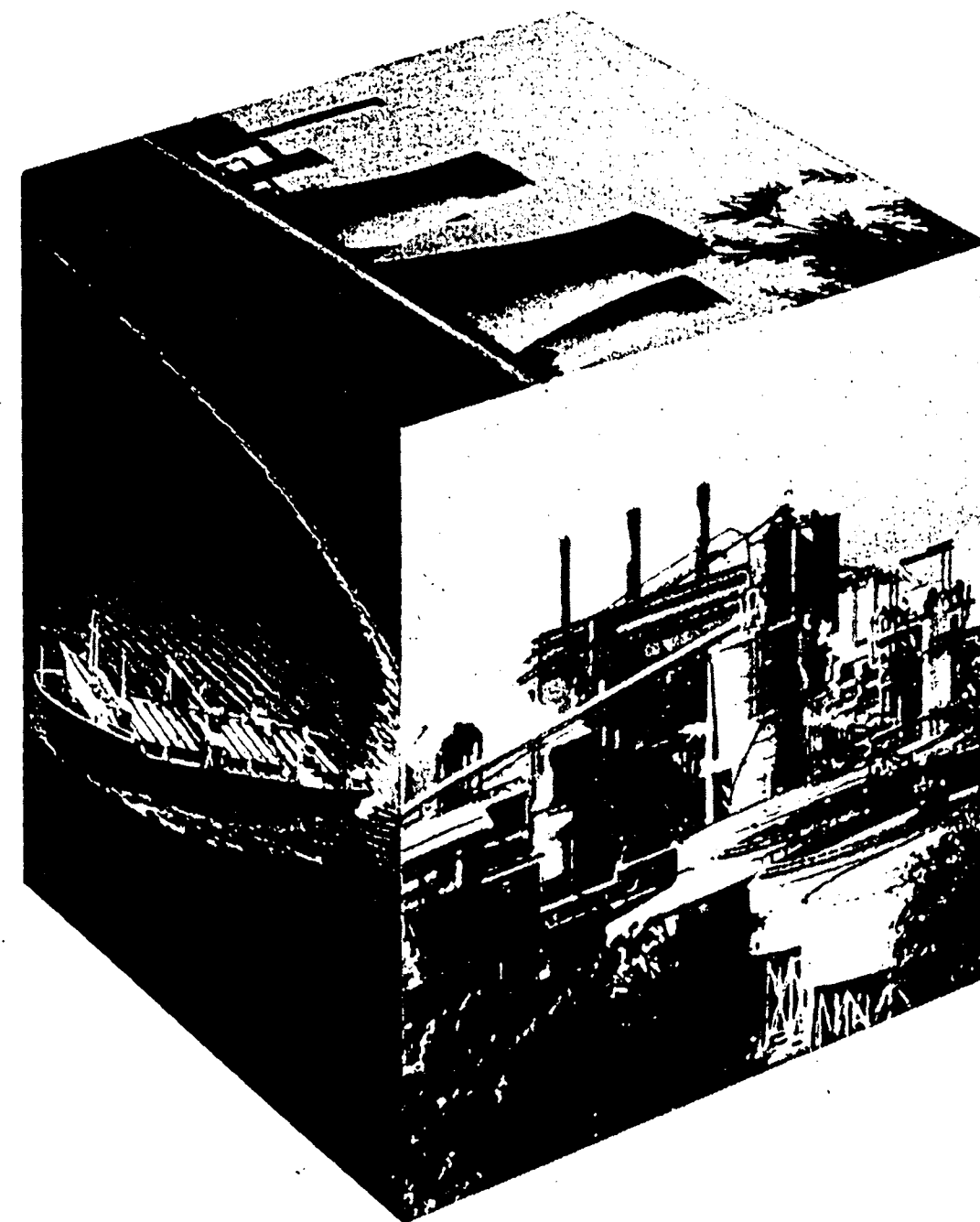
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to, via Copenhagen

- On the contrary — it's the shortest way.
- Yes, I thought so too. But then somebody made me look at a globe — that's the only true picture of the world, as you know. The straight line from here to your place happens to run smack through Copenhagen, and not the way the maps show it.
- You're right, it does sound crazy to set out north when I'm going southeast. But you can't quarrel with the globe. And I'll save over a thousand kilometers by going that way.

This long-distance call was from some place in Europe to somewhere in the East. Of places where "the straight line from here to your place happens to run smack through Copenhagen", there are several pairs to choose from. Such as:

Paris and Tokyo
Glasgow and Bangkok
London and Hong Kong

But regardless of where it came from, here is the essence of the talk: The shortest way between western and central Europe and Japan/Southeast Asia/Australia is via Copenhagen. (And to Australia, it is more than that: it's the only way with next-day arrival in Sydney.) Take our word for it, or look at a globe!

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NOT SO FAR BY SAS

SAS
SCANDINAVIAN AIRLINES
General Agent for The International

Continued from page 36

Looking ahead to peace, officials talk of a big effort to improve the quality of life. "Our people deserve a break after what they have gone through." The growth of food production is to be accelerated by wider use of chemical fertilisers. New farming areas are to be opened up in mountainous regions, to which there are plans to shift people from the overcrowded Red river delta. As rice output picks up, more land will be put to growing fodder for the extra meat that is urgently needed.

The North Vietnamese add that they are going to give priority to expanding the production of minerals, particularly coal, to increase their exports. North Vietnam wants to be able to stand more nearly on its own two feet when those American "contributions" cease. There is no mistaking the importance it attaches to economic viability. It trusts no one—not even its socialist brothers.

Japan

Words eaten

FROM OUR TOKYO CORRESPONDENT

To no one's surprise, least of all his own, Japan's prime minister, Mr Tanaka, has called a general election for December 10th. The idea is to give the Liberal Democratic party a chance to cash in on Mr Tanaka's personal popularity, before it declines and before he is compelled to eat his words about not revealing the yen just as he has now eaten those about not calling an election.

Like his predecessors, Mr Tanaka won the prime ministership last summer in an intra-party fight for largely intra-party reasons. But he also came into office on the crest of an unusual boom of public support. Some of this so-called "Tanaka bumo" was simply the work of the press, which had been bitterly critical of the previous prime minister, Mr Sato. Some of it represented the genuine feelings of the man-in-the-sushi-bar, who liked Mr Tanaka's folksy, unpretentious manner, and his ability to get ahead in spite of an unorthodox background. Then came the trip to China in September, which neutralised the only big issue that the left-wing opposition parties might have latched on to as a way of cutting into the conservatives' 24-year dominance.

Newspaper enthusiasm for Mr Tanaka has decreased, naturally enough, since the leadership election,

and particularly as a result of his poor performance in the recent special Diet session. At times, he would answer opposition questions by reading straight from his briefing papers. Since these were prepared by civil servants, they did not sound at all like the prime minister's own views, and they were formalistic even by Japanese standards. And Mr Tanaka looked distinctly awkward when a Communist member of parliament chided him with the existence of a mistress who had had two children by him.

The whole question of the structure of the Japanese economy—potentially a far more important political issue than either China policy or Mr Tanaka's personality—has barely been touched on. The country's famous study teams are still groping for the right way to change it. Mr Tanaka, echoing the views of numerous economists, talks of a vast public works programme under a visionary title, "the remodelling of the Japanese archipelago." So far, however, the main impact of this idea has been to drive land prices even higher.

Mr Tanaka's party now holds 60 per cent of the seats in the lower house, and although it has been slipping in recent elections for prefectural governors it is expected to retain roughly this same percentage in the new Diet. The main question to be decided in the December election is the distribution of seats within the Liberal Democratic majority. Mr Takeo Fukuda, Mr Tanaka's chief rival, now leads the largest single faction in the party, and he and his supporters will be trying to increase their own factional strength, even at the expense of other conservatives. And the four opposition parties will be competing as much against each other as against the Liberal Democrats.

New Zealand

Looking-glass land

On the opposite side of the world from Europe, New Zealand may be forgiven for running election campaigns that sometimes look like reversed images of the ones being simultaneously staged in, for example, west Germany. The leader of the opposition in Wellington, Mr Norman Kirk, has denounced the government for its failure to curb inflation and to maintain law and order. But it so happens that Mr Kirk



Third time lucky for Kirk?

heads the Labour party, and it is the incumbent right-wing National party government that he has been reviling in the sort of language that is more easily associated with, say, the attacks made on Herr Willy Brandt by his Christian Democratic opponents in Bonn.

Mr Kirk is making his third attempt to lead Labour to electoral victory, and there are those who say that a third failure, on November 25th, would finish him. He is, however, only 49, as vigorous as he is large, and the time scale can be misleading: New Zealand holds general elections every three years, and Mr Kirk has been leader of his party only since 1965. He has certainly given his supporters no cause to complain that he is starting to slow down. His performance in recent weeks has been compared favourably with that of the prime minister, Mr Marshall. Having succeeded Sir Keith Holyoake as leader of the National party as recently as February, Mr Marshall had been looked to as the bright new-risen star in this campaign; but his uncertain manner of launching himself into it at the end of October disappointed many of his admirers.

In 1969 the opinion polls showed Labour slightly ahead of the National party only a few weeks before the election day, but in the event the ruling party won 44 seats in the House of Representatives, against Labour's 40. This year the polls have again indicated a small Labour lead, but the situation is complicated by the increase in the number of seats from 84 to 87, which is generally regarded as improving the chances of National candidates in several of the areas

affected by boundary changes.

Mr Marshall's line seems to consist of urging the electorate not to switch horses in midstream at a time when New Zealand must continue to grapple with the problems of inflation and of Britain's entry into the common market; recalling the manifold blessings that last June's generous budget bestowed on practically everybody; and hoping that, as in previous elections, some of the protest vote will go not to Labour but to minor parties that will win no seats. But he cannot count on Labour's chances being seriously spoiled by the man who, after changing his name to Mr Mickey Mouse, has entered the fray as leader of a Mad Hatter's Tea party.

Australia

Huddled together

FROM OUR CANBERRA CORRESPONDENT

On Monday and Tuesday nights this week Australians were given the chance to compare the policies of their government and opposition for the election on December 2nd. Although the two methods of presentation differed greatly—the prime minister, Mr McMahon, appeared alone in a television studio, whereas Mr Whitlam, the leader of the Labor party, was seen addressing an enthusiastic crowd in his own constituency—the interesting thing was the close resemblance between the two offerings. Both men were appealing to middle Australia.

On taxation, for instance, both men promised not to increase rates and to reform the system. On housing both recognised the need for young couples to be helped to buy their homes, although they differed on the details of how this should be done. In the controversial field of education—now regarded as the key issue by a bigger proportion of Australians than any other—they are both going to provide better pre-school care and assist schools generally, although the differences of approach are important. Both promised to provide automatic increases in pensions. Plainly they both see the middle ground very much as a matter of better education and social services.

All the same, there are differences. In education they centre on the treatment that Labor would give the fee-paying schools, all of which the government at present subsidises equally by means of per capita grants. Mr Whitlam and his party believe this system should be changed so as to provide bigger subsidies for those fee-paying schools—

largely Roman Catholic parochial schools—in which standards are low because parents cannot pay high fees. There is also a major difference over health services, which Labor wants to provide on something like the British basis, whereas the government intends to continue with the present insurance system. The doctors much prefer the Liberal party's way.

There are more emotional differences. Labor wants to spend more money and take more coercive action in favour of aborigines, disciplining the state governments if necessary. There is a clear split over industrial legislation, since Labor would abolish the penal provisions in the arbitration acts. It would also abolish national service and rely on a volunteer army. This is denounced by Mr McMahon as likely to bring the army dangerously below strength and make it difficult for Australia to fulfil its commitments. Mr Whitlam, while continuing the five-power arrangements in Malaysia and Singapore, points to the likelihood that south-east Asian countries will support the neutralisation of that region. Mr McMahon prefers to say nothing about neutralisation and continues to emphasise the traditional policy of forward defence where it is acceptable to Australia's allies.

The major issue is probably not what the two leaders say but how much confidence they aroused in the viewers. If the public opinion polls are to be believed, Mr Whitlam is regarded as competent by a larger proportion of the electors. But neither man is viewed with favour by a majority. Mr Whitlam's slogan is "It's time!" For Mr McMahon the election is a conflict of policies, philosophies and teams. His own team has been in for too long, and Mr Whitlam's has not been in at all. It is a choice for the electors between those whom they know all too well and those whom they find it hard to envisage as an effective government.

France and Libya

Super Id

The Libyan prime minister, Major Jalloud, returned to Tripoli last Sunday after spending eight days on a "private" visit to Paris. He had been in France for three days before the Libyans let out that he was there, and since then both the Libyan and French governments have been unusually discreet about what he was up to. But he was certainly doing more than buying presents for the Moslem feast of Id

that follows the fast of Ramadan. The red carpet was rolled out for him to the offices of the president of France, the prime minister, the minister of defence and many senior officials.

At the end of 1969, France contracted to sell Libya 110 Mirage jets and about half have already been delivered. But this year Libya agreed to form a union with Egypt by September, 1973. In 1969, France argued that the sale did not contradict its ban on arms sales to the belligerents in the Middle East conflict. It is certainly possible that President Pompidou wanted some assurance that if and when the union comes about the Mirages will be used only for the defence of Libya.

It is certain that Major Jalloud will have brought up the subject of the possibility of buying other French arms, including the AMX-30 medium tank. Britain has turned down a Libyan request to buy the Chieftain tank, arguing that there is no guarantee that the tanks will not find their way to the Egyptian front line. It will go down badly in Whitehall if the French think up a way of getting around their own arms ban.

Both the French and the Libyans seemed satisfied after Major Jalloud's visit. This suggests that there may have been some agreement to extend trade between the two countries (France is already Libya's most important trading partner), particularly through increased sales of Libyan crude oil. France would like to land the contract to supply the desalination plant the Libyans are thinking of buying and get the lion's share of contracts to help the Libyans establish some light industries.

Motor Business

Issue No. 72

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Kenya

Oh, to be in England

Outside Uganda, the group most sensitive to the shockwaves created by General Amin is the Asian community in neighbouring Kenya. The Asians there know that they are no better liked than their counterparts in the rest of east Africa; and they have not been reassured, as Tanzanian and Zambian Asians have, by a condemnation of General Amin's behaviour from their own president. Inevitably they have been wondering whether they, too, may soon have to pack their bags.

Now some of them must think the time has come. It was reported on Thursday that the government has ordered all non-citizen Asians in Kenya's main towns to wind up their businesses and sell out to Africans within three months. Until now these traders have been exempted from the 1969 Trade Licensing Act which laid down that licences to trade would be issued only to Kenyan citizens.

Over the past five years the Kenyan government has repeatedly made it clear that it would eventually like all non-citizen Asians to leave Kenya. There were 182,000 Asians in Kenya in 1968, but the figure is probably in the region of only 120,000 now; of these some 50,000 are said by the Foreign and Commonwealth Office to hold British, and no other, passports; and there are probably also some with only Indian or Pakistani citizenship. Since 1968 Britain has been accepting a quota of east African Asians each year; vouchers were originally available for 1,500 heads of families annually, but the figure has since risen to 3,500. These vouchers have been issued to those who, faced with Africanisation measures that have been broadly similar throughout east Africa, have chosen to come to Britain.

The first Kenyanisation laws were put through in 1967, four years after independence, and they have since been tightened. But it is reckoned that about 80 per cent of Kenya's retail trade is still handled by Asians. Since trading was the sector at which most of the legislation has been aimed, it is clear that the policy was working only slowly. It was thought that ministers accepted this, knowing the important part that Asians play in the country's economy and the serious effects that

any Amin-style expulsion would have. But in Kenya, as in Uganda, there is political capital to be made from Asian-bashing, and some politicians there have openly applauded General Amin's actions.

Thursday's edict will have heightened the anxiety of those Asians with Kenyan citizenship. Officially their position remains secure but, like other ethnic groups, they will be expected to integrate with other Kenyans, "to be loyal to the government, join with Africans in development, and mix with blacks as one community."

South West Africa

Vorster's victory

FROM OUR SOUTH AFRICA CORRESPONDENT

While angry rumblings began issuing from the United Nations over the Escher report on South West Africa—due for release on Wednesday but delayed—it began to look in South Africa as though the negotiations between the UN secretary-general's personal representative, Mr Alfred Escher, and the South African government had presented the latter with a considerable diplomatic windfall.

According to leaks the report lists a number of points of agreement reached between Mr Escher and the South African prime minister, Mr Vorster, during the UN envoy's recent visit to South Africa and the disputed territory of South West Africa (called Namibia by the UN). The most important are:

1. That the principle of "one man, one vote" cannot be applied to determine the future of South West Africa.
2. That instead of the territory being led towards independence as a single

entity, as the UN has always insisted, a regional authority established for each ethnic group should be allowed to decide for itself what constitutional position it will adopt.

3. That the prime minister of South Africa take overall responsibility for the territory.

4. That an advisory board, comprising representatives from each of the regional authorities, be formed to meet the South Africans from time to time.

5. That investigations should begin immediately with a view to abolishing restrictive legislation on freedom of speech, labour and movement, as well as freedom of political expression.

6. That there should be no further confrontations between the two sides, but that the aim in future should be to further negotiations on the basis of the conditions already agreed upon.

From South Africa's point of view such an agreement, if approved by the Security Council, would amount to no less than United Nations endorsement of the policy of separate development. It would be a complete ratification of the status quo in South West Africa—a fact which indicates the near certainty that the report will not be approved by the Security Council.

Indeed, it seems likely that the secretary-general, Mr Kurt Waldheim, will not be given an extension of his mandate to negotiate with South Africa over the disputed territory. This mandate was granted at the Security Council meeting in Addis Ababa last February, when a resolution was passed calling on the secretary-general to "initiate contacts with all parties concerned" to establish conditions for Namibia's independence. Acting immediately on this Mr Waldheim visited



Now Escher (left) has given Vorster something to smile about

the territory the following month and met the South African government. His purpose ostensibly was to see whether there was any common ground between Pretoria's plans to balkanise South West Africa into 11 tribal bantustans and lead these towards separate independence, and the UN's own goal of unitary self-determination. This preliminary exploration was then followed by a more detailed study by Mr Escher.

But whether or not the report is rejected by the Security Council makes little difference to the South African government. It has an unexpected victory either way. Mr Vorster would almost certainly announce a unilateral acceptance of the agreement—declaring that South Africa had done everything that could possibly be expected of a reasonable nation, to the point of allowing the highest officials of the UN to come and see the facts of the situation for themselves and then accepting a compromise agreement with them. It could be the biggest diplomatic coup of Mr Vorster's career.

East-west talks

No story yet

Next week looks like being one of those times that find a lot of eager journalists speeding to and fro across the map of Europe in pursuit of a quick succession of stories that may turn out to be non-stories. On Tuesday, November 21st, in Geneva, the Americans and Russians are due to start the second series of their strategic arms limitation talks (Salt). Next day, November 22nd, in Helsinki, a rendezvous has been arranged for the preparatory talks intended to lead to a pan-European conference on "security and co-operation." All this will fall under the shadow of the west German elections, which will at least produce a real story.

If Salt Two is conducted on the same lines as Salt One, which ran from 1969 until the signing last May of the Russo-American missile limitation pacts, there will be no more news coming out of Geneva than there was in the days when Mr Gerard Smith and Mr Semvonov oscillated between Helsinki and Vienna. Such information as did emerge about the progress of their talks emerged in the two superpowers' capitals; and when their treaty on anti-ballistic missiles and their interim agreement on other nuclear weaponry were at last concluded, these texts were whisked off to

Moscow to serve as the showpiece of Mr Nixon's meeting there with Mr Brezhnev, the most interesting disclosures being provided by Mr Kissinger (of course) at such way-stations as Kiev. The one currently visible feature of the Salt scene is that the talks have been shifted away from Helsinki in time to avert any collision in the Finnish capital with diplomats converging there for the "European security" preliminaries.

Next week's stories out of Helsinki are likely to focus mainly on the question of who turns up there, and how promptly. The Finns, as eager hosts, and the Russians, as equally eager guests, and the other states of the Soviet sphere, as docile spear-carriers, may be confidently counted on—and this count surely includes the east Germans. It would seem doubtful whether the west Germans will have sorted themselves out after their elections in time to put in a punctual appearance; but somebody from Bonn will probably be available to keep a seat warm. These, after all, are low-level preparatory talks—although even among the western participants there are enthusiasts, notably the French, who may think it appropriate to field a star team.

The Americans, whose right to join in these meetings was established after much Soviet humming and hawing, and most of their Nato partners will come to Helsinki with one eye cocked at the prospect of the Russians making good their promise to join, early next year, in separate talks about mutual and balanced force reductions (MBFR) in Europe. On Thursday the western allies formally proposed a starting date of January 31st for the MBFR talks. Until those talks actually get going, it would be unwise to expect many signs of progress from Helsinki.

China

Read all about it

FROM OUR SPECIAL CORRESPONDENT

All over China millions of people are poring over the latest editorial in the People's Daily. They read it at home, on street billboards or in their offices; they discuss it in factory or commune study groups and at party meetings; and they follow its instructions. For an editorial in China's leading newspaper is no sometime thing. It may take weeks to compose and when it finally appears in print it carries the imprimatur of the politburo of the Chinese communist party.



Daily delivery for the people

Last month's national day editorial, for example, was a month in preparation, so Mr Chen Chun, one of the paper's seven "leading members," told a group of British journalists recently. The leader-writing process began when the central committee told the paper what subjects the editorial should cover. Then writers from the domestic and international departments of the People's Daily met representatives of China's other two major publications, Red Flag and the Liberation Army Daily (the most important editorials always run in triplicate), to produce a draft. The draft then went to the central committee for approval; there followed more discussions, more drafts and more revisions until the final version was ready to be displayed on the eve of October 1st.

Not every editorial requires consultation on this level. On domestic issues, the People's Daily sometimes goes it alone. But as the official organ of the communist party of China the paper "plays a guiding role in ideology and work." So it must maintain a direct pipeline to the politburo. None of the editors is himself a member of the politburo or the central committee (nor are the editors of other leading papers) but they are appointed by the central committee and sometimes participate in its deliberations. Because of its special relationship to the party half of the editorial staff are party members, compared with a national average of under 3 per cent. For the same reason, the People's Daily has no revolutionary committee and no representatives from the army.

There are 160 writers on the paper. Only a third of the editorial staff

is actually in the Peking office at any one time because of the shift system adopted after the cultural revolution. Another third is spending a year at the special May 7th school of the People's Daily where cadres study marxist texts while doing manual labour; the third third is down at the grass-roots level doing special investigations for the paper which result in full-page features. Apart from these reports, all the paper's domestic news comes from the New China News Agency. This agency also provides all foreign news except for coverage by the paper's sole foreign correspondent, who is based in Tokyo. He is soon to be joined by another correspondent posted in London in exchange for The Times's man in Peking.

The People's Daily publishes 3.4m copies a day, 1.5m in Peking and the rest in nine other cities. Six cities print from a matrix delivered by plane; three, Urumchi, Chengtu and Canton, operate under the more advanced method of facsimile transmission which will eventually be extended to the other six. Some 90 per cent of the circulation of the People's Daily is by subscription at a cost of £3.50 a year. This alone brings the paper a profit, although it also gets some advertisements. It also suffers from irregular schedules. "Sometimes the People's Daily is a morning paper," a Chinese official explained, "and sometimes it is an afternoon paper."

In spite of an editorial earlier this year advocating a national shift from Chinese characters to romanisation, the People's Daily itself has no plans to make such a change. Instead it will continue with its present laborious method of setting up to 6,000 different characters by hand; 140 printers are employed to set 2,000 characters apiece for each edition. The only technical change the paper is planning is an experimental use of colour. Managers eagerly questioned visiting journalists about the use of colour in British papers.

The People's Daily is far and away the most important newspaper in China, but it is not the biggest. There is another national newspaper, not available on any news stand, which beats the People's Daily hands down. This is the Tsan Kao Hsiao Hsi, or Reference News, which provides trusted cadres with news that is considered unfit for the public press. Six million copies of this four-page paper, which is run by the New China News Agency, go out to offices across the country every day of the year.

Taiwan

Lovers rebuffed

FROM OUR HONGKONG CORRESPONDENT

"Non-party lovers of democracy" in Taiwan have failed in a timid attempt to amend the regulations for next month's national, provincial and local elections on that confused and lonely island. Some 50 non-Kuomintang politicians who will contest the elections, which Taiwan's prime minister, Chiang Ching-kuo, claims will widen the representation of native Taiwanese, threatened a boycott if these amendments were not approved. In failure, they have now prudently forgotten the boycott threat.

The rebuff dashes shy hopes for a realistic new deal for the 12m native Taiwanese under Chiang Ching-kuo, Chiang Kai-shek's son. The two changes which the politicians sought from the Kuomintang, the Chiangs' Nationalist party, were hardly dramatic. One was the right to make campaign speeches without previous sanction from the governmental election commission on time and place; the other was the right to appoint poll-watchers at any election ward. The rejection by the interior and justice ministries was curt, and Chiang Ching-kuo declined to meet any non-party representatives.

It is 12 long years since Taiwanese and non-Kuomintang politicians tried to form a loyal opposition parliamentary group in Taipei. That movement, led by a "retired" Kuomintang official, Lei Chen, was ruthlessly suppressed, and allegations of communist sympathies landed Lei Chen in prison on a 10-year term. Survivors of that initial native opposition movement rallied around for this autumn's new and futile "discussion of election problems," but earnestly protested, with



Young Chiang says no thanks

nervous back glances, that this time no opposition party was contemplated.

The deplorable incident is a dismal approach to the December elections, which were proclaimed a healthy, sovereign and independent defiance of the treacherous United Nations by Chinese Nationalists and Taiwanese natives. President Chiang Kai-shek was probably not consulted. Still "recovering from a cold," he has not been sighted over the past four months.

Italy

Yes, we'll come back, maybe

FROM OUR ROME CORRESPONDENT

Although deeply divided, the Italian Socialist party has chosen to try to rejoin the coalition. At the end of the party congress on Tuesday 58 per cent of the delegates voted to rejoin the centre-left coalition "on certain conditions," thus theoretically resolving the dilemma facing the party: how, when and on what terms the Socialists should get back into government. But the two factions which voted in favour of an immediate return are not in a hard and fast alliance, and 58 per cent of the delegates are not enough to convince the other parties of the old coalition that the Socialists are safe partners in government.

Signor De Martino, who will probably be the new party secretary, controls 45 per cent of the party and stands somewhat to the left of Signor Nenni, whose faction—the Autonomisti, comprising some 13 per cent of the total party—forms the right wing. The outgoing secretary, Signor Mancini, is angry and hurt, and intends to carry on the fight to keep the Socialists out of government until a change of attitude in the other parties enables them to negotiate their return from a position of strength. He believes that any centre-left government that might now be formed would be the weakest ever. But Signor Nenni and Signor De Martino argue that in the present state of Italian politics, with the far right on the warpath, the Socialists should not "allow the reactionaries to consolidate their power."

After the congress the shape of future events depends very much on the personal ability of Signor De Martino. His first task will be to win the trust of the parliamentary party, both left and right, and then do the same at a regional level. It will not be easy.

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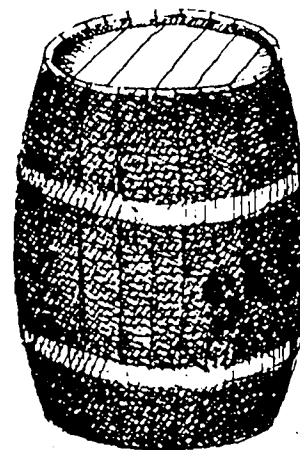
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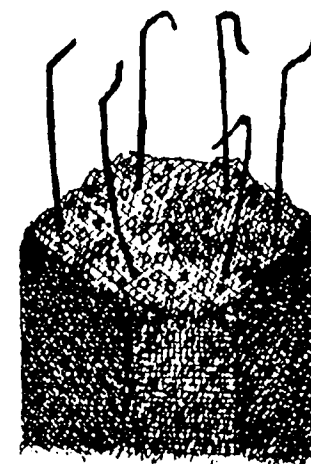
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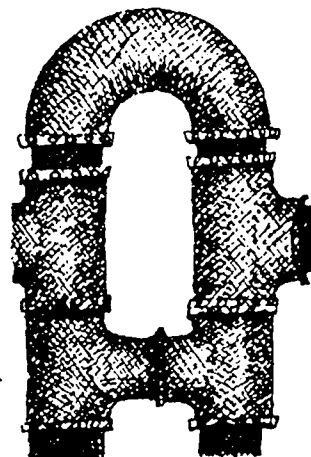
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THE WORLD

American Survey

Second term abroad

Washington, DC

Four more years in charge of American foreign policy are, most probably, what President Nixon wanted a second term for. Home affairs have never fired his imagination and his recent utterances—most notably, the interview which he gave to the Washington Star-News just before the election, for publication just after it—suggest no change there. Now he will have no more worries about staying in office and he will have the pleasure of being more firmly seated than almost any of the foreign heads of government with whom he will be dealing.

He also has grounds for confidence that, for the first time, he will be free of the appalling burden, distraction and complication represented by the war in Indochina. The known terms do not exactly provide an assured future for America's ally, the South Vietnamese government, but the Administration does believe that they give it a fair chance. It will be reasonably safe from external military overthrow for some years to come.

That, so far as the Administration is concerned, constitutes peace with honour, or cease-fire with honour at any rate; having come so close to that long-sought outcome, Mr Nixon is not going to let it go. Not he, but the

North Vietnamese, disclosed the terms and demanded signature before the election. His advisers concede that the North Vietnamese may have genuinely feared that, once re-elected, he would lose interest or demand better terms. There was indeed a time when Dr Kissinger used to warn Le Duc Tho to make terms before the election or expect worse ones after it. But that was forgotten in recent weeks when the scale of Mr Nixon's impending electoral success became virtually certain in his mind. He can now get a little credit for magnanimity by honouring his, or Dr Kissinger's, prior word.

Free of that entanglement, as he should soon be, Mr Nixon can attend to more conventional aspects of foreign policy in more propitious circumstances than he has enjoyed yet. There is plenty of such business waiting. None of it offers much chance of such spectacular events as his trips to Peking and Moscow this year. "Nothing sudden is going to happen," as he told the Star-News. At that point he went out of his way to reject the possibility of any change in American policy towards Cuba—"unless and until—and I do not expect this will happen—Castro changes his policy." Given Mr Nixon's record of changing his mind

with deliberate suddenness, one would not take that as ruling out for ever a trip to Havana, but it does mean that nothing of that kind is in the wind.

No proposition is more regularly denied than that the first Nixon Administration, in its preoccupation with the Far East and with global strategy, has "neglected" western Europe. Not only are ordinary European relations, however, less pressing than the limitation of antiballistic missiles and less rich in sex appeal than a walk on the great wall of China, but they are also too multifarious to be easily managed from one office on Pennsylvania Avenue. Mr Nixon's recently retired Ambassador to the European Community, Mr Robert Schaezel, has just published in Fortune magazine a scathing attack on the manner in which American-European relations are allowed to be soured by protests, retaliations and counter-restrictions on matters like tomato puree and refrigerator parts, while nobody is seen to pursue any comprehensive political design. The impeachment is not so much denied as turned away with explanations of the complexity of it all and professions that a political design is indeed to be produced. More will be heard of this kind of talk as the Vietnam war recedes and the new phase of marathon conferences and negotiations breaks out.

Some of these exchanges are already in course. A fairly explicit American view about the reform of the international monetary system has already been expounded to the International Monetary Fund. American spokesmen have been urging the General Agreement on Tariffs and Trade in Geneva to set the machinery in motion to produce an almost world-wide free trade area in industrial goods. If this proposal gets little credence, it is partly because the American Administration manifestly does not possess the necessary powers to put it into effect. A group of the higher functionaries in foreign economic policy is at work drafting a new Trade Act to lay before the new Congress soon after it assembles. Another difficulty is the



Peace-making at breakfast-time: Rogers, Nixon, Kissinger, Haig

well-founded belief that Congress is not going to become suddenly immune to pressure from domestic interests to protect the American market from foreign shoes, textiles, chemicals, steel, and much else besides. Yet another doubt comes from the utterances of the Administration itself. Thus Mr Paul Volcker, the Under Secretary of the Treasury, in a speech in New York this week recommended the penalising of countries that persist in maintaining monetary surpluses by "applying a special surcharge on imports from the chronic surplus country."

General free trade can logically be reconciled with a system of restrictions, penalties and retaliations for agreed special purposes, as all can see. But there will be, and indeed are, two views of the advantages of constructing the trade and monetary arrangements of the next 10 years in this particular way. Teams of American negotiators are preparing to leave Washington to establish themselves in different European centres for negotiations that seem, for the most part, likely to be prolonged. But it is not only the heads of the teams and their policy directors in the capital who are uncertain whether their employment is, or is not, coming to an end. President Nixon marked his re-election by demanding formal letters of resignation from about 2,000 of his servants, including everybody who is in charge of anything.

The experts on strategic arms limitation will take up stations in Geneva by November 21st for the second round of the Salt talks with the Russians. Another team will be off to Helsinki to start up the preparatory talks for the conference on security and co-operation in Europe, a concession to the Russians to be paid for with Soviet participation in the talks on mutual balanced force reductions in Europe. Not always a cherished object of American policy, these are now seen as a most useful way of warding off congressional pressure for cuts in the number of American troops in Europe—cuts which President Nixon is still determined to resist unless as a part of some international deal.

The MBFR talks are to be held somewhere other than Helsinki and to start in, perhaps, late January. Before then there will be North Atlantic Treaty consultations in Brussels and in early December a meeting of the Organisation of European Co-operation and Development, a somewhat neglected body which has begun to acquire a new interest as a means

of involving Japan and Canada in the complex of economic decisions by, in the next phase, the non-communist developed world.

Still to be devised is the mechanism by which Mr Nixon's Administration will put together a homogenous Atlantic policy out of this hotch-potch. Some group under the umbrella of his personal authority will have to relate, more tightly than has been done before, the different strands of defence, central banking and trade interests, domestic economic needs and a general diplomatic view. What is wanted is an organised pursuit of an international political goal, which for simplicity can be called Atlantic partnership, paying due heed to the economic and strategic considerations involved. It will need President Nixon's approval and support at every stage, or else it will be a failure.

Almost certainly it can be organised only from the White House, that is, by the President's national security staff headed by Dr Kissinger, who nowadays is thoroughly awake to the implications of economic aspects for other aspects of foreign policy. Very likely Dr Kissinger (whose resignation, like everybody else's, is in the President's hands) will stay. But he will not decide to stay until he sees who is to be Secretary of State, Mr Rogers or another. That will not be decided till Mr Nixon has composed his entire new cabinet. It involves the question whether he wants to continue to keep the conduct of foreign policy on the subjects closest to him separate from the conduct of routine foreign relations—a feat obviously more difficult when the object is to build an Atlantic relationship than when it is to arrange a trip to Peking or even a ceasefire in Indochina. Settling it will probably involve Mr Nixon in deciding for himself to what extent he wants to be a nationalist President or an internationalist President. In different ways, he is both the one and the other.

... and at home

Preoccupied, as he has been, with Vietnam and the election campaign, Mr Nixon is only now planning his next four years at home. From his long and bracing interview with the Washington Star-News it appears that these plans are for cutting down activity in Washington rather than for stepping it up. In this, as in so much else, the President is in sympathy with the mood of America as shown in last week's election. Quite clearly the voters did not



Do-nothing President?

want change, at least not change imposed by Washington; quite clearly they did want federal officials to interfere in their affairs less in the future than they have done in the past.

Mr Nixon intends therefore—or so it is reported—to ask Congress once again for the second half of his revenue-sharing proposal; under this money from the federal government would go to state and local governments in block grants for such broad purposes as housing or education, leaving the recipients free to decide on the details of the outlays themselves. But the recipients may not be so happy if under the plan they get less money than in the past. This appears probable since the President is also determined to hold down government spending because he believes that "the total tax burden of the American people has reached breaking point"; yet, unless spending is cut, the country will have to choose between inflation and a tax increase. This view seems likely to be just as unacceptable to the new Congress as it was to the old one.

What Congress particularly fears is the President's intention of economising by "shucking off" and "trimming down" social programmes, although Mr Nixon is right in claiming that many of the Johnsonian anti-poverty projects have failed as remedies for the problems that they were attacking. Another of the President's economies will be to decentralise and slim the government in Washington; this will also have the effect of "nurturing" the "new spirit of independence, self-reliance" that he senses in the American people. They are, Mr Nixon feels, like children who must be given responsibility and not be pampered if they are to amount to anything. So

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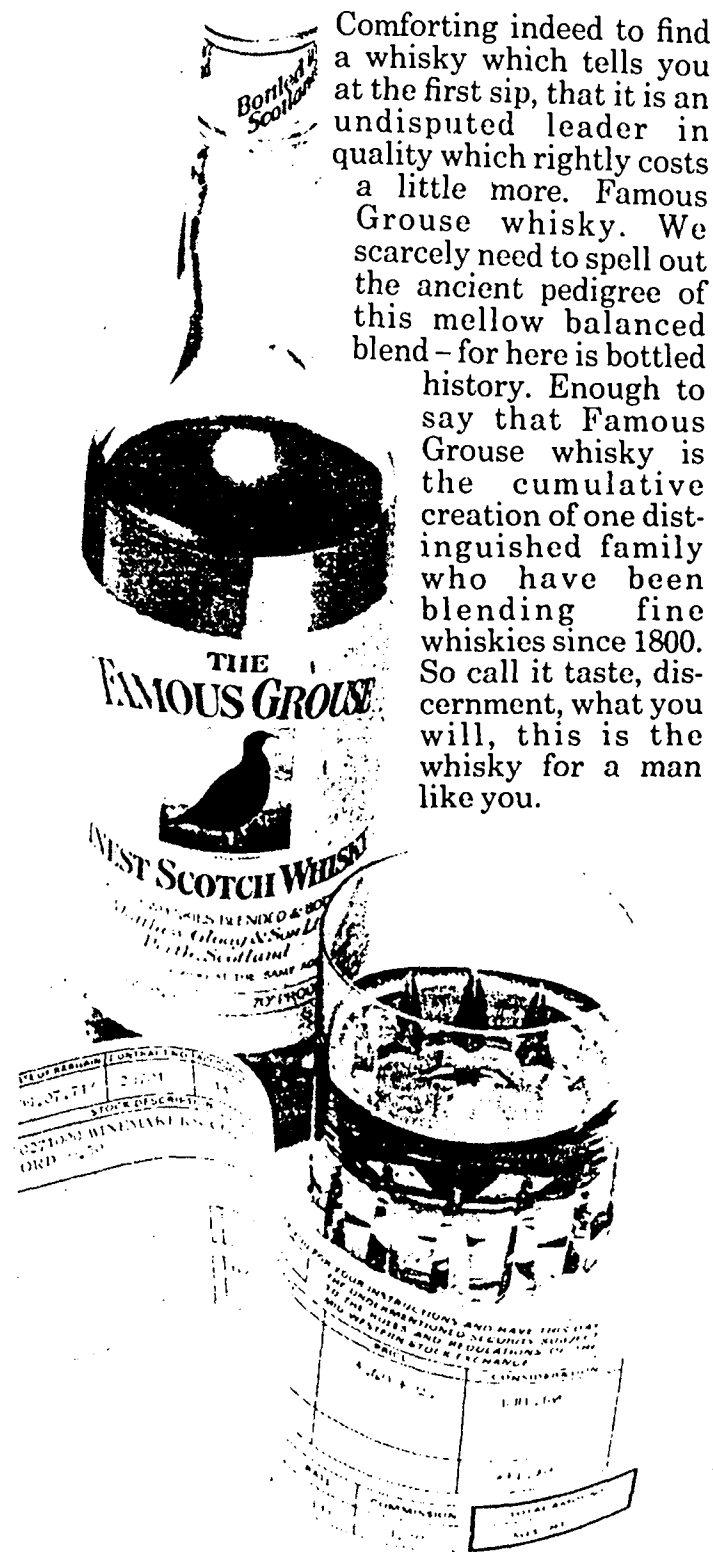
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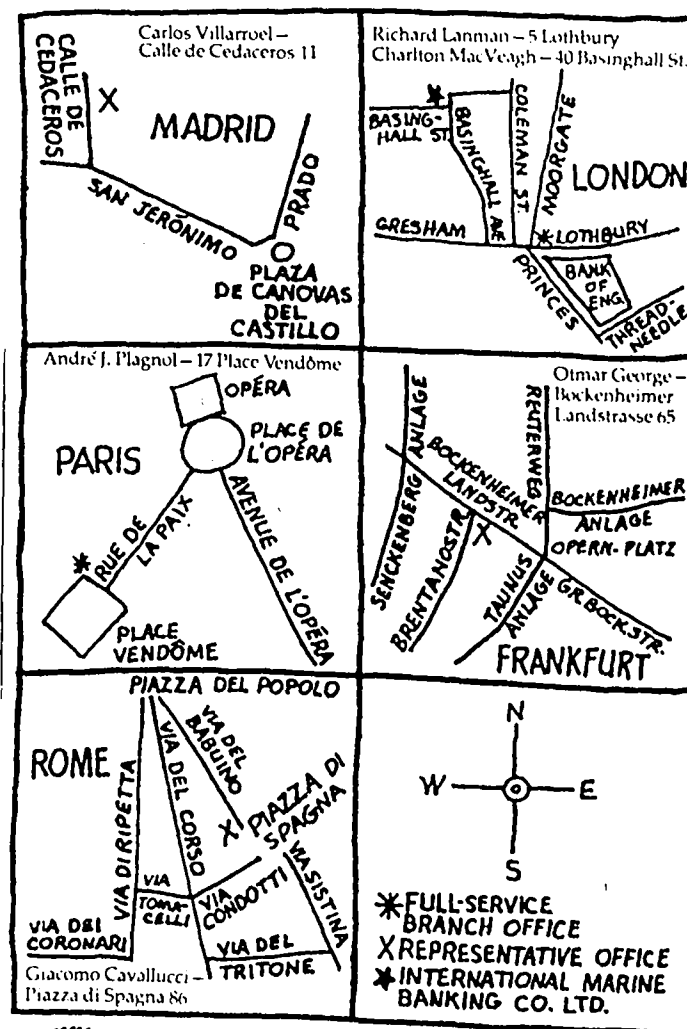
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they will have to turn to and solve their domestic problems themselves, without any fresh help from Washington. One wonders what will be thought of this priggish approach by the voters who found Mr McGovern too moralistic. And one wonders how it will in practice be possible for a President to keep his hands off America's social pressures for the next four years.

More Indian wars

Washington, DC

Only the sacking of Washington by the British in 1814 and the San Francisco earthquake of 1906 caused more damage to the federal government's property than did the group of Indians who seized and occupied the Bureau of Indian Affairs for the first week in November. The demonstration, called the Trail of Broken Treaties, organised by the radical American Indian Movement (AIM), started peacefully enough. But then there were complaints about lodgings in Washington, the Indians were refused permission to hold a memorial service in Arlington national cemetery for two of their war heroes and, almost before anyone knew what had hit, the Indians had installed themselves in the Bureau of Indian Affairs which they renamed the Native American Embassy.

Most of the \$1.9m worth of damage to the BIA occurred on November 6th when a court order for the eviction of the Indians had been granted, and officials of the Interior Department were strongly demanding police action. But members of the White House staff overruled them—in order not to give the Indians any martyrs—agreed to



Makeshift weapons guard BIA

set up a group to study the Indian demands, promised that there would be no prosecution for the seizure and occupation of the bureau and gave the Indians \$66,000 to return home. But the Indians also took with them what they call "highly incriminating" documents, which implicate past and present members of Congress in the exploitation of Indians. These documents are apparently being studied by the Indians who will then auction them off to the news media. Because the White House claims that its promises did not include an amnesty for theft or damage, there will probably be prosecutions. Already two Indians have been arrested for theft.

Aim presented a long series of demands for the consideration of the Administration. Some of these reflect the fact that Aim is largely composed of urban Indians (according to the 1970 census 45 per cent of all Indians now live outside the reservations). An example is the demand for the extension to Indians living in towns of the special subsidies which are allowed for Indians who remain in the reservations. But most of the demands concerned all Indians, ranging from the reburial of Indian bones and remains now in museums to a guaranteed total of 110m acres of land for their use, the restoration of various reservations closed down in the 1950s and 1960s, the establishment of a federal grand jury made up of Indians to deal with cases involving Indians across the country, the immediate firing of certain officials of the BIA and of the Interior Department, the abolition of the BIA by 1976 and the grouping together of all programmes concerning Indians in a new department.

The Indian establishment goes along with most of these aims, but is bitterly opposed to the tactics. Indeed representatives of the National Tribal Chairmen's Association, who arrived in Washington in their shiny business suits to survey the wreckage at the BIA, demanded the dismissal of any Administration officials who did not take action against Aim members. They are afraid that not only may the cost of repairs be taken out of the total Indian budget but also that any implicit official recognition of Aim might weaken their own standing. They also point out that the destruction of records may actually make revision of "unfair" treaties more difficult. Aim has certainly overplayed its hand. But even so the study group is going to have to come up with something constructive.

Daley's defeats

FROM A CORRESPONDENT IN ILLINOIS

For the Mayor of Chicago, Mr Richard Daley, the two most important political posts in the state of Illinois (apart from his own) are the governor's chair in Springfield, the state capital, and the office of state's attorney in Cook County (this is where Chicago's crime is investigated). Mayor Daley has now lost both and, if reports of his demise are grossly exaggerated, there is much planning and rethinking under way in the high political councils of the city, the county and the state.

The post of governor was won by Mr Daniel Walker, a Democratic lawyer and businessman, who got the nomination over Mr Daley's opposition. Mr Walker campaigned against the incumbent Republican governor with scattershot charges of waste and inefficiency and with a general anti-establishment tinge to his speeches—in opposition not only to the Republicans who control the state outside Cook county, but to the Democratic machine within the county and city itself; this stand garnered him strong support in the rest of the state. Mr Walker's victory pushed him into the forefront of giant-killers, not only in Illinois, but nationally as well. He is suddenly talked of as a member of that select grove of politicians called "presidential timber." For the mayor, the idea of a maverick Democrat sitting in Springfield, the state capital, dispensing jobs independently of Democratic headquarters in Chicago is an unheard-of development.

Even more serious, however, was the loss to a Republican, Mr Bernard Carey, of the sensitive job of state's attorney. In a city where official corruption often appears in headlines but seldom in the dock, Mr Daley has taken great care in the past to see that the state's attorney is a loyal Democrat. Now, however, Mr Carey, once an agent of the Federal Bureau of Investigation, who can work closely with the Nixon-appointed federal prosecutor's office, is in a position to give the Mayor and the Democrats sleepless nights with grand-jury investigations.

The startling aspect of Mr Carey's victory, however, was the sudden awakening of voters in Chicago's 15 black wards to a new political identity. Mr Hanrahan, the Democratic incumbent, who was acquitted (by order of the judge) just before election day of criminal charges arising out of the deaths of two Black Panther leaders in a police raid in 1969, was a focal

point of fear and hatred among black voters. He was regarded as a "hit-'em-on-the-head" law-enforcement official whose special targets were ghetto residents.

Mr Carey carried 11 of the 15 black wards in the city, mainly because voters split their tickets—choosing Senator George McGovern for President (he beat Mr Nixon in Chicago) and Mr Walker for Governor on the Democratic line and then jumping to the Republican line to vote for Mr Carey. This demonstrated a degree of political sophistication which had not been seen before in Chicago's Negro wards; this seems to indicate that from now on Mr Daley must eschew "plantation politics" and begin to pay attention to black demands. If he does not, he can rest assured that the Republicans—and Mr Walker—are going to do so; in that case the 70-year-old Mayor may find his solid mass of Democratic support seriously and permanently eroded in the future.

Ethnics for Nixon

Washington, DC

In last week's election ethnic voters defected from the Democratic party in greater numbers than at any time since Franklin D. Roosevelt built a new coalition to give the Democrats a majority in 1932. These so-called ethnics are Roman Catholic voters of eastern European, Italian and Irish extraction with considerably lower incomes than Protestants and Jews.

At Republican national headquarters in Washington, there is much self-congratulation that a generation of wooing "heritage groups"—the latest euphemism for ethnics—has finally borne fruit. In truth, the switch of the ethnics had nothing to do with the efforts that Republicans have aimed at formal cultural associations and foreign language newspapers. The young ethnic American has no such ties. Even if the contemporary Polish-American has not married out of his group, the chances are that he does not live in an identifiably Polish neighbourhood, does not associate with fraternal societies and does not even speak Polish.

Nevertheless, the ethnic vote maintains its own characteristics and as such turned away from the Democrats in this presidential contest more sharply than did any other voting group. The basic reason was Mr McGovern himself. His problem with these voters was ideological. To them his positions on the Vietnam war, amnesty for draft



Shriver trips the tarantella for an ethnic vote

dodgers, defence policy, welfare benefits, race relations, street crime and other abrasive issues were so different from their own that they were willing to swallow their working-class misgivings about Mr Nixon's cronyism with big business and vote Republican, many for the first time.

Buttressing their ideological difficulties were questions of style. Mr Michael Novak, a distinguished lay Catholic theologian who has turned to ethnic politics, enlisted in the McGovern campaign and attempted to convince Mr McGovern that his Methodist moralising, which may have pricked the conscience of upper class Protestants and Jews, offended Catholics. Mr Frederick Dutton, the theorist of the new politics, made much the same recommendations. As is his nature, Mr McGovern politely acknowledged such advice and went right on moralising.

Through the spring and summer, the condescending attitude within Mr McGovern's inner circle was that the ethnics, after some threats of rebelling, would come naturally back into the Democratic fold (as, indeed, they did in Massachusetts, the only state that Mr McGovern carried). Any ethnic defections, it was believed, could be compensated for by getting more blacks and young people registered to vote. However, signs of panic became evident in early September when Mr McGovern abruptly changed course by endorsing a form of federal financial aid for Catholic parochial schools. That change, far from winning back the ethnics, only reinforced their suspicion of Mr McGovern's sincerity and consistency.

Nor did the tactic of using Mr Sargent Shriver, the vice-presidential can-

didate, to lead the ethnics back home work. Mr Shriver, a Catholic with a non-moralising vivacity congenial to the ethnics, hit the circuit of fraternal association banquets and picnics. But vice-presidential candidates are largely ignored by the news media and only a tiny percentage of ethnic voters were exposed to Mr Shriver's charms.

Almost any other Democrat would have run better among the ethnics than Mr McGovern, but no other Democrat—not even Senator Muskie, himself a Polish-American—could have escaped losing some votes to Mr Nixon. Over the last generation, the blue-collar ethnic voter has become alienated from what he regards as corrosive changes in American life and has come increasingly to associate the Democratic party with those changes. His hostility toward big government, high taxes and special governmental aid for the black man has been transferred to national Democratic leaders who share those positions. Mr McGovern exaggerated and accelerated a postwar historical trend which was only interrupted by the nomination of President Kennedy, a Catholic, by the Democrats in 1960.

Mutinous navy

The navy had a better chance than the army of avoiding low morale, disruptions and mutinies. It considered itself to be an elite service; nearly all its men were enlisted rather than conscripted; it was much better to be a sailor than a soldier. But now the navy is trying to be less disciplinarian and more open to the world outside, and at the same time it is also taking over much heavier responsibilities for

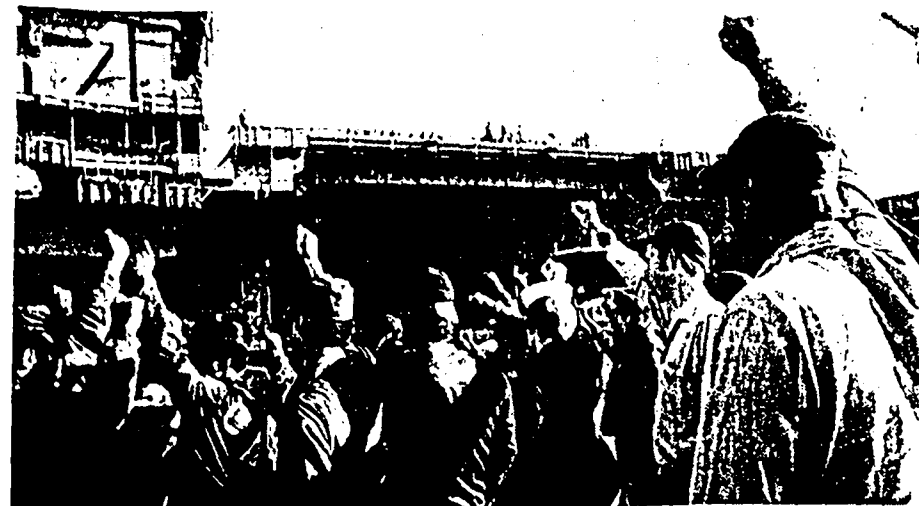
Tipping in Canarsie

New York

An uneasy truce has been reached in yet another school district in New York city, this time in the Canarsie section of Brooklyn following a boycott by white parents who succeeded in shutting down schools for over a fortnight. The boycott began after the local school board, which is entirely white, objected to an order from the city's school chancellor, Mr Harvey Scribner, that 32 black and Puerto Rican children should be bused from an adjoining district into a junior high school (for the 12 to 15 age bracket) in Canarsie that is 70 per cent white. Mr Scribner's decision, which was designed to bring about better racial integration in Canarsie, where another high school is 97 per cent white, resulted in a strike by parents that affected all schools in the district. The situation was not helped when Mr Scribner rescinded his order, claiming that his target was the other junior high school. He was over-ruled by the central board of education, which insisted on going ahead with the busing. The boycott ended when the local and central boards agreed to work out a compromise. But if open battle has been avoided, the situation has aroused fresh tensions among blacks, whites, Mr Scribner and the central board of education.

The Canarsie boycott is the latest incident in a running conflict between local community boards—there are 31 in the city—and the central board of education concerning responsibility for setting policy. Ever since 1968, when local districts were given more authority, black-dominated community boards have fought to improve educational facilities in their areas. Now, a local white board is resisting the central board's decision to change the makeup of its schools. In acting more like southerners than New Yorkers, Canarsie's board has mustered surprisingly solid support for its stand against integration as conceived by the city's centralised authority.

In many respects Canarsie is alien to the city. Located on a peninsula of Brooklyn that has been a butt of jokes to New Yorkers because it used to be a refuse dump that emitted foul smells, Canarsie has become a predominantly white middle-class community. Despite the fact that a junkyard in Canarsie was the site this autumn of



Constellation's ratings berate the sea

the war in south-east Asia as the army withdraws from Vietnam. As a result it is facing difficulties—anti-war demonstrations, sabotage, drugs, racial discrimination, conflicts between officers and men—that look very much like those already faced by the army.

There have been mutinies on three ships in the Pacific fleet in the past month. Conflicts between blacks and whites have been the most obvious explanation and the one universally given for the riots. But it is not only the blacks who have mutinied nor is it only whites who have stayed at their posts. There have been serious and dangerous incidents of sabotage and arson in both the Atlantic and the Pacific fleets; in one case it is a white who is facing court martial. There is also evidence now of a serious split in the upper ranks of the naval command. So bad have things become that the chief of naval operations, Admiral Zumwalt, thought it necessary this week to summon 90 admirals to Washington. He told them openly and frankly that the top ranks had failed in their leadership, that they had not implemented his directives on race relations and that, if they continued in this way, they could not expect any leniency from him. He has also told young ratings, in no uncertain terms, lest they should think otherwise, that strict discipline will not be sacrificed for the sake of reform.

The present troubles first came to a head in October when there was a riot between blacks and whites aboard the aircraft carrier *Kitty Hawk*, which was sailing off Vietnam. In the bloody clash 40 whites were injured and six blacks. Since then 25 men have been arrested, all of them Negroes. This was followed four days

later by a fight on the oiler *Hassayampa* at port in the Philippines. On that occasion four were injured and 11 arrested—all of whom were black. The latest incident was on the aircraft carrier *Constellation* which has been plagued with difficulties for months. Protests by blacks forced the ship back to San Diego where 123 sailors, most of them blacks, were put ashore and then staged a strike when ordered back on board. They have now been assigned to shore duties. Just what will happen to them and their fellow mutineers on other ships is not yet certain. So far the first concession has been to delay the trials of those on *Kitty Hawk* until she docks in San Diego.

There is discrimination against blacks on board ship, according to many reports. They are assigned to the most menial jobs, they have less chance of promotion and when things go wrong they are punished more severely than whites. Part of the trouble is that until the arrival of Admiral Zumwalt two years ago it was made difficult for blacks to join the navy. Now things are better and roughly 12 per cent of the new recruits are Negroes. But there are still few blacks in positions of responsibility.

But if there is a lack of understanding between blacks and whites, there is also a big gulf between the white officers and the white ratings. On the large ships where 5,000 men are sometimes crowded on top of each other the captain often lives in lonely isolation. And there are many crusty old admirals who like it that way and who fear that the fresh air that Admiral Zumwalt is trying to breathe into the navy will sink the whole structure.

what has been described as the largest anti-Mafia raid in police history, the district is not a high crime—or drug—area. Its black population is only 4,000 and is confined to two low-cost housing projects. The whites, mostly of Jewish and Italian extraction, have come from other sections of Brooklyn taken over by blacks. They are understandably concerned about maintaining good schools and preserving property values.

There are definite links between the value of property and the racial composition of schools. When integration has been carried out in other districts of the city, the inflow of black pupils has led to an exodus of whites. The shift in the race of the majority, which is called tipping, has been accompanied by a similar change in the residential composition of a neighbourhood. As a result, entire sections have tipped from white to black as white families beat a path to the suburbs and the blacks rush in to fill the vacuum. In Canarsie, where most white residents are young, a strong community spirit has developed against outsiders, white and black. Determined to remain dominant in their district, they won notable concessions from Mr Scribner and the board before accepting a truce.



A new pupil arrives at Canarsie's junior high

Under its terms the central board agreed to the community board's demand that no Canarsie pupils would be bused out of the district. In return, the local board has until mid-January to come up with its own plan for achieving greater integration by accepting more blacks into its schools. Whatever the outcome, Mr Scribner

has been badly embarrassed and the central board has lost some of its power to effect reform. Unless it can reassert its authority and make much more careful plans to achieve greater integration, the prospect is that other local boards will resort to similar action when they feel threatened by tipping.

Fed's two birds

Washington, DC

After being delayed for some six weeks as a result of litigation brought by a group of smaller banks, the Federal Reserve Board has managed to put into effect two significant changes in the rules governing America's banking system. Nearly everyone involved thinks that they are for the better.

The first ends the rule of almost 60 years' standing under which banks belonging to the Federal Reserve System had their reserve requirements based in good part on their geographical location rather than their size (member banks must keep idle reserves equal to a fixed percentage of their customers' deposits). While this anachronism did not seriously hamper the conduct of the central bank's monetary policy, it created inequities among individual banks that are members of the system. In brief, the higher the reserves that a bank is required to keep, the more costly this requirement is. While there is reason to have higher requirements for the larger banks, on grounds of both monetary policy and safety, there is no longer any reason to distinguish between the old categories of "country" and

"reserve city" banks, based only on location. Now all \$500m banks will be treated alike, as will all \$10m banks and all \$10 billion banks.

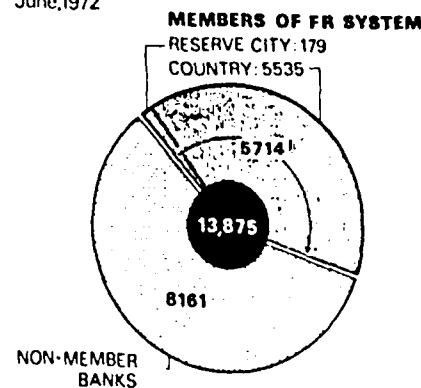
The second change requires all banks, in practice, to make payments on cheques on the day that they are presented. This is already the case with about 80 per cent of the dollar volume of daily cheque collections and more than 50 per cent of the actual number of cheques. But many smaller banks had made a good profit out of the long-standing custom of paying only on the day after presentation, which created a large and uncertain "float" of uncollected cheques as well as slowing the general system of cash transfers. It was two groups of these banks that sought unsuccessfully in court to halt the Federal Reserve Board's new rules.

It is rare that anybody, even a central bank, can find an opportunity like this to kill two birds with one stone. Here two ancient ills have been abolished at once and neither could have been easily abolished alone. The reason is that the ending of the cheque "float" would have extinguished too much money, while a painless equalisation of bank reserve requirements would have created too much. By combining the two changes in a period

of about a month, the Fed has avoided any serious disruption to monetary policy, though the figures for the money supply and other monetary statistics may be slightly distorted for a few weeks. The Fed has also made special provision for the smaller banks that might find themselves short of funds as a result of being required to pay cheques on the same day; this includes an offer of borrowing facilities at the central bank even for banks that are not members of the system. Judging from the early results, it seems that the two birds have died painlessly.

America's commercial banks

June, 1972



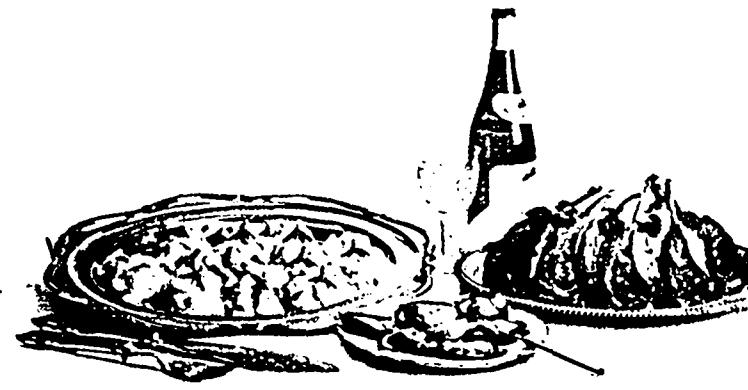
The Edwardian Christmas Dinner.

A gourmet's guide.



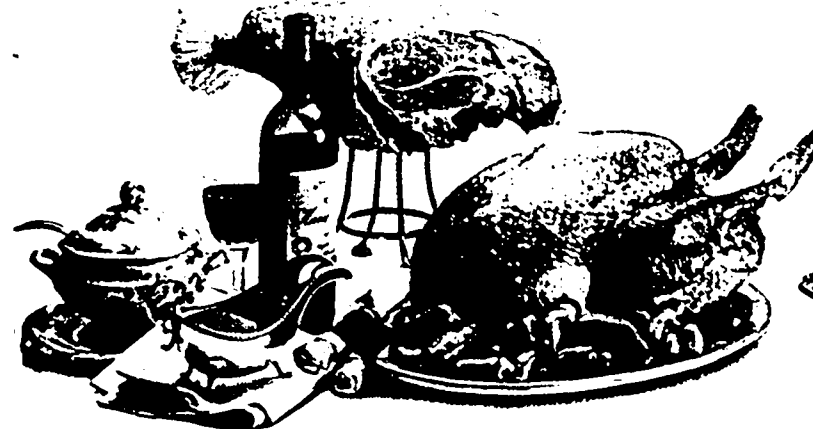
To begin. A dish of finest caviar. The addition of chopped onion and lemon juice is to be discouraged. Serve simply with thin slices of buttered rye bread and a glass of well-chilled champagne.

After the caviar a tureen of game soup. To complement the flavour of partridge or hen pheasant a glass or two of Madeira.



Onwards. To poached fillets of Brill, coated in a delicate shrimp sauce garnished with shrimp tails and sent to the table with melted butter. With this—a deliciously crisp Chassagne Montrachet.

Oysters. Served in the English manner with the juice of fresh lemons and, perhaps, a dash of cayenne pepper. After this a dish of mutton cutlets grilled and placed on a dish around a mound of mashed potatoes and garnished with parsley.



Having thoroughly whetted the appetite we come to the zenith of the festive feast. A roast turkey. Garnished with bacon and sausages and served with bread sauce, or chestnut sauce or a good rich gravy. To drink? Claret.

To accompany the beautiful bird—a tureen of plain, boiled potatoes and a pyramid of buttered Brussels sprouts. Then to liven the senses what better than a dish of Russian salad? Not of the tinned and turgid variety



so popular today. A genuine Salade Russe. Complete with truffles and mushrooms, french beans, beetroot, lobster, tongue and ham, mayonnaise et al.



A short respite and on to holly-decked plum pudding, with brandy sauce or brandy butter whichever you prefer. For those with lesser appetites an alternative of maraschino jelly. For all, the luscious and incomparable Chateau Yquem.

To end. No bits of this and that. No meagre pots of cheese. An English Stilton. Ripe and round. With bread or biscuits. And celery—taken with a little salt.

The napkins lie crumpled. The cigars are lit. The Port is passed from



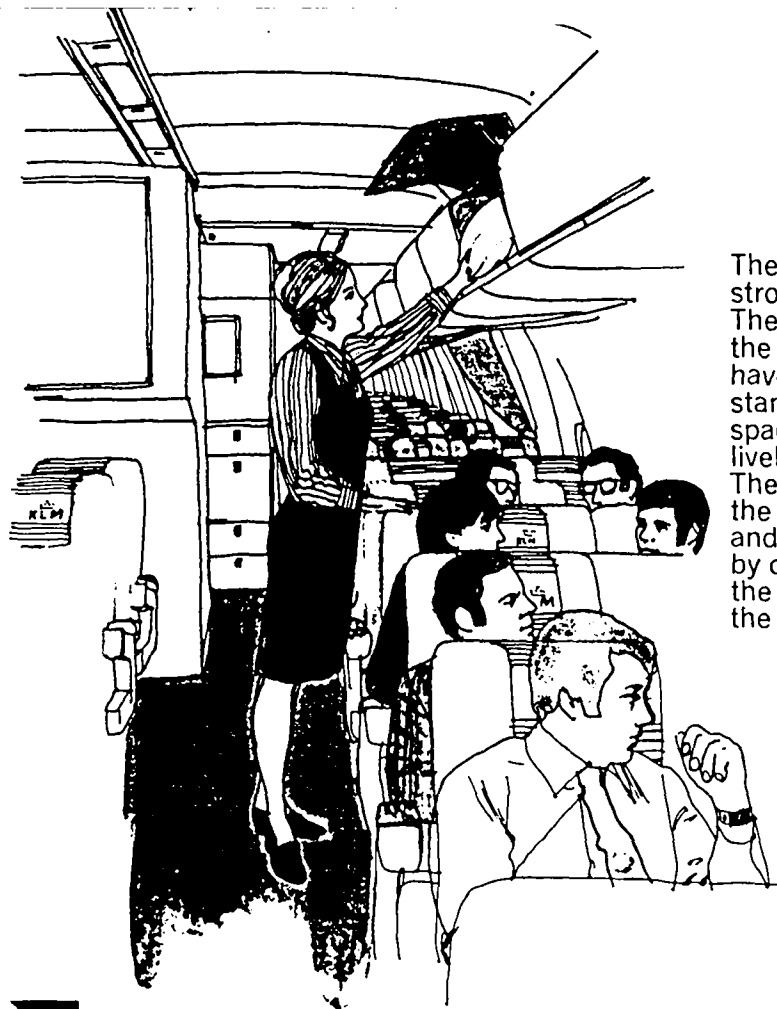
right to left. Croft Port from the house founded in 1678. Today, two Ports represent the great Croft tradition.

Distinction. Very rare, very old, aged in the wood for ten years, sleek and tawny as a lion in sunshine.

Commemoration. A fine vintage character, rich and full-bodied. As full of promise as the bride of Solomon.

CROFT

Purveyors of Port since the reign of Charles II



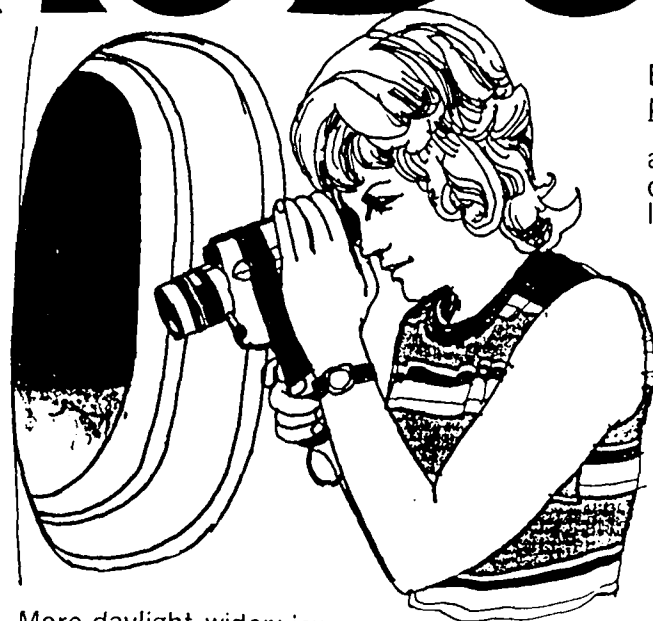
There are ample baggage lockers, strong enough to hold 18 kg. The 8 ft. headroom adds again to the general spaciousness. You don't have to bend when you want to stand up and walk around. All this space and comfort demanded lively colours. So we saw to that. The Royal Class is in KLM blue, the Economy Class has a yellow and orange colour scheme broken by occasional green seats in the front section and red ones in the rear.



"Wall-to-wall" comfort in the air.

"Wall-to-wall" comfort means that in our DC-10 there is so much space that we can comfortably seat nine passengers across. The middle seat can be put down and used as a table. The whole interior has been designed to emphasize the spaciousness of this aircraft.

KLM introduces the DC-10 to Europe



More daylight, wider views. The DC-10 has bigger windows than any other aircraft - you get the maximum light inside and more to see of the outside world. Each cabin has a separate ventilation system, which is draught-free and changes the cabin air every three minutes, so your ears won't tell you when you're landing or taking off.

Each one of our DC-10's features a personalized music programme. The selector dial and volume control are located in the armrest as are other personal controls like reading light and call button.

Our DC-10 makes its first flight from Amsterdam to New York in December. From then on, four times a week. And from the 26th of February 1973, daily non-stop to Chicago. If you want to fly our new DC-10's, you can. Book now at your travel agent or KLM office. Or call us for information on how to charter our DC-10's.



The passenger doors are so wide that two persons can pass through at the same time. Again comfort by space. The modular baggage containers see to the safe transportation of your luggage.



When an airline buys a DC-10 it has a choice of engines. With the environment in mind, we chose an engine that makes less noise and leaves no visible exhaust; the General Electric CF 6-50. This engine has such enormous power that the aircraft could fly or land on any of its three engines.



Seventeen years after you buy it, this watch could get you arrested.

On November 11th, 1970, Mr. Robert L. Fancher Snr., of Nashua, New Hampshire, USA, was clearing Customs at Logan International Airport, Boston.

In his own words, this is what happened.

"After I paid the cashier, the young man standing next to me took out a badge and said, 'I'm with the US Customs' and asked me if I would step into one of the small Customs offices with him, which I did. Now, bear in mind that my party and myself had cleared Customs and the porter had all of my luggage ready to roll out to the taxi area.

"The Customs gentleman then asked me what the total of my declaration was and I told him that it was \$240. He immediately pointed to my wrist and said, 'Well, I feel that you have failed to declare that watch you have.' I said that I had had this watch for seventeen years and therefore I saw no need to declare it and in addition to this it was purchased in the US.

"Well, he told me that the watch looked new and asked me to take it off my wrist, which I did. He proceeded to examine the watch carefully and I explained to him that one way he could tell that this watch had some wear was because there is a certain amount of separation that occurs on the gold links of the bracelet over the years, and if you look at a new bracelet, each section is close together. Well, after a great deal of arguing with him, he told me that one way or another I should have identified the watch prior to my departure so that I could return to the US without going through this sort of thing, and I said that I would."

The watch Mr. Fancher was wearing was a Rolex Oyster Datejust, serial number 6305/49812.



He purchased it seventeen years ago from Jaccard's in St. Louis.

If you wear a Rolex you may care to remember what happened to Mr. Fancher. It might just happen to you. Because when our craftsmen build a Rolex, they build it to last.

Each watch takes them a year to complete. They start with a single, solid chunk of surgical stainless steel, or 18ct. gold, turning this block of metal into a seamless Rolex Oyster case with a series of 162 separate operations. Then, into the case, they carefully fit one of their patented inventions, called the Rolex Twinlock Winding Crown.

The Twinlock works rather like a submarine hatch, actually screwing down onto the case, forming a solid core which can't be penetrated by dust, dirt or water. (You may like to compare this to the winders you'll find on some other watches, which are often their weakest point.)

Resting securely inside the case is a rotor self-winding Perpetual movement. But before this is fitted, we pay for it to undergo fifteen days and nights of testing at one of the Swiss Institutes for Official Chronometer Tests. If the movement meets with the exacting standards of accuracy demanded by the Institutes, we're allowed to call the watch a "Chronometer." The Rolex Red Seal (which you can see in the picture) is your proof of this fact.

Our craftsmen have made it possible for us to win nearly half the Chronometer certificates ever awarded, even though we're responsible for a mere fraction of the annual production of Swiss watches because it takes so long to make each Rolex.

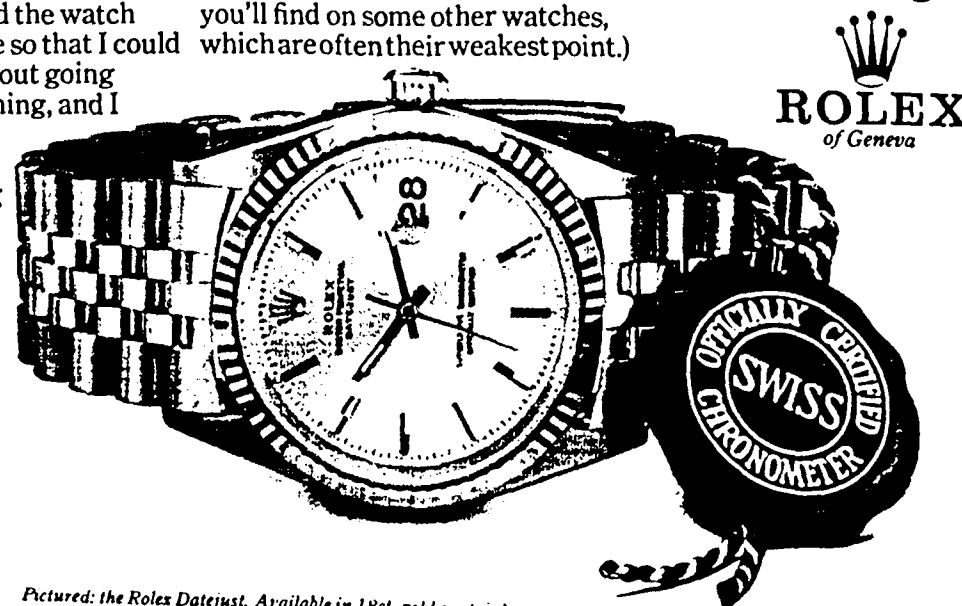
Given this skill and expertise, it's not really surprising that Mr. Fancher's watch was mistaken for new when it was seventeen years old.

Or that men like World Champion racing driver Jackie Stewart, and explorer Haroun Tazief wear Rolex watches.

Like Rolex owners everywhere, they get a great deal of satisfaction out of wearing what they consider to be the best watch in the world.

Almost as much as our craftsmen get out of making one.

Owning one is almost as satisfying as making one.



Pictured: the Rolex Datejust. Available in 18ct. gold or stainless steel, with matching bracelet.

Books

The wind cannot read

ONLY THE WIND WILL LISTEN

By Andrew Boyle.

Hutchinson. 368 pages. £4.50.

Men like John Reith should die on retirement; old age becomes them ill and affords them less pleasure. He did not altogether lack the approachability, the kindness towards the young that, born of loneliness, often mellow the elderly great; Mr Boyle bears generous, but never effusive, testimony to the "exhilaration of his company." But in this altogether admirable biography he shows how, characteristically, in John Reith these currents turned awry. His fondness for young women was more ludicrous than endearing. His taste for honours was scarcely less so—though perhaps only biographers and prime ministers know how common a failing this is. In the 1960s, Lord Reith lobbied the Labour government for an advancement in the peerage, seemingly unaware that it was only creating life barons, anyway; as Lord High Commissioner in Scotland he publicly rebuked his wife for entering a car in front of him. He displayed a rigidity towards broadcasting developments (Mr Boyle's own "World at One" was anathema). His detestation of Churchill was untempered by perspective: as Churchill lay dead, Reith told Mr Boyle that "It will be 100 years at least before Britain gets over the malign influence of that unscrupulous man."

John Reith was old for too long. He was removed from the director-generalship of the BBC in 1938; he did not die until last year. He was only 49 when he left the BBC, and the jobs that he got, in quick succession—the first, to shake up Imperial Airways and create out of it and British Airways the British Overseas Airways Corporation, was followed by wartime government posts as minister of information, of transport and finally of works—would have seemed arduous enough to lesser or less ambitious men, but Reith found himself "never fully stretched." In a way, Mr Boyle suggests, he was happiest after Churchill had dispensed with him in 1942, administering in the Admiralty in the rank of lieutenant-



Reith: unhappy titan

commander. But he never got the "one big task" that Attlee, for one, thought in the postwar years that Reith still had in him.

And yet, what would have "stretched" this difficult, forceful man? His earliest days at the British Broadcasting Company, with a staff that could be reckoned in dozens, battling for his vulnerable charge with newspaper proprietors and unsympathetic postmasters-general, persuading politicians to speak on radio at election time, fighting for a place in the establishment for broadcasting—these were fully employed, of course. The circumstances of his appointment seem bizarrely casual. Mr Boyle points out that Reith never acknowledged the help he received from Sir William Bull, to whom he had been acting as political secretary, while Professor Asa Briggs, in his history of broadcasting, has pointed out that "there is not even a short list of the six people seriously considered for what was to be a strategic post in twentieth-century history." Whatever the causes, the choice was admirable: Reith became at once pioneer, champion and godfather.

It is a hard moment for David when he sees Goliath in the mirror: the watershed in the BBC's life, and Reith's, is conventionally symbolised by the move from Savoy Hill to the new Broadcasting House in 1932. Bureaucracy could not be cut down to size, like the offending genitals of the statue of Ariel that adorned the entrance hall. New vigour could not be injected into the now-stultifying Reithian structure, any more than the bogus books lining the talks room could

be read. Mr Boyle is too percipient to accept this simple division of career into good and bad. He is more critical, for example, than Professor Briggs of the BBC's performance at the time of the general strike. And he has sympathy for the Reith of the 1930s. But both director-general and corporation grew more and more unhappy.

What could then have been found for Reith? Undoubtedly, his talents were underused, but jobs at the level to which he had risen did not often come in the granite blocks he liked, on which he could expend his force and drive out the *accidie* in his soul. He was always less good with the plasticine of political diplomacy. Would he have found greater satisfaction in America, where he was undoubtedly happy, after he had had the side of his face torn apart in the first world war, supervising arms manufacture? It seems unlikely, when so much of his unhappiness came from within, from inheritance or childhood. Curiously, Mr Boyle's biography improves as Reith ages and becomes more certain, quite without reference to external evidence, of personal failure. Never less than excellent, except perhaps at the very beginning of Reith's life, where there is a lapse into historical novelesque ("After the slow agony of delivery came the first feeble cries of the new baby, echoing in his mother's ears like an uncertain hymn of praise") it rises to a level of perception and understanding at the end that is beyond mere judgment or appraisal. In Mr Boyle's book, Reith reveals himself, a self-blinded Milton who found his talents death to hide. But the winds to which John Reith listened for the voice of God never, like Milton's patience, taught him acceptance of over 30 years of waiting. Did they listen? Reith never lost his deep Christianity. But the wind cannot read, and Reith's soul was a book he kept too tightly closed. Mr Boyle has managed, remarkably, to prise it open.

King of the gossips

THE CECIL KING DIARY, 1965-70

Cape. 353 pages. £3.

This book will have an assured, if select, readership. Everyone—politicians, ambassadors, Bank of England officials, businessmen and even fellow newspaper proprietors—who ever lunched, dined or talked with Mr Cecil King between 1965 and 1970 will at least have to look up the index. If they are mentioned they will then have

to look up the references to see who they should avoid, or be especially nice to, for the next few months. For Mr King has well and truly carted practically everyone of any note who was, in retrospect, so ill-advised as to give him, or accept from him, hospitality over those years. His book is a nauseating end to many a meal.

Of course, those who find it the best giggle for years will say that Mr King's hosts and guests have only themselves to blame. Certainly the former chairman of the International Publishing Corporation has breached every explicit or implied confidence given him, and that may not be very nice manners. But if Mr Wilson had not been so contemptuous of many of his colleagues to Mr King, and they had not returned the compliment about him, none of them would be squirming now, would they? The Tories come out of it rather better, for they were never so bitchy about their colleagues as the Labour chaps: perhaps they did not trust Mr King quite so much. Some of them had reason not to.

For what is clear from his diary is that Mr King was not only a vain and arrogant man but he was also rather a silly one. Take his relations with Mr Heath. Mr King trots round and tells

Mr Heath what secret (his own word) information he had been given by the Bank of England in his capacity as a director. Does he then really expect Mr Heath, or anyone else on whom he has performed the same egotistical exercise, to give him any worthwhile confidences in return? Mr King still does not seem to realise just how often he was having the mickey taken out of him.

For those not mentioned in its pages but who still want to buy the book, there are two warnings worth passing on. First, do not believe quite everything that is in it. Sir Christopher Soames, for example, may well have said that he would not go mouse hunting under a sofa with Mr Roy Jenkins (although that is an unlikely activity, in itself, for either man); but it is extremely doubtful that the merchant banker, Mr Louis Franck, ever told Mr King that the amount which went out of London on the Thursday and Friday before devaluation was "not less than \$1,300,000 million." Secondly, do not try to read it in one sitting. What starts out as a giggle ("Sunday, August 15th, 1965 . . . have been thinking of Wilson, whose days look to be numbered") becomes rather pathetic well before the end.

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What is the real effect of investment in South Africa? Does it raise the living standards of the Africans and help to liberalise the regime, or does it have just the opposite effect? This book presents a large body of hard facts and a clearly argued case. It investigates the problem industry by industry and looks in detail at the activities of a number of individual companies and groups.

Economist: 'Those who rely on an economic resolution of the South African problem should certainly read this book.'

The Times: 'A mine of information and a minefield of controversy.'

Guardian: 'A scrupulous investigation of the facts.'

Sunday Times: 'Devastating compilation of evidence.'

New Statesman: 'Invaluable material . . . the information is thoroughly documented; the appendices are instant reference aids; the indexing excellent.'

£3.50

maurice temple smith

37 GREAT RUSSELL ST LONDON WC1

The echoes of war

THE WORLD AND NIGERIA

By Suzanne Cronjé.
Sidgwick and Jackson. 421 pages.
£5.95.

THE MAN DIED

By Wole Soyinka.
Rex Collings. 315 pages. £3.50.

Sooner or later those who followed the Nigerian civil war from the safety of Britain became aware of the remarkable Mrs Suzanne Cronjé. It was said that her wireless set effortlessly picked up "Radio Enugu"—even after the Biafran capital had fallen and broadcasts were coming from makeshift transmitters in Owerri or Umuahia. True or not, there was no doubt that the Biafran bush telegraph had no trouble in reaching her flat in north London, where she amassed an enormous quantity of information about the war to add to her already considerable experience of its antecedents.

Now Mrs Cronjé has managed to digest her data, or at least some of it, and produced not a history of the war but an account of its ramifications abroad. Inevitably, this largely concerns Britain, the country that became most embroiled in the affair. The British government was in a cleft stick from the moment that a rift first appeared in Nigeria's fragile unity. Genuine neutrality—implying a ban on arms sales to both sides—was bound to be interpreted as withdrawing assistance from federal Nigeria in its hour of need; but support for the federal forces was a cause that many felt to be unjust—or at any rate no business of the British.

Government aid for Biafra was never likely, and Britain, while proclaiming neutrality, weighed in with arms shipments and diplomatic support for the federal side. The full measure of the British government's duplicity and double-talk is well brought out. The arguments put forward by Mr Wilson's ministers—that Britain was the traditional supplier of arms to Nigeria and that anyway it only sent 15 per cent of Nigeria's arms imports—are shown up.

Mrs Cronjé is probably correct in her analysis of the reasons for British support: a sentimental attachment of policymakers in the foreign and commonwealth offices to the federation (and particularly to northern Nigeria), coupled with anxiety about Britain's commercial interests (particularly the British stake in Nigeria's oil fields). But Britain's arms shipments were justified

not on these real, hard grounds but on lamentably feeble ones: that if Britain did not sell arms someone else would, and that there was a need to maintain a "moderating influence" in Lagos.

All this Mrs Cronjé deals with well, though it is hardly original matter. Other aspects—such as the Russian position—are less well known, and equally well handled. Perhaps Mrs Cronjé does not delve deeply enough; she has used the published sources well, but these have their limitations. Much information has not yet been released; it may, indeed, never be put on paper. The only way of getting round this difficulty is to draw more heavily than Mrs Cronjé has on the experiences of the people involved. For all that, her book is a serious one and well worth reading.

So too is "The Man Died," Mr Wole Soyinka's account of his imprisonment in the civil war. A Yoruba from western Nigeria, he had no tribal affiliations with the Biafrans of the east. But he was appalled by the brutality and injustice that he saw in federal Nigeria and became an outspoken critic of the military government. He was therefore locked up, though never brought to trial.

"The Man Died" is an extraordinary and moving book. It provides a rare opportunity for others to understand what the war meant to a Nigerian who was not a member of the political and military establishment. Mr Soyinka is obviously not typical—his talents and courage would mark him out in any society—but experiences like his were perhaps not uncommon.

Magnificent obsession

A PIECE OF TRUTH

By Amalia Fleming.
Cape. 257 pages. £2.95.

The outline of Lady Fleming's story is already well known. In August, 1971, she was arrested by the Greek military police and tried for complicity in a plot to effect the escape of Alexander Panagoulis, who was serving a life sentence for attempting to assassinate the Greek prime minister, Mr Papadopoulos. She was sentenced to 16 months' imprisonment and then released on medical grounds. Three weeks later she was forcibly removed from her Athens apartment, driven to the airport and put on a plane to London. The only compensation for her expulsion from her native land is her present freedom to tell without

fear the truth of her case.

Amalia Fleming is a woman of remarkable courage. She is, moreover, warm-hearted, impulsive, compassionate and consumed with hatred for all forms of oppression. She could no more have refused to hide escaping allied soldiers during the German occupation of Greece than she could have shut her eyes and ears to what was happening in Greece after the military coup of 1967. Although not connected with any underground resistance group, she actively tried to help the families of men imprisoned for their political beliefs, and when she was begged to assist in getting Panagoulis out of prison, where she knew he was being tortured, she could not refuse.

Her account of her own interrogation by Major Theophyloannakos, head of the military police's interrogation centre, and her treatment in detention is a chilling indictment of a regime. The letters from other prisoners, smuggled out of jail, which recount their tortures and the names of their torturers, show how fortunate Lady Fleming was to have international reknown; otherwise, her treatment would have been immeasurably worse.

On her own admission Lady Fleming is a political innocent, and thus she is on shakier ground when she digresses from her own story, as she often does, and offers her judgments on the course of Greek history over the past 25 years. For her there are only goodies (the late George Papandreu, his son Andreas, the left wing of the Centre Union party and the intellectuals who have shown resistance to the regime) and baddies (the king, the right-wing politicians, the generals and, of course, the governments of the United States and other Nato powers). But the blatant over-simplification of political issues, the many sweeping judgments based on unproven facts and the exaggerated language do not in the end undermine this book's veracity.



Lady Fleming: free to tell

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Premarital

ECONOMIC GROWTH IN HISTORY

By J. D. Gould.

Methuen. 480 pages. £4.50 cloth, £2.25 paperbound.

This is an ambitious as well as a long book. While Professor Gould eschews any very grand claims for his analysis or conclusions, he has in fact attempted to write a textbook on the historical characteristics of economic growth which is designed for both historians and economists. Unfortunately, the result is far from satisfactory—although it is only fair to emphasise that there have been few satisfactory and no really successful books on this sort of subject.

Admittedly, Professor Gould has done his homework well: his study is based on extensive reading in modern economic history and in those quasi-theoretical quantitative surveys which empirically minded economists have recently produced in such abundance. The result is an enlightened and suitably sceptical discussion of specific contributions to growth theory. Yet, in spite of the variety and wealth of its material, it is an excessively lengthy and somewhat rambling study, lacking in firm organisation or stylistic vigour. The first chapter, on "Growth and Development in History," has little definition or economy of purpose. It is too preoccupied with conceptual problems and fails to establish a framework within which the rest of the book can be logically accommodated. It is followed by four chapters on agriculture, capital, foreign trade and productivity—although there is little explicit justification for selecting these topics as the central themes of development. The final chapter discusses "Some Theories of Growth and Development," examining the work of such economist-historians as Chenery, Gerschenkron, Hoffmann and Rostow.

At bottom, both the strength and the weakness of the book—on the one hand its detailed scholarship, on the other its disjointed and rather aimless character—are attributable to the fact that its themes, whether historical or theoretical, were apparently determined by the kaleidoscope of available literature. The result is a lack of central purpose and even (given the book's breadth) of depth, which is bound to be disappointing. One is driven to the conclusion that detailed history and sophisticated theory are not yet ready to be married at the altar of economic growth.



1665: plague city

Years of destruction

THE DIARY OF SAMUEL PEPYS, VOLUME VI: 1665; VOLUME VII, 1666

Edited by Robert Latham and William Matthews.
G. Bell. 381 and 464 pages. £9 a set.

To the inveterate Pepysian, or to the serious student of restoration social history, every new volume of the diary that appears in this admirable definitive edition is equally welcome. On library shelves the handsome tomes accumulate, and there are now only two more instalments of the diary to look forward to, though the editors plan a tenth volume of commentary, a companion to the whole series—and an eleventh, comprising the index.

The two volumes that have just been published contain the passages that everyone who reads Pepys at all associates with his name—the eye-witness accounts of the plague in 1665 and the Great Fire of London in the following year. These are the most spectacular interludes in the narrative that opens with the expectation of Charles II's return to England, and centres—as regards public events—on the Dutch wars. Pepys at the Navy Office was of course in a particularly strong position to comment on the battle at sea, and his diary during these two years vividly communicates his incessant busyness. His uncommon ability as a civil servant had gained him recognition and he was received everywhere, to his considerable gratification. He had easy access to the Duke of York and to the King himself. When the fire was ravaging the City, he went to Whitehall, to the King's

closet in the Chapel:

... where people came about me and I did give them an account dismayed them all; and word was carried in to the King, so I was called for and did tell the King and Duke of York what I saw, and that unless his Majesty did command houses to be pulled down, nothing could stop the fire. They seemed much troubled, and the King commanded me to go to my Lord Mayor from him, and command him to spare no house but to pull down before the fire every way...

He is also authorised to offer the lord mayor the help of soldiers, so back he goes to the City:

At last met my Lord Mayor in Canning Street, like a man spent, with a handkercher about his neck. To the King's message, he cried like a fainting woman, "Lord, what can I do? I am spent. People will not obey me. I have been pulling down houses. But the fire overtakes us faster than we can do it." That he needed no more soldiers; and that for himself, he must go and refresh himself, having been up all night...

In contrast to the dramatic account of the fire, a panic-provoking event that called for swift action, Pepys's day-to-day comments on the plague through the summer months of 1665 convey the sense of a menace growing implacably. The figures published in the weekly hills of mortality, news of acquaintances stricken and dying, the sight of the dead-carts, the streets denuded of people, plans to move the Navy Office to Deptford—such items as these work up to a crescendo of alarm. But it is a danger against which there seems to be no defence, so Pepys works harder than ever and enjoys whatever there is to be enjoyed. He misses no chance of illicit kisses and dalliance, and so far as his social life is concerned the phrases "mighty merry," "full of content," "with great pleasure," recur just as frequently as in more auspicious times. It is his unending relish for life that makes his diary so perennially fascinating.

Unconscious modesty

SOCIAL SECURITY: ANOTHER BRITISH FAILURE?

By John Walley.

Charles Knight. 300 pages. £4.50.

The timing of the publication of Sir John Walley's book on social security could hardly have been better. It appears almost simultaneously with the publication of Sir Keith Joseph's massive bill to remodel the financial basis of national insurance, and only a little after the Chancellor of the Exchequer's green paper outlining a negative income tax scheme. The whole system of social security in Britain is going through one

of its regular periods of overhaul and reappraisal and no one, as Mr Dale's admirable foreword points out, has greater knowledge to contribute to this process than Sir John.

His subtitle, "Another British Failure?" has an element of unconscious modesty. For in his long career as a civil servant in departments concerned with social security, Sir John Walley has had a bigger share in its development in Britain than almost anyone except Lord Beveridge. Sometimes, perhaps more often than not, he did not very much like what his political masters made him do. He does not succeed in concealing his dislike of the 1959 National Insurance Act, which introduced, on a modest scale, wage-related contributions and pensions, and to which his skill and knowledge made a notable contribution.

Part I provides a concise history of social security in Britain since the Elizabethan poor-law, which he stoutly defends. Nor does he share the conventional wisdom which disapproves of Speenhamland. He quotes Pitt's powerful rebuttal of the concept of a minimum wage, on grounds whose validity continues today: it wholly ignores the factor of family size. Sir John has always been a firm supporter of family allowances and his historical review provides much support for their use. In this part of the book, incidentally, he argues that good social reformers make the best war lords—citing Pitt, Lloyd George, Churchill, Bismarck and Roosevelt as formidable evidence for his theme.

In Part II, which is the larger part of the book, he deploys his own ideas. Few would agree with them all; no-one will question that there is much to be said—and he says it well—for most of them. Some may wonder, though, whether his antipathy to means tests is not a little out of date. Many economists will doubt whether "dynamising" all provision for old age as a protection against inflation may not, particularly in view of Sir John's ideas as to the scale of such provision, provide at the same time both a guarantee of continuing inflation and a deterrent to other forms of saving. He also seems to treat very lightly the political and economic consequences of swingeing increases in national insurance contributions. Some people with experience of social security administration may think that he is a little hopeful here.

The book is completely up-to-date, and includes not only a commentary on Sir Keith Joseph's "Strategy for Pensions" but even a reference to the

change in the rates of family income supplements announced in April, 1972. It is the ripe fruit of a life given to social security administration and should be on the desk of all who seek to plan or administer social services.

Terrible twins

THE PROFESSION OF VIOLENCE

By John Pearson.

Weidenfeld and Nicolson. 233 pages. £3.

With the exception of the Richardson brothers, the Kray twins were the most dangerous criminals produced in Britain since the second world war. For years they terrorised the criminal classes, and a great many others besides, in the east end of London, and it seemed that there was remarkably little chance of securing their arrest and conviction—all the more so because they were specialists in tampering with juries.

Mr Pearson, who was asked by the Krays at one time to write their official biography (so that their retirement could be marked appropriately), has written a rather impressive little book on the Krays' rise to fame and on their destruction. Ronnie comes through as the more interesting, if chilling, personality: the graduate of Colchester and Shepton Mallet military prisons who liked being called "the colonel," the cold-eyed homosexual psychopath who attempted to ape Al Capone. The only slight disappointment about this book is that Mr Pearson does not appear to realise that it was the Krays, and the Richardsons, whose activities persuaded the Home Office of the need to introduce majority verdicts in criminal trials in England and Wales.



The Krays: trial by biography

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On October 27, 1972, the Stockholders have reviewed and, in accordance with the provisions of the Italian law, have approved the following financial statements for the year ended June 30, 1972.

Balance Sheet at June 30, 1972

ASSETS

	U.S.\$
Portfolio securities	216,882,496
Treasury stock (8,498 common shares)	36,407
Office furniture and equipment	154,319
Deferred charges, being amortised	654,878
Cash on hand	8,963
Cash in banks	17,177
Accounts receivable:	
—Affiliated companies	2,245,262
—Claims for war damages	99,048
—Other	1,978,036
Prepayments	573,123

CONTRA ACCOUNTS

—Guarantees	5,423,578
—Portfolio securities held on deposit by third parties as directors' bond	32,228
—Company shares held on deposit as directors' bond	3,444
—Portfolio securities, at cost, deposited with banks as collateral for credit lines	34,071,079
—Securities to be received under repurchase agreement	10,823,187
	50,353,576
	<u>273,003,285</u>

LIABILITIES

	U.S.\$
Stockholders' Investment:	65,432,630
Capital stock —	
Common stock, 20,000,000 shares, par value Lire 1,000 each (U.S.\$ 1,72)	
Preferred stock, 18,000,000 shares, par value Lire 1,000 each (U.S.\$ 1,72)	
Legal reserve	12,397,762
Extraordinary reserve	28,411,537
Taxed reserve	480,131
Paid in surplus	47,481,705
Monetary revaluation reserve	522,565
Dividened equalisation reserve	3,564,356
Unallocated retained earnings	372,997
	<u>158,663,683</u>
Reserve for income taxes and future liabilities	5,682,307
Reserve for severance indemnities	833,898
Accumulated depreciation on office furniture and equipment	60,689
Deferred credit for war damages recoverable	99,048
Long term debt:—	
Debenture loan 6%, due January 1, 1980	8,609,557
Bank overdrafts	11,948,996
Accounts payable — Other	811,526
Accrued liabilities and miscellaneous payables	557,225
Short term loans against securities sold under agreements to repurchase	24,106,759
Net income for the year	11,276,021
	<u>222,649,709</u>

CONTRA ACCOUNTS

Contingent liabilities against guarantees given	5,423,578
Portfolio securities on deposit as directors' bond	32,228
Company shares on deposit as directors' bond	3,444
Portfolio securities, at cost, on deposit with banks as collateral for credit lines	34,071,079
Portfolio securities sold under agreement to repurchase	10,823,187
	50,353,576
	<u>273,003,285</u>

Statement of Income

	U.S.\$		U.S.\$
OPERATING COSTS AND EXPENSES:		REVENUES	
General expenses	2,358,899	Dividends received	18,092,346
Cost of securities sold during the year	36,563,610	Proceeds from sales of securities	42,623,247
Write down of carrying value of portfolio securities	2,262,639	Interest income	1,249,110
Financial charges	6,496,907	Commissions and other income	691,122
Other deductions and expenses	238,417		
Provision for depreciation	19,514		
Provision for income taxes and future liabilities	3,439,818		
Net income for the year	<u>11,276,021</u>		
	<u>62,655,825</u>		<u>62,655,825</u>

NOTE: For the convenience of our foreign stockholders the amounts included in the financial statements have been converted from Italian lire to U.S. dollars at the exchange rate of lire 580.75 to the dollar in effect at June 30, 1972.

Pursuant to Article 29 of the By-Laws, the Stockholders have resolved to appropriate the net income of as follows: U.S.\$ 11,276,021

—to the Legal Reserve to increase it to 20% of capital stock	688,764
	<u>10,587,257</u>
—to the Board of Directors, 1% of the remainder	105,873
	<u>10,481,384</u>
—to the preferred stockholders as a preferred dividend on 18 million shares, 5% par value	1,549,720
	<u>2,410,676</u>
—to the Extraordinary Reserve	5,045,200
—to the Dividend Equalisation Reserve	1,475,788
	<u>372,997</u>
—unallocated earnings carried over from prior years	1,848,785
	<u>4,959,105</u>
—to the preferred and common stockholders, as a dividend on 18 million shares of each class	
—to the 2 million common shares, issued on January 1, 1972, in connection with the conversion of 5.50% debenture loan	137,753
	<u>5,096,858</u>
Less interim dividend paid on April 5, 1972, out of Dividend Equalisation Reserve	3,323,289
	<u>1,773,569</u>
	<u>75,216</u>
To be carried forward as unallocated earnings	

Therefore, the dividend per each class of shares is as follows (in Italian lire):

	Total dividend	Interim dividend	Balance payable
Common Shares	80	40	40
Common shares outstanding since January 1, 1972	40	20	20
Preferred shares	130	65	65

The balance, net of withholding tax, will be payable on, or after, October 31, 1972, upon presentation of the share certificates (coupon No. 8) through the following banks:

In Italy: Banca Commerciale Italiana—Banca d'America e d'Italia—Banca del Monte di Credito di Pavia—Banca Lombarda di Depositi e Conti Correnti—Banca Mobiliare Piemontese—Banca Nazionale dell'Agricoltura—Banca Nazionale del Lavoro—Banca Popolare di Novara—Banca Subalpina—Banca Ambrosiana—Banca di Napoli—Banca di Roma—Banca di Sicilia—Cassa di Risparmio di Torino—Cassa di Risparmio delle Provincie Lombarde—Credito Commerciale—Credito Italiano—Istituto Bancario Italiano—Istituto Bancario San Paolo di Torino—Monte dei Paschi di Siena.

In France: Lazard Frères & Cie, Paris

In Germany: Commerzbank A.G., Düsseldorf, Frankfurt a. M.

In England: Lazard Brothers & Co. Ltd., London

S. G. Warburg & Co. Ltd., London

In Holland: Amsterdam Rotterdam Bank N.V., Amsterdam

In Switzerland: Crédit Suisse, Zürich

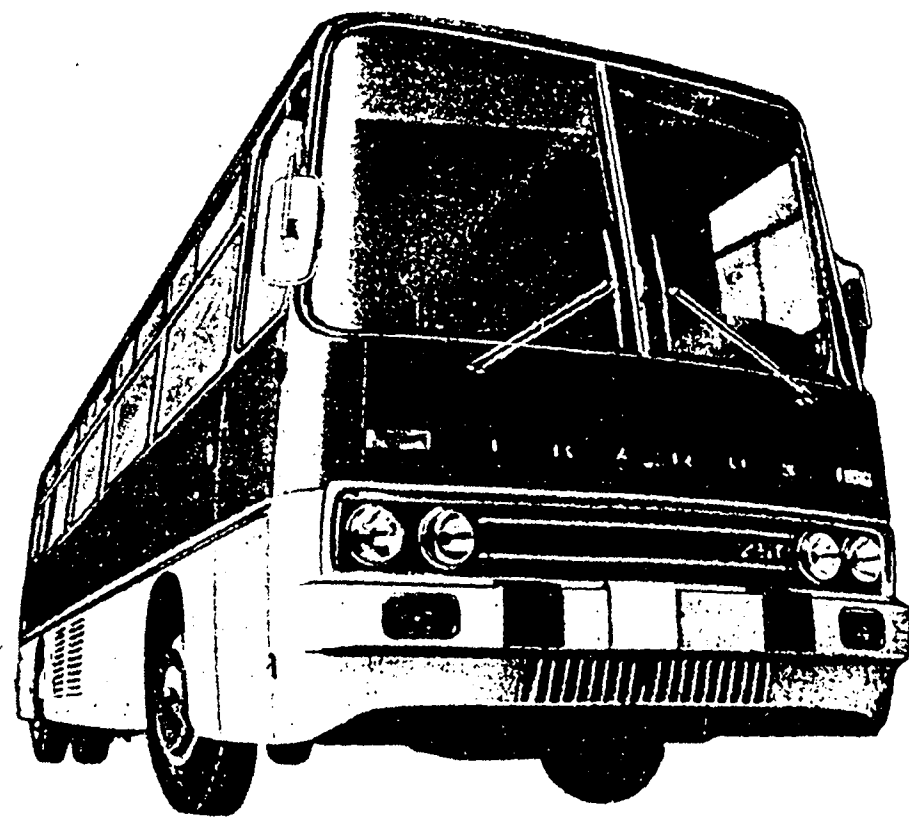
In addition, the Stockholders have approved the Board of Directors' resolution of March 14, 1972, whereby Mr. GIANLUIGI GABETTI was appointed director and have reconfirmed as members of the Board of Statutory Auditors for the three year period 1972/73–1974/75 its present members:

—ALDO CIOLETTI, Chairman
—FERRUCCIO BURATTI, Auditor
—ALFONSO FERRERO, Auditor
—LIONELLO JONA CELESIA, Substitute auditor
—MARCO WEIGMANN, Substitute auditor

Immediately following the stockholders' meeting, the Board of Directors has reappointed GIANLUIGI GABETTI Managing Director.

Therefore, the officers-directors are:

—GIOVANNI AGNELLI, Chairman of the Board and Managing Director
—GIOVANNI NASI, Vice Chairman
—GIANLUIGI GABETTI, Managing Director and General Manager



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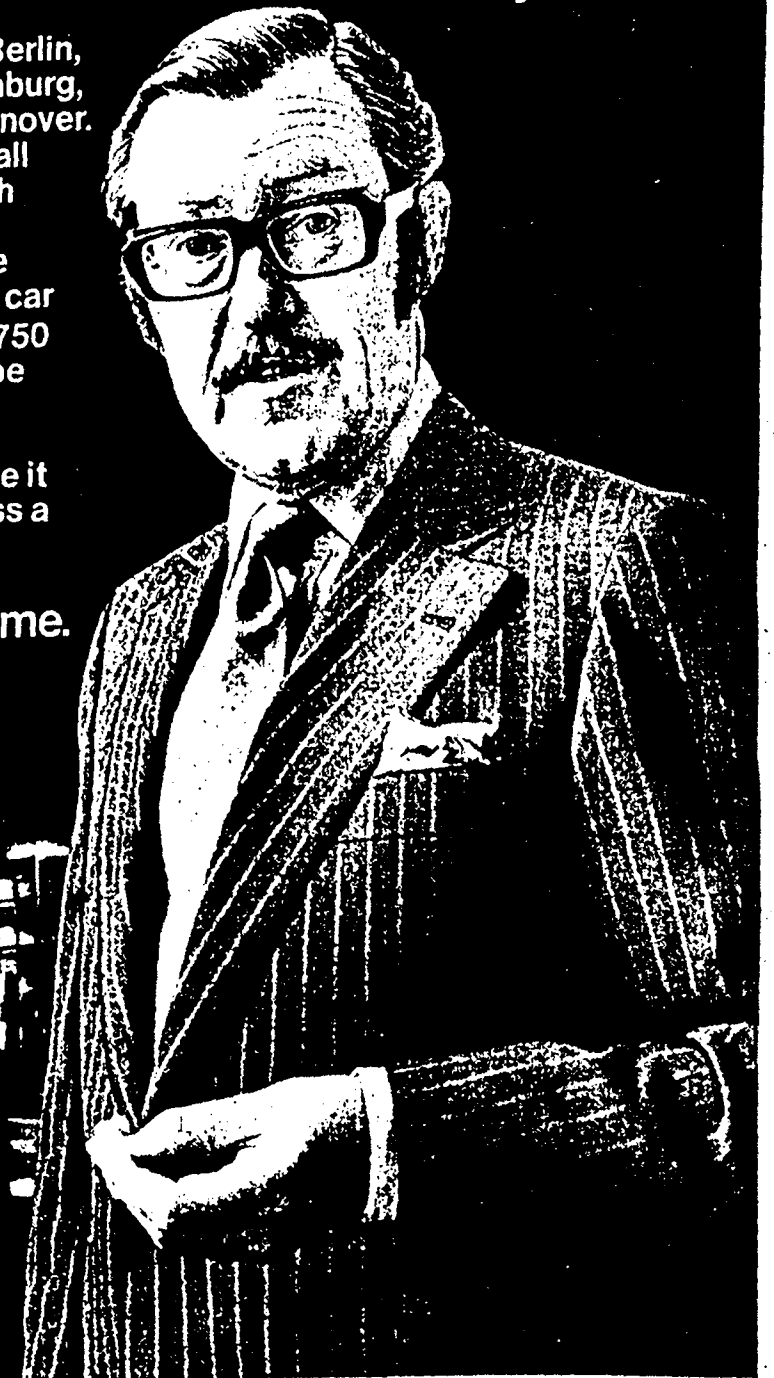
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Business Brief

Hogs, cobwebs and homes

Housebuyers can take no comfort from the freeze: mortgages are not covered by it. This means the $\frac{1}{2}\%$ rise in the interest rate for nearly 4m building society borrowers on January 1st will go ahead—the result, with the usual time lag, of the building societies' decision in September to raise their interest rate to investors, which was beginning to look uncompetitive. The higher rate seems to have boosted the societies' cash position: in October, the first month after the interest rate rise, the net inflow of funds was not far off the all-time high recorded in July. The question now is whether this will give house prices another push after the comparative slowdown of the past few months—which may have owed a lot to the squeeze on building societies.

The massive rise in house and land prices over the past two years was not simply the result of recent Government policy, no matter what the unions and the Labour party may say. It is a modern variant of a classic phenomenon known to economists for the past hundred years as the hog cycle and, as its name suggests, it has applied mostly to farm products. In principle it can crop up wherever supply can only be increased or reduced over a fairly long time—a year or more. Houses fit the theory admirably.

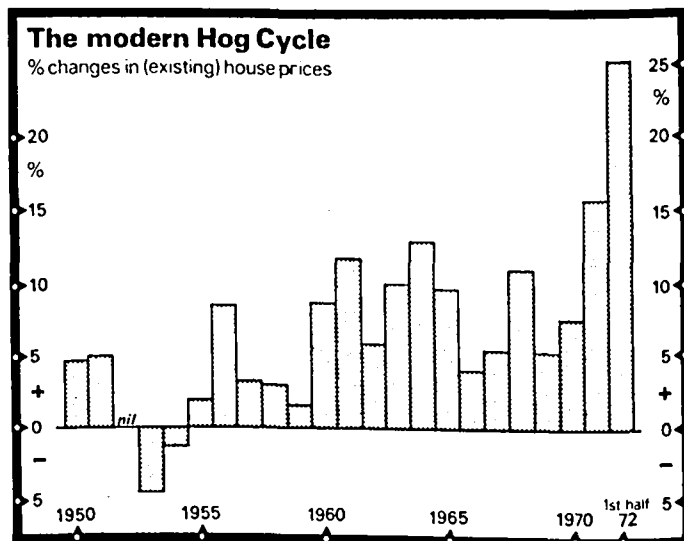
In the hog cycle the price in one year determines the supply in the following year. If pigs fetch high prices this

year, farmers are encouraged to breed and fatten more pigs for sale next year. But in year two the increased supply drives the price down, leading to a shortage in year three, and so back to high prices. There is no reason why this price cycle, one year up and the next year down, should ever stop unless farmers get the message and stop over-adjusting. If they do not, the fluctuations can sometimes become increasingly severe, and the cycle explodes. This is how cobwebs are formed.

The cobweb chart shows demand and supply curves for pigs, with each point on a curve showing how much, measured along the horizontal scale, would be demanded by buyers or offered by sellers at the price shown along the vertical scale. But for the supply of pigs the relevant price scale is the left-hand one, last year's actual price; while for demand it is the right-hand scale, this year's price. Starting at A, the supply determined by last year's price of X, the next step is to B for the price this year, C for the supply next year and D for the price next year, and so on, exploding into ever larger price fluctuations, as the spider spins.

House inflation

House prices at first sight do not follow this pattern; they do not go up—down—up, but up—up—up, at least in the modern inflationary world (it was not always thus). But the rate of increase has been going through a marked cycle, and one which



recently has become much more violent.

The chart on the opposite page analyses what has happened. At the root of the problem is the rigid way building societies operate and their near monopoly in the supply of funds for house buying in Britain. Building societies are loath to vary mortgage interest rates. One traditional reason for this is the administrative cost and inconvenience involved—although with computers now in widespread use this is becoming less important. The demand for mortgage advances is insensitive to changes in the mortgage interest rate—which is not surprising given the level of rents, the shortage of houses to rent and the tax mollycoddling of the owner-occupier. But building societies are also very conservative bodies with a feeling of moral obligation to look after their existing borrowers and not squeeze them too hard.

However, if the building societies are unwilling to change their lending rates often or by large amounts, they are also unable to change the rates they pay to their depositors. Yet their inflow of funds is very sensitive

to the interest rates offered, and how they compare with the interest on rival assets such as bank deposit accounts or national savings.

Since other interest rates are more flexible, building society rates become uncompetitive whenever the tide of general interest rates rises, as in 1967 to 1968. Then, as the tide recedes, the societies' rates are left to look increasingly tempting. Thus, the societies suffer successive famines and gluts of funds. From 1970 to mid-1972 their interest rates were very competitive. Because of this, and because of the state of the financial markets and the inflationary situation, funds flowed into the building societies on a massive scale. The net inflow of deposits trebled in two years.

As the societies do not ration advances by price they have to ration them by making borrowing conditions more onerous, or easier. New advances follow the flow of net deposits into the societies very closely. But with the supply of houses fixed in the short run, every additional £100 made available for buying houses adds roughly £100 to

house prices. The building societies supply 80% of the finance for house purchase, so house prices are largely determined by the availability of mortgage finance.

The societies argue the other way round, maintaining that advances have to go up to keep pace with house prices. But building costs have risen at a much more moderate pace than house prices. A rise in house prices does, of course, influence the supply. As prices rise, new house building starts to go up too. But completions follow only after a lag of a year to 18 months, by which time mortgage finance may have become scarce again. The chart shows how the drop in housing starts during the mortgage glut in the early 1970s, pushing prices up. But the sharp rise in house and land prices also made property an excellent inflation hedge or speculative asset. Speculators were attracted into the housing market, drawing in funds which would otherwise not have been available for buying houses, and reducing the supply for genuine owner-occupiers.

Slump coming?

It now looks as though the peak of the cycle has passed. Interest rates have been rising, and though the building societies have increased both their mortgage and deposit rates, they are still being left behind. Meanwhile, the supply of completed new houses is rising. The speculators are retreating, and "gazumping" seems to have died down. House prices have stopped their mad upward rush; where prices had reached fantasy levels, some have even dropped.

But nothing has yet been done to ensure that the same excesses will not be repeated the next time round. The risk of increasingly violent fluctuations has been accentuated by the new system of credit control, with interest rates generally much more flexible. If interest rates are allowed to rise sufficiently to arrest the runaway growth in the money supply, there is now a real risk of the first postwar slump in house prices.

The building societies bear the lion's share of the blame for this game of yo-yo. They have made no attempt at stabilisation, but have allowed the market in housing, and thereby

the construction industry, to bear the full brunt of monetary policy. This has done great damage to the industry. Every upswing produces shortages of building materials, but there is no incentive to invest in more brickworks because everyone knows the shortages will prove temporary. The building industry is both smaller and more fragmented than it needs to be, and consequently less efficient than it might be.

What is the solution? The building societies will have to find ways of varying the level of interest charges on mortgage advances more easily, and on a larger scale. One way of doing this would be to make the term of advances variable, and issue tables showing the effect of different interest rates on the time it would take to repay a loan at a given monthly repayment rate. At the end of each year the societies could send borrowers individual statements of where they stand. If rates were raised, this would not immediately produce an increased inflow of funds for the societies; there is no way of doing that without borrowers paying more. But the extra funds would build up gradually.

A first mortgage runs on average for fewer than four years; the average for all mortgages is below 10 years. All new borrowers would have to pay the going rate. The extra funds would come from the turnover of existing mortgages and from new borrowers. One snag is the danger that existing repayments would not even cover interest payments if interest rates went very high, so the debt would actually go up. But this is no great problem. The societies could accept that during the first few years of a mortgage its amount could be increased. For mortgages which have already run for a number of years, increasing the size of monthly payments should be no hardship for the borrower: inflation will have helped him.

The building societies should also consider more direct lending to the construction industry, perhaps in the form of "back-to-back" loans. Above all, they must accept responsibility for ensuring a steady growth in the supply of credit, and smoothing out the wild fluctuations of recent years. This will do far more to help the owner-occupier and the young married couple than a narrow preoccupation with mortgage interest rates.

Building societies call the tune

Building societies don't like changing mortgage rates

Therefore they can't change deposit rates

Other interest rates change more often

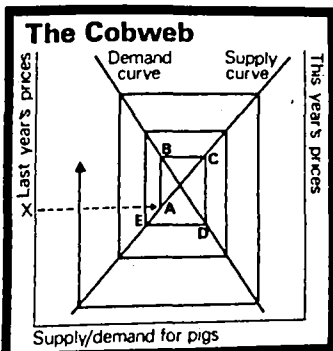
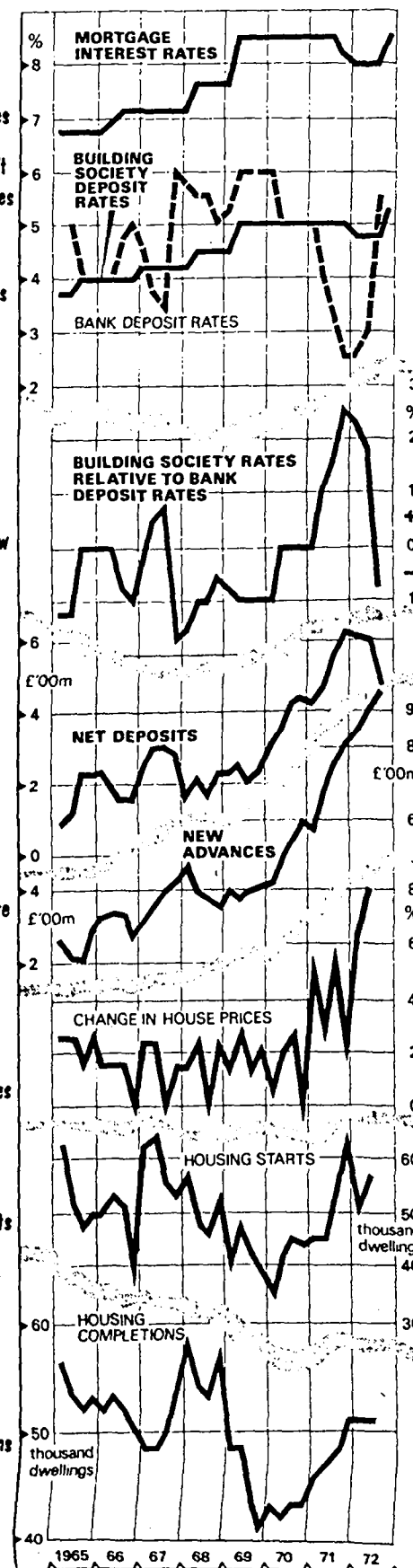
So building society deposit rates are sometimes too high & sometimes too low

So net deposits & new advances fluctuate

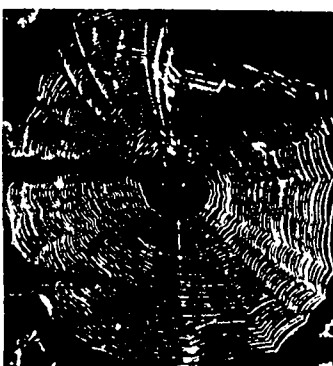
Advances influence the rate of increase in house prices

Which affect housing starts

Which, with a lag, affect completions



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BUSINESS

Stability über alles?

Or so it used to be. Inflation is still a key issue in Sunday's German elections, but neither party has a ready answer to it

"Better 5 per cent inflation than 5 per cent unemployment." This is the pat reply of Herr Helmut Schmidt, Germany's economics and finance minister since Herr Karl Schiller resigned last summer, to all embarrassing questions about the government's cost-of-living record. Although the opinion polls report that four-fifths of the electorate still put price stability right at the top of their list of economic priorities, it has also dawned on many Germans in the past year that even if they exceed their postwar average inflation rate of 2-3 per cent annually, they will not immediately be struck down by lightning. Inflation as the supreme German bogymen—a relic of the devastating experience of the inter-war years—may be losing some of its terrors.

Herr Brandt's government seems to believe so. One election poster shows the Chancellor beaming with the message: "Germans, we can be proud of our country." He means that they have never had it so good; and how they know it. Instead of the recession predicted little more than a year ago, the Germans have the beginnings of a moderate boom. Consumer spending is humming, investment is showing signs of picking up, unemployment is down to about 1 per cent (with vacancies about three times as numerous), and short-time working, widespread last year, has been largely ended. At the same time the number of immigrant workers has climbed beyond 2.3m, with a brisk demand for more.

So when Herr Schmidt speaks of 5 per cent unemployment, he is talking figuratively. He knows that the Germans did get quite a fright when, during the 1966-67 "recession," unemployment at the winter peak temporarily climbed to 600,000. But he knows equally well that there is no prospect at all of unemployment reaching anything like that level now. According to one school of thought, his inflation-unemployment equation is nothing but a veiled message to the unions that wage claims will be treated sympathetically and there will be no radical, Heath-like attempts at squeezing them to get on top of inflation. But the unions would be unlikely to put up with too much squeezing anyway.

On the eve of the annual autumn wage round the civil servants—whose claims are important because they tend to set the pace for other settlements—have already tabled preliminary demands amounting to a 10 per cent rise in their wage bill, protesting all the while that they

are holding back in the interest of stability. The first regional claims in the metal industry, which employs more than 4m people, are around 11 per cent. Settlements in Germany are usually a bit lower than first demands, but the unions have not got much room for manoeuvre if they want to come away with some real increases for their members. With inflation running at 6 per cent plus, and tax taking perhaps a further 2 per cent, even a 10 per cent rise would only leave 2 per cent extra in real disposable income.

The prospect of fairly high and fairly determined wage demands, a really tight labour market and a growth forecast of at least 5 per cent for next year do not augur at all well for the chances of keeping prices under control: they promise to add demand pressures to existing cost-push. It is probably no accident that the annual report on the economy by the "wise men" (the government's economic experts), originally due on Wednesday, just four days before the election, has been held up. But a fair amount of economic navel contemplating has been going on anyway. The five big economic research institutes published their joint analysis of the economy only last month, and were uniformly horrified at the outlook for inflation. Three of them went so far as to advocate another DM float.

The Germans insist that theirs is not an undervalued currency now. Although there is still a trade surplus, the current balance has slid into deficit to the tune of over £200m in the first three-quarters of this year, helped along by the German taste for foreign holidays and by all those foreign workers sending money back home. German wage costs per unit of output in dollar terms will have gone up by nearly half between 1968 and this year—against a rise of one-third for the EEC countries as a whole, a good quarter in Britain and only 6 per cent in the United States. This suggests that another runaway German export boom is less than likely. With import prices rising more slowly than export prices, and the inflow of foreign funds effectively stopped, talk of imported inflation has become a nonsense. Germany's present inflation is well and truly homemade.

This does not make controlling it any easier. Neither Herr Brandt's coalition nor the Christian Democrats have any snappy solutions at the ready. The Christian Democrats have made price stability one of their main election

platforms, but their action programme talks fairly hazily about stricter budgetary policies, more credit control, an incomes policy of some sort, and more competition. On the government side, Herr Schmidt is planning to raise taxes next year, but on the whole admits there are no patent solutions to be had.

Either party would have trouble cutting down much on the rise in public spending, particularly if public sector wage claims succeeded. On the other hand, monetary policy will probably get tighter whichever side wins. Germany agreed to the EEC council of ministers' resolution in Luxemburg in October to try eventually to cut down the rise in the money supply to the same rate

as nominal gnp. The Bundesbank has already raised the discount rate twice in the past few weeks. It may not be possible to push rates much higher for fear of once again attracting a flood of foreign funds. Strong hints are now being dropped about a possible credit ceiling.

The one recipe the Germans do not yet seem prepared to try is a serious price and wage freeze. A recent document on such freezes in other countries, put out by the economics ministry, caused a huge flap because it was thought to be a government kite for similar measures at home. Industry and unions are equally convinced that it could never work. But they are keeping a sharp eye on the British experiment just the same.

And the rest of us

The common cause of price inflation in Europe may be the different ways everyone shares the national cake

All the members of the enlarged European community are in inflation up to their necks, just like most other industrial countries. The table shows that the surprising thing is the similarity between the rates of inflation in most community countries. Prices have risen between 5½ per cent and 6½ per cent almost everywhere. But if we are in step now, it was not always so. In the past the different countries have had quite different long-run rates of price inflation, from Germany's leisurely 3 per cent a year over 1963 to 1971 to France's 4 per cent, Britain's 5 per cent and Denmark's hectic 6 per cent. This means that those countries which did best in the past have had the biggest jump in prices, while those who did worst have had the smallest. So two things have to be explained, not one:

- (1) Why did all countries suffer the price explosion?
- (2) Why did the past best performers suffer most?

Up with the nine:
consumer prices, % growth a year

	1963-71	Last 12 months*	Present rate as % of long-run average
Germany	3.0	5.7	190
Luxembourg	3.2	5.7	178
Italy	3.7	6.0	162
Belgium	3.7	5.4	146
France	4.2	6.1	145
United Kingdom	5.0	6.6	132
Netherlands	5.4	7.2	133
Ireland	5.9	8.9	151
Denmark	6.1	6.5	106

*Source OECD, % change to August, 1972.

The temptation is to blame international trade and capital flows for carrying the infection of inflation from one country to the next. Rising import prices can have a direct effect on a country's own price stability. But this has hardly applied of late; import prices in dollar terms have risen less than domestic prices in Europe, while adjusting for exchange rate changes means, for countries like Germany, that import prices have been a stabilising force.

Capital flows are a different kettle of fish. They can make life difficult for those on the receiving end, particularly where, again in Germany, domestic control over

the money supply is a little rocky. But then no one suggests that money supply effects are quick-acting. Anyway, money supply changes, or for that matter surpluses on trade which would accrue to the least inflationary country, would pull them into line by pushing on the pressure of demand and level of activity. The interesting thing about the present community is that, as the chart shows, none of the nine community members is at present over-worried by excess demand. On the contrary, four countries have the highest unemployment for more than a decade, while the rest have a good way to go before they hit previous lows. So we must look on the cost side rather than the demand side for an explanation.

The Organisation for Economic Co-operation and Development has pointed to one vital clue. In a study of expenditure trends in OECD member countries it has observed a widespread fall in what it calls "pure" private consumption. This is the amount the consumer spends out of his own earnings. Such spending is, in effect, matched by the consumer's own contribution to output, whereas spending out of money given to him and others as transfer payments, such as pensions, family allowances etc, is matched by someone else's output. The state has to grab from those who produce and earn in order to give away these transfer payments—even though some part of them may go back to the same people. This grab results in higher taxes which then tend to put up costs and prices. The OECD notes that the fall in "pure" consumption is the result not so much of a fall in wages as a share of total incomes but of a larger part of incomes being taken away in taxes. In the past we have argued a similar case for explaining British inflation. This explanation apparently applies to continental countries as well.

Income and resource distribution is more like a balancing act in which it is possible to fall either way. Countries which give too small a share of the cake to wage-earners run the risk of unions becoming increasingly militant and demanding more. This can cause wage-cost inflation. But at least if the cake is increasing in size sufficiently rapidly, wage earners may be content

with their low share. Moreover, fast growth is a better bet if the wage share is low. There is more room for such worthies as exports and investment. So it is possible for a country with a low share for labour to keep out of trouble by riding the growth tiger. But it is also a game which requires both skill and daring.

At the opposite extreme a country devoting too large a share to the wage-earner and private consumption has its difficulties. All too often this means low investment, a bad balance of payments, poor growth and public squalor. Yet to take away from the wage-earner can be as inflationary as to refuse to give to him. Declining shares are always difficult to achieve when living standards are anyway fairly stagnant. The saving grace, however, of the slow-growth high-share economy is that it can always try to mount the growth tiger and potentially stands a better chance of success. The fast-growth low-share economy which falls off is in a sadder plight.

This table gives a rough indication of ratings:

Sharing inflation

Prices		Consumption: share of gnp		
Up most 1971-72	Up most 1963-71	Biggest in 1963	Biggest loss to 1970	Slowest growth 1963-70
Ireland	Denmark	Ireland	Ireland	Ireland
UK	Ireland	UK	Denmark	UK
Neth	Neth	Belgium	Belgium	Luxem
Denmark	UK	Denmark	UK	Denmark
France	France	France	France	Belgium
Italy	Italy	Italy	Neth	Germany
Luxem	Belgium	Luxem	Luxem	Neth
Germany	Luxem	Germany	Germany	Italy
Belgium	Germany	Neth	Italy	France

Ireland fares badly all round. It is the exception to the rule that the best have done worst and the worst have done best. The reason is probably that Ireland is so far below the other countries' living standards that problems of resource distribution are endemic.

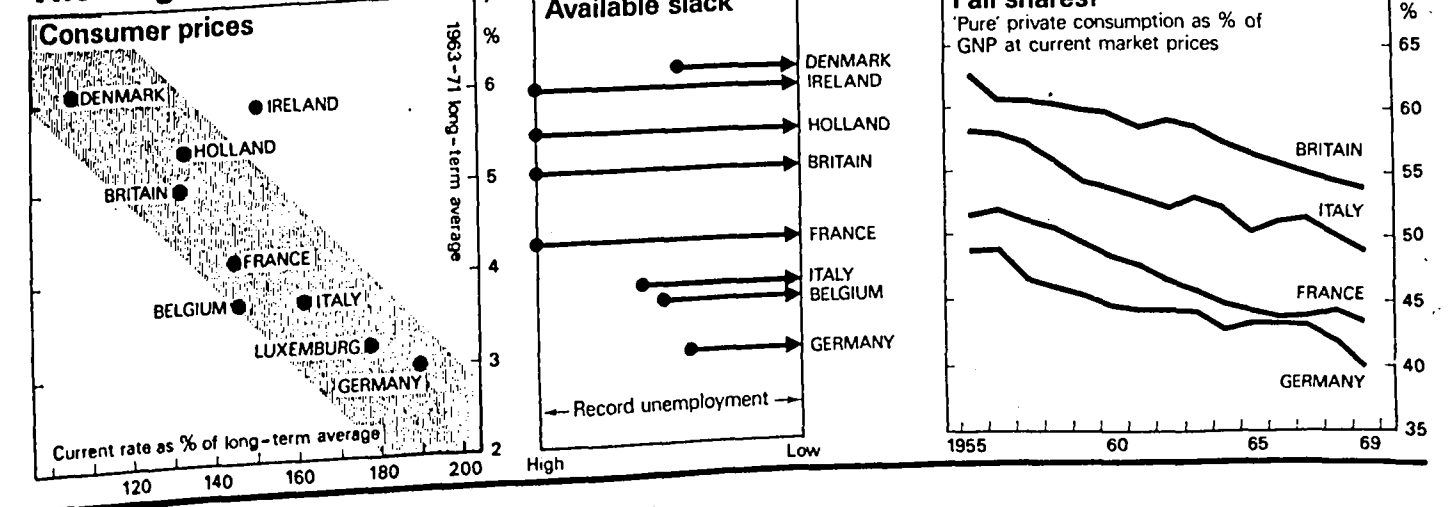
Britain, Denmark and the Netherlands generally compete for the remaining places at the top of the table. Denmark, like Britain, has suffered from an over-rapid growth in public expenditure over the past decade. In terms of direct claims on goods and services Danish public

spending rose from 16 per cent in 1955-57 to 23 per cent in 1967-69, and this swing was accompanied by a sharp rise in taxation. But in contrast to Britain, Denmark has rather less slack in the economy to give it a leg up on to the growth tiger. By 1973, demand-pull inflation could be reinforcing cost-push.

The Netherlands, however, has been in the social contract game for some time and has paid attention to what is happening to shares in the national cake. Unfortunately, perhaps because it comes into the low-share, fast-growth category, it has of late not had a very comfortable ride. Although over the past decade wages have been pushed up, the share of consumption has remained low. Its inflation has been aggravated by the way value-added tax was bungled. It was introduced in conditions of excess demand during 1969. The Dutch have also had a wage explosion which, as in Britain, seems to have resulted in some labour shake-out and unusually high productivity gains during a slow-growth period. But from early 1970 onwards, at just the wrong time, the index-linking system has run riot—virtually all wages, social security premiums, pensions, sickness benefits and national assistance payments were being brought into the net just as inflation was getting into its stride.

France and Italy fall in the middle of the table; France as the most successful exponent of tiger riding and Italy as the country which has just fallen off the brute. The French had their fright in 1968 after growth had slowed down. They are not risking that again and indeed seem all set to notch up another 5½ per cent rise in output this year. But France's success has been bought at the expense of riding dangerously fast and has had to be paid for in inflation. As inflation looks like accelerating further, France may have to introduce a more formal prices and incomes policy on the American and British lines before too long rather than risk having to cut back on growth. Italy had already come a cropper when the growth god failed. Whether the original cause was political and industrial strife matters little. Without growth the resource allocation problem has become almost unmanageable. No one in Europe looks very comfortable, and perhaps Britain can take a wry comfort from this.

The long and the short of it



BUSINESS

Britain

Tony's sharpening that knife of his again

The knives are out in Whitehall for the annual public expenditure cuts. This is the season when the Government reviews and rolls forward its public spending programmes for the next five years: it is now looking forward to 1976-77. The results will be revealed in the next public expenditure white paper, probably early in the new year. For ministers it is a more important exercise than the budget. They all have a vested interest in spending more money but, unlike tax changes which the Chancellor presents for rubber stamping, they also have a say in who gets what. Mr Anthony Barber lays down what will be available and each minister bids for his share. The bids in total are always too large, so the annual ritual of horse-trading follows.

This year the business is for real and some people are going to get hurt. When the Conservatives came to power in 1970, the Government was committed to spending cuts. In October, 1970, it cut the growth programmes inherited from Labour down from 3-3½ per cent a year at constant prices to around 2½ per cent. Since then it has all been the other way. Public expenditure has been pushed up sharply to counter stagnation and rising unemployment. Indeed, a year ago when unemployment was rising towards the million mark the Treasury was almost begging departments to find ways to spend more, provided it could be done quickly and not last very long.

Since last November the new industrial and regional development policies, the decision to up-rate social security benefits annually, and assistance to nationalised industries to pay for price restraint have restored all the original spending cuts and added at least as much again. Then there is the £1 billion for negative income tax to be found at the end of the period. All

in all it now looks as if public spending on present policies could have climbed back to the 4-4½ per cent a year of the National Plan era of the mid-1960s.

This does not mean there must be an emergency package of cuts for the next year or so. Counter-cyclical spending is still needed to get the economy up to 5 per cent growth. It does mean that some pretty large cuts will have to be found for later years if taxation is not to start rising once more, not a pleasant prospect on the run up to a general election.

Optimists will argue that the underlying growth of the economy has already accelerated from the modest 3 per cent a year basis the Chancellor likes to use when he sets his spending targets. They may well be right. But everyone should have learned the lesson of not spending resources before they actually show up. To do that again would be to run a quite unnecessary risk of pre-empting resources from exports and investment vital for growth. A sharp change of course on private spending is just as damaging to industry as crisis cuts in public spending.

The freeze

Looking for leaks

The first major attempt to break the freeze failed on Wednesday night. Labour moved a series of amendments to the freeze bill in the Commons, the first of which tried to exempt all wages. This was easily defeated, but one to exempt the farmworkers came closer to success; a dozen Tory MPs abstained, and the Government carried the day only narrowly.

Mr Barber argued that if he gave the farmworkers their money, another 500,000 low-paid workers in wage

council industries would have an equally good case to claim theirs. The new Minister of Agriculture, Mr Joseph Godber, claimed (with little evidence) that increases in farmworkers' wages had been regularly used as a stepping stone for larger increases in pay for industrial workers. He also claimed (with more evidence) that the industrial trade unions had always kept the agricultural workers at the bottom of the queue. But some Tory MPs from rural areas did not agree. Mrs Kellett-Bowman, explaining how she had mucked out pigs and cows in her time, said farmworkers were entitled to a rise. The Chancellor remained unimpressed.

So the Government held that bit of the dyke, only for the Confederation of British Industry to discover a serious loophole which might allow Mr Clive Jenkins to succeed where the farmworkers failed. The CBI wants some kind of legal fall-back if that happens. It says that the proviso making it possible for civil servants to receive their fixed annual salary increments will also provide a way for employers to give rises to the 30-40 per cent of white collar workers who are on vaguely defined pay scales. It only takes a few loopholes like this to thaw out any freeze. The simplest way round the problem would be to eliminate the rises for civil servants altogether, since in themselves they will create much divisiveness, as they did in the 1966 pay pause. The secretary of the National and Local Government Officers' Association, Mr Walter Anderson, has naturally taken a very poor view of this suggestion.

Another plea came from the gasworkers, who demanded on Wednesday that they should get the same wage rise as the power workers got. However, the gasworkers are not a militant lot, so a strike is most unlikely. Most of them belong either to the engineers' union or the general and municipal workers, soon to be headed by the moderate Mr David Basnett.

On the prices side, the delay in introducing the freeze has had serious

Continued on page 85

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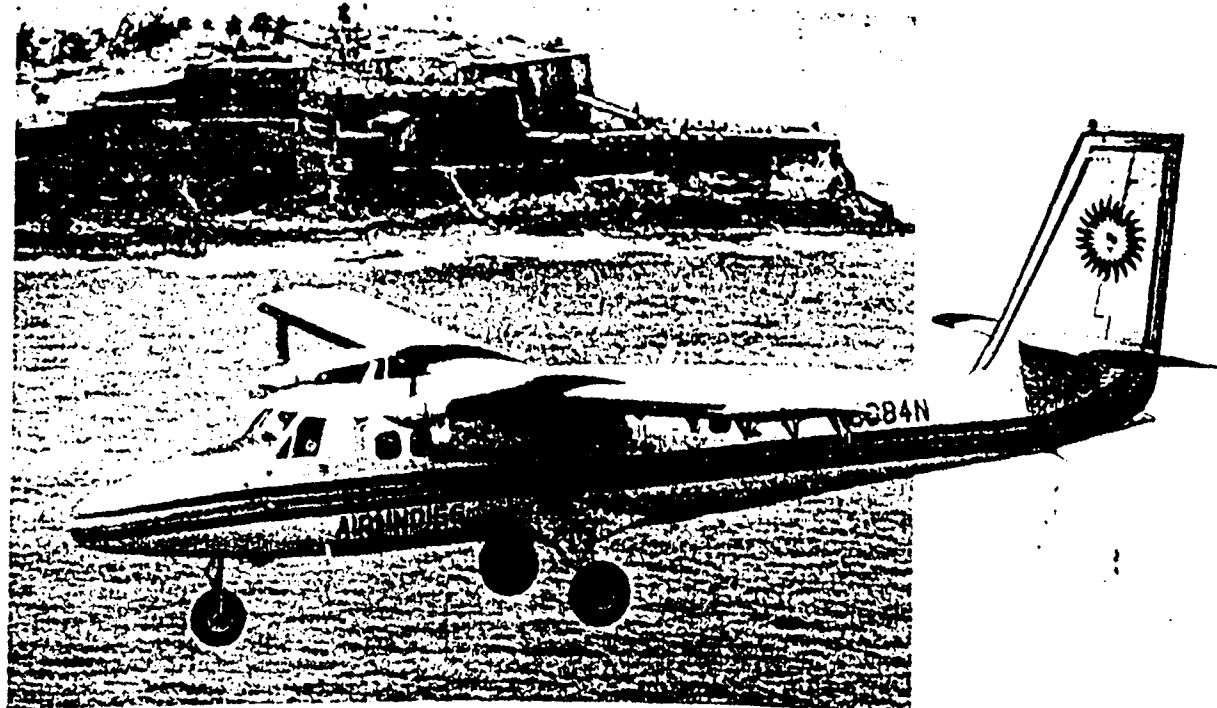
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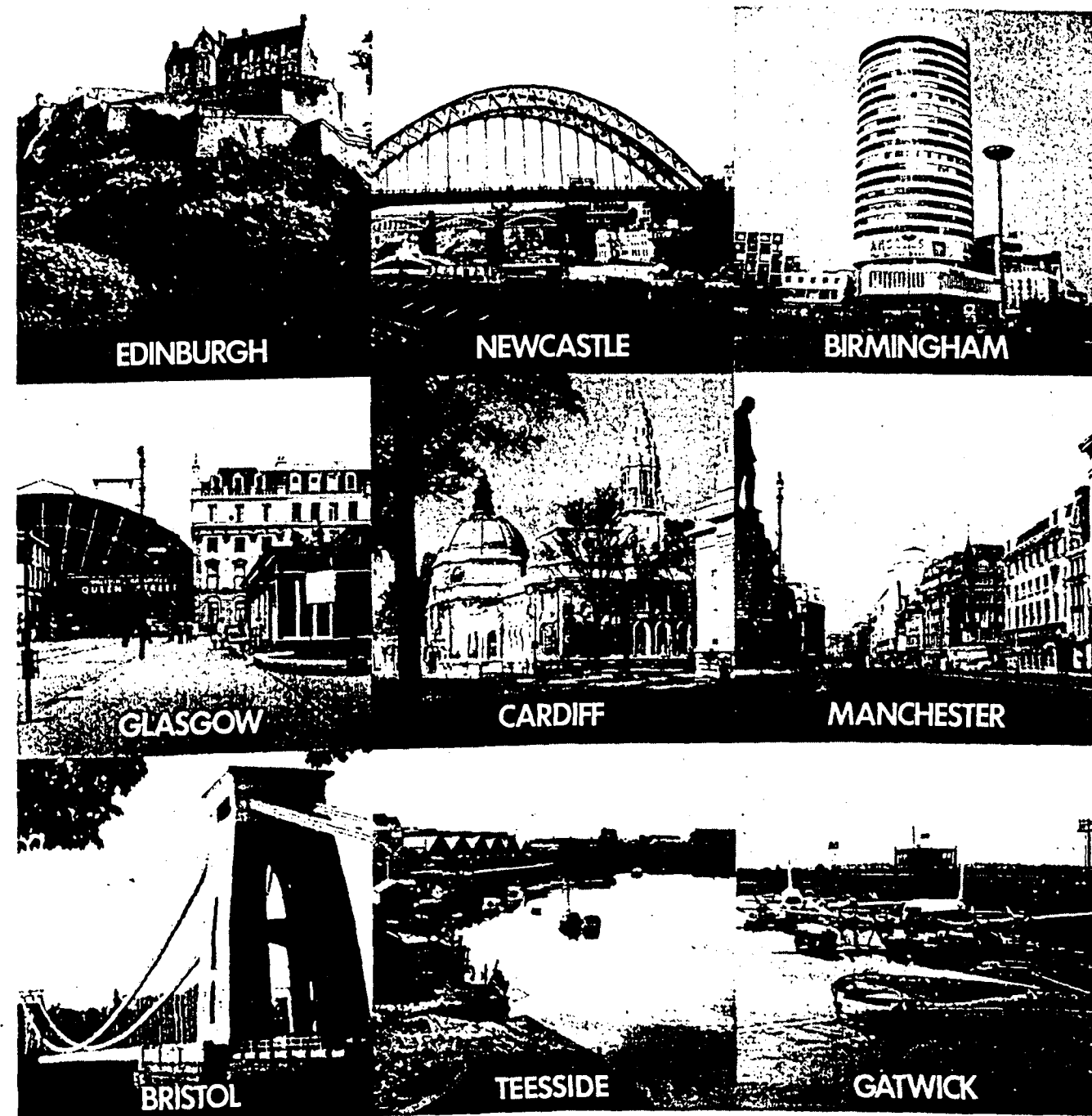
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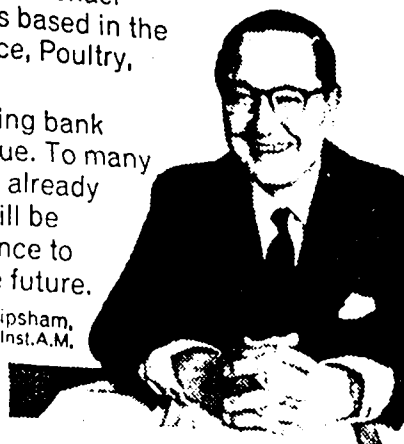
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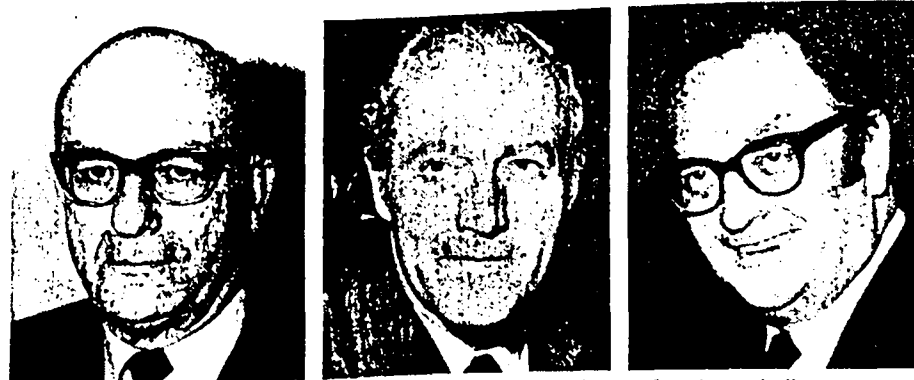
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Bottini (farms) bewailing, Basnett (gas) claiming, Jenkins (offices) loopholing

Continued from page 78
 effects. Wholesale prices of many products, which went up 4½ per cent during the CBI's first year of restraint, took off during the following three months' extension at 9 per cent. The October retail price index published on Friday will show how far these wholesale prices have reached the shops. Insofar as they have not, there is clearly trouble to come.

The first really significant indication that Britain's food manufacturers and retailers are going to co-operate with the freeze came, oddly enough, in the form of notifications of price increases. If they had been so inclined, companies could have steam-rolled through the proposals with a whole host of increases, making it extremely difficult for the Government to investigate and pronounce on every one when it eventually gets its law. Even with the guillotine, this is going to take a month.

Companies will still be able to put up prices after that, and then wait for them to be rolled back officially. But so far, of more than 50 food price increases that have been reported to the Department of Trade and

Industry's special prices unit, not one has been actually put into force.

Many of the early applications were expected. The Government secured pledges of co-operation on the Monday after the freeze was announced. But, from Wednesday morning to Friday evening of last week, it had a constant stream of industrialists, including representatives of the Food Manufacturers' Federation, trooping in to iron out details of how it would work. It was then that the Government was warned that some prices (lard, for example) would go up shortly.

Of course, there was more activity than showed on the surface. The hard-pressed machine tool maker, Alfred Herbert, is hoping to be allowed to increase prices. Almost alone in the industry, it did not push them up in the past few months. The British insurance industry is now having unofficial talks with the Department of Trade and Industry to get special treatment under the prices freeze. The DTI has agreed that insurance companies may continue to raise motor premiums when the increases were announced before the freeze took effect for policies up for renewal afterwards.

Tax harmonisation

Vat can stand a big round

Full tax harmonisation with Europe would mean £1.30 off a bottle of scotch or gin (halving the price), 25p off a bottle of wine, nearly 4p off a pint of beer and 13p off a packet of 20 cigarettes if Britain adopts the average rates for those excise duties now in force on the continent. Except that if the Government wants the revenue back it will put 1p on a gallon of petrol (one tax that is higher on the continent) and 8½ per cent on the rate of value-added tax. There is, of course, always the option of harmonising to the extent of subjecting food to Vat, as in Europe, so that the increase in the Vat rate could be less—or so the Confederation of British Industry has worked out in the study of excise duties in Britain and the common market, published on Friday.

But the study, having raised tribulous hopes, shows that the commitments to harmonise taxes are satisfactorily vague from the Government's point of view. In the course of 1973 there is supposed to be a quantitative study of the budgetary, economic and social consequences which will follow a harmonisation of rates of excise duties, and after that some actual proposals for harmonisation.

One social consequence of coming totally into line with Europe would be a shift in the average household of about £1.50 from the wife to the husband, assuming that he buys the excised goods and she the ones liable to Vat. But what the CBI's study does show

*CBI. £5.

Key indicators: British economy

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Overseas trade Deficit cut to £47m. But figures still distorted by effects of dock strike.					
Output Manufacturing output in September showed small decline (more than offset by rises elsewhere in industry). But in July-September it was 2.3% up on the previous quarter.					
Industrial production*	September	130.0	+0.2	+0.3	+3.8
employment*	August	88.6	-0.1	-0.1	-3.4
productivity*	August	146.7	-1.1	-0.6	+7.0
Export trade*‡	October	171	+9	+19	+14
Retail trade*	September	117.3	-0.8	+1.4	+6.3
Unemployment*	October	154	-4.7	-3.6	-4.8
Average earnings*	August	207.6	+0.6	+2.7	+10.9
Retail prices	September	160.6	+0.5	+1.6	+7.0
Export prices	September	154	-1	+2	+6
Import prices	September	141	nil	+3	+5

Export trade, retail trade: in volume terms (value at constant prices).
 Unemployment: wholly unemployed excluding school-leavers; latest rate 3.4 per cent. *Seasonally adjusted. ‡Provisional

is that if the Government puts Vat at a 7½ per cent rate to prevent it actually being inflationary, it should concentrate any disinflationary tax reductions on the excises: halving beer duty would cost £250m, take ½ per cent off the cost of living and 2p off a pint of beer, and concentrate the benefit among poorer people.

Wool prices

Over the eyes

The price of raw wool may have doubled at the auctions but that is no justification for the large immediate increases in retail prices confidently being forecast by some manufacturers and retailers. In the two-month period ending in late October, buy-at-any-price purchasing by the Japanese created the most rapid rise at Australian and New Zealand auctions since the Korean war. But it is physically impossible for the wool bought in October to find its way into the shops now in suits, sweaters, carpets or even as straight lengths of cloth or knitting wool. It will spend anything up to 18 months in the pipeline.

The mills are trying to add the cost on now to compensate for what they will have to pay for raw materials in the future. A month ago one was quoting even its biggest customer three prices for an 18-month contract; one price if he ordered today, one for tomorrow, and another for any time after that. Each varied by 4p a yard. They also have their eye on next week's big Frankfurt cloth fair, and the hardest bargaining that will have to be done for years.

No one knows how the future price will average out. In the past three weeks, auction prices have dipped even though the Australian Wool Commission stepped in to buy. Last week's slight rise again was probably because British and continental buyers were bidding, reckoning that the Japanese whirlwind had spent itself.

No matter what the auction price ends up at, it will not be enough to warrant the sort of manufacturers' increases being mooted, with reports of cloth going from about £1.50 to £2.30 a yard. At the top end of the market, there is talk of a jump of from £4-£5 to £7-£8 a yard in two years. This would add more than £10 to the 3½ yards needed for a suit. But the International Wool Secretariat argues that raw wool represents only

Harold wields his slide-rule

What lies heaviest on Mr Harold Wilson's conscience? None other than that, 30 years ago, he introduced for the first time (subject to challenge) the word "productivity" in an official document. This came out in a lively presidential address to the Royal Statistical Society on Wednesday. It is a nice question whether his apologies are owed chiefly to the statisticians to whom he gave a diabolic job of measurement, or to the trade unions for a stick put into the employers' hands, or to the Labour party for giving the Heath Government an indicator on which its track record is remarkably good.

Mr Wilson was running the wartime Mines Department's statistics when he got hooked on the new concept of output per manshift. He had the qualifications all right, having worked for Beveridge before the war, "when I had to do two hours of forced statistical labour before breakfast, estimating seasonal variations in the monthly unemployment figures by industries (1927-37)." And the young Harold Wilson was evidently not lacking in the upmanship he was to display later, for he relates that perhaps he was the only statistician instructed to report direct to the minister: "It helped—I commend this to Her Majesty's Statistical Service—that I shared an air-raid shelter with the then Principal Private Secretary, most recently a Permanent Secretary to the Department of Trade and Industry."

Those were heady days for the statisticians, hewing out the first-ever official balance of payments figures, the first-ever official national income estimates, with no computers to spoil the fun. "The Mines Department's prime weapon," Mr Wilson recalled, "was a cylindrical wooden slide-rule, too heavy to hold in the hand, mounted at an angle on a spiky base, like a Crimean war mortar, and equivalent to a flat slide-rule 83 feet 4 inches long." He still uses a cylindrical rule equivalent to 66 inches and claims that in an arithmetical race with a "distinguished colleague" (disguised as Mr Wedgwood Benn), who had "invested in one of those pocket electric calculators," "the slide-rule won hands down."

Mr Wilson has stuck to his slide-rule but kept up with the statistical times. Or so he believes:

Every prime minister has his individual style of government—and his own personal approach to the use of statistics. Mine was inevitably voracious. Contrary to a carefully fostered legend, I spent more time with statisticians and statistics than with journalists and the public opinion polls.

He certainly did much in office to

elevate Whitehall's statistical service. There are 382 employed in it today, more than double the number in April, 1967; and its head, Professor Claus Moser, is now a Permanent Secretary. (Although this only occurred on May 1, 1971, the impetus came in Mr Wilson's day). He encouraged Mr Moser to draw up proposals for radical changes in early 1967: "future economic historians and historically-minded statisticians will see this as the Great Charter of statistical reform." A new cabinet committee was set up to keep statistics under review: characteristically, he adds, "I took the precaution of chairing the first meeting."

The trouble is that however big some of the leaps forward in enumeration have been, particularly in social statistics, the major issue in decision-making which must dominate all our discussions, as Mr Wilson admitted, relates to macro-economic statistical information. And here the record is less than comforting. He himself ran away from the issue by letting the politician take over the tail-end of his address. This consisted of an onslaught against the 1970 pre-election trade figures ("Those goddamned jumbo aircraft—£16m of a £31m deficit—were as electorally damaging some felt as the World Cup defeat the previous day") and the bankers' ramps which upset honest-to-God calculations about sterling: "You are dealing with the irrational, the imponderable, the immeasurable." But Mr Wilson was merely blaming the world for being a real place and not fitting into a rigid statistical framework.

Anyone who assumes that Mr Wilson's acceptance of this presidency means he has discounted a snap election in the coming year could be wrong. One famous predecessor, Mr Gladstone, found time to become prime minister in the middle of a term of duty as president of the very same learned society in 1867-69.



Down memory lane

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Sir Joseph Lockwood

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The international electronics, records and entertainment group.

Financial Highlights	1971/72 £ 000	1970/71 £ 000	
Sales	251,052	230,569	+ 9%
Profit before interest and taxation	22,788	13,978	+ 63%
Profit before taxation	18,336	8,968	+ 104%
Profit attributable to ordinary stockholders	7,297	4,562	+ 60%
Earnings per ordinary stock unit	10.2p	6.4p	+ 59%
Dividend for year per ordinary stock unit (50p)	7.5p	6.25p	+ 20%
Net gain in liquidity	12,641	2,482	

4 per cent of the end price (and retailing 50 per cent).

In Britain, seven multiples account for between 55 and 60 per cent of the 8.5m suits sold each year, and use between 40 and 70 per cent of wool in them. As total sales have stagnated in the past 10 years, they watch each other like hawks. It was always assumed that one dare not make a significant price change without putting its precious market share in jeopardy; however, one recently did, adding £5 to a popular suit, and those particular sales continued to climb.

The carpet market is even more critical for wool. Britain accounts for almost half of the 200m lb used in woven carpets in Europe. But it is to tufted carpets that the IWS has been looking for future growth: in 1971 50m lb were used, compared with 17m lb the year before. Now the rapid rise may make manufacturers stick with the synthetic fibres.

Computers

Sell ICL?

If the Government is not already worried about the ability of Britain's International Computers Limited to

continue in its present form then it should be. The size of the problem is this: according to an EDP Europa Report, about 25 per cent of ICL's main range of computers, the 1900 series, was installed either before or during 1967, and a further 39 per cent was installed in the following two years. Over the next two to three years about 1,600 out of a total of 2,500 machines will need either modernising or replacing. Some of ICL's internal sales estimates suggest that if more than 800 of these are held it will be a major achievement.

Like all computer manufacturers, ICL maintains a substantial dossier on each of its competitors, and the thickest in the ICL library now is on the Burroughs Corporation. It became obvious that Burroughs would pose a major threat when it introduced its B1700 machine in June. This was probably the reason why ICL approached Burroughs soon afterwards in an attempt to arrange some sort of merger. The Government forced ICL to break off the negotiations because Burroughs would talk only on the basis of a majority shareholding, and the Government feared it would be accused of a sell-out. It was a decision which both it and ICL could regret.

Burroughs was prepared to bid for ICL to get its customers, not its facilities. Now Burroughs is making a good stab at winning those customers in the market place. The usual difficulty about inducing any customer to switch from one computer manufacturer to another is that not only does the old computer installation have to be scrapped but all its programmes too, and the whole lot has to be worked out afresh, which is a daunting prospect. Promises made about compatibility rarely work out without unacceptably big losses in efficiency. But Burroughs is now in the last stages of polishing a computer programme that can slot neatly into the ICL system, so that a marrying of ICL and Burroughs equipment can be carried through without disruption. Claims like this have been made before, but the Burroughs computer has features which make many people think that this time it could work.

The Government could now do worse than reconsider its attitude to an ICL-Burroughs merger. Burroughs can no more afford to offend the Government than can any other computer company. It therefore cannot expect to call all the tune. There are also powerful voices on the ICL board who favour selling out.

Please get together, chaps

It hardly needed a £100,000 investigation by a former Lord of Appeal, Lord Devlin, to identify the main trouble with trade and employers' associations and their ilk: there are too many of them. As his report, published on Thursday, says, the vast majority of the 2,000 or so that exist are far too small to represent the interests of their members effectively. More than 250 have a piffling income of less than £500 a year.

It has been very foolish of industry to spread so thinly the £20m or so it contributes each year to its trade bodies. But entry into the EEC makes it absolutely necessary to change the system. European trade associations are more logically organised, larger and therefore richer. Consequently they have better staff and more authority. If the British associations do not merge to match them, the EEC industrial policy which is still being settled will not be formulated in the way that British industry wants. There have already been some nominal association mergers to suit EEC negotiating bodies, which only allow one or two representatives from each country. Examples include food manufacturing and banking. But these are small beer compared with the fundamental shakeup that is

needed.

What Lord Devlin has suggested, in most diplomatic terms, is that there should be a merger at the top between the Confederation of British Industry and the chambers of commerce (which would, incidentally, reinforce the CBI's regional set-up) under the name of the Confederation of British Business. He also suggests that the closer links between the CBI and retail bodies like the Retailers' Consortium that came to the talks on prices and incomes should be made more formal (some retailers will fight this hard on the point that the consortium is totally unrepresentative of the more modern shops). So that this new CBB should not get too remote from industry, the top 500 companies in Britain should be admitted to membership, provided they are also members of a trade association.

None of this is very surprising and all is unexceptional. Lord Devlin has even appeased the small companies lobby by saying they should continue to have their own council and a seat at the CBB. Unfortunately, his report does not suggest how to get from the present proliferation of associations to his ideal. He even admits that it will probably be necessary to have another

commission to settle the details of a merger between the CBI and the chambers of commerce if the idea is agreed in principle. (There is some doubt whether this will be possible, since the chambers have a yen to achieve public law status—ie, compulsory membership—as their opposite numbers have in Europe.)

Status is one of the key problems. There is considerable local importance in being president for a year of, say, the left-handed bracket makers' society and being photographed in the chains of office. As the report says, this may well give more satisfaction than actual work. The present set-up is also a good way to avoid the restrictive trade practices legislation, the *raison d'être* of a great many small price-fixing trade associations. The answer lies in industry's own hands.

How small are they: % of all associations

Income £2m	%	Staff	%
	0.1	More than one	28.7
£500,000+	0.3	One only	11.6
£100,000+	7.3	Part-time	35.9
£50,000+	6.2	No staff*	25.8
£10,000+	20.2		
£5,000+	12.6		
£2,000+	13.2		
£500+	17.4		
under £500	22.7		

Detailed study of 866 associations.
*Usually served by solicitors or accountants.

BUSINESS

International

We just want freer trade

The next round of world trade talks should get under way by next autumn, after the ground has been prepared by an advance party meeting in committee, it was decided at the annual meeting of the General Agreement on Tariffs and Trade on Tuesday. The Americans have been floating the idea of phasing out the tariffs on industrial goods, with Japanese and Canadian support. But this unofficial initiative has been rather coldly received by the Europeans, who have thus been made to appear on the defensive.

Part of the problem is that the European commission so far has no mandate from the Nine and cannot therefore take any initiative. It is also an open secret that the Nine are not entirely of one mind on whether industrial free trade ought to be a declared objective of the talks. The Germans are keenest on the idea. Britain probably reckons that its industry will have quite enough to cope with in adjusting to competition from the present Six as tariff barriers fall. Elsewhere in the community there are lingering fears that virtual disappearance of the common external tariff would destroy one of

the two most powerful bonds that tie the community together, while the other, the common agricultural policy, will be under attack also.

What the community wants is a general levelling down of industrial tariffs, and especially of the very high ones that America now puts on many categories of goods—with total abolition to follow only in some future round of trade talks. Above all, community feeling is that President Nixon does not have a hope of getting Congress to approve a trade expansion mandate that aims to scrap industrial tariffs, no matter how long the timetable or how numerous the exceptions.

The sparring at Geneva is bound to have an impact on feeling in the new Congress. The shape of President Nixon's mandate, far more than any other single factor, will determine whether the talks get off on the right foot next year. His special trade negotiator, Mr William Eberle, therefore has a double job to do: to get across to Congress the idea that America has something positive to hope for from the Gatt talks; and to convince the Europeans that the President will get the sort of powers he wants. That is why the Americans are pushing the apparently over-ambitious objective of industrial free trade.

Unfortunately, the prospects for keeping Congress sweet on trade do not look good. Apart from the running row over the EEC's Mediterranean policy, the Americans are pressing for compensation for the enlargement of the community. Here the talks are bogged down on whether the EEC's variable levy on agricultural imports which is now to be extended to Britain, to the detriment of outsiders, is a tariff (as the Americans insist), or merely a device for supporting farm incomes (and so not to be taken into

account, as the Europeans maintain). America also wants compensation for the EEC-Efta treaties, although the EEC will probably refuse to offer anything. And the community has yet to extend the Yaoundé arrangement, for the former French colonies, to the former British African colonies and the Caribbean, as well as give something to the Asian Commonwealth countries—all of which will raise the congressional temperature.

Behind all this lies the persistently disruptive influence of Japan. Japan has now cut its tariffs by 20 per cent and has loosened its quotas so as to slice an estimated \$400m-\$500m a year off its payments surplus, supplemented by other measures that might bring the total up to \$1 billion. But in the first 10 months of the year the Japanese payments surplus was \$7 billion.

The poor watch

The Nixon Administration now plans to tack on to its trade expansion bill legislation to give generalised tariff preferences to exports from the developing world. America is the only industrial country not to have started the GSP (generalised system of preferences) scheme, devised and successfully promoted by the United Nations Conference on Trade and Development. This will not make it any easier to get the bill through Congress, and the prospect was nearly damaged beyond repair by the intrigues of Chile at Geneva this week, supported by Argentina, Cuba and Peru, which prolonged the talks by half a day.

The Latin Americans tried to write into the agreement what some delegates described as a lot of Unctad stuff, including better access for products from poorer countries into the markets of the rich, and higher prices for their commodity products. The less-developed countries have been fulminating at Geneva for some time that the Gatt talks look like being a carve-up between the rich, and that their only impact on the poor would be to narrow the tariff

Continued on page 95



Eberle: understandably concerned

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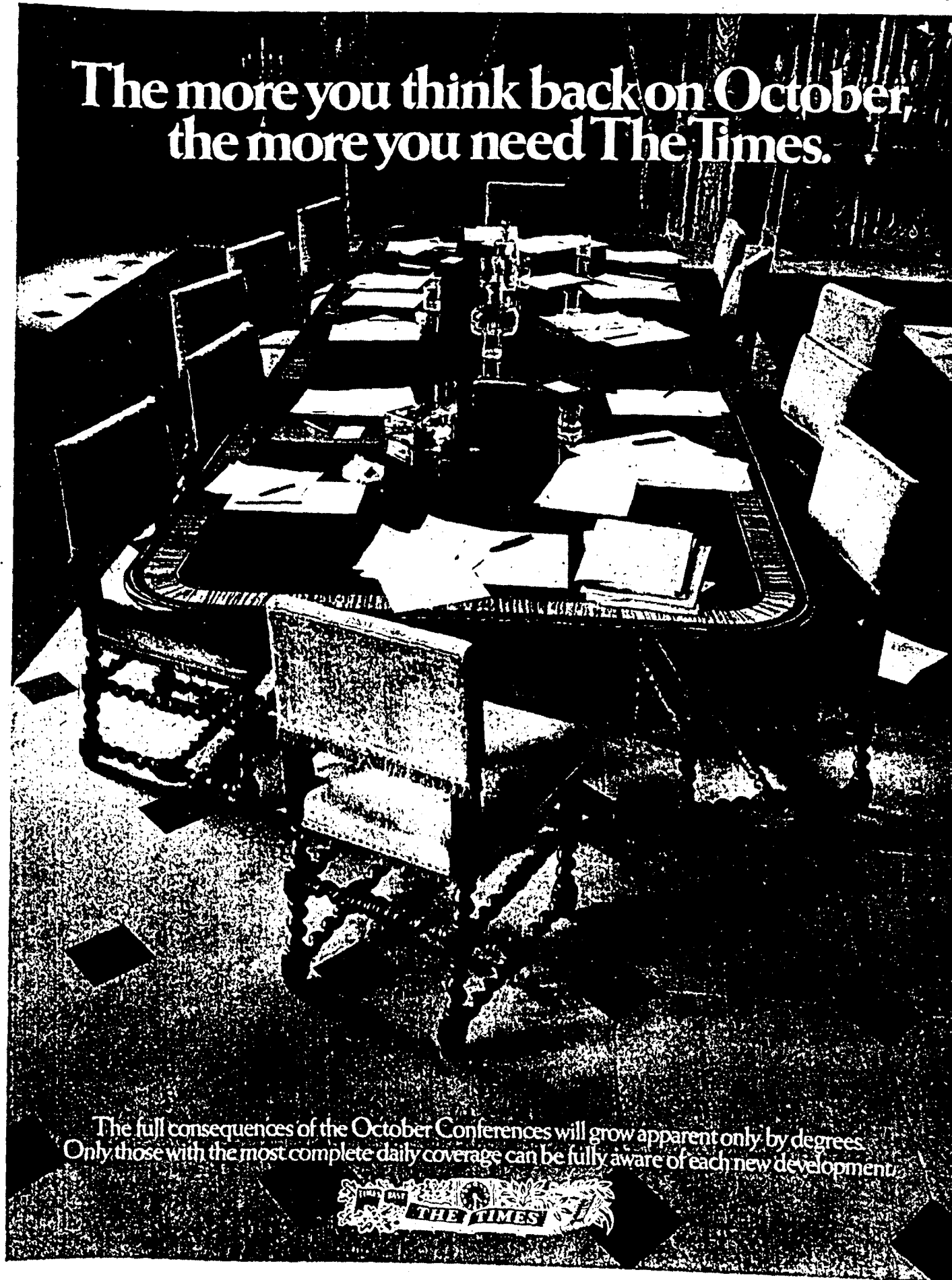
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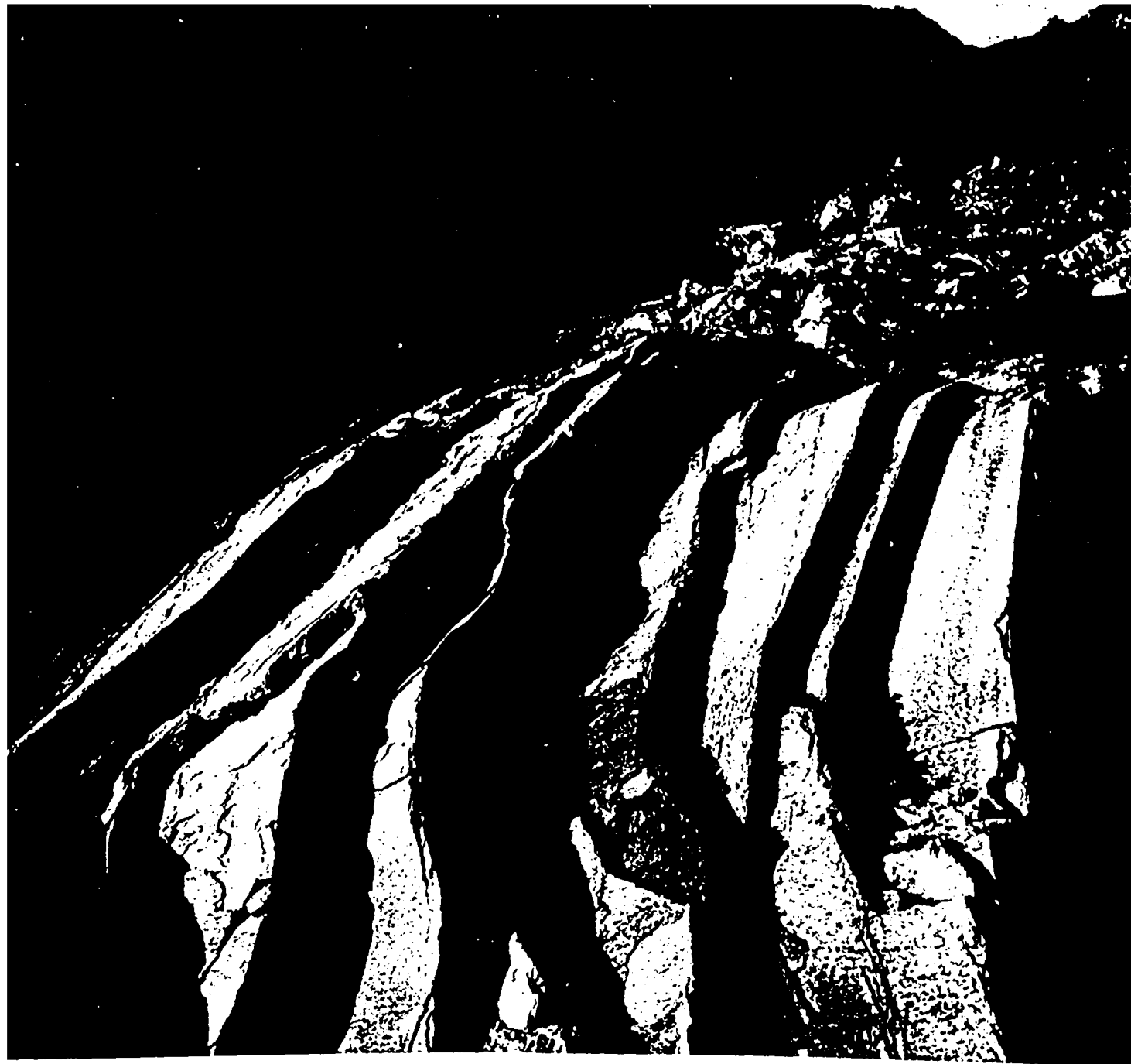
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The more you think back on October, the more you need The Times.



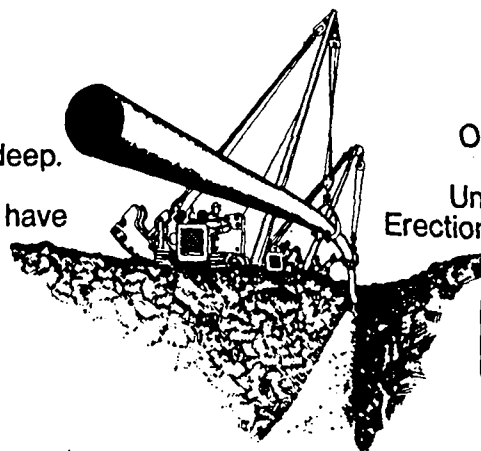
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Continued from page 90

preferences they now enjoy in rich markets under the GSP scheme. In the event, the Unctad stuff was kept out of the agreement, largely for fear of driving Congress into straight protectionism at the very start.

Chile was ill-advised anyway. Everybody has an interest in getting a decent trade expansion bill through Congress, and the developing countries in particular will benefit directly and immediately from the GSP that will be tacked on to it.

The developing world other than the fairly rich Latin Americans may benefit from future moves by the European community. Because of the obligations to the Caribbean sugar producers that the community "took to its heart" in the treaty of accession with Britain, some sort of regional sugar agreement will have to be devised when the Commonwealth Sugar Agreement comes up for renewal. This, coming after the new cocoa agreement, could set off a wave of commodity pacts between the community and the developing world. Nothing would aggravate the United States more than this policy which is now being strongly pushed by France—although in practice it could be the best way to compensate some of the African and Asian countries for the British entry into the EEC.

Oil

Talking tough

In the Middle East what a government appears to be doing, particularly to the oil companies, is often more important than what it is doing. Such is the situation at the moment in Kuwait, where the participation agreement between the companies and the oil-producing countries has stalled.

On the surface there are narrow differences on technical matters and on the buy-back price the companies will pay Kuwait for the oil it receives under the agreement. But these differences are not really causing the delay. Partly there is a need to explain the situation to many people not directly in the oil industry, including Kuwait's national assembly and free press. There is also a need to display a certain toughness to the oil companies and mollify oil-company critics inside and outside the country.

The companies remain confident that the show of toughness will fade and the Kuwaitis will sign. If this happens, the stage might finally be set for the start of something like meaningful

negotiations between the oil companies and the Iraqi government over the seized Kirkuk fields.

Most western businessmen and government officials think the Iraqis in the end will have little choice but to reach a deal with the companies. It is in the Iraqis' interest to do so since they badly need to get the full Kirkuk revenues flowing again. However, the Iraqis are capable of acting directly against their own immediate interests. So the oilmen worry. The longer the estrangement lasts the greater is the chance that somehow Iraq will make a deal with the Russians or east Europeans, despite the communists' lack of hard cash to pay for large amounts of oil.

Australia

Soap box stuff

Sydney

The Australian election campaign, which opened officially this week, will be dominated by domestic issues. On Monday Mr Gough Whitlam's Australian Labor party offered the voters a wide-ranging but by no means radical programme that concentrated on social welfare, housing, education and city redevelopment. Next day the prime minister, Mr McMahon, put up his counter-bid: it also promises more social spending—but not much. Mr McMahon is standing pat on the record of the Liberal-Country party coalition, more particularly its record since he took over the top job in March, 1971.

A few months ago the state of the economy could have been decisive in putting Labor in for the first time since 1949. But now, although there are no signs of an impending boom, there is little doubt in the public mind that things are getting better. The unemployment figures are evidently on the turn and they are scrutinised with

obsessive interest every month in a country where to be unemployed, if not quite a crime, is still a major personal disaster. The October figures released this week show fewer jobless and more vacancies, even though unemployment is still close to 2 per cent, which is historically high. The weak area of consumer spending is also showing improvement and inflation is slowing down.

Unexciting though they may be, these indications can only blunt the force of Labor's slogan "It's time" (for a change). In a way reminiscent of Mr Harold Wilson in 1964, Mr Whitlam claims that his expanded welfare programmes and other hand-outs can be had without increased taxation and will be paid for by faster economic growth. This is optimistic. The two proposals that have attracted most attention are concessions on home loan interest payments, one of the few obvious tax deductions not currently available in Australia, and pre-schools for all children at a cost of £120m over six years.

Mr McMahon has made the obvious rejoinder to these promises that they are vote-catching giveaways that will mean steeper taxation and worse inflation, but he has not been above offering a giveaway or two of his own; one is to link pensions automatically to the cost of living.

Cheap flying

We've won—almost

It took two days, deadlocked almost every inch of the way, before the immovable object gave way to the irresistible force and the airlines ended the latest of their interminable series of meetings with grudging agreement that air fares must come down. Nothing in this industry is ever simple, so next summer passengers who book about

Key indicators: world commodity prices

On the wane

The gold price has been shrinking almost daily for two weeks. At \$60.80 an ounce it is \$9.27 down from its high. Heavier Russian and South African selling caused some of the weakness. But speculators are taking profits and moving over to booming Wall Street. Silver prices, dictated largely in New York, are weak for the same reason.

	Index 1963=100		Percentage change on	
	Nov 8	Nov 15	one month	one year
All items	154.6	155.0*	+ 0.6	+34.5
Food	168.2	169.8*	+ 3.3	+34.4
Fibres	137.7	138.7*	+ 4.6	+59.4
Metals	186.4	179.7	- 2.6	+ 5.5
Misc	143.9	148.1*	+ 7.6	+50.7

*provisional

three months in advance will be able to fly the North Atlantic almost as cheaply as if they were flying charter, while the less far-sighted will have to pay through the nose much as before and could even find fares have gone up. But the International Air Trans-

port Association has at last got its members to agree that the whole fare structure on the Atlantic will have to be revised, not just tinkered with. The process will not be quick, and the revised tariff will not be ready to take effect for another year.

1m ton tessies

Almost unnoticed, oil tankers are getting bigger again, with 1m ton ships likely by the end of the decade. Mr Andrew Spiros, technical director to Mr Aristotle Onassis, has revealed a proposal for a 1m ton mother ship that would berth somewhere off Scotland (the Channel being too shallow) and there give birth to four "baby" ships of 200,000 tons each which could make for separate European ports. The mother ship would have a deck area equivalent to four soccer fields, and could carry enough water to keep a city of 400,000 people for 15 days in midsummer.

It was only in 1969 that Shell suggested

the pure economic advantage of, say, the 400,000, 500,000 tonner or larger ships as against a 200,000 tonner is fairly marginal and could be offset by their greater inflexibility in operation, the considerable additional investment required to upgrade shore facilities and the limited number of ports capable of accepting them.

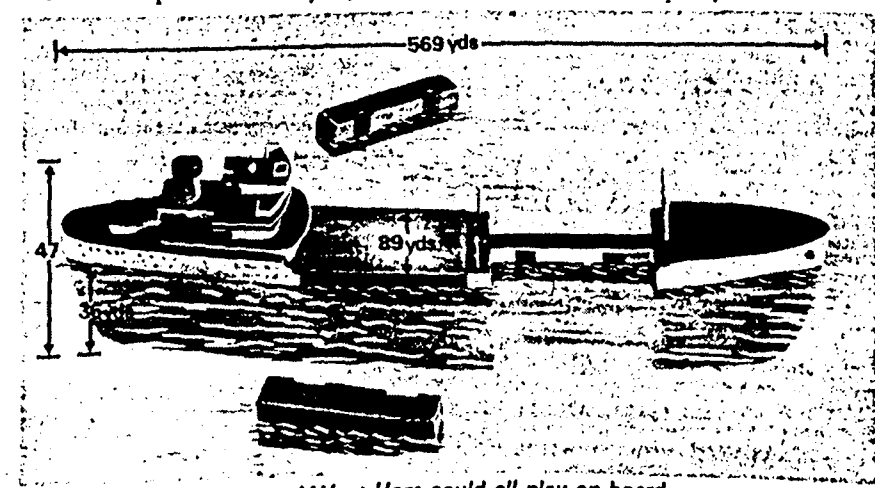
Most people in the industry would still agree with this, but Shell now has on order two 530,000 tonners, and Globtik is expected to announce a 650,000 tonner within a month.

Doomwatchers suggest that a 500,000 ton tanker, if it had an accident in the Arctic, might cause the ice cap to thaw and lead to the submerging of much of the world's coastline. This is far-fetched. Many of the pollution objections to mammoth tankers are met by international regulations which severely restrict the size of any single tank inside a ship's hold. Lloyd's, which

stands to lose as much as anyone, has just fixed a premium for a 460,000 tonner. At \$2m a year for a \$65m ship, it is in line with the premiums for two ships half that size, although the extra draught means route diversions. Lloyd's, it is true, is facing tough competition from New York, and has some incentive to be first in this business. But shipowners point out, fairly, that one big ship is less likely to have an accident than four smaller ones.

The navigational problems of big ships are overstated, and the twin screws that ships of 500,000 tons and upwards are going to have will improve their manoeuvrability compared with the present one-screw versions. (This could avoid the sort of collision that killed 45 Greek sailors on Wednesday.) Since insurance amounts to half the operating costs on ships of 200,000 tons and upwards these considerations are vital. But some naval architects doubt whether the strength of 1m tonners can be calculated with any certainty until one is built; and no convincing economic argument for taking this risk has yet been put—at least in public.

At present there are no ports where even a 500,000 ton ship can discharge. But ports of sufficient depth are now being planned at Fos and Le Havre in France, Genoa and Naples in Italy, Ria de Arosa in Spain, Finnart and Maplin Sands in Britain and Cuxhaven in Germany, as well as in Japan, South Korea and Canada. Most of these ports will be developed by 1976, although there will only be a handful of 500,000 ton ships by then.



Arsenal, Chelsea, Spurs and West Ham could all play on board

This is progress indeed, and for once it has been led by Britain. Credit should be given where it is due. Persistent pressure from the British Overseas Airways Corporation has gradually forced acceptance of the principle of a discount of around two-thirds for advanced booking, although other airlines and aviation authorities other than the British have complained periodically and plaintively that a rule like that was unenforceable at a discount as big as that. BOAC knew this. One of the attractions of the scheme to the more cynical of BOAC's management was precisely that the low fare would, in a relatively short period, become the standard fare and bring about cuts that Iata would never otherwise accept unless tricked into it.

Opponents of the scheme are still fighting; this latest meeting has proposed a number of restrictions that should be killed at the next one (yes, yet another), provided BOAC still plays its cards right. There is no reason to think that it will not; both British corporations have exploited for the past two years the fact that if no agreement is reached on new fares at an Iata meeting, then all fares lapse automatically at their due expiry date, and airlines are then free to strike their own bargains. BOAC has only to go on demanding its own way to get what it wants, with or without the agreement of the meeting. The trouble, however, will start when the airlines get round to discussing fares for North Atlantic journeys that go beyond London and well into Europe and Africa. Fares to Paris, Frankfurt and the major west European cities cannot be badly out of line with those from New York to London, but the national airlines of countries immediately beyond these Atlantic gateways will cut up rough.

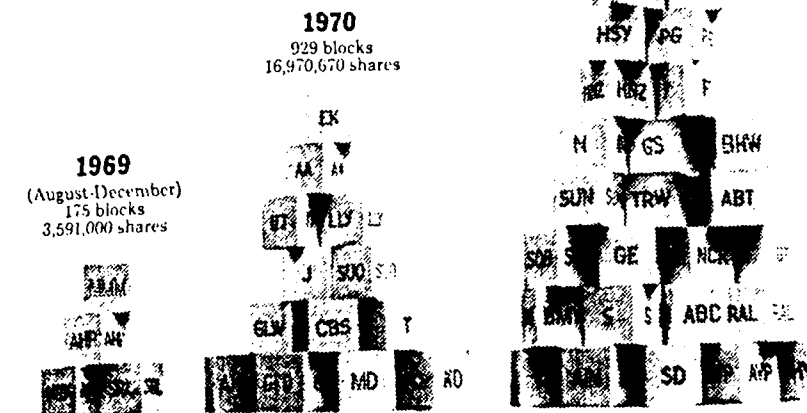
Norway

Were we wrong?

Brussels

The opening of negotiations between Norway and the EEC for a free trade agreement has been a rather melancholy occasion. There were new faces among the leaders of the Norwegian delegation, but most of the officials were the same men who had earlier negotiated the treaty of accession and then seen the Norwegian voters throw it out. They have few illusions about obtaining significantly better terms for Norway than those already negotiated by Sweden and Finland; and the chances

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COURTAULDS

Interim Profit and Dividend

The Board announce an unchanged interim dividend of 2.083p per 25p Ordinary Share to be paid on 2nd April 1973 to the Ordinary Shareholders registered in the books of the Company as at the close of business on 15th January 1973.

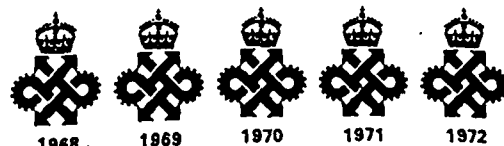
The dividend will be paid three months later than last year for taxation reasons. The Government's measures to counter inflation have prevented an intended increase in the amount.

Results for April/September (which are unaudited) and the corresponding half year in 1971 are:

April/Sept. 1971 £ millions		April/Sept. 1972 £ millions
323.4	World Sales to External Customers	355.4
194.1	Sales to U.K. Customers	199.8
58.4	Exports from United Kingdom	64.4
16.2	Profit before Taxation	21.3
1971 £m. 1972 £m.		
39.9	Trading Surplus	45.6
17.1	Depreciation	17.9
22.8		27.7
2.1	Investment Income	2.2
24.9		29.9
9.6	Interest Payable	9.5
15.3		20.4
0.9	Share of Profits from Associated Companies	0.9
16.2		21.3
2.6	Less: Taxation—including £3.9m abroad (1971 £2.6m)	4.7
13.6		16.6
1.4	Less: Minority Shareholders' Interest	1.4
12.2	Courtaulds Shareholders' Interest	15.2
0.1	Less: Preference Dividends	0.1
12.1	Courtaulds Ordinary Shareholders' Interest	15.1
5.6	Cost of Interim Dividend of 2.083p (1971—2.083p) per 25p Share	5.6

The 1971 taxation figure has been amended so as to be consistent with the basis used in the Accounts for the full year 1971/72.

Profits benefited as a result of increased contributions from exports and from overseas operations. Productivity again improved, with one or two exceptions.



L. R. CROYDON, Secretary
15th November 1972
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are that they may be significantly worse.

The new Norwegian government—a coalition of the anti-marketiers supported by pro-market Conservatives—finds itself in office largely because the former Social Democrat government wanted to get out of the thankless job of handling the talks. The old government knew well that the argument that largely swung the referendum—that Norway could get all the benefits of co-operation with the EEC without accepting the obligations of membership—was going to be a non-starter. Opinion polls in Norway show that the public is already regretting its decision. The new government is coming under pressure to show that it can defend Norway's trading interests at least as well when outside the EEC as in, including markets for oil and fish. But Brussels is not exactly in a forgiving mood.

The EEC is likely to offer a simple trade agreement on the Swedish model, involving the progressive removal of tariffs on industrial goods at the same pace as between the Six and the three new members. For sensitive products like paper, aluminium and other non-ferrous metals, which together account for 40 per cent of Norway's industrial exports to the community, the tariffs will not be wholly eliminated for 11 years. The Norwegians have known all along that a Swedish-type agreement would hit their exports harder than Sweden's, but this is the price to be paid.

The main battle is over fish, which the Norwegians want included in the agreement as it is in Iceland's. The EEC is not impressed with that precedent. For Iceland, 80 per cent of whose exports consist of fish and fish products, an agreement that excluded fish would have been meaningless. This is not true of Norway, whose fish exports account for only 14 per cent of total sales to the EEC, and things like herring, sprats, tunnyfish, salted and dried cod already enter duty-free. The fishermen of the Norwegian north were the most effective of the anti-market lobbies and the anti-marketiers made great play with the argument that Norway could get free trade in fish without having to open up its coastal waters. But the EEC feels it made the maximum concessions to the Norwegian fishing industry during the membership negotiations. In the background, though, there is the current campaign within Norway to persuade the government to follow Iceland's example and extend its fishing limits to 50 miles.

India

In trouble again

New Delhi

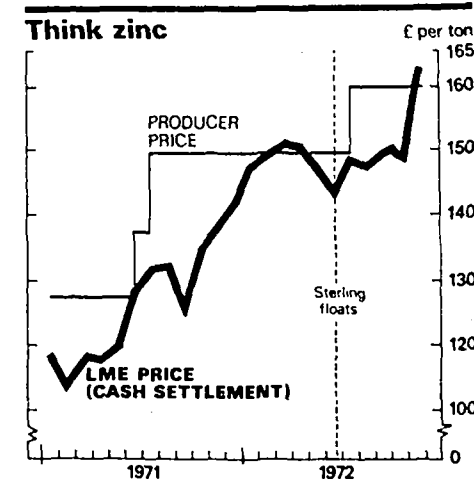
Mrs Indira Gandhi has told her parliamentary party that "extremely difficult" days lie ahead for India, in the form, once again, of widespread food shortages and crippling inflation. In the past year food prices have risen by 16 per cent, pushing up the general price index by 10 per cent. There have been severe monsoons in two successive years and now drought this summer has reduced the cereal harvest by 6 per cent. There is some hope of larger winter crops, but the government's food stocks, built up to a record level of 9m tons, are already being drawn upon at a rate that will exhaust them by March. The call has gone out for 4m tons of rice from stocks held by some states to replenish them. Even so, the government will still need to import both wheat and rice, and pay in hard cash at the current high world prices.

Mercifully, industry shows some signs of renewed growth after a year of stagnation. Output is running 7 per cent higher than last year. Share markets are cheerful because most companies have either maintained or increased dividends. Twice as much capital has been raised in the first nine months of 1972 than in the whole of 1971. New Delhi has already made some policy changes to help the growth of private industry and more concessions seem to be in the offing. Where the government can expect trouble is from the unions. Organised labour now tends to react to any threat to real incomes by rioting, and has begun sporadically to do so.



You need to be nimble in politics

Think zinc



Zinc

Zooming

Zinc, usually the duller of metals, has become the star performer of the world's metal markets. At £165 a ton its price has improved by 7 per cent in a month and a massive 65 per cent since the beginning of 1971. And there is no stopping it. The world's producers are already considering raising their posted prices from £160 a ton to something nearer £180 in the next few weeks. This will squeeze the margins of the major zinc consumers, the galvanising and die-casting industries.

But the producers feel they need the break. Over the past three years zinc smelter plants have been closing down at a rapid rate. Since 1969 the zinc output of the United States has been cut back by 45 per cent. Slack industrial demand made many of the old plants, working under capacity, quite unprofitable; and the anti-pollution lobby in the United States has inhibited the more efficient producers from expanding, and added to their running costs. It is the growing industrial demand from America, which consumes 28 per cent of the free world's output, that is now driving prices up and giving those producers who have held on through the thin times a better and more profitable share of the cake.

It is not difficult to see which countries and companies will benefit. Australia and Canada account for 10 per cent of the world's output, but because of heavy transport costs Canada is in the best position to exploit the situation. This means overwhelmingly Cominco, the world's largest producer, and those plants using electrolytic smelters which, though more expensive to run, are pollution-free. But their zinc is not cheap.

BUSINESS

Investment

The millennium has arrived:
so what else is new?

New York

One landslide deserves another. Exactly one week after President Nixon was returned to the White House with a near-record 60.7% of the popular vote, the Dow Jones industrial average for the first time in its 88-year history closed above the 1,000 mark. The significance of both achievements has been chiefly psychological. In reality Mr Nixon was again denied a Republican Congress despite his stunning personal victory. And Wall Street, while happily acclaiming the breakthrough in the Dow average, readily conceded that the yardstick of 30 blue chips was widely thought to be more representative of the market than it actually is.

Whether or not that is so, Tuesday's 1003.16 came about not through a quantum leap but as the result of investors gravitating toward cyclical groups linked to the strengthening economy. Motors, international oils, utilities, retailers, paper companies and even the long-depressed steels have come into the limelight. On the day of the millennium, the Dow stocks posting the sharpest gains were Chrysler, Du Pont, General Motors and General Electric.

Ford and Chrysler actually have the lowest p/es, 9 and 11 respectively, of the motors and are generally regarded as having the greatest upside potential. But even though sales should continue strong in 1973, the year will scarcely be clear sailing for the group, what with the problems of pricing and emission control, as well as a new labour contract to negotiate in the autumn. For the moment, however, the road is reasonably unobstructed.

The international oils are another group in which the more immediate prospects of growth in earnings outweigh future problems, not the least of which is the possible nationalisation of their Middle Eastern sources of supply. The three Dow oils, Exxon, Standard of California and Texaco, came through the 1,000-mark breakthrough with good net gains, though they are all still below their highs attained in the 1960s. The utilities, paper and retail stocks also seem cheap against the prospects of a buoyant economy in 1973. The great range of profits in the first quarter of 1972 brought the average market p/e down with a bump: the third quarter figures should



Hello, 1,000

repeat the same bullish medicine.

The thing lacking from the market is euphoria. As soon as the Dow record was breached, profit-taking the very next day brought the index back to 998.4. There is too much caution around still for the opening of the American bull market to be proclaimed. But it must happen.

Needham's visits

New York

What was the chairman of the New York Stock Exchange, Mr James Needham, doing in Moscow? While he was there, the news came that the Chase Manhattan Bank had been granted permission to open a representative banking office in Moscow, which will be the first such American representation since the 1920s. That, however, could hardly have had anything to do with Mr Needham, who had "very friendly" talks with Soviet bankers, but wouldn't say about what.

Perhaps the visit means the Moscow Narodny Bank wants to float a trade loan on the American market (the Eurobond market would be a better place). Or perhaps communism just

Continued on page 105

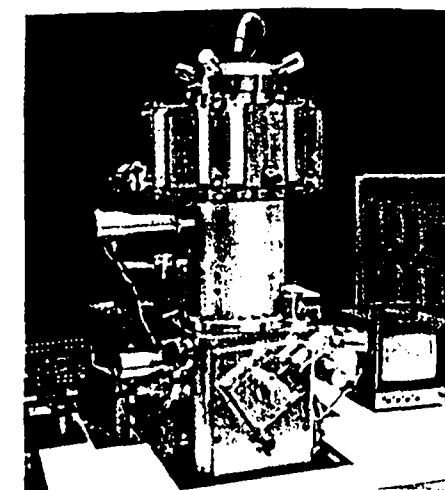


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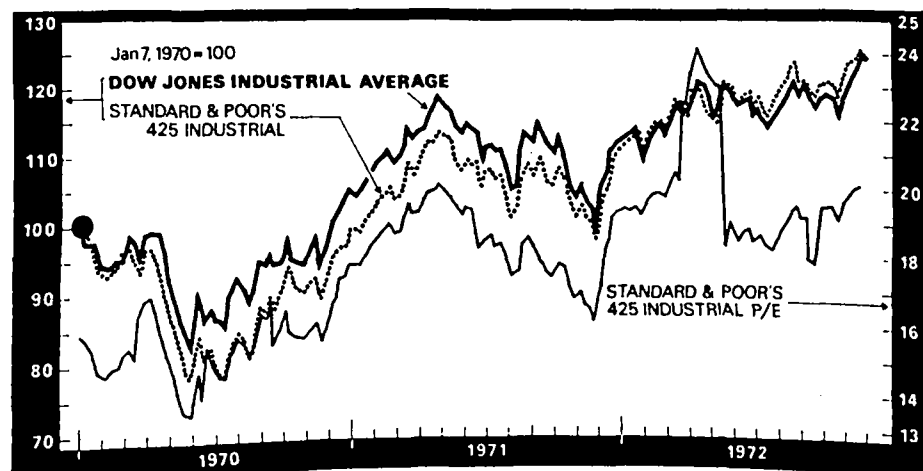
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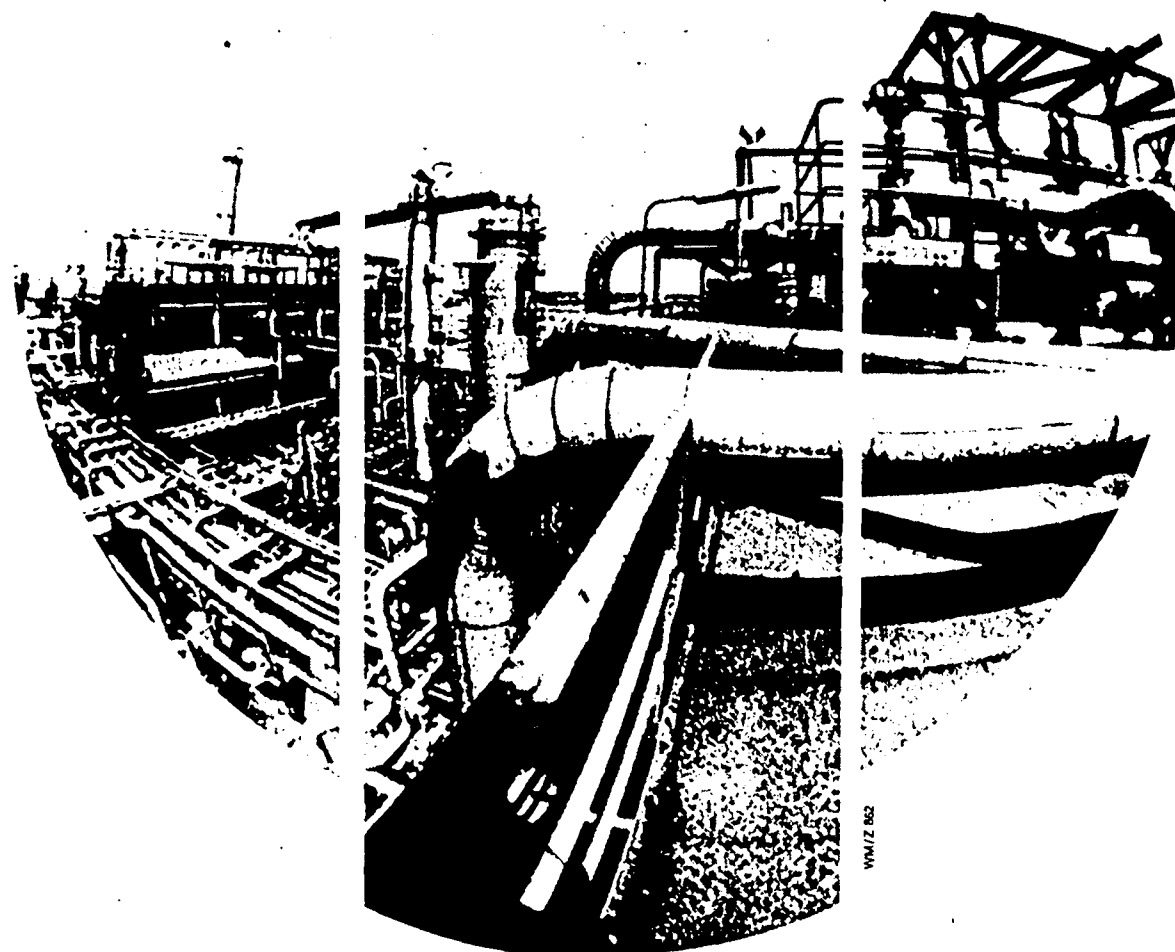
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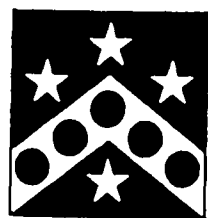
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Continued from page 100

needs capitalism to work anyway. Whatever the reason for the visit, it has happened and has got Mr Needham, and the NYSE, very much in the news.

The NYSE is fighting to stay in the limelight. With the insight of his years at the Securities and Exchange Commission, Mr Needham realises that the trading market of the future is going to be the nationwide central trading market. If the NYSE is to retain its position as the king-pin of American securities trading, then it will have to open out or get shut out. The National Association of Securities Dealers already operates a highly automated alternative market (Nasdaq), embodying a different method of trading from that espoused by the exchanges, with their clubby atmosphere and cavernous trading floors. Mr Needham wants the NYSE to allow institutional membership (on restrictive terms), is keen on greater competition, wants more disclosure by member firms, and is eager for the exchange to establish its dominance in the eyes of the rest of the world. Hence these travels.

On his trip to London Mr Needham suggested that the trading hours of the New York market should be radically extended to make it easier for investors in different time zones to trade in New York. He also announced the formation of an advisory committee on international capital markets to stimulate the free flow of investment capital across international boundaries; by this he meant a committee of officers from major New York member firms. Both ideas were less ostensibly aimed at making sure that these movements were into the United States and through the NYSE.



Needham: travelling man

Eurobound into America?

The resurgence of Wall Street and the firmness of the dollar in the foreign exchange markets are tempting international investors into dollar securities. This is already apparent in the Euro-bond market, where prices of Euro-dollar bonds convertible into the equity of the issuing American company have touched new highs in recent sessions. Investors' appetite for them is at present unsatisfied, and so the market is looking for a steady flow of new offerings, preferably by top quality names.

With a neat sense of timing, Morgan and Cie International and White Weld have brought Gillette to the market with a \$50m convertible. The indicated coupon of 4½% and conversion premium of 10-15% look relatively generous in today's market and the issue is assured of a strong response.

Interestingly enough, Gillette issued a

\$50m convertible, also on a coupon of 4½% in December, 1967. The price of that bond is now back to the \$100 at which it was issued, after having been down in the dumps in the interim. The convertibles to look for are those issued by the best companies, which have the lowest conversion premium into the underlying equity, and the highest running yield. On that basis the most attractive bets would include Ford, with a premium of only 2% and a yield of 5%; JP Morgan with a 9% premium and 3½% yield; ITT with 4% and 4½%, and American Express with 7% and 4½%. The benchmark comparison for the yields is the average of around 7% on non-convertible dollar bonds; the gap between that and the yield on the convertible, plus the conversion premium, adds up to the rise in the underlying equity that is being discounted in the convertible's price.

Courtaulds

Skelduggery

The Skelmersdale crisis, which dominated home industrial news for a couple of days, is over. The 1,000 workers at Courtaulds's most modern weaving mill were sufficiently chastened by the announcement of imminent closure to agree to co-operate with the management. Lord Kearton, Courtaulds's chairman, unexpectedly dashed up to the scene of the potential crime and, after 6½ hours of negotiations, helped to sort things out. Some quite progressive industrial machinery has been agreed to avoid future disputes.

There might have been an element of bluff in all this but the premise of the Skelmersdale settlement was high productivity. To prove the point that he has not made any strategic error in his policy for Lancashire textiles, Lord Kearton announced, the day after Skelmersdale was reprieved, plans for spending more money in weaving in that beloved county—£4m-£5m for weaving work-wear material and heavy corduroys.

The general success of the Kearton strategy shows up in the results: while all the fibre companies are looking feverish and feverish, his fibre-plus-textile giant produces results £5m to the good at the half-time, at £21.3m pre-tax. The expected dividend increase has been frozen, but the share price moved favourably to 178p on a p/e of 13, on the assumption that earnings growth for the year will be just about

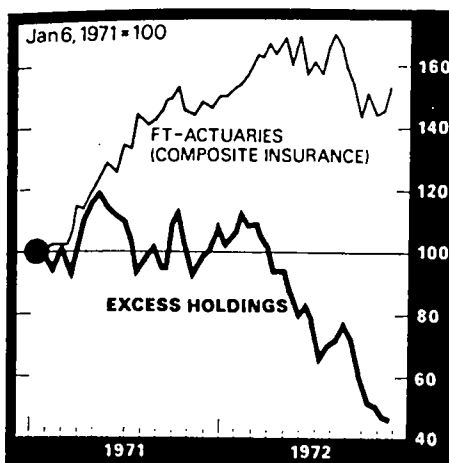
10%. The splendid first-half results owe much to the special conditions in the United States, where King Cotton enjoyed a boom that has since somewhat evaporated.

Excess Holdings

Reassurance needed

Excess Holdings is a small, composite insurance company with close links with Lloyd's broker firms, whose share price has plummeted from 302p in May, 1971, to 109p now. In March it announced a loss for 1971 of nearly £1m, and retrospectively it adjusted its 1970 profits down by £2m (to £200,000), the claims provisions for previous years having turned out to be too small. In August it stopped writing British motor insurance altogether. In September it passed the interim dividend because of the unknown costs of closing down its British motor underwriting and for claims under provisions on its North American casualty business.

Closing down its British motor insurance will bring Excess's non-life premium income down from £29m in 1971 to about £22m. The stock market values the company at about £5.5m. Leading composite companies are usually capitalised at about the level of non-life premium income. On its reduced business, Excess ought to be earning investment income of about £1¼m, a generous quarter of its market capitalisation. Thus the shares could look a good buy—if the company



at least breaks even on its underwriting and if it dispels lingering fears about how much underprovision of claims remains to be unearthed, particularly of British motor claims.

On its 1971 premium income the company needed to maintain a minimum solvency margin of £3m of free assets (after £1.5m loan stock) to comply with the rules. Last December the accounts showed net assets of £7.1m, after a contingent liability for capital gains tax on its investments and properties (shown in the balance sheet at market values), and less any further underprovision for claims that may yet be discovered. Will there be any? Here the new detailed returns insurance companies must make to the Department of Trade and Industry throw some light. At the end of 1970 Excess reckoned its 1970 motor claims at £3.1m. But in the 1971 return this figure for 1970 had been adjusted to £4.1m, and the slice of it representing outstanding claims had in fact been upped by 100% to £100 per claim. By contrast both the Legal & General and the Pearl had to make adjustments of only 21%, and the Royal came out about right.

At the end of 1971, however, the Excess had provided only £64 per claim for its 1971 claims outstanding (compared with the adjusted £100 for the prior year). If these claims turn out to cost £110 each (the 1970 average outturn plus 10% for inflation), its provision for 1971 claims, at the end of 1971, will have been £1.2m short.

On top of this there will be the overall loss that it almost certainly incurred on its 1972 motor underwriting, plus whatever the underprovision on its North American casualty business was at end-1971. There remains, therefore, a grey area of uncertainty which the directors ought to dispel as quickly as possible.

Earnings

Analysts' trilemma

The problem of settling on a generally accepted measure of earnings under the new imputation system of corporation tax that is to start next April 6th has been complicated by the recommendation of the Society of Investment Analysts, which differs from that of the Institute of Chartered Accountants' discussion paper (and *The Economist*, June 10th).

Under the present system the calculation of earnings, p/e ratios and dividend yields is simple: profit less tax equals the earnings that can be distributed as dividends or retained. But the dividends are, in turn, taxable, and imputation eliminates this double taxation of profits. The corporation tax rate will be increased (from 40% probably to 50%), but dividends will be distributed tax-free, an appropriate part of the corporation tax counting as a prepayment of income tax; with the 30% basic rate of income tax expected next year this appropriate part will be 30% of the gross dividend. By simple arithmetic this advance corporation tax (Act) will be three-sevenths of the net dividend.

There are three possible ways of defining earnings in the new system: (a) the maximum coverable dividend; (b) the sum of net dividends actually paid out plus retentions—the "net" earnings; and (c) the amount that would be left to the company if no dividend were paid—the "nil" earnings. These are different because, despite its name, the Act paid on dividends distributed out of foreign profit does not, in fact, count as an advance payment of corporation tax. There is a bias against foreign

income when it is used for the payment of dividends.

Altogether 30% of the income of British companies comes from abroad. Any of it used for dividends is worth less than good old British profit. Thus (a), the maximum coverable dividend, depends on the split of profit between British and nasty foreign profit. It will not be possible from normal accounts to work out what the maximum coverable dividend would be. This definition also understates the actual money available to the company and its shareholders as a result of the retention of some of the profit.

Neither (b) nor (c) gives dividend cover, but the society favours (c), the nil method, for three reasons. It does not vary with the level of payout, thus eliminating the distortion that would occur in comparing high dividend payers with low ones; the excess Act caused by distribution should be considered a cost of the dividend, which could be reduced by cutting it; and the net figure (being lower) could understate the value of the company in a takeover situation.

A difference between net and nil would only arise for 20 out of the 136 biggest British companies—those that have to use foreign profit for their dividend. But these include British Petroleum, Shell Transport and Trading and British-American Tobacco. Our preference for (b), the net definition, rests mainly on the fact that it is a real figure that will automatically appear in the accounts; and it reflects the actual amount of money available to the shareholders and the company in the period. The nil definition gives a hypothetical figure, but so does (a), which the society rejected for this reason. Clearly (b) changes according to the level of dividends but then the whole idea of

Key indicators: world bourses

This was the week Wall Street made it at last. The 1,000 on the Dow helped London too. Tokyo doesn't need anyone else's steam: it just goes on hitting new records—trading this week was so heavy that it had to be partly suspended to clear the backlog.	Stock price indices			Percentage change on				
	Nov 15	1972 high	1972 low	one week	one month	one year	record high	
London	492.8	543.6	461.6	+ 1.9	+ 1.4	+17.2	— 9.3	
New York	998.4	1003.2	889.2	+ 1.5	+ 7.1	+21.4	— 0.5	
Canada	228.8	243.0	187.5	— 0.2	— 0.2	+37.7	— 5.8	
Australia	599.3	639.8	490.1	+ 1.5	+ 3.5	+46.5	— 9.7	
Japan	347.0	347.0	199.9	+ 3.0	+ 5.9	+94.1	—	
H'kong	690.2	759.4	324.0	— 1.4	+30.1	+109.6	— 9.1	
Belgium	116.6	120.8	96.9	— 0.5	— 2.3	+26.5	— 3.5	
France	84.5	89.3	67.6	—	— 1.9	+29.4	—10.1	
Germany	113.5	121.3	97.1	+ 1.2	+ 4.0	+27.8	—24.9	
Holland	150.0	155.3	105.4	+ 0.6	+ 1.1	+58.2	— 3.4	
Italy	51.9	52.2	43.9	+ 2.0	+ 7.5	+15.3	—55.5	
Sweden	361.0	366.5	308.7	+ 2.3	+ 2.9	+23.2	— 3.9	

Stock prices and yields are on pages 117 and 118

the new corporation tax is to unify companies and shareholders. It is silly to object to the net method on the ground that the excess Act is an avoidable cost and nothing to do with the companies' earnings: cutting dividends is not that easy.

No definition is going to do all the things that earnings do for analysts now. Each will have its devotees, and, more important, its uses; the society quite rightly presses for disclosure of all three by companies.

Société Bic

Bullpoint pens

Paris

Baron Michel Bich seems to be in two minds about the launch of his hugely successful Société Bic (of ballpoint fame) on to the market. The Paris bourse's largest new issue was offered, in the tender French way, at a minimum price of Fr650, but such was the weight of eager buyers that the shares had to be suspended on Thursday, after the price had gone up to Fr880, raising £22m for the baron.

The eagerness was despite the dearth of a profits forecast for the financial year ending in seven weeks. Although a forecast had been prepared, and had been printed in both French and English, Baron Bich ordered its withdrawal at the last moment. When asked at the press conference to launch the issue why profits had dipped in one year, he replied that he did not know: neither did he have any idea what the sales prospects for his new disposable lighters were.

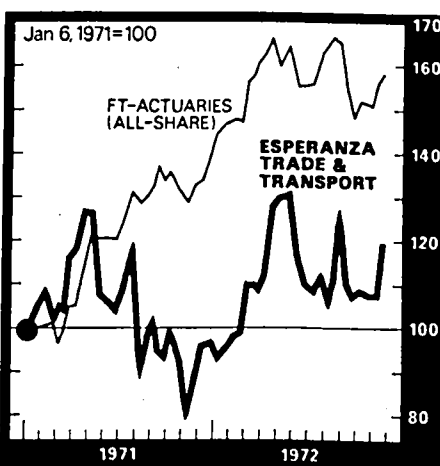
Would-be investors were not deterred. The unofficial profit forecast for the coming years shows an annual growth of over 15%, which justifies the initial p/e of 30 on the 1971 earnings of Fr28 per share. Bic did not invent the ballpoint pen, but Baron Bich was quick to see the possibilities in a low-cost, throwaway product (the first ballpoints, made by Reynolds in the United States, cost \$12 each). The company was started in a shed in Clichy in 1945 and now produces one-third of the world production of ballpoint pens, turning out some 7m each day. In 1953 Bic organised itself to go after foreign markets; in 1957 it bought Biro Swan (England) and in 1958 Watermans (United States), which eventually became Bic Pen Corporation. Purchasers of shares of the French parent company are undoubtedly looking for a performance similar to that of Bic Pen, which

was introduced on the American stock exchange in 1971 at the equivalent of \$8 and is now worth \$28.

Last year's turnover for the group was £38m and the company's plans are ambitious. However, the market for ballpoint pens has reached a point of near-saturation and is in danger from felt pens. Last year Bic pushed into this market, and it is now making 700,000 felt pens a day. The next move to widen the company's activities will be the introduction of a throwaway cigarette lighter, produced by Flamir-aire, bought last year for £1.3m. The new lighter will be similar in concept to those already produced by Cricket and Feudor. The company is also studying the possibility of introducing an inexpensive fountain pen. But the shares are neither giveaway nor throw-away.

Special situation

Hopes from Esperanza



Esperanza Trade and Transport besides its attractive name, which derives from a copper mine it had in Spain. The mine ran out in the 1930s and the company acquired the concession to mine the Limni concession in Cyprus. Even at 96p, up a quarter from the low point this year, Esperanza is largely seen by the market as one of those little copper companies whose mine has another seven or so years of life, needing no higher a p/e than 12.

In fact copper and other mining earnings only contributed 65% of the operating profits of £1m notched up in the year to March (one of the best years for Esperanza despite the indifferent behaviour of the copper price), and next year the proportion could well fall to half. Total earnings

may not improve much, but the quality of them will, since Esperanza is doing a fascinating and intelligent piece of diversification. It is buying firms that perform specialist services, like loss adjusting for insurance companies, cargo superintending, laboratory analysis and inspection of this and that: the kind of businesses that sound dull but are able to earn good profits whatever the state of world trade, or the copper price. The companies can be developed and expanded on an international scale with just a small amount of capital spent on them. That is what Esperanza is doing and could well be earning £3m out of them in the next year, according to the brokers to the company, de Zoete and Bevan.

Another of the attractions is the heavyweight board and shareholding. Mr Harry Kissin, chairman of the well-run and successful commodity company, Lewis and Peat, is to become chairman of Esperanza, and Lewis and Peat owns 20% of Esperanza. Mr Jacob Rothschild is another director, and N. M. Rothschild and Sons has a 15% stake. The drawback is that the equity capitalisation is smallish, some £7m, and the market in the shares is tight. Fairly small orders tend to shove the price around quite a bit, so investors will have to buy quietly and carefully, but buy they should.

C. T. Bowring

Prospectus in five languages

After a mind-boggling exercise in diplomacy, patience (but no games here) and public relations, C. T. Bowring is to introduce a proportion of its shares—which will be provided by existing shareholders—simultaneously on to the main continental bourses on November 28th. Apart from a desire to blaze a financial trail into Europe, the main object of the move, says the company, is to widen the share ownership and provide a base from which to expand its European business.

Only a small proportion of the shares is to be released for continental consumption, perhaps less than 10%. But the closer ties with foreign institutions, like the Deutsche Bank, the Algemene, and the Banque de Bruxelles are significant. Sensibly, Bowring wants to feel its way with some care through the maze of continental financial practices and thinks it needs—perhaps on the grounds of politeness—the guiding hand of the domestic experts.

INTERIM STATEMENT

GOLDEN HOPE PLANTATIONS
LIMITED

Issued Capital . . . £3,631,305 in 10p shares
Secretaries and Agents
Harrisons & Crosfield, Limited

	Year ended	
	31.5.72	31.5.71
PROFIT AND DIVIDEND		
Profit after tax	£1,548,351	£1,891,348
Dividend for year	£1,216,957 (35%)	£1,395,321 (40%)
CROPS HARVESTED		
Rubber—kg.	13,029,121	11,830,741
Palm oil & kernels—long tons	38,592	40,129
Copra—long tons	5,815	6,117
Cocoa—long tons	371	219

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Annual General Meeting—11th December 1972

TENDER

NOTICE

STATE OF ABU DHABI

The Government of Abu Dhabi invites hereby internationally reputed oil companies having marketing facilities and willing to participate in exploration for and development and exploitation of oil and other hydrocarbons in areas in Abu Dhabi (off shore) totalling 2,800 sq. km., to apply to the Ministry of Petroleum & Industry (P.O. Box 9, Abu Dhabi, Arabian Gulf), for information regarding the areas in question, the terms and conditions to which applicants should conform and any other information. Documents and information will be supplied only to oil companies or to a duly authorised representative of such companies.

Bids should be submitted in a sealed envelope marked "Confidential—Bids for Oil Rights in Abu Dhabi" to the Minister of Petroleum & Industry, not later than February 1, 1973.

Mana Saeed Al-Otaiba,
Minister of Petroleum and Industry,
and

Chairman of the Abu Dhabi National Oil Company

APPOINTMENTS

Research
Assistant

Applications are invited for the post of Research Assistant to be appointed in the Department of European Studies. The successful applicant will work under the direction of Professor David Coombes on a project, financed by the Social Science Research Council, to study the effect of EEC membership on national parliaments.

Applicants should be recent graduates with good honours degrees in political science or a related discipline, and should be interested in the politics of Western European integration. Ability to read and write German and French is essential. Salary within scale £1296-£1764. Please write to Professor Coombes for application forms and further particulars.

Loughborough Leicestershire

London School of
Economics

UNIVERSITY OF LONDON

Applications are invited for appointment from as early a date as possible to a Senior Research Officership or Research Officership in the Centre for Urban Economics, to a project on housing economics. The project will be under the supervision of C. D. Foster and C. M. E. Whitehead, and will be of special interest to those with some knowledge of urban economics, econometrics, or with an interest in economic policy issues. The project is to monitor change in public and private rental housing in London. The appointment will be for three years and will be at a starting salary of £2,397 a year with annual increments of £159, plus £162 a year London Allowance and superannuation benefits.

Applications should be received not later than November 30, 1972 by the Administrative Officer (Room H.610), London School of Economics and Political Science, Houghton Street, London WC2A 2AE, from whom application forms should be obtained.

BUSINESS NOTICE

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Your international investment *Strategy* concerns the degree to which you are invested; the degree of investment in each country; and the degree of risk or protection in each investment.

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If you would like more information contact Edouard Iselin, our Executive Vice President in Geneva. He will be glad to discuss services, fees and answer any questions you may have.

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APPOINTMENTS

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Faculty of Social Science

Applications are invited for the following posts:

PRINCIPAL LECTURERS AND/OR SENIOR LECTURERS IN ECONOMICS:

PRINCIPAL LECTURER IN SOCIOLOGY:

SENIOR LECTURER OR LECTURER GRADE II IN SOCIAL PSYCHOLOGY.

Salary: Principal Lecturer scale £3,421-£3,829 p.a. Senior Lecturer scale £3,131-£3,495 p.a. Lecturer Grade II scale £2,355-£3,063 p.a.

Application forms and further particulars are available from the Assistant Secretary (Personnel), LANCHESTER POLYTECHNIC, Priory Street, Coventry, to whom application forms should be returned by November 30, 1972.

Solicitor, Central London, engaged in public and artistic affairs, requires second secretary of senior status. First class education indispensable, including good shorthand; knowledge of languages an advantage; experience in answering invitations and dealing with social engagements also valuable. Applicants between 30-40 years preferred but this is not a rigid condition. Appropriate salary for right applicant. Please apply confidentially to Box 2547.

University of Capetown

Senior Lecturer and Lecturer in Business Finance

DEPARTMENT OF BUSINESS SCIENCE

Applications are invited for appointments as Senior Lecturer and Lecturer in the Department of Business Science. It is hoped to fill the vacant positions as soon as possible after 1 March, 1973.

Applicants should have good academic qualifications and relevant business, teaching or research experience in Business Finance. A strong background in Economics is essential and ability to participate in the teaching of other areas of Business Administration, such as Business Policy, Organisation Theory, Economic Statistics, Marketing, Operational Research, etc., would be an advantage.

The Department of Business Science conducts general courses for the degrees of Bachelor of Commerce (3 years of study), and Bachelor of Business Science (4 years). Specialised courses at the honours level are provided for B Bus Sc. students in the final year. These presently include Business Finance, Economic Statistics, Personnel, Marketing and Statistics and Operational Research. The persons appointed will be expected to participate in the general courses and in special field courses in Business Finance, and will be required to supervise postgraduate students undertaking research for the degrees of Master of Business Science and Doctor of Philosophy.

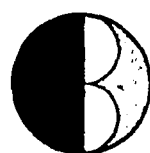
The salary scale applicable to the post of Senior Lecturer is R5300 x 300-R8100 per annum, and that to the post of Lecturer is R4000 x 300-R6900 per annum. The commencing salary will be determined in accordance with the qualifications and experience of the person appointed.

Applicants should state their age, nationality, marital status, academic qualifications and relevant business or teaching experience, present salary, publications and research interests, and should give the names and addresses of at least two referees (preferably persons with knowledge of the applicant's academic qualifications and experience) whom the University may consult.

Two copies of the application should reach the Secretary-General, Association of Commonwealth Universities (Appis), 36 Gordon Square, London WC1H 0PF from whom memoranda giving the conditions of service, including transport expenses on appointment, and information on the work of the Department may be obtained) not later than 15 January, 1973. A third copy of the application with a medical certificate should be sent direct by airmail to the Registrar, University of Cape Town, Private Bag, Rondebosch, Cape Town, South Africa, by the same date.

The University reserves the right to appoint a person other than one of the applicants or to make no appointment.

COMPANY STATEMENT



BARLOW RAND LIMITED

(Incorporated in the Republic of South Africa)

GROUP PROFIT AND ORDINARY DIVIDEND

The audited group results for the year ended 30th September, 1972, are set out below

	1972	1971	
		Excluding results of Rand Mines Limited	Including results of Rand Mines Ltd from 1st June, 1971
Group Turnover	R416,022,000	R331,671,000	R335,407,000
Group profit after taxation and outside shareholders' interest	R22,389,000	R14,509,000	R16,470,000*
Number of ordinary shares on which earnings per share are based	87,593,000	63,639,000	84,039,000*
Earnings per ordinary share based on Group profit	25.5 cents	22.7 cents	19.5 cents*
Dividend per ordinary share	11.5 cents	10.5 cents	10.5 cents**

* 20,400,000 shares were allotted for the acquisition of Rand Mines Limited. The profit of Rand Mines Limited was consolidated for four months only in 1971 and the results and earnings per ordinary share of 19.5 cents as shown in the third column above were thus not representative of a year's trading.

** 4.0 cents on 63,600,000 shares, 6.5 cents on 84,039,000 shares.

A Final dividend of 7.5 cents per share has been declared. This dividend with the interim dividend of 4.0 cents per share, makes a total distribution of 11.5 cents for the year, an increase of 9.5% over the dividend for 1971. The final dividend is payable to shareholders registered on 27th November, 1972.

C. S. BARLOW,
CHAIRMAN.

APPOINTMENTS

STATISTICS with a social emphasis

Statisticians in government today work closely with administrators and economists in a congenial, professional atmosphere. They are encouraged to develop their own ideas and methods and they have access to unrivalled statistical data and sources.

Office of Population Censuses and Surveys

There are vacancies in three divisions of this important Office.

Population Statistics Division. This appointment is concerned primarily with demographic analysis and interpretation of population statistics for England and Wales. It also involves population projections and model building.

Social Survey Division. Involves reviewing the design of the Family Expenditure Survey. Experience in the use of computers in survey analysis would be particularly appropriate.

Census Division. Mainly experimental and pre-test work for the next census, and control of statistical work on topics such as education and fertility.

Home Office

The Home Office Statistical Division is based at Tolworth, near Surbiton, Surrey, and provides information on, and interpretation of, a variety of subjects - fire, crime, immigration and other important social subjects. The work involves interpretation of complex data, which could have a direct bearing on the formulation of social policy.

There are posts at Statistician and Senior Assistant Statis-

tician levels. Appointment may be for a fixed period or on a permanent basis.

Qualifications

Applicants should normally have a degree with honours in statistics (or in another subject involving formal training in statistics) or another appropriate qualification, eg AIS.

For posts at Statistician level - £3653 to £4883 (slightly less in Surbiton) - candidates should have several years' relevant experience and should normally be at least 27. For Senior Assistant Statistician posts - £2476 to £2984 - they must have some relevant post graduate experience and be at least 24. Starting salary may be above minimum of either scale.

Prospects

Senior Assistant Statisticians can expect promotion to Statistician within two to three years and there are real prospects of further promotion to Chief Statistician - £5525 to £7451.

There are also vacancies for Statisticians and Senior Assistant Statisticians in other government departments.

For full details of acceptable qualifications, information on all current vacancies in the Government Statistical Service, and for an application form (to be returned by 15 December), write to the Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB; or telephone Basingstoke 29222 ext. 500 or London 01-839 1992 (24 hour 'Ansafone' service), quoting reference A/619/14.

GOVERNMENT OF ABU DHABI

MINISTRY OF WATER & ELECTRICITY

I Applications are invited for the post of Technical Director General/Chief Engineer in the Ministry of Water & Electricity, Government of Abu Dhabi.

The selected candidate will be responsible for:

- Technical & Administrative supervision of Diesel and Turbine Power generating & Sea water desalination plants.
- Supervision of water & power distribution systems and the management of the relevant operation and maintenance organisations.
- Reviewing the development of water & electricity requirements and evaluation of proposed schemes and the determination of consumption needs in the Emirate

II Applicants should have the following qualifications:

- University Degree in Electrical/Mechanical Engineering or Electrical Engineering (Generation branch).
- Not less than twenty years' experience (after graduation) in the fields of planning, design, erection and operation of large power generating and desalination plants.

III

- The salary of the post will be determined according to qualifications and experience.
- Employment will be on foreign contract basis for two years on first appointment (renewable yearly afterwards) during which the employee will be provided with a suitable free housing accommodation including water, electricity and an attractive furniture allowance.
- The employee will be entitled to first class air tickets for himself and family on taking up appointment, on termination and on annual leave provided that the number of such tickets does not exceed five full tickets each time.
- The employee will be provided with free government transport or with a car loan to buy a car and will be paid a car allowance at the rate of not less than 35 BD per mensem.

IV Applicants are requested to observe the following when submitting their applications:

- State Nationality.
- Salary expected (besides the fringe benefits referred to above).
- State the names and addresses of three references to whom one can refer for further information.

Applications—corroborated by the necessary documentary evidence of qualifications and experience should be addressed not later than 31/12/1972 to:

Director, Civil Service Commission,
PO Box 371,
Abu Dhabi, UAE

APPOINTMENTS

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Starting salaries will be highly competitive for appropriate ability and experience, and subsequent promotion will depend entirely on merit. Future prospects are excellent within the firm or, alternatively, attractive openings arise with clients.

Apply in confidence, giving brief details and quoting reference 355/S, to:

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17th Floor, St. Alphage House,
2 Fore Street, London EC2Y 5DT.

FELLOWSHIP

University of
London

Vicente Cañada Blanch
Fellowships

Applications are invited for Vicente Cañada Blanch Fellowships (one senior and one junior) tenable from October 1973. The Fellowships have the object of promoting the study of the civilization and culture of Spain, and are open to graduates of any university for research in Spain in any recognized subject of academic study of Spain.

The Senior Fellowship is of the value of not less than £1,600 and the Junior Fellowship not less than £800 a year, and will normally be tenable for one year but may be renewed.

For Senior Fellowships preference will be given to postdoctoral candidates. For Junior Fellowships candidates must be engaged in or prepared to undertake a postgraduate course of study approved by the Committee of Award.

Applications for Fellowships tenable from 1 October 1973 must be received on or before 1 February 1973 by the Academic Registrar, (E) University of London, Senate House, WC1E 7HU, from whom further information may be obtained.

APPOINTMENTS

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University of
Birmingham

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Applications are invited for research posts associated with this project, which is supported by the Social Research Science Council. An accurate reading knowledge of Russian and good background knowledge of the Soviet economy and/or Soviet science and technology are essential. One three-year appointment is to start as soon as possible, and two two-year posts from 1st October 1973. Applications for part-time appointment will also be considered.

Salary: Research Fellow,
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Further particulars from the
Assistant Registrar (RS),
University of Birmingham, P.O.
Box 363, Birmingham B15 2TT,
to whom applications (five
copies) including names of three
referees, should be sent by
27th November, 1972. Please
quote reference RM4.

University of
Liverpool

Chair of Accounting

Applications are invited for the newly established Chair of Accounting. Applicants should be highly qualified in accounting and should have teaching experience.

The salary will be within the range currently approved for full-time professorial appointments and in any case not less than £5,667 per annum.

Applications (12 copies), together with the names of three referees, should be received not later than 15th December, 1972, by the undersigned, from whom further particulars may be obtained. (Candidates overseas may send one copy only, by airmail.) Quote ref. RV/E/14118.

The University, P.O. Box 147,
Liverpool, L69 3BX.

H. H. Burchnell,
Registrar.

University of Bath

APPLICATIONS ARE INVITED
FOR THE POST OF

Lecturer in Economics

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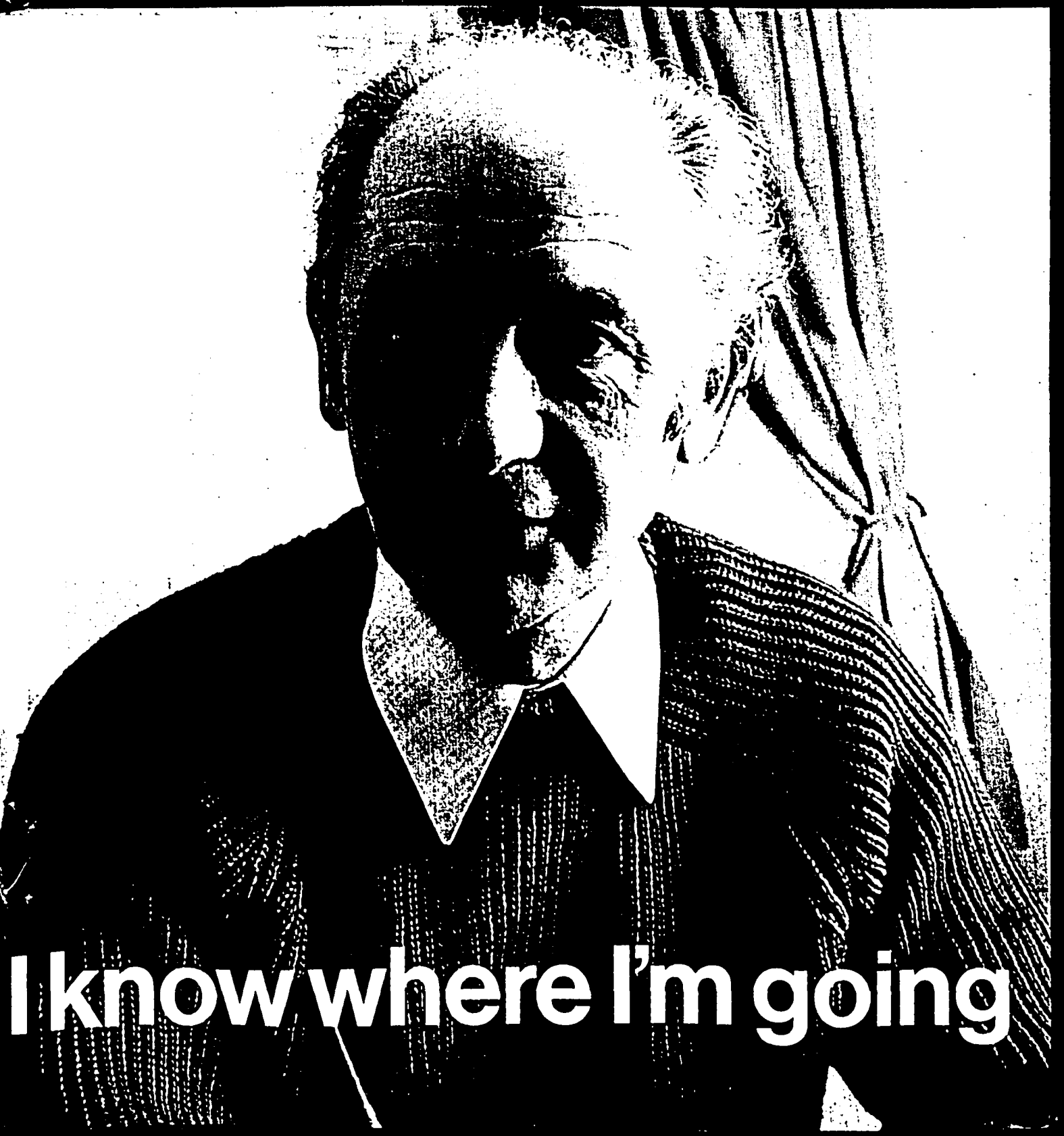
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December 2, 1972



I know where I'm going

Jack Lynch is having a fight to get his new anti-IRA measure through the Dáil, but as usual he's arranged things so that the country is behind him. He seems to have made his choice at last, page 11. But the television sackings have left a very sour taste, page 33. The IRA in the north has acquired Russian missiles, page 24.

By-election blues

Next week's by-elections in Uxbridge and Sutton and Cheam will be the first test of Mr Heath's prices and incomes freeze. If it's not bad news for Mr Heath it will be for Mr Wilson, page 14. The extraordinary Uxbridge election, page 27.



Pompidou's France

A special survey on the economic situation of our near, and rich, neighbour, after page 60.

Vat to buy for Christmas

Santa Claus needs to calculate just what the real effect of value-added tax will be on prices. There are bargains now, but other buys are better postponed until after Vat comes in, page 75.



Last trip

The last rocket sets off for the moon on Wednesday and man is not likely to set foot there again for 20 years. There are other things to be done in space but why has the major programme fizzled out?, page 73.



Upside down under

If Australia follows New Zealand into the Labor camp it won't prove much more than that the voters got bored with the old lot, page 13. The Kirk session promises to last for six moderate years, page 46.

Sinking Egypt

The word in Cairo is "decomposition," and even the would-be coup-makers seem too eaten away by inertia, page 34.

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Stock Prices and Yields

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Letters

American foreign policy

SIR—Your inference in "Second term abroad" (November 18th) that President Nixon will try to put together a more homogeneous Atlantic policy is well taken. But I believe that a caveat is appropriate with respect to the likelihood of the emergence of a coherent programme on either side of the ocean.

There persist divergent forces in the United States which will make it a labour of considerable magnitude to create a harmonious policy mosaic of the many bits and pieces which Washington's economic, monetary, diplomatic and military power centres produce. Nor does Dr Kissinger's awakening to the political implications of foreign economic policy assure an organised American approach to Europe.

Perhaps even more doubtful is the prospect that our European "partners" will soon find it possible to speak with the single voice which their current foreign policy consultations attempt to foster. The European community, as it adjusts to quantitative enlargement and to the qualitative changes implicit in such projects as economic and monetary union, is unlikely to transcend quickly the national rivalries which were politely papered over at the recent Paris summit meeting of the Nine.

One may hope that both American and European policy makers will be patient and flexible as increased attention is paid to the complex problems of Atlantic relationships. But to expect either side to articulate a homogeneous policy in the next four years is more sanguine than the evidence of the last four would warrant.—Yours faithfully, ROBERT MCGEEHAN
New York

The freeze

SIR—I fear the prospects of continuing growth through Government spending during the wage and price freeze will prove disappointing ("And the rest of us," November 18th). Too great a proportion of that spending is now earmarked for purposes unlikely to produce new wealth: everything from propping up failing industries to propping up failing individuals, with such things as the bottomless well of Concorde in between.

The belief that encouraging spendthrift habits on a national scale by means of make-believe money will result in good husbandry has never been transparently logical. The connection between too much easy money and too little productive work is rather more obvious, and makes the connection between inflation and a low rate of growth readily understandable.

There is a visible fallacy in the use of the word expansion as a euphemism for dilution. Diluting the money supply, like watering the milk, simply means that the public must have more of it just to get the same nourishment.

The Great Depression of 1929-31 has been held to be due to buying power lagging behind improved production. The present Great Inflation is due to buying power running ahead of production. Printing soup tickets faster than soup is made destroys confidence in the tickets. Restoration of confidence, removing the motives for unwholesome speculation, requires a return to money that is a reliable alternative to owning something real.

Money supply must not lag behind, but neither must it run ahead. By hook or by crook it must be kept in step with material growth. Whatever the practical difficulties, a government declaration of intent in those terms would be more widely understood than the pundits appear to suppose, and would have an immediate steadying effect.—Yours faithfully, STUART J. LARCOMBE
Northwich, Cheshire

SIR—Steps 4 and 5 of your algebra (October 21st) are not consistent: in step 5, the solution depends on statutory enforcement of wage controls; step 4 admits that statutory enforcement is insufficient if the trade union movement resists.

An alternative is as follows:

1. The problem: to ensure that $W=S$ = maximum

W =wage/price policy
 S =success of policy (but when $S=0$, S =failure)

2. The elements: as in your algebra, viz:

V =voluntary wage/price control
 C =compulsory wage/price control
 T =official trades union support
 P =public opinion
 M =militants

3. $W=V+P+T-M$

4. But W is only positive if $V+P+T > M$

5. The problem is to maximise ($V+P+T$) and/or minimise M .

6. V is constant, but may be slightly increased by substituting C . But this may increase M . An increase in M causes an increase in P .

7. The only independent element is T .

8. The solution: $C+P+T-M=W$ will only be greater than zero if T is high.

∴ To ensure $W=S$ =maximum depends mainly on ensuring trades union support.—Yours faithfully, B. DOMMEN
Suva, Fiji

State pensions plan

SIR—After reflecting on your article (November 11th) on the new pension scheme arrangements and in the light of my own experience in changing employers it occurs to me that what you describe as occupational schemes are nothing of the kind. Company pension schemes are bosses' schemes in the traditional sense of the word and to suggest that employees can influence decisions is illusory.

An occupational scheme would require, for example, the Institute of Cost and Management Accountants to manage a scheme for its members. Employers and employees would make their monthly contributions and there the employers' function, influence and responsibility would end. The entire management of the scheme would be vested in the council of the institute elected by the members. The problem of transferability on changing employers would no longer apply but transfer of actuarial valuation to another scheme could be provided for.

The same principle could apply to craft guilds and unions with competing fall-back schemes for the non-unionised. The bookkeeping for such schemes could easily be computerised and company management would be spared involvement in a problem which, judging by the way we are going, can only become more intractable and is not their business anyhow.—Yours faithfully, D. B. L. GIBBONS
Addis Ababa

Housing

SIR—We were pleased to see how closely your views on the housing market ("Hogs, cobwebs and homes," November 18th) agree with our own. We presented a not dissimilar analysis at the recent Shelter conference on house purchase finance (see "Regulating House Price Increases" by Alex Henney).

We share your view that "the building societies bear the lion's share of the blame" for short-term fluctuations in housing prices and new private sector building. You rightly mentioned their unnecessarily infrequent changes in interest rates as one cause of the fluctuations in the housing market. Their policy has accentuated the magnitude of the cycle.

Another cause of their propensity to flood the housing market when money is readily available, is their wish to grow. Asset growth, rather than economic or social responsibility, serves as a proxy for profits in measuring their success in their own eyes. We hope that the building societies will respond to current criticisms in a constructive way. In particular we hope they will try and smooth the flow of money into the housing market by adopting a more flexible interest rate policy, and if necessary by the Government introducing a scheme of special deposits. We also hope that they will undertake some serious research into their effect on the housing market, and into the demand for mortgages.

The excessive advantages available to half the country as existing mortgagors with "trade-up" profits have reached levels which are injurious to all tenants.

It is a sorry reflection on the building societies' lack of serious research that we probably know less about the demand for their £3,000m worth product than we do about the demand for baked beans.—Yours faithfully, JOHN T. WILLIS
ALEX HENNEY
Shelter

London, WC2

more letters on page 6

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Immigration

SIR—*The Economist* is certainly to be congratulated on its prescience: earlier this year you repeatedly warned that a single European currency meant reducing peripheral areas like Britain to the level of Ulster or West Virginia. Now that a single currency system has been agreed for 1980, Sir Alec Douglas-Home himself, in the immigration debate, has confirmed your worst fears by his contemptuous comment that the likely effect of free movement of labour in the market was a flood of Britons seeking work in Europe.

As usual with dear Sir Alec, he didn't tell quite the whole story, which is that even while a country is being run down, there is still strong pressure to immigrate to it from still poorer areas. For example, in the past decade while Britain has been falling behind in the prosperity stakes, over a million people from very poor countries have immigrated while a roughly equivalent number of our better workers have emigrated to the richest areas of the world. Thus, in the market, it is likely that our best workers will largely go to the Ruhr to get top wages, but it is also true that huge numbers, perhaps millions, of Asians from Turkey will flood in to do menial jobs rejected by the British.—Yours faithfully, G. J. A. STERN
London, N6

Terrorism

SIR—Your correspondent Mr C. J. Hughes's suggestion (Letters, November 25th) that Zionist organisations send letter bombs to Jews ought not to be ignored.

The idea, of course, would not be new. I have suspected for some time that Coventry was rubbed out in 1940 by the RAF at Churchill's instigation to promote anti-German fervour in Britain; the Americans probably scuttled their fleet at Pearl Harbor to justify a war against Japan; and it appears equally likely that British soldiers in Northern Ireland are being shot by our own secret service on Mr Heath's orders to win support for fierce repressive measures against Catholics there.—Yours faithfully, H. CONNOR
Radlett, Herts.

SIR—Your correspondent Mr C. J. Hughes (Letters, November 25th) implies that there is no specific evidence linking the letter-bomb campaign with the Arabs and suggests that Zionists and Israelis could be sending them!

I would suggest that this thesis is completely ridiculous. It would seem most unlikely that a government would send letter-bombs to its own diplomatic corps, one of whom was actually killed.

However, there is proof positive that not only the Arabs, but Arab governments are also involved in the letter-bomb campaign. This became apparent when an Algerian diplomat was apprehended at Amsterdam airport, on his way to South America, with a suitcase of letter-bombs. There seems little doubt that if it had not been for the action of the Dutch

police, there would have been a wave of letter-bombs coming, not only from India, but from South America as well.—Yours faithfully, DAVID M. JACOBS
London, SW7

Air accidents

SIR—You say ("A heartbeat away . . .", November 25th) only 36 seconds was available for reacting to an emergency. Actually much more than reaction would have had to be fitted into the 36 seconds:

1. Perception of fault.
2. Identification of fault.
3. Assessment of fault as real, not a false alarm.
4. Decision on action.
5. Action.
6. Time for action to take effect.

The last item would probably take more time than all the rest. Retraction of droop at low altitude and speed is almost certain to be catastrophic. And the speed was low because of noise abatement procedures.

As for the pilots cancelling the actions of the automatic stick pusher, is there any evidence that the automatic stick pusher would have prevented disaster? Had the warning been a false alarm, use of the pilots' veto would have been the right action.—Yours faithfully, J. D. PROCTOR
Reigate, Surrey

Sisal

SIR—While appreciating that only brief comment is possible within the scope of your feature "Key indicators," I feel that on the subject of sisal (November 11th) your readers deserve a few more facts.

It is true that considerable changes and rationalisations on the production and consuming sides of the industry have taken place in recent years, and these will obviously continue. However, the fact remains, as FAO figures indicate, that sisal production and consumption continues at about 600,000 tons per annum—only a small reduction in recent years. What is lost in traditional markets has largely been made up in new areas.

Synthetic agricultural twine has now been on the market for many years and has had only minimal success in replacing sisal. Estimates are that it accounted for only 4.5 per cent of the total North American twine market last season, and considerably less than this in Europe.

The situation regarding ropes and packing twines is, of course, rather different with synthetics dominant, but, as you state, the main outlet for sisal is in agricultural twine. (Incidentally in most countries binder twine is being largely replaced by baler twine.)

In Tanzania—I read your article on a return flight from east Africa—considerable development and judicious replanting is taking place and the trend is towards a smaller number of larger and more efficient plantations. On one large group of estates, and as a result of tremendously increased yields, costs per ton are currently lower than 20 years ago despite,

of course, monumental wage increases. In Brazil and Mexico production costs are in any case very low.

Finally, regarding the price of sisal today (now £117 per ton cif for No. 1) it should be remembered that the recent increase to which you refer is only partially compensating growers for the fall in the value of sterling over the past months.

It should also be remembered that it was the combination of the drought in east Africa together with the third consecutive season of high demand which caused prices to rise to the present level.

The industry is fully aware that today's price is high, reviving talk of synthetics, but polymer producers should not be misled into being too confident about the future as far as the agricultural twine business is concerned. The sisal-producing countries and their distributors still have a lot of fight in them!—Yours faithfully, V. J. LONDON
London, EC3

Iceland

SIR—In your article, "Norway: Were we wrong?" (November 18th), you say that "For Iceland, 80 per cent of whose exports consist of fish and fish products. . . . This is incorrect. Iceland, in its attempt unilaterally to extend its fishing limits to 50 miles, has consistently claimed that 85 per cent of its exports are accounted by fish and marine products.

The facts are that, taking into account invisible exports and other income, fish and marine products account for 49.5 per cent.

I am afraid that Iceland has shown a reckless disregard for the truth in presenting its case. This is one example.—Yours faithfully, H. WM. BERNHARDT
Geneva Markpress

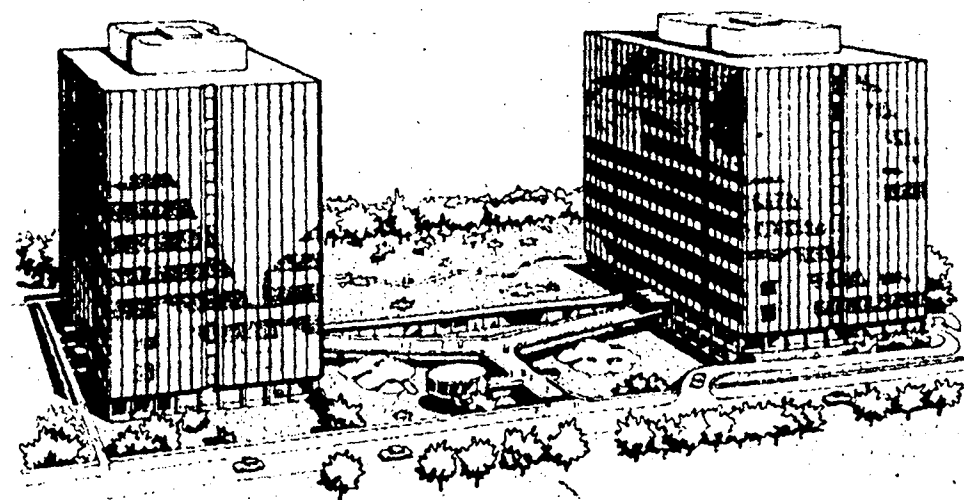
English language

SIR—Simplified spelling of the sort advocated by Mr Edward Smith (Letters, November 25th) would be costly to introduce and would tend to widen further the gulf between English and other languages—such objections have surely been sufficiently rehearsed in debate. What has not been advocated in print is the case for pronouncing English as it is spelt. English is the only language using the Latin alphabet in which—sometimes but not always—of the vowels the first is pronounced as though it were the second—"a" as in "nation"—the second as though it were the third—"e" as in "serious"—and the third as the diphthong forming the personal pronoun of the first person singular. To reverse the great English vowel shift would be a huge contribution to the internationalisation of English—even to make sure that every English-speaking person is aware of the phenomenon would be a valuable step. Then, instead of advocating such freakishness as neishun-nashunal, we might learn to accept the desirability of pronouncing

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nation as we do the first two syllables of national.

Discussion would surely bring to light further areas in which it would be seen that what is needed is reform of pronunciation rather than of spelling. Will you help to initiate it?—Yours faithfully, London, N1 G. HENRY TALLACK

Malaysia

SIR—I feel that a misleading passage in your article on Malaysia (October 28th) needs to be clarified.

The passage in question has given your readers the entirely false impression that Tun Tan Siew Sin, president of the Malaysian Chinese Association, and minister of finance, is condoning and protecting the vested interests of the party within the government. At the same time it implied that Tun Tan and myself are at loggerheads with each other. I wish to point out that Tun Tan has no part in the "vested interests" if any, in the party. He has always been the chief advocate of honesty and integrity in the party as well as the need for a mental revolution among the Chinese in the country to identify themselves with the nation. Tun Tan Siew Sin and I are working in very close co-operation within the MCA and I wish to state categorically that I am fully behind him and his policies.

I am not aware of the "Malay suspicion" of my activities that your correspondent mentions.—Yours faithfully,

LIM KENG YAIK

Minister with special functions
Kuala Lumpur

Ireland

SIR—Commenting on Ulster from across the Atlantic may be presumptuous, but as one who is old enough to have observed with interest and concern the evolution

(disintegration?) of the British Empire and Commonwealth over a period of 50 years, I must confess to a sinking feeling of déjà vu when I read the news from Ulster.

If there is one rule of political behaviour that has been verified by experience, it is that when you try to replace majority rule, whatever imperfections it may be deemed to have, by something else, you inevitably get something worse. The only alternative to majority rule is minority rule, which means dictatorship. To invite the majority to participate in an alternative government always fails because it is the implication in such circumstances that the majority are going to be denied the democratic right of a majority—the right to govern.

If British public opinion felt that the Ulster majority in the Northern Ireland parliament were behaving towards the minority in an unfair manner that was incompatible with being a part of the United Kingdom, the British Government should have given the Ulster government a choice between two alternatives: either the Northern Ireland government would correct its policy towards the minority, or the British Government would enact legislation conferring complete independence on Ulster. This would have put the onus of decision where it belonged: on a parliament representing a majority of the people of Ulster.

Instead the British Government has intervened in a manner to alienate the majority and in effect has painted itself into a corner from which it is proving more and more difficult to extricate itself.

Recently I had occasion to reread the American Declaration of Independence and realised why the Ulster situation gave me a sense of déjà vu. I almost got the impression that Mr Heath and Mr Whitelaw had diligently studied this historic document and were for some perverse reason faithfully re-enacting the events of 1774-76. The American colonies at the beginning of the crisis had a status similar to Ulster's under its own parliament. They were accustomed to being governed by their own legislatures with little interference from London. The attempt of the British government and Parliament to revive dormant powers and impose what is today called "direct rule" precipitated the crisis.

Among the charges brought against King George III were the following:

He has dissolved Representative Houses repeatedly, for opposing with manly firmness his invasions on the rights of the people.

He has refused for a long time, after such dissolutions, to cause others to be elected; whereby the legislative powers, incapable of annihilation, have returned to the people at large for their exercise; the State remaining in the mean time exposed to all the dangers of invasion from without and convulsions within. He has erected a multitude of new offices, and sent hither swarms of officers to harass our people and eat out their

substance.

He has combined with others to subject us to a jurisdiction foreign to our Constitution, and unacknowledged by our laws; giving his assent to their acts of pretended legislation . . . for taking away our charters, abolishing our most valuable laws, and altering fundamentally the forms of our governments; for suspending our own legislatures, and declaring themselves invested with power to legislate for us in all cases whatsoever; and so on and on.

It all sounds dismally familiar.

When the first rebel Congress assembled in 1774 there was no immediate intention of declaring independence; that did not come till 22 months later. As a young officer in the British service, George Washington had professed fervent loyalty to the Crown. An alienated loyalist often becomes the most intractable enemy.

Is the Ulster tragedy destined to play itself out to the same sad denouement as took place in America two centuries ago?—Yours faithfully, G. E. W. JOHNSON
Sudbury, Ontario

Senator Scott

SIR—Your otherwise reasonably accurate article on the American elections (October 28th) had one glaring lack of homework, or bias. Your description of Virginia's former Representative (now Senator) Scott was deplorably ignorant. Mr Scott, far from being a "negative-minded nonentity" is constantly hard at work for sensible progress, and certainly well known by the people he represents. His hard work and fame appear to have spread to the rest of the state, since he did defeat Mr Spong, who has held his seat in the past primarily only because he was a Democrat.—Yours faithfully, RONALD SARSON
New York

Ugandan Asians

SIR—Mr Thomas (Letters, November 11th) chides *The Economist* for the "left-wing policy" it follows. By the same criteria I suppose Mr Thomas may regard President Nixon and perhaps the Pope as dangerous fellow travellers.

Are they both on his list of those with whom the "British people will settle accounts" or is this privilege reserved, on racial grounds perhaps, to British nationals?—Yours faithfully, P. CRONEY
Felixstowe, Suffolk

SIR—Mr Gillams of Whitgift is of course quite right in what he says about Ugandan Asians and Master Leavis of Oxford (Letters, November 18th) quite wrong. In any case if Mr Leavis thinks that spanking by a housemaster is the proper way to deal with 17-year-olds who express unacceptable views then one must ask what good his own education did or is doing for him.—Yours faithfully, W. F. WARREN
Putney, Surrey

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- 150,000 sq ft of offices
- and parking for 940 cars

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Offers should be submitted on the forms provided and addressed in sealed envelopes marked "Tender for the Redevelopment of the Moore Street/Chapel Lane Area, Phase 1," to the City Manager, City Hall, Dublin 2, so as to reach him not later than noon on Friday, 27th April, 1973.

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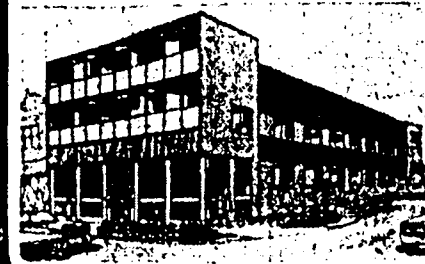
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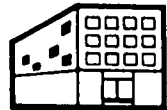
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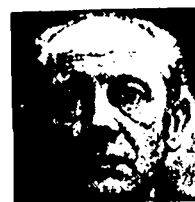
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The Economist

December 2, 1972



I know where I'm going

Despite all the apocalyptic nonsense that has been talked about Ireland sliding into civil war, the prime minister, Mr Lynch, will be strengthened by the stand he has now taken against the Irish Republican Army. Of course, it is still possible that Mr Lynch's new bill to tame the IRA—the Offences Against the State (Amendment) Bill—will be defeated when the Dáil brings it to a vote. The opposition has many doubts about it. If Mr Cosgrave, the leader of the main opposition party, Fine Gael, does clap on the whips and the doubters in the party obey him, and if the half-dozen independents in the Dáil decide to vote the same way (one of them has said he will) Mr Lynch will have to keep every one of his people loyal to get even a tied vote. The tie would then have to be resolved by the Speaker's casting vote—which Mr Lynch has indicated he would interpret as a defeat. He would then hold a general election. His plan of campaign seems clear and resolute. Mr Cosgrave is, of course, even less of a friend to the IRA than Mr Lynch. But the lawyers in his party have been arguing that the new bill's rules on evidence are unconstitutional, and Mr Cosgrave's public line is that what was needed was not so much new laws as a new political will. A general election might confirm that with a vengeance. But nothing is likely to change the new direction of Irish policy.

There are liberals on both sides of the Irish Sea who are alarmed by some of the clauses in the new bill (although liberals sometimes forget that you cannot deal with terrorists in the way that you tackle car-thieves). There is better reason to have doubts about the sacking of the entire board of the television authority, RTE (see page 33). This was interpreted by many observers as an attack on the freedom of the individual and the media, and there were half-audible mutterings about what the European Commission on Human Rights might have to say about it all. But the dramatics of the IRA's Mr Sean MacStiofain, on hunger strike since his arrest last week, have won him precious little sympathy.

From the day that Mr MacStiofain started his hunger strike there has been a danger that through blind obstinacy, the fear of being called a coward by his followers, or a simple miscalculation of how much his constitution could take, he would carry it through to the end. That may still happen. A sip of tea and a sip of water on Tuesday night helped to keep him going at a stage when one of the priests who visited him in the Curragh barracks announced he was about to die. He now appears to be taking liquid but is still refusing food. But if Mr MacStiofain does mean to take his own life he will not be greatly mourned even within the Republic of Ireland. The crowds that turned out to protest against the arrest of this Englishman-turned-terrorist-chief numbered only a few thousand. The IRA would be thankful for a martyrdom, however spurious; but the Ireland of ordinary men and women, the real Ireland, has had enough of cardboard saints.

What Lynch has done

It seems pretty clear now that Mr Lynch has got the majority on his side in his own country. Most Irishmen are troubled by the methods that the IRA has been using in the north; however much some of the Irish press might interpret what has been happening in Northern Ireland through nationalist eyes, outrages like Bloody Friday were too dramatic and too tragic not to be understood for what they were. There has been a growing fear that the bloodshed in Ulster might spread to the other side of the border. It is increased by such incidents as the cinema bombing in Dublin, which many Dubliners are inclined to attribute to the Provisionals, or to some uncontrollable fringe group of them, rather than to any Protestants. Mr Whitelaw's attempts at conciliation in Ulster have strengthened moderate Irishmen who argue that a solution should come through negotiation, not violence. The political courage of individuals such as Mr Conor Cruise O'Brien in this educational process has been beyond praise. The IRA's decision to

ask for a ceasefire while Mr Heath was in Ulster a fortnight ago, and to modify its previous conditions for calling the gunmen off, is one measure of the growing opposition it knows it is running into. The IRA still wants British troops off the streets and an amnesty for its men in return for a ceasefire, but it knows it will not get either of those demands. It has felt the change in the wind.

But it is Mr Lynch himself who has done most to isolate the IRA from the southern community as a whole. One portion of his own party, Fianna Fáil, served as a gleeful midwife at the birth of the Provisional IRA in the autumn of 1969. Some of Mr Lynch's ministers were said to have connived at gun-running to the IRA, and until fairly recently the government gave the impression that it was unwilling to do anything to curb the terrorists' activities in the south. Persistent pressure from the British Government seemed to go unheeded.

What he wants

But the need to act was recognised at last. The new bill, and the arrest of Mr MacStiofain, do not represent an entirely novel departure. They are the culmination of a gradual process that was set in motion some 18 months ago when the government imposed tighter controls on the possession of explosives and called in firearms, apart from shotguns. Before Mr MacStiofain's arrest 138 people had been brought to trial in the special courts set up in May, and 103 were convicted—mainly on firearms offences. Then Mr O'Malley's justice department went a stage further in the summer by looking into the whole problem of how to make it still easier to put gunmen behind bars. Mr Lynch's attacks on internment in the north ruled out that particular device. The answer was found in the new bill, which alters the rules of evidence in the special courts. If a senior officer of the Irish police states that a prisoner is a member of an illegal organisation, according to clause 3, "the statement shall be evidence that he was then such a member." It is up to the prisoner to prove otherwise. This clause obviously gives very wide-ranging powers to policemen who are directly employed by the government. The supreme court still has to rule on whether the bill is constitutional.

What are Mr Lynch's motives for taking measures at this stage that have been welcomed even by Unionist party hawks like Mr Bill Craig? There are two possibilities. The first is that Mr Lynch has become seriously concerned about the danger the IRA presents to political institutions south of the border, and by the deterioration of relations with Britain that were a consequence of his government's past weakness in the face of the gunmen. Second, he may now calculate that, by playing the English card, he can outmanoeuvre the ultra-nationalists who still flourish on the fringe of his party. There have always been two ways, and probably only two ways, in which Mr Lynch could hope to get a chapter to himself in the Irish history books, and perhaps the presidency of his country before the history books are written. One was to use the instrument provided by the IRA's base in the south to prise an Ulster settlement out of Britain that would make him the hero of the eventual

reunification; but letting the IRA run on, until Britain would agree to that sort of settlement, had come to look increasingly chancy, and increasingly dangerous to the republic itself. The other was to make sure of Britain as Ireland's ally in pursuit of more realistic Irish ambitions and those policies (especially in Brussels) that lie outside Ireland itself. That is the English card, and the self-preservatory one, and it seems to be the one Mr Lynch has chosen.

It is possible that he either thinks he has got a private agreement with Mr Heath, or thinks he is about to get one, which will bring new British concessions on Northern Ireland. But it is not easy to see what precise form these could take. Mr Lynch might want them to include an agreement to hold only one referendum on the border, rather than repeating the exercise every time the extremists on the Protestant side need calming down. Mr Lynch does not like the referendum, but then it is not aimed at moderate men like himself, on either side; it is intended to remind the IRA of the size of the majority in the north against unity in present conditions, and to discourage the growth of the Protestant lunatic fringe by demonstrating that one of the old verities, at any rate, still holds good. To abandon any idea of another referendum would be to throw that potentially useful calming device away. But perhaps Mr Lynch is looking for something other than this: it may turn out to be agreement to set up in the near future an Irish Council (such as he has long talked about), especially on economic issues, with representatives from both north and south. That would be a modest British payment in return for what he seems to have begun to do to the IRA. There are serious issues, especially as the European community's regional policy develops, on which the two parts of Ireland have a common interest. Now that Stormont has gone, at least in its old guise, there may be a better response from the north than there would have been from the Stormont of the Mr Craigs and Captain Brookes that was all the south thought it could see after Lord O'Neill departed.

The way could be open at last

By moving against the gunmen, Mr Lynch has made it easier to see the shape of a workable solution in Northern Ireland. It is not until the IRA has been broken as a military force in the north, which means until its terrorism has been reduced to a level that the society of Ulster can endure, that a stable settlement can emerge. Only those who take a stand against violence can claim the right to take part in reaching such a settlement, and it is an encouraging straw in the wind that, for their part, the leaders of the Social Democratic and Labour party decided last weekend to drop their refusal to talk to Mr Whitelaw. But the important thing is that there at last appears to be the rudimentary understanding between Mr Heath and Mr Lynch that has been so badly needed since the shooting in Ulster began. The army has already cut deep into the IRA chain of command since Operation Motorman in July denied the gunmen their sanctuaries in the north. Now the south, too, is being closed to them.



Let's try the other lot

Something as simple as that got Norman Kirk into power in New Zealand, and will probably give Australia to Gough Whitlam



The real issue in this weekend's election in Australia, as in last weekend's election in New Zealand, is not inflation, permissiveness, union left-wingery, or being nice to China. It is change. Voters start to yawn cavernously when a government has been in power for 12 years, as the National party had been in New Zealand until Mr Kirk's Labor party rolled down its unexpected landslide (see page 46). And when a single group has ruled the roost for 23 years, as the Liberal-Country party coalition has done in Australia, it is right for people to start asking themselves whether it has held on to its original drive and purpose. If power doesn't always corrupt, doesn't prolonged enjoyment of power at least breed weary complacency?

That seems to have been the judgment of the New Zealand voters, who responded to the Labor party's slogan that it was time for a change even though the relatively fresh-faced government of Mr Jack Marshall could lean on the laurels he won in his shrewd bargaining with Britain and the EEC, and had been imaginative enough to rope in some younger, trendier politicians interested in topics like pollution. It is even more likely to be the judgment of the Australians when they go to the polls on Saturday. Recent public opinion polls give Mr Whitlam's Labor party a lead of 5 to 7 points over the governing coalition, although Australia's curious system of preference voting means that the result could still hinge on how the supporters of smaller parties such as the Democratic Labor party choose to distribute their second votes. That is why Mr Whitlam is thinking of getting rid of the present electoral system if he wins and doing it the British way: first past the post.

If the Liberals do lose this weekend, they will have defeated themselves. The party has failed to unite around a real leader since Sir Robert Menzies retired from politics in the mid-1960s. It had a chance to do so when John Gorton came to the top. Mr Gorton was the nearest to a radical Tory the party had produced for a long time, a man who recognised that most Australians wanted a more decisive central government, a politician with a mind and a style of his own. But the style frightened the conservatives of the party, and in 1971 they replaced him with Mr McMahon. By comparison with Mr McMahon, the Labor party's Mr Whitlam has looked a model of cool, closely reasoned rationality. He has learned the lesson of other recent social democratic triumphs—the victories of Herr Brandt and Mr Kirk—that, to win power these days, a left-wing party must spread itself over the middle ground, forget about the socialisation of the means of production, distribution and exchange, and above all steer clear of the casual flirtation with way-out minority groups that did so much damage to Senator McGovern's campaign in America. In Australia, where the whole political spectrum is

centred much farther to the right than in Britain (many Australian Liberals are astonished by Conservatives who advocate a negative income tax) this means steering a very sober course indeed.

Mr Kirk and Mr Whitlam are very similar in the things they stand for. They are almost completely in tune on foreign policy. They want to leave the South-East Asia Treaty Organisation, which is indeed little more than a skeleton now. They say, but they may not mean it, that they will gradually dissociate their countries from the present five-power arrangements for the defence of Malaysia and Singapore. Both Labor leaders have promised speedy recognition of mainland China and the ending of conscription. At the same time, they are not averse to throwing their weight around on two rather different issues—French nuclear tests in the Pacific and the British Government's proposals for new immigration rules. This week Mr Kirk was threatening to engage in a bit of new-style gunboat diplomacy by sending a New Zealand frigate, with one of his cabinet on board, in the direction of the Mururoa atoll in order to stop the French setting off any more bombs. And he wants the British to agree to treat the citizens of white Commonwealth countries in the same way that these countries treat British visitors. Now Mr Whitlam has taken up the call for reciprocity, which is going to make it pretty hard for Mr Heath to ignore the Tory rebels at Westminster who want the new immigration rules to provide for just that.

The right reaches for morality

These new ideas about the world abroad could cause problems, especially for Singapore and Malaysia; but Mr Kirk and Mr Whitlam may think twice about dropping the five-power defence system. And anyway foreign policy has played only a marginal part in the electoral debate in Australia. Towards the end of the campaign the Democratic Labor party, a sternly anti-communist Labor breakaway group that draws most of its votes from Catholic European migrants, played down its conventional attack on Labor's "isolationist" foreign policy and lashed out at Mr Whitlam as the champion of the permissive society. The legalisation of abortion, homosexuality and pornography has been built up into a major election issue. Mr Whitlam says that he believes that these are all areas where freedom of conscience should apply; which was promptly interpreted by the DLP and some Liberals as proof that new laws would be tabled by a Labor government. In a country as suburban and tidy-minded as Australia that could still hurt Mr Whitlam on Saturday.

But the choice that is open to the Australian electors—and was open to New Zealanders last weekend—is

not really a choice between two different kinds of society. The Liberals and the Labor party in Australia have vied with each other in offering the voters expensive new lists of such social benefits as free dental health and subsidised interest rates for young home-buyers. Both parties are content to work within the framework of the welfare state, although that framework has not been built as wide and solid as in Britain. The Labor party has attacked rising inflation and record unemployment; but with wool and beef prices soaring and a comfortable trade surplus, the Australian economy is riding high. For all their occasional bluster, the Labor leaders are unlikely to move very far beyond the restrictions already announced by Mr McMahon in their attempt to contain the effects of foreign investment, or

what Mr Whitlam calls "the great takeover."

All this goes to say that Australia and New Zealand, like Britain and—today in a more wobbly way—the United States, are countries of consensus politics, where most voters will still side with the centre party. This makes their politics very different from those of most European countries, especially the Latin ones, where there is no similar tradition of competition for the centre ground. Some of the Australian students and union left-wingers trooping to the polls on Saturday may bewail the lack of a more radical, more ideological, choice. Most of the world will envy Australia because it does not want a choice of opposites—and because, after all, the economy is still so prosperous that it would take a very bad botch indeed to mess it up.



All to play for

For Mr Heath the loss of the Sutton by-election would be appalling; for Mr Wilson a failure to win Uxbridge would be disastrous. It's electoral roulette

Both Mr Heath and Mr Wilson have good reason to be nervous about the by-elections that take place next Thursday. If the Tories were to lose Sutton and Cheam to the Liberals—or even come close to doing so—or Labour failed to win Uxbridge from the Conservatives, the political consequences would be serious. The Tory revolt in the Commons last week demonstrated the anger and frustration among a sizeable section of Government back-benchers, and the Opposition is, as usual, in even worse shape. Neither major party can afford another shock to its morale; so the stakes on Thursday are pretty high. The gamble is all the greater because no party manager is at all confident of how the electorate really feels after Mr Heath's wages and prices freeze.

Mr Heath knows as well as anyone what will happen to the nerve of many of his supporters if the Tories do lose both Sutton and Uxbridge. That double disaster is, however, improbable. A private poll commissioned from National Opinion Polls by Lord Beaumont of Whitley, editor of the Liberal magazine *New Outlook*, shows the Liberals running a good second (they came a poor third at the general election) with Labour well behind; but it is hard to believe that they can win a seat which the Tories held by nearly 13,000 votes in 1970. There is little comparison between Sutton and Cheam and the scenes of past Liberal triumphs such as Orpington and Rochdale. In both of those seats, the Liberals had significant representation on the local authorities and strong organisations; in Sutton the Liberals are still relatively weak. However, they do have some advantages. There is the fact that the public opinion polls are now showing a sharp upward movement of Liberal strength in the country. This, combined with Mr Cyril Smith's victory at Rochdale and the increasing likelihood that Labour will come bottom of the poll, may encourage a substantial number of Labour voters to cross over to back

the Liberal candidate, Mr Graham Tope, in order to defeat the Tory.

Even a Liberal near-miss in Sutton could cause much grief for Conservative Central Office, for scores of Tory MPs hold seats similar in social composition to Sutton. But were the Tories to scrape back at Uxbridge it would induce a manic elation among Tory MPs that would put Mr Heath equal in the party pantheon with Disraeli. For a near-miss at Uxbridge would be quite unacceptable for Mr Wilson. This is just the sort of seat Labour has to capture if it is to win the next general election. If Uxbridge were not to fall now, when the Government is in serious political trouble, it is hard to believe that it can be done at an election which will take place at a time of Mr Heath's choosing.

The immigration issue

There is no doubt that the Labour candidate, Miss Manuela Sykes, is the favourite to win (see page 27). But Labour is worried at the prospect of losing a significant share of its vote to the left-wing Liberal, Mr Ian Stuart, who is chairman of the shop stewards' consultative committee at London airport. There are around 6,000 airport workers living in the division, and the bulk of these voted Labour at the last election. If many of them drift over to Mr Stuart, Miss Sykes could be in trouble. There is also the problem of immigration. Although only about 3 per cent of the population of Uxbridge is coloured, there are substantial immigrant communities in nearby Slough and Southall, and the Tory candidate, Mr Michael Shersby, claims that this is the major issue he is being confronted with on the doorsteps. Despite this, Mr Shersby says he supports Mr Carr, not Mr Powell, on the Ugandan Asians issue. There are no fewer than three anti-immigration candidates in Uxbridge, and although this will probably ensure that none obtains a really substantial

vote, their total—if it reaches the 9 per cent that the anti-immigration man got at Rochdale—could make all the difference for the two major parties.

The Tories have not quite conceded defeat at Uxbridge, even though a swing of only 3.8 per cent would put Miss Manuela Sykes (once Liberal, now Labour) in. They derive hope from the better showing they are making in the polls nationally. A Labour failure would certainly add to the present belief of a substantial section of the parliamentary Labour party that Mr Heath is likely to win the next election. It is remarkable how many Labour MPs hold this view; it encompasses left and right of the party, and pro- and anti-marketisers. Many Labour MPs seem to believe, fatalistically, that the Government's standing in the country will improve over the next year, partly because of public support for the wages and prices freeze and economic expansion.

On to Lincoln

But Uxbridge is important to Mr Wilson in another way. He knows that even if Miss Sykes wins this could be the last good news that Labour's supporters will hear for some time. For in two of the other three outstanding by-elections Labour seems likely to lose one and may come dangerously close to losing the second. Few people in the Labour hierarchy at present believe that they will retain Lincoln, where the former Labour member, Mr Dick Taverne, is fighting the seat as a Democratic Labour



Doing the splits

Should father or mother receive the child credits proposed in the Government's negative income tax scheme? A political issue is being wrung out of this innocent question, so here's a proposal

In his very first speech of this parliamentary session, Mr Harold Wilson (who has not lost his eye for a good issue) loosed off an attack on the Government's "quite wrong" proposal to withdraw family allowances from the mother. That has proved the first of a scattering of political squibs that Mr Tony Barber and Sir Keith Joseph have been kept busy trying to stamp out. What Mr Wilson said was actually quite inaccurate—a misrepresentation of the Government's green paper proposing a tax credit scheme. But Mr Barber soon found it necessary to reassure the House of Commons that the apparently simple issue of whether the new child credits will be paid to the mother or the father was one of the main points on which he would welcome the views of the select committee that is to be formed to review all the tax-credit proposals. Meanwhile, the Opposition had got round to demanding a general debate on the issue even before the select committee was set up. Not, of course, that that would produce any solutions; it was merely a display sign that child credits had arrived as one of the few satisfactorily contentious issues that could be wrung out of the Government's generally welcomed plans for a negative income tax in Britain.

At present, the bulk of state benefits to families with

children goes to the father, in the shape of tax allowances. The poorest families naturally benefit least from these: family income supplement now does something to redress the balance. But flat-rate family allowances, handed out for second and subsequent children only, are paid to the mother. That was finally decided on a free vote of the Commons back in 1945. Family allowances have been somewhat less than popular with the Labour party (and, for that matter, with the Tories). The introduction of "clawback" made them even less loved, since a man who was paying tax on his wife's family allowance might find that more was being taken out of his pay packet than out of the next unmarried man's. That could not happen under the tax-credit scheme, even if all the child credits, which will replace tax allowances, supplements and family allowances, were paid to the mother. At a conference on family incomes last Thursday organised by the National Council for the Unmarried Mother and Her Child, it was argued that not only should all child credits be paid to the mother, but that half of the married man's credit (on the Treasury's illustrative figures, £6 a week) should, too. Married women would be cushioned against the financial disasters of desertion or separation.

But this would reintroduce clawback with a vengeance. It is still possible that under Mr Wilson's nursing Labour will rediscover its sense of purpose before the next general election. But at present the party looks remarkably similar to its state in the middle of 1954 when, after two years of exhausting interminable conflict, Labour MPs had ceased to believe in the prospect of electoral victory and had begun to prepare themselves for a change in the leadership. No one doubted then that Mr Attlee would retire if he failed to win the next election just as few Labour MPs now believe that Mr Wilson will stay if he does not win next time. A good result for Mr Wilson in Uxbridge would blow away the nightmare for a time. But Miss Sykes's victory will not dismay the Tories as much as the loss of Sutton would. They will tell themselves that the crisis within the Labour party will simply be suspended until after it loses the next election.

The family man would always have a smaller pay-packet than the unmarried man. Even payment of all child credits to the mother would be a transfer of benefits from husband to wife which would make most family men markedly worse off than they are now. Paying all the credits—the “illustrative” figures in the green paper suggest £2 a week for each child—to the father would be an even more unpopular (not to say a retrograde) step. So the two simplest alternatives are ruled out, though the green paper toyed with both. It is perfectly obvious that the child credits will be split.

Something for everyone

The first idea for a split put forward in the green paper is an easy but totally illogical one: to pay the credit for the first child, or even for the first two, to the father, and to give the remaining ones to the mother. That would be as near as possible to the present scheme. But no one (with the possible exception of Lord Beveridge) has ever tried to pretend that there was any logic in giving family allowances only for second and subsequent children; merely, no government has yet found the money to include the huge group of families with only one child. Since this Government now intends to do so, it would be foolish to perpetuate the deficiencies of the older and cheaper set-up. It would also lose the Government the support of all those pressure groups who, quite ready to decry the tax-credit scheme, found themselves forced into approval by its resemblance to their pet proposal: for a tax-free, far more substantial, family allowance scheme.

The green paper does not even mention the simplest split: £1 each. It would obviously be more expensive to administer a scheme under which all mothers became eligible for payments. Both divisions suffer anyway from one more important defect: though the amount the husband receives varies inversely with his income, the amount the wife receives remains fixed. For example, on the figures used for illustration in the green paper (and neglecting for the moment national insurance payments), the married man with four children earning £15 a week would be entitled to a total of £14 in credits and would owe £4.50 in tax. If he and his wife received half the

child credits each, she would receive £4 and he would receive £5.50. If his income was only £10 (the bottom limit of the scheme is £8) he would receive £7 and she would still receive £4. (If the husband received the first, or first two, credits, the position of the wife in the one- or two- or three-child family would be much worse.) If, on the other hand, he was earning just under £47 a week, he would actually have to pay £4 to the Government so that his wife could draw it out again as her child credit. If all the credits were allotted to him, instead, his tax liability and credits would exactly balance at that point. All husbands earning above this break-even point—£27 for the one-child family, £33 for the two-child, and £40 for the three-child—would be paying £1, £2 and £3 extra so that the wife could claim it back.

The best solution would be to split the surplus of credit over tax. In other words, in the examples above the father and mother would each get £4.75 and £5.50. This would take out of the expensive payments system all mothers whose husbands were earning above break-even point, since there would be no surplus. That ought to make up for the administrative complexities of varying the weekly payments to the mothers (of which one interesting by-product would be that they would learn what their husbands were earning). It would offend the universalists, who seem to be able to swallow variations in payments to the father if the amount the mother receives is the same for all families. But it really would be an expensive nonsense if what was basically a simple transfer of money from husband to wife always had to be processed through employer, inland revenue and back to the post office. The very least that the select committee should recommend is that in all families above break-even point the wife should be able to waive her right to a child credit in favour of her husband. That should provide the committee with a warm enough glow of virtue, provided by a proposal which actually reduced administrative costs, for it to insist that all mothers below break-even point are entitled to a credit irrespective of the size of their families. If the tax-credit scheme has got to look like the old family allowance system, it might as well work like a better version of it.



The tamed tigers of reform

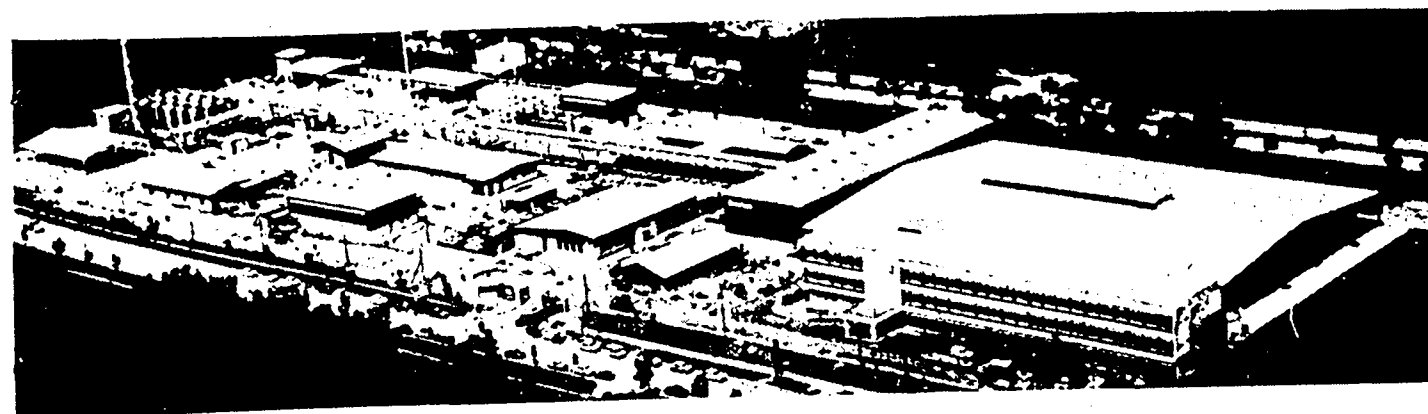
Hungary's Janos Kadar, like the other would-be makers of change in eastern Europe, is starting to realise how little change is in prospect

In Hungary this week Mr Brezhnev has worn the look of a man who thinks things are going his way. So they are, for the moment. Earlier this year the more nervous conservatives among Mr Brezhnev's colleagues seemed to be worrying that Hungary was sliding into heresy. But Hungary has managed to sort itself out: the inflation brought about by its five-year-old economic reform has been checked, and the argument about how far the reform should go has been settled in a compromise (see

page 46) that means it will not go much further for the time being, and the Soviet Union's backwoodsmen can stop worrying. All that was left for Mr Brezhnev to do was to pin the Order of Lenin on the deserving chest of the Hungarian party leader, Mr Kadar, before going off for a Pannonian shooting holiday.

Elsewhere in eastern Europe Mr Brezhnev has just as much reason to feel pleased. It is true all Czechoslovakia's obstinate petit-bourgeois spirit still needs to be

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exorcised daily. But farther north the German Democratic Republic is safe, and respectable at last, and Poland seems to have found in Mr Gierek a leader who manages to be both popular and orthodox. Rumania is still throwing its independence about, but its shaky finances may yet put a limit on that. The control of Mr Brezhnev and his colleagues over the estates they inherited from Stalin seems as firm as ever.

Quite so, say many east Europeans. The trouble is that the period of negotiations that Europe embarked on two years ago, which has been greeted by so many people as the end of the postwar order of things, has left the east Europeans little better off than before. It has certainly not provided them with more national independence. What they have now is the same Soviet hegemony buttressed, not tempered, by western recognition. Nor is there any real evidence that the European security conference which is now being prepared in Helsinki will change this, despite Rumania's display of individualism there this past week. The time to sit up and take notice will come if and when Poland or Czechoslovakia, for example, starts following Rumania's example. For the moment, at least, discipline in the Soviet Union's world is getting tighter as east and west sit down together at more and more negotiating tables. It is not only the east German government that is arming itself with new rules and regulations for the challenge of increasing contacts with west Germany. Even relatively relaxed Hungary is refurbishing its ideological weapons in preparation for the battle against anti-marxist influences from the west.

The loss of heart

It is true that periods of tightening-up in eastern Europe have often in the past been followed by times of relaxation and even of liberalisation. There is no reason why this should not happen again. But if the next push towards reform, wherever it may happen, looks rather half-hearted, it will not necessarily be because someone is actually stopping it. The new thing in eastern Europe is that the reformers themselves are losing enthusiasm as they realise the limits of what reform can bring them.

These are not just the political limits set by the Soviet Union. The would-be reformers of eastern Europe have come to recognise that, however much Russia wants to see their economies getting more efficient, it is not prepared to see the party's monopoly of power diminished in the process. This has been a hard blow for the men who saw economic reform as a back-door to political reform, as Ota Sik did in Czechoslovakia in the early 1960s. But they learned that lesson in 1968.

A more important reason is the realisation that the result of economic reform, where it has actually been put into operation, has often been the curate's-egg sort. The reforms have certainly been welcomed by the middle class of these societies—the managers, the higher-grade engineers, the professional people—because they have gained by them. Mr Sik recognised that they would when he had the honesty to say, as early as 1964, that one of the aims of the reform was the "de-equalisation"

of incomes. But a lot of industrial workers, especially those in industries for which demand has been artificially kept far too high for far too long, have gained very little, and some are relatively probably worse off. These people have felt cheated of their share of the new deal; and the idealistic young have been put off by the growing gap between rich and poor. In Yugoslavia, which has carried the reforms furthest of all, there has been widespread unemployment caused by the shutting down of bankrupt factories. The accusation is that the reform has benefited only the new middle class, with its flash cars, its weekend houses, and its shopping sprees in the west.

The return of the dogmatists

In the non-communist world the faltering of the political and economic system is liable to produce a demand for an honest colonel to take charge and clear up the mess. In eastern Europe it has had the effect of giving a new credibility to the old dogmatists. And the dogmatists are not always the older men: there are plenty of younger party officials, anxious to preserve their power, who are prepared to manipulate workers' discontents in order to curb the influence of the troublesome intellectuals who are the main threat to that power. It is such men who in Hungary have managed to postpone the end of subsidies to inefficient firms. In Poland the new caution has taken the form of reluctance to embark on more than pilot projects of reform, which can be called off at a moment's notice if they look like becoming controversial. Nowhere is there the old enthusiasm of the mid-1960s, when it seemed that the mould of over-centralisation, of planned stagnation, was about to be broken, and socialism given a new direction.

The taming of the reforming tigers in eastern Europe, is welcome enough to Mr Brezhnev if it makes the area easier to control. But he still wants the east European economies to become more efficient within the limits he has set them. And they need it too. The Soviet Union's new economic relationship with the west will allow it to become more choosy in what it buys from its east European suppliers; but they often have no other outlets than the Soviet market for things like capital goods. The danger is that they will find themselves stuck with technologically backward products unsellable anywhere but in a Russia which does not want them any more.

Of course, the prospect of some stiff competition would not hurt east European industries if they were free to reorganise themselves as they liked to meet the new challenges. But they are not: the limits are set by Russia and Russia can enforce its will because it is eastern Europe's biggest supplier of raw materials and fuels. There are the makings of a vicious circle here. The smaller countries need reform to make themselves competitive, and they need to make themselves competitive to satisfy their people's demands for at any rate a materially fuller life. But the limits within which their reforms have to be confined may make it impossible to achieve this, and the failure to achieve it could generate pressures for change of a more fundamental sort. This is not exactly the relaxation that was said to be coming.

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BRITAIN

The Commons will be watching very carefully what goes on

Although the Labour party pressed its motion to a division—and lost—the half-day debate on thalidomide children in the Commons on Wednesday did not turn out to be the party dogfight over those tragic children that had seemed possible. It was saved from that by two things: the quality and sincerity of almost all the speeches and by Sir Keith Joseph's announcement, at the outset, of an immediate £3m trust fund to help all very severely, congenitally-disabled children. It was unfortunate that the debate ended in division, for the differences between the Government and Opposition were narrow: the gaping difference was between the House of Commons and the Distillers company, the producers of thalidomide in this country.

Hansard will make as much uncomfortable reading for the directors of Distillers and/or their insurers as the Sunday Times article which the high court banned from publication, although that paper and its editor were rightly praised by many speakers in the debate for their campaign on behalf of the thalidomide children. For if Distillers (Biochemicals) Limited had any friends in the Commons they did not speak up, and although the company had upped its offer to the remaining thalidomide children to £5m the day before, a figure of £20m was being widely accepted on both sides of the House as a minimum well before the closing speeches.

The argument between Mr Jack Ashley, who moved the Labour motion, and Sir Keith Joseph, the Secretary of State for Social Services, was whether a trust fund for thalidomide children only should be set up now, as Labour wanted, or left to be considered when the cases were no

longer sub judice.

Mr Ashley commands wide admiration and respect for the way he continues a public career despite the handicap of being totally deaf. But his efforts in getting the debate mounted and his speech would have been praised without that; perhaps the only advantage his handicap gave him was that when he talked of children being "deprived of the magic of childhood" by a man-made disaster it sounded merely factual rather than mawkish. Certainly, his insistence that Distillers, with its assets of over £400m and profits of over £60m, would not be destroyed by what he called facing up to its "moral responsibilities," found support on the Conservative benches also.

Mr Wilson supported Mr Ashley's demand that a trust fund should be set up to help the parents and the thalidomide children even though litigation and negotiations between them and the company are still continuing. Sir Keith's argument against this underwent an interesting change during the course of the debate. In his speech after Mr Ashley's he said he was not making the imputation, but some others might, that such a trust would lift the pressure on the company to settle. In his winding up speech he was saying that "many of us believe" that pressure to reach a satisfactory agreement would collapse if such a trust were set up.

It will not go unnoticed by Distillers that as a result of the Government's amendment the motion finally passed by the House began: "That this House, disturbed about the plight of thalidomide children, and the delay in reaching a settlement between Distillers (Biochemicals) Limited. . . ." In his winding-up speech Sir Keith said he could not give a date for the second

tranche of £3m for the handicapped trust because that would depend on an assessment of whether the trust was working well, which could only be made when the cases were no longer sub judice. Mr Ashley said that would deliver them to the mercies of the company, who could spin out negotiations for many more years. Not so, said Sir Keith, for "this House will be watching very carefully what goes on."

The first £3m trust has obviously been an emotional rather than a carefully considered response by the Government to the concern felt for thalidomide children. Sir Keith was anxious to bring in all children severely disabled at birth, but about the only details he could give of the fund is that it would not, unfortunately, cover children born blind or discovered shortly after birth to be deaf. Yet it is obviously the beginning of a very considerable national effort to do far more for handicapped children and their families.

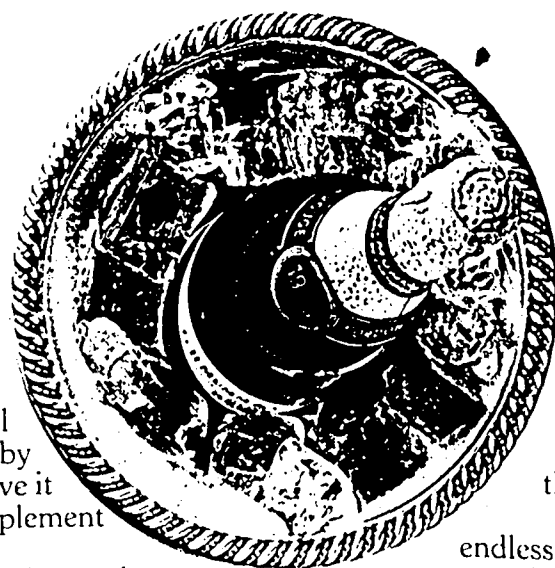
In a debate which, with the odd exception, saw the Commons at its very best, the outstanding speech was made by a doctor who had himself pressed patients to take thalidomide because he had been convinced that it was an absolutely safe drug. Dr Gerard Vaughan entered the Commons in 1970, and Opposition MPs who followed him had to look up their reference books to see that he had won Reading for the Conservatives. They will not need to do that again.

Dr Vaughan, who had examined the



Vaughan: outstanding speech

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60 children whose claim had already come before the courts, made the most convincing plea yet for considering thalidomide children and their parents as cases apart. Basically, his argument was that as the parents very often had asked to have thalidomide they felt doubly guilty, and that, unlike most other severely handicapped children, the thalidomide children now approaching puberty are highly intelligent. Without seeking effect, Dr Vaughan made all those who heard him share his distressing experience of hearing such children discuss their future. Dr Vaughan wanted far more to be done in developing artificial limbs—"we are in the middle ages in our provisions for handicapped children"—and for the court cases to be speedily concluded. Between them, Dr Vaughan and Mr Ashley may have achieved in half a day more than many MPs achieve in a lifetime.

Ulster

Russian rockets

The war in Ulster took an unexpected turn this week with rocket attacks by IRA Provisionals using Soviet-made launchers. Their targets were army installations and police stations, mainly along the Irish border; they killed one policeman and one soldier. The army captured one of the rocket launchers and hopes the Provisionals have not got their hands on too many of them, for it turned out to be a brand-new RPG 7, which is current issue to the Soviet and other Warsaw pact armies.

In the past, the Provisionals have used the 3.5 American bazooka, a cumbersome and sensitive launcher, and they have not had much success with it. The RPG 7 is a sophisticated weapon but it can be used without a lot of training. It weighs about 10 lb and one man can handle it easily. Firing from the shoulder at about 200 yards, the Provisionals seem to have scored seven good hits out of the 11 attacks they made on Tuesday and Wednesday. Attempts had been made to scratch out the manufacturing source on the rocket launcher the army were lucky enough to capture, but Russian lettering on the safety catch and the label tag on the nose cone gave away its origin.

The army does not know just how the rocket launchers reached Ulster. Communist activities on both sides of the Irish border have become more



RPG 7: where did the IRA get it?

conspicuous over the past six months, but there is no evidence that arms and ammunition are coming direct from any source in the Soviet alliance. It is more likely that the Provisionals either bought the weapons on the international arms market in western Europe, or that they got them from a Middle East source like Syria, which has been supplied with the RPG 7 in recent months by the Russians. The Provisionals have built a large number of contacts with Arab guerrilla organisations.

The crackdown in the south has made the republic a more difficult place for the IRA to get arms or ammunition. One of the best things that could come out of closer Anglo-Irish co-operation would be an effective ending to the present traffic in weapons. The Provisionals have never been able to equip themselves with a standardised weaponry; they have had to take what they could get from wherever they could get it. What annoys the security forces particularly is that liberal Sweden has done least to check sales by private arms manufacturers and that country is a major supplier of ammunition to the Provisionals.

Social trends

State of the nation

The 1972 volume of Social Trends* is something of a milestone for the Government Statistical Service. It is a remarkable advance on the previous two towards the goal expressed in its title: to be as good a sourcebook on society as Economic Trends is on the economy. The advance is marked

*HMSO. £2.90.

by the compilation of a "social commentary" on the past decade by the Central Statistical Office. This paints a familiar picture of a nation marrying younger, rearing smaller families, containing more students, working women, old people, divorcees and widows, and committing more violent crime and contracting fewer infectious diseases. Statistics on incomes and expenditure shed a certain amount of light on the effectiveness of different government social policies, but only indirectly: the tone of the commentary is purposely as flat as the civil service could make it.

Equally deadpan is an important article on sources and methods of collecting statistics on immigrants, which contains new, and rather higher, estimates of immigrant fertility rates, but is careful to point out how these are confused by the atypical age structure of the immigrant population and by the imbalance of the sexes: the large surplus of males over females among immigrants means that a far higher proportion of immigrant women are married. Immigrant fertility rates were thought, in the mid-1960s, to be about one-third above the average for the British-born: it now seems that the difference is more like 50 per cent. But it is just worth remembering that the top projection of the coloured population made by the Institute of Race Relations in 1969, which was for about 2.7m such people in 1986—a long way short of Mr Powell's projections—assumed that the immigrant fertility rate was exactly twice as high as that of the British born.

Reliable projections of the size of the coloured population in Britain must in any case wait on later results of the 1971 census, such as data on family size. But for the population as a whole, there is an important new source of information on family structure which could provide the backbone for more frequent publications of Social Trends. This periodical has been labouring under the disadvantage that most social statistics are collected by individual government departments, which naturally publish them first, though in Social Trends they may actually be drawn together for the constituent parts of the United Kingdom. But it now appears that this is to be the medium for the publication of many of the results of the brand-new General Household Survey, a continuous sample survey covering 15,000 households which was begun in 1971 to provide a wider range of social statistics than the older Family Expenditure Survey. The household survey



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covers some topics hitherto tackled only by the census—mobility, family size, household amenities—and some, such as family "intentions," meaning the number of children couples intend to have, which could not be coped with even there.

The government now carries out four continuous sample surveys—the International Passenger Survey, the National Food Survey, and the expenditure and household surveys. Excluding the huge IPS, which is rather a special show and involves about 250,000 travellers each year, but including the one-off special surveys of the Social Survey Division, one's chances of being approached by a government interviewer in any one year are now just about one in 180. But in 1972 they were very much greater: the government has just carried out (provoking remarkably little objection or resistance) a post-census survey of incomes which included 400,000 people—roughly 1 per cent of all those over 15. The results were nowhere near ready for inclusion in this issue of *Social Trends*: they should make some interesting reading in the next. Next year, too, the government will be participating in a vast manpower survey to be carried out by the Nine; and it should be clear whether or not it will be going ahead with present plans for a regular large-scale population survey between censuses, comparable with the micro-censuses carried out regularly in west Germany, the United States and Canada.

By-election

Little to laugh about

Uxbridge has seven candidates, including an ex-Liberal as its Labour candidate, and a transport workers' union shop steward as its Liberal. It sounds like a bundle of fun by-election but it isn't. Uxbridge is a rather depressing place, part dormitory suburb, part home of a large number of workers from London airport, the largest employer in the constituency. Politically it is depressing because three of the candidates are standing on an anti-immigration platform.

There is nothing particularly amusing, for instance, about Mr Dan Harmston, of the Union Movement, a veteran of the Smithfield meat porters' anti-immigrant demonstrations. Then there is Mr John Clifton, of the National Front, who is another way-out



Sykes: new darling of the left?

right winger, and Miss Clare Macdonald, of the National Independence party, who lives at home with mother and has not been seen a great deal. Mr Reg Simmerson is an ex-member of the Tory party who is standing as an opponent of the common market, but he is not likely to do much better than he did at Greenwich and Macclesfield, where he lost his deposit. However, Mr Simmerson might, in an already desperately confused situation, do some damage to the young and forceful Tory candidate, Mr Michael Shersby, who is director of the British Sugar Bureau.

Miss Manuela Sykes, the Labour candidate, is a tough political campaigner, formerly a Liberal candidate in several elections (though this is not disclosed in her election address) and a member of the Westminster City Council. Miss Sykes sees herself as a potential member of the Tribune group and it will no doubt welcome her with appropriate enthusiasm if she is elected; she has all the acceptable views about the common market (which she is against) and she takes the cautious line on immigration which is nowadays pretty fashionable in Labour left-wing circles.

Neither of the two major parties believes that the Liberals are a serious challenge: they have lost their deposit five times in six general elections. But Labour is concerned that Mr Ian Stuart, the Liberal who is shop stewards' chairman at London airport, may draw off enough votes from the workers there to lessen their chances of winning. Mr Stuart is a friendly chap, bright and brisk, looking and sounding like a rather good quality Labour councillor. He thinks shop stewards get

a bad press, that disputes at the airport are exaggerated—he has been involved in half a dozen strikes in the past 11 years or so—and he generally has a number of views which would give pleasure to his union leader, Mr Jack Jones. If he had been in the House of Commons he would have voted against the wages and prices freeze (his party did the opposite) and he does not much like the Industrial Relations Act.

If Mr Stuart had a powerful machine behind him he might do considerable damage to Labour. As it is he might just lose his deposit; though, as with the other candidates, where he gets his votes from will have a decisive effect on the result. On the whole it looks as though Miss Sykes will win, but no one in the Labour camp is making exaggerated claims about the likely margin of her victory.

Prizes

Winner takes nothing?

Generous prizewinners are a bit of a mixed blessing. It was less than civil of Mr John Berger to insult the system that presented him with Britain's most famous literary award, the £5,000 Booker prize for fiction, as he took the cheque. (On the same day, the Booker prize lost its sole claim to being the richest literary prize: the presentation of the first £5,000 Wolfson literary award for history to Mr Michael Howard attracted almost no attention.)

Mr Berger intends to present half his money to the Black Panthers. That is a generous gesture, and one can sympathise wholeheartedly with his criticisms of the maze of literary prizes; but some other novelists may feel that they could have done with the money. Mr Heinrich Böll, the winner of the 1972 Nobel prize for literature, was even more generous and perhaps more logical in his decision to spend part of his money (nearly £42,000) helping imprisoned writers and their families. Lastly, the generosity of Sir John Hicks, who announced on Tuesday that he will give almost all the money he receives as joint winner of the Nobel prize for economics (rather over £21,000) to help the London School of Economics in its fund-raising for a new building to house what he rightly describes as "probably the best economics library in the world," is beyond praise. And Sir John is an Oxford man.

Juggernauts

Who is out of hand?

Brussels will probably be persuaded to delay a decision on heavy lorries until after January 1st, thanks to the revolt against them in the House of Commons on Wednesday. Even if the heavier lorries were allowed into Britain, they would not get far. A private member's bill was laid before the House on Wednesday, too, to restrict the routes on which heavy lorries can travel, a move the Government was expected to make anyway.

The whole argument on lorries is in danger of getting out of hand. What the Six are trying to do is create a common market in lorries by standardising their dimensions. Less than 10 per cent of Britain's lorries are over eight tons (the size of a small bus): that covers all the lorries between eight tons and the current maximum of 32 tons. An increase in maximum size to 40 tons, as the Six are proposing, could be achieved without increasing the overall length of the lorry by more than nine inches. As long as such vehicles were restricted to suitable routes, and had to comply with strict noise and other controls, there could be little objection to them. The economic saving would be only about £5m, small beer compared with the 5 per cent of its turnover that industry spends on transport. But if Parliament restricts the size of lorries, there will simply have to be more of them. In Britain the number is likely to increase to 1m by the end of the century. So we had better start now building the roads for them, and seeing that they are as quiet as a modern car and otherwise less tiresome than the

current generation of lorries.

Of course, the fashionable argument against this is that freight should be carried by rail; that is pure illusion. British Rail's biggest potential in winning freight from road is its Freightliners container service. But Freightliners itself owns 850 of the 24-ton and 32-ton lorry juggernauts the public is complaining about, to distribute containers from the rail terminals to their destinations inside cities. The environmental advantage of rail is on the inter-city part of the journey alone. Admittedly, at present many villages with trunk roads inherited from the middle ages could be spared the horrors of heavy lorries, but another decade of motorway building will largely eliminate that problem. The average freight haul is 25 miles in Britain, and neither begins nor ends near a rail terminal. British Rail will never have any hope of capturing that business.

Furthermore, British Rail's freight hopes are to some extent incompatible with its aspirations to introduce 155 mph passenger trains. The average company freight train runs at about 60 mph, and many wagons are restricted to 45 mph maximum. One or other will have to get off the track, a problem that can only partly be solved by running freight trains at night.

The other debate going on about lorries is over the parking of lorries overnight. This issue has also got out of hand. A survey carried out a year ago throughout England, but excluding London, showed that on a typical weekday only 27,000 out of Britain's 600,000 lorries were parked overnight in the street. Understandably, the problem is especially sensitive in some residential areas. The response of the Government is to build 50 hideous lorry parks, with equally hideous hotels for lorry drivers, backed by

£10m of taxpayers' money. This is hard luck on the landladies who have lived off providing beds to lorry drivers for years. It would have been far better to follow the Birmingham experiment of allowing lorries to park in certain streets only.

Race relations

Not before time

The Community Relations Commission may not discover any unexpected causes in its investigation of unemployment and homelessness among young blacks, but it could make some useful recommendations. The survey, to be conducted in four urban areas by Opinion Research Ltd, will try to assess the relative importance of family, school, employment opportunities and discrimination in causing joblessness among black teenagers, who were recently shown by the 1971 census to have an unemployment rate of 16.2 per cent, twice that for their age group.

It is a pity that the survey, due to be finished by next summer at a cost of £25,000, will not stretch to comparisons with unemployed white youths, or employed black ones. But at best it will come up with some concrete needs, like crash literacy programmes or hostel accommodation. Because the Home Secretary has called for the investigation, the money to meet them may then be forthcoming. If it can be channelled through black organisations, so much the better. But there is always the risk to be faced of causing resentment among West Indian immigrants, especially where the family is blamed and if unflattering comparisons are made with Asian performance.

Although teachers and community workers have long seen the dangers of these young blacks without homes or jobs, it is only recently that it has been more generally recognised. Official appreciation of it has been impeded in the past, first by a rather complacent report in 1969 from the Select Committee on Race Relations and Immigration, and then by Department of Employment statistics now acknowledged to be misleading. The problem is not yet large numerically—about 1,600 boys and 1,300 girls are affected, mainly of West Indian origin—but it will obviously increase, and the proportion of youths involved in the current increase in robbery with violence (now given American overtones by being called mugging) has at least provoked a sense of urgency.



Right lorries, wrong roads

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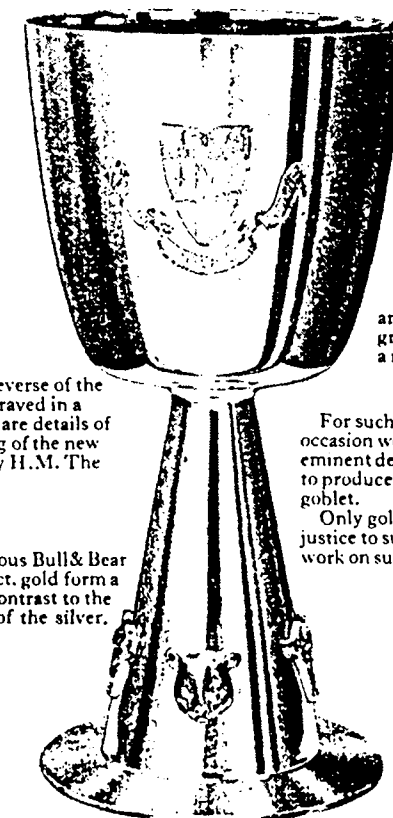
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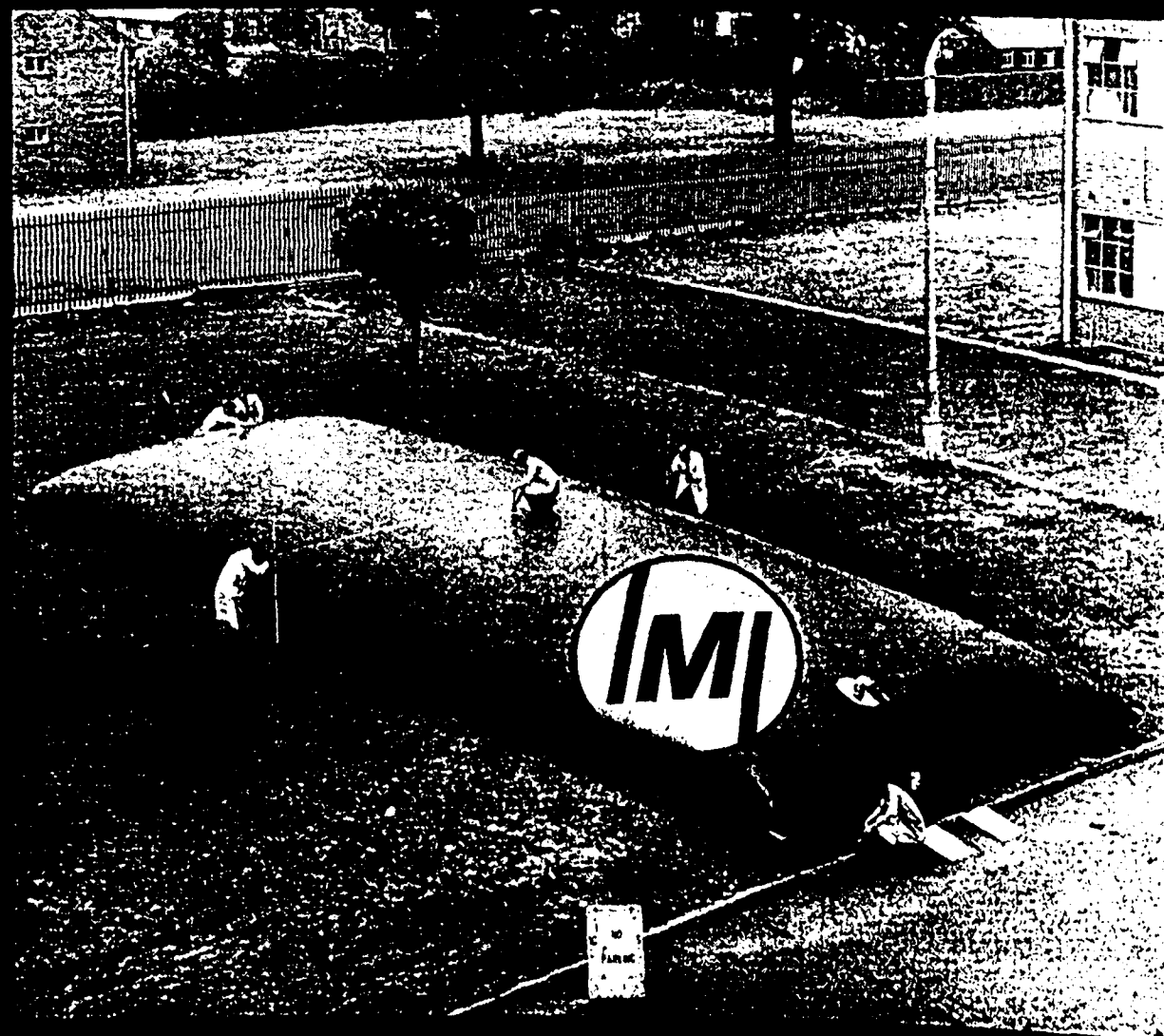
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THE WORLD

International Report

The other side of Jack Lynch

FROM OUR DUBLIN CORRESPONDENT

The Irish prime minister, Mr Jack Lynch, is now showing some of the toughness that close acquaintances have always known to exist behind the apparently mild exterior. He has cracked down on the IRA, sacked the governing board of the RTE, the national broadcasting service, and given clear warning that he is going to take no nonsense about things in the future. On Wednesday 66 people, who were demonstrating outside the homes of ministers, were arrested.

At first it seemed that Mr Lynch might have bitten off more than he could chew. The extent of the outcry created by the dismissal of the RTE authority was probably not foreseen. The sentencing on November 25th of Sean MacStiofain, allegedly the chief of staff of the Provisional IRA, was followed by demonstrations, a bomb explosion outside a Dublin cinema which injured five people seriously, and an armed attempt to free Mr MacStiofain from the Mater hospital.

But Mr Lynch can digest his mouthful. He is letting it be known that he will use whatever force is necessary to meet the IRA threat and that he will bring the RTE into line with government requirements however vocal the opposition. And, as the days go by, the country as a whole seems to be accepting his new tough line as a necessary, although unpalatable, alternative to anarchy. The prime minister has chosen to move now as much to anticipate future trouble when the major decisions on Northern Ireland have to be made as to meet the pressures of the moment, which include Mr Heath's continued strictures.

The prime minister's main weapon against the IRA will be the powers given by a new bill—the Offences against the State (Amendment) Bill,

1972—which the Dáil began debating on Wednesday. If and when it is enacted it will be far easier to secure convictions against IRA members, who until now have been protected by the difficulty of producing acceptable evidence and by the intimidation of juries. The bill is one of the toughest measures ever introduced in a democratic system. It is being bitterly opposed by left-wing and liberal organisations and has come under strong criticism even from moderate opinion.

But Mr Lynch is determined to get it through, even if he has to go to the country first. And, in the present climate, the opposition fears he would sweep the country on the straight issue of democratic government versus the IRA. The opposition is not united in its dislike of the measure. Some members are for outright opposition; others would settle for certain amendments and a time limit on its operation.

The bill would allow a senior police officer's word that he believed the

accused to be a member of an illegal organisation to be sufficient to secure a conviction. And if an accused person has failed to deny a published report that he is a member he could find himself convicted. Furthermore, picketing of courts would be prohibited, and taking part in public meetings about civil or criminal proceedings could carry a penalty of up to five years' imprisonment.

The IRA expects that when the bill is enacted its leaders will be picked up one after the other, but it does not foresee mass arrests of its members—at least not at the start. The government appears ready to accept the consequences if convicted IRA men follow the example of Sean MacStiofain and go on hunger and thirst strikes. Despite the public demonstrations of sympathy with Mr MacStiofain, there are no signs of the massive reaction expected by the IRA and Sinn Féin organisations. The 5,000 people who demonstrated outside the Mater hospital in Dublin last Sunday were all the republican movement could muster on such an emotional occasion and many in the crowd were sensation seekers rather than sympathisers. Since Mr MacStiofain's removal to the Curragh military hospital on Monday night and the news on Tuesday that he had modified his thirst strike the tension



MacStiofain sympathisers outside the Mater

has decreased. Though his death would undoubtedly revive it, the strength of the anti-IRA feeling is such that public opinion would withstand even this.

In the long run the RTE affair is likely to cause the government more trouble than its moves against the IRA. The sacking of the broadcasting service's authority shocked liberal opinion and brought forth a spate of protests, although the man in the street is prepared to support the government in anything it does to keep the IRA in check. The sacked authority hit back by blaming the government for being too vague in its original directive of October 1, 1971, which prohibited the RTE from broadcasting any matter calculated to promote organisations using violence.

In practice the RTE interpreted this to mean preventing suspected members of the IRA from broadcasting directly. But on several occasions IRA spokesmen have been interviewed and their views reported indirectly. This is what happened in the radio programme of November 19th when the views of Sean MacStiofain, who had previously been interviewed by an RTE reporter, Mr Kevin O'Kelly, were broadcast.

After several skirmishes over the past 18 months the government was waiting for its chance to crack down. It came with this broadcast. The authority was sacked, and the tape recording of the original interview was used to bring Mr MacStiofain before the special criminal court. There Mr O'Kelly refused to identify the accused as the man he interviewed and for this was sentenced to three months' imprisonment for contempt of court. This brought the RTE's television and radio services to a halt for two and a half days and stopped all newspapers for a day. Mr O'Kelly was subsequently released on bail pending an appeal.

The problem now is that the staff of the RTE will try to make the new authority adopt the same liberal policy as its predecessor. If it succeeds there will be further trouble, for the government is determined to prevent the IRA from getting any publicity. And if the opposition parties continue to try to make political capital out of the affair, the RTE will become a political shuttlecock. But, however bitter the feeling within the RTE or in the country as a whole, Mr Lynch's new toughness looks like ensuring that the government will win through.

Egypt and Jordan

A coup behind every pyramid

FROM OUR SPECIAL CORRESPONDENT

Two days of sudden and abnormal rain last week brought communications in Cairo to a virtual stop. The oily, undrained lakes called streets did nasty things to the few cars pretending to be amphibious; the telephone system, always erratic, collapsed under a thousand curses as people tried to pound their half-dead receivers into life. The morning newspaper, al Ahram, prepared a cartoon of waterlogged frustrations captioned "Our country sunk." Overnight somebody (the censor?) killed the point by substituting "city" for "country." But Egyptians do not require al Ahram's discreet needling to feel small and bemoan the decomposition around them.

"Decomposition" is a favourite word. Some critics, sniffing carrion, say the regime cannot last: others, that much more critical, say that the crumbling disintegration of authority and willpower has eroded even the initiative that might fire conspirators into successful action. This is probably too academic an assessment of the resentful lethargy enshrouding a nation for which nothing in the past few years has gone right. Undoubtedly President Sadat no less than King Hussein, the other Arab ruler under obvious threat, has been taking his precautions; the president's men are

THE ECONOMIST DECEMBER 2, 1972

said to be placed strategically. But in Cairo, unlike Amman, the precautions are not visible in the shape of machine gun posts, security checkpoints and the rest of the paraphernalia of an authoritarian regime with many enemies.

On the surface Cairo is as relaxed and welcoming as ever, feeding the correspondent's nightmare that a coup might happen without his noticing it. Some sort of middle road has to be found between the exaggerated reports of attempted coups emanating from Beirut and elsewhere (the BBC is currently considered top culprit in rumour-mongering) and the limp denials and talk of apolitical "disciplinary action" which is the way chosen by the ministry of information, and the military censors, to reveal the truth to the world.

A few stories stand up better than others: there would seem to have been a couple of half-baked attempts by a handful of individualist junior officers in Cairo to intercept President Sadat, plus a more serious incident at an air force camp involving 24 officers (the official version is that 12 air force officers are being interrogated for spreading false rumours). A number of senior military men have been dismissed, some of them arrested; they include, although this has been denied, the chief of military intelligence.

In Jordan, too, official reticence tends to give credence to blown-up stories from abroad. But in a smaller community it is slightly easier to distinguish fact from fiction. A conspiracy to assassinate King Hussein and his very energetic young brother,



The censors sank Cairo, but Egypt is drowning in lethargy

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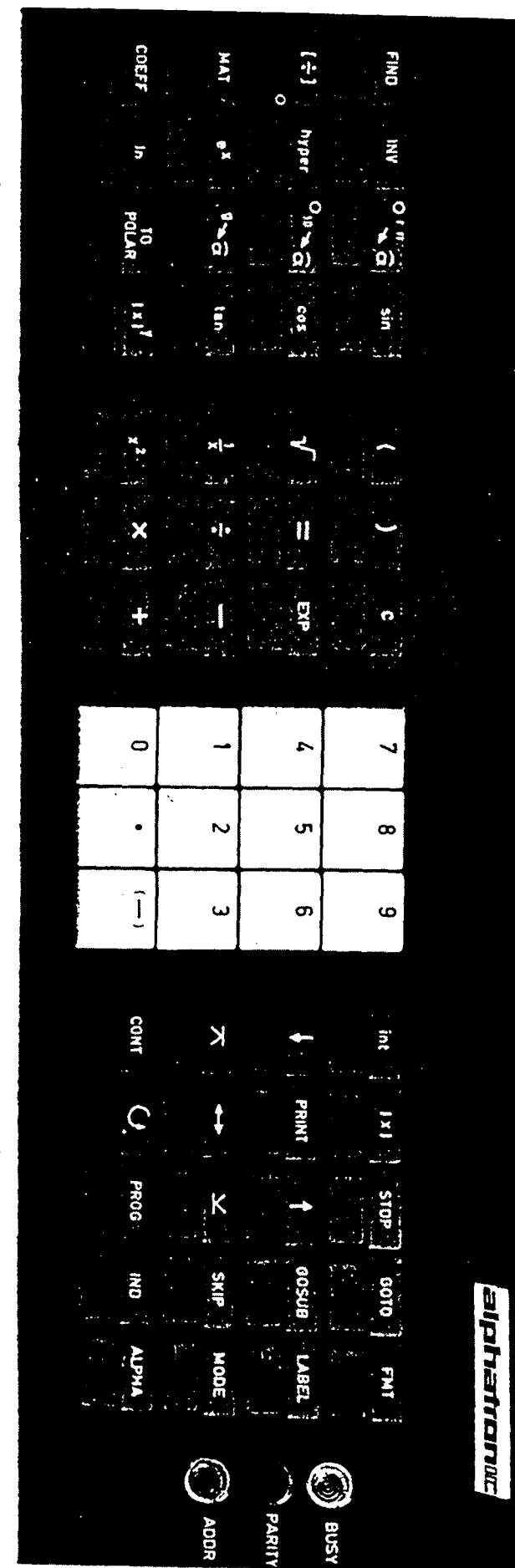
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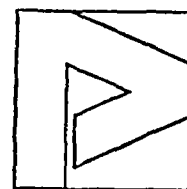
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Crown Prince Hassan, was apparently unearthed early in November; only seven officers were believed involved but the position of their alleged leader in the royal guard shows up the weakness of any security apparatus, however tight. The embroidery on the story is that an actual attempt was made on the king's life and that as a direct result he retired to hospital for a couple of days last week. He went to hospital all right, but not because of this. With all due scepticism to palace gossip, the more relevant factor contributing to his official "exhaustion" was his renunciation, a few days before, of any intention to divorce Princess Muna and marry a Jordanian girl, Miss Alia Touqan. His senior military commanders, it is said, "persuaded" him that this would not be seemly for the ruler of a country partly under enemy occupation.

In Amman, frustrated love: in Cairo, just plain frustration. Many Egyptians who condemn President Sadat for his lack of a consistent, or intelligent, foreign policy dread the prospect of his overthrow. They would welcome a ruler strong enough to decide a policy and to stick to it—even if the policy was to do nothing about Israeli occupation. But the divisions in the country are reflected in the army and many people fear that the alternative to Mr Sadat would not be a stronger man but a bunch of contending officers. The dread is that Egypt should drift into a decade of aimless palace revolutions. "We could become," they say, "like Syria in the 1950s."

Eyes are turned inward: since Egyptians believe that internal dissension is the prime determinant of what happens next, there is relatively little interest either in the possibility of a new round of peace talks or in the fighting on the Syrian-Israeli frontier, seen glumly as a repeat performance of the events that drew Egypt into the 1967 war. The most forceful pressure could be from the religious right. The recent anti-Copt demonstrations (themselves complex) are one major manifestation of this. Another smaller signal was the move within the People's Assembly to follow Libya's lead in adopting Koranic law, and punishment, for certain offences. The move was quickly and skilfully squashed but Libya's return to Islam has a certain appeal not only to the rich peasants (kulaks, says the Egyptian left dismissively) in the assembly but to their sons, now officers

in the army.

The left straggles along, much weakened. Socialists and communists draw together under the banner of nasserism, not because they like Nasser more but because they like his successor less. Students are divided, some say very deliberately, into right and left groups. So far their energies have been concentrated against each other but if one faction or the other does get out into the street it could work as a catalyst for workers—and eventually the army. The puffs of revolutionary steam, released by Mr Sadat's loosening of Egypt's disciplinary lid, blow all ways.

One danger is a domestic explosion; the other, closely related, is the length to which President Sadat may go in a bid to unite and galvanise his country. A widely shared view is that he believes that the only way open to him is to fight Israel. The editors who are now thought to reflect his attitude write of fighting, simply and without qualification. They do not write of winning. The president may yet be checked by his military advisers. When General Sadek was war minister, he refused to consider renewed war without adequate air defence—and the only air defence he considered adequate was a weapon that could threaten Tel Aviv. But General Sadek has been sacked, and his chief of staff, General Shazli, equally realistic about Egypt's military chances, has been passed over. Possibly the talk is still bluster; certainly to an outsider it sounds all too familiar. But the threatened belligerency this time last year fell into the pattern of Mr Sadat's pressure on the major powers for a peace settlement; now it could be primarily to save the regime's skin. And which motive, do you think, is the more powerful?

Israel

The bubbling in Golda's kitchen

FROM OUR JERUSALEM CORRESPONDENT

The Labour party's merry-go-round for the post of Israel's next prime minister after the election due in a year's time is in full swing, and not just at home but in Washington too. The minister of defence, Mr Moshe Dayan, has been in America; the deputy prime minister, Mr Yigal Allon, and the foreign minister, Mr Abba Eban, are expected in the next few weeks: and the prime



Sapir: powerful but unpopular

minister, Mrs Meir, may follow them.

All this looks very much like electioneering. Yet, oddly enough, all the main candidates are taking pains to declare earnestly that they are not in the running. The minister of finance, Mr Pinhas Sapir, has said that even if the party presses him he will say no; Mr Dayan says the party will not choose him anyway; Mr Allon and Mr Eban say evasively: we have a prime minister, Mrs Meir. As for Mr Israel Galili, the minister without portfolio, nobody seems to have asked him, although his chances are as good as anyone else's.

Mrs Meir has declared that she will retire as planned at the end of the current Knesset term next year, although first she would like to see peace signed with at least one Arab country. But at the moment it looks as though it will not be the question of the peace negotiations but that of the occupied territories that will decide the succession.

The contestants hold differing views on this; nobody has any solutions and nobody, particularly after the Munich outrage, will risk suggesting the return of territory without an overall peace. But there is still room for much heated polemic on the course to be taken in the seemingly infinite interim. The Labour party's hope is to find a course which will allow a consensus election platform without losing any of the crew.

Mr Sapir advocates the slowing down of integration between the economies of Israel and the occupied territories and a reduction of the territories' growing dependence on Israel. He would like to return most of the territory in exchange for a settlement with the Arabs, but he knows that it would

be hard to get a cabinet together to support this line. Hence his hesitations.

At the opposite extreme, Mr Dayan wants to press forward with his policy of intensifying economic integration: this would include larger Israeli investments in the development of the territories; more Israeli settlements, including a port at Rafah in Sinai; and the phased abolition of the military government and its replacement with civilian bodies. Taking this further, Mr Dayan has urged that the Knesset fill the parliamentary and legislative vacuum in the territories—and he has backtracked on one of his statements denying the vote to the inhabitants. But no Palestinian representatives are thought by the Israelis to be either competent or willing to enter into discussions over their future.

Mr Dayan's trip to Washington, although ostensibly labelled as shopping for arms, was in fact aimed more at diplomacy—hence his talks with Mr William Rogers and Mr Henry Kissinger. At home his trip has already had the effect of inducing leading critics of his integrationist policy in the occupied territories, such as Mr Sapir and Mr Allon, to state that no land should be returned except in exchange for peace. Mr Dayan has an important advantage over his rivals: the Americans consider him a more flexible leader than any of the other contestants.

Mr Abba Eban is thought to think on much the same lines as Mr Sapir, but both he and Mr Allon are keeping fairly quiet at this stage—although Mr Allon still stands behind the programme bearing his name. Mr Galili, in his sporadic public statements, supports Mrs Meir's view that Israel should remain a state with a Jewish majority assured for the generations to come, but neither of them specifies how this can be done without returning most of the territory taken in the 1967 war.

Although Mr Sapir is undoubtedly the most powerful man in the party and the country, he is also one of the most unpopular. Mr Allon has a tight clique of supporters, but by pitting himself head on against Mr Dayan he has forfeited much national popularity. Mr Eban's backing depends largely on Mr Sapir, although he enjoys a fair amount of respect in his own right. Mr Galili has little organised support, but he also has no real opposition. He is one of the four people (the others being Mr Sapir, Mr Shapiro and Mrs Meir herself) who as "Golda's kitchen cabinet" will finally decide who the next prime minister will be.

Germany

Strauss waltzes

FROM OUR BONN CORRESPONDENT

The west German elections have duly taken their physical and political toll. After his victory the chancellor, Herr Willy Brandt, took to a hospital bed with vocal chords strained by weeks of energetic electioneering. After his defeat the Christian Democrat (CDU) leader, Herr Rainer Barzel, cut short a Roman holiday to deal with party ructions at home only to be taken ill with a severe bout of flu.

Down in his Bavarian redoubt, however, the indestructible Herr Franz-Josef Strauss remains sound in throat and lung. His party, the Bavarian Christian Social Union (CSU), the parliamentary ally of the Christian Democrats, actually increased its percentage of the vote at the elections. The only state besides Bavaria in which the Christian Democrats increased their proportion of the vote was Hesse, where the local leader, Herr Dregger, holds right-wing views similar to those of Herr Strauss.

The noise in Germany this week has been that of Herr Strauss throwing his not inconsiderable weight about. The question that has been openly posed in Munich is whether the CSU should end its alliance with the CDU. The argument is that the opposition lost the election by pussyfooting tactics and that what was required then and is required now is more militancy—of the kind dished out by Herr Strauss. Nobody is taking the threat of a split very seriously. Logically, it would mean the Christian Democrats campaigning in Bavaria against the CSU and the CSU against the Christian Democrats in the rest of west Germany.

What Herr Strauss is up to is clear enough. In these dog days of defeat, he wants the opposition to have a clearer line, especially on questions



Strauss the indestructible

of Ostpolitik. If, incidentally, this results in shortening Herr Barzel's career as opposition leader, then so be it. The chosen ground of such militants as Herr Strauss and Herr Dregger is the coming battle over the ratification of the treaty with east Germany. They would reject the treaty. The farthest Herr Barzel went in the election campaign was to say that he would get better terms. The conclusion must be that Herr Barzel will have to be in very good physical and political shape if he is to emerge from the welter of recrimination and remain a credible opposition leader.

Holland

Work this out

Holland is little closer to having a government that can stay in office after Wednesday's general election than before. The same multiplicity of parties emerged with a slightly different distribution of votes; but it was different enough, in the confused context of the Dutch proportional representation system, to be just possibly a move towards polarisation of left and right.

The main losers were the religious parties which formed the basis of the outgoing conservative government: the Catholic People's party went down from 35 to 27 seats and the Protestant Christian Historical Union lost a quarter of its support. The prime minister's party, the Protestant Anti-Revolutionaries, managed to buck the trend by gaining one seat and the fourth member of the coalition, the secular Liberal party, made the biggest gain of six seats, bringing its total up to 22. The fifth member of the coalition, the Democratic Socialist party, which provoked the election by walking out last summer, lost two of its eight seats. If the coalition were to re-form it would still have a bare majority of 76 seats in the 150-seat house. But the willingness of the Democratic Socialists to join in is uncertain and the losses of the Catholics and Christian Historicals have left them looking pretty dubious partners too.

The left-wing opposition improved its position. Labour remains the largest party with 43 seats, four more than before, and the tiny Radical group gained five. But this gain was cancelled out by the five seats lost by the third ally, Democrats 66. So the opposition group, with a total of 56 seats, remains considerably smaller than the former ruling coalition.

Continued on page 45

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January

10-14. International Fair Home Textiles, Floor Coverings, Household Textiles, Frankfurt
24-28. German Furniture Fair, Cologne
26. 1.-4. 2. International Green Week, Berlin

February

3-9. International Nuremberg Toy Fair
6-10. ISM - International Sweets and Biscuit Fair, Cologne
18-21. International Housewares and Domestic Appliances Fair, Cologne
22-25. ISPO - International Sports Equipment Fair, Munich

24. 2.-1. 3. International Leather Goods Fair, Offenbach
24. 2.-4. 3. International Tourism-Exchange (ITB), Berlin

25. 2.-1. 3. Frankfurt International Fair Febr./March International Fashion Fair for Men's Leisurewear, Cologne

March

9-11. International Hardware Fair, Cologne
10-18. BAUMA - International Construction Machinery Fair, Munich
11-14. IGEDO - International Fashion Fair, Düsseldorf

23-25. International Fair FOR THE CHILD, Cologne
24-26. GDS - European Footwear Sample Display, Düsseldorf

25-29. Munich Fashion Week
26. 3.-1. 4. Ish - International Exhibition Sanitation - Heating - Air Conditioning, Frankfurt

April

7-15. IHM - International Light Industries and Handicrafts Fair, Munich
11-15. IGEDO - International Fashion Fair, Düsseldorf

13-17. IMS - International Footwear Manufacturing Fair, Pirmasens
26. 4.-4. 5. Hanover Fair

27. 4.-1. 5. International Fur Fair, Frankfurt
27. 4.-7. 10. IGA - International Horticultural Exhibition, Hamburg

May

10-16. INTERPACK - International Fair for Packaging Machines, Packaging Material, Confectionery Machinery, Düsseldorf
15-18. Interstoff - Fair for Clothing Textiles, Frankfurt

17-20. INTERZUM - International Accessory, Machinery and Material Fair for Furniture Production, Interior Decoration, Furnishing, Cologne
24-27. International Shutter and Blinds Trade Fair, Stuttgart

June

20-27. ACHEMA - Chemical Engineering Exhibition-Congress, Frankfurt
24-26. International Men's Fashion Week, Cologne

August

24-26. International Men's Fashion Week, Cologne
25-29. International Leather Goods Fair, Offenbach

26-29. Frankfurt International Fair
31. 8.-9. 9. International Radio and TV Exhibition, Berlin

September

9-12. IGEDO - International Fashion Fair, Düsseldorf
18-27. IHA - International Machine Tool Exhibition, Hanover

19-27. International Welding Fair, Essen
22-24. GDS - European Footwear Sample Display, Düsseldorf

22-27. ANUGA - International Exhibition of Fine Foods and Provisions, Cologne
Sept. International Fair of Lingerie, Foundation Garments, Underwear and Swimwear, Cologne

Sept./Okt. International Fair FOR THE CHILD, Cologne

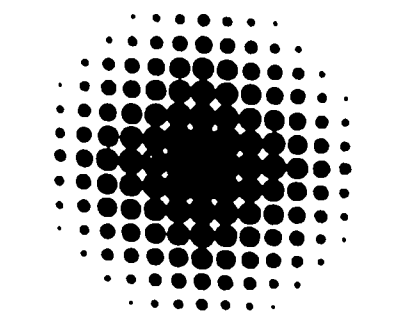
October

7-9. SPOGA - International Fair of Sports Goods, Camping Equipment, Garden Furniture, Cologne

7-11. Munich Fashion Week
11-16. Frankfurt Book Fair

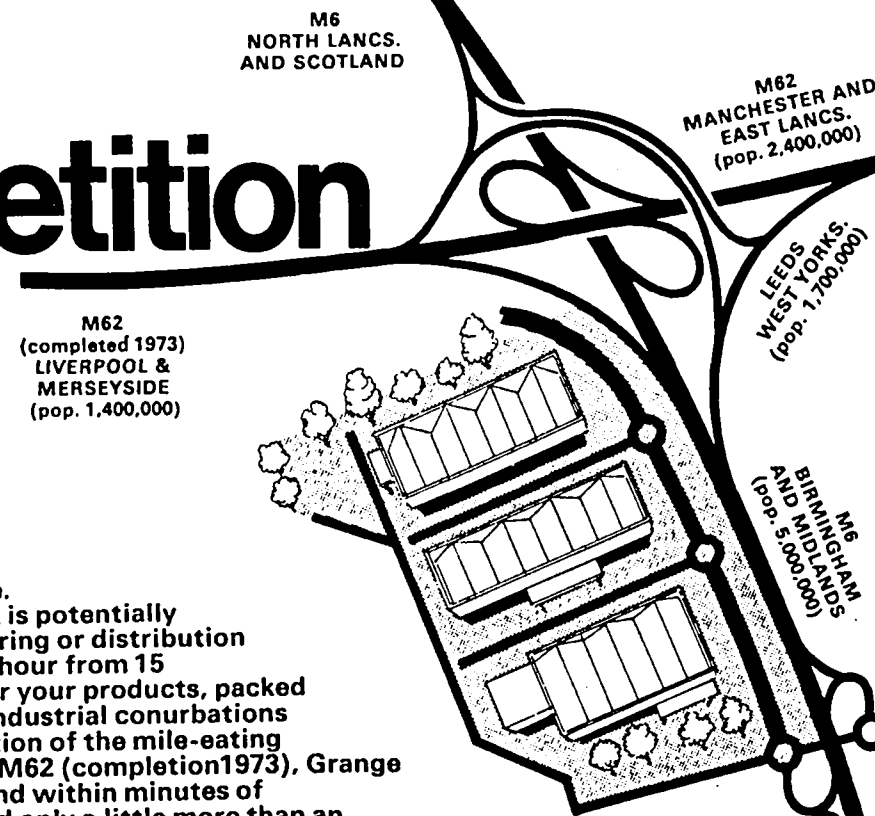
26-30. IGEDO - International Fashion Fair, Düsseldorf
27. 10.-4. 11. German Boat Show, Hamburg
November
2.-11. German Industries Exhibition, Berlin
13-18. INTEROCEAN - International Congress with Exhibition for Marine Research and Exploitation, Düsseldorf
20-23. Interstoff - Fair for Clothing Textiles, Frankfurt

1973



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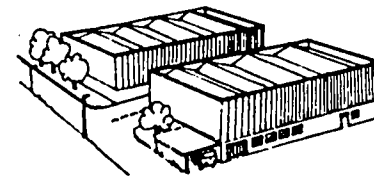
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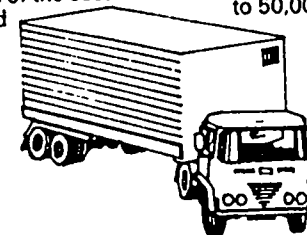
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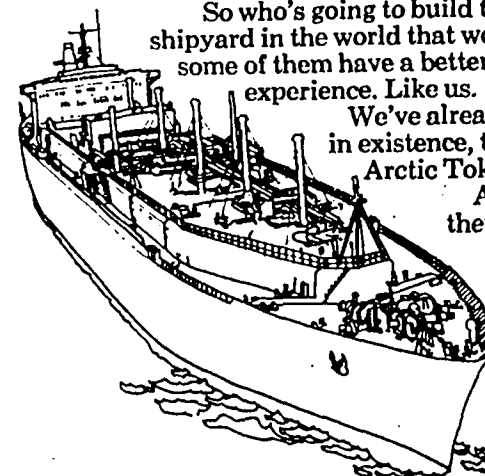
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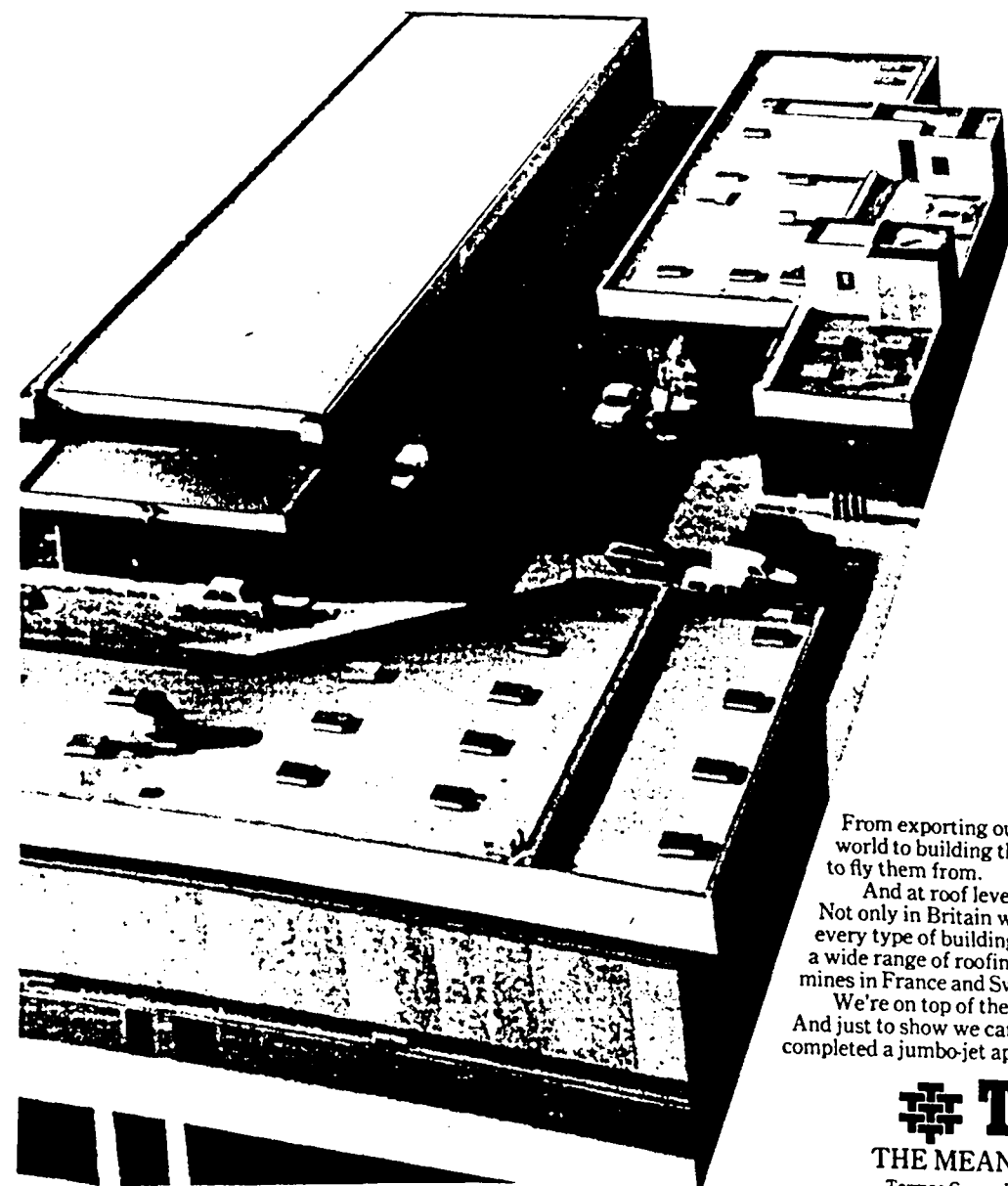
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Tarmac
THE MEANS AND THE END
Tarmac Group, Wolverhampton, England.

Continued from page 38

France

The power to start and end a life

FROM OUR PARIS CORRESPONDENT

You can theoretically get up to 10 years in prison for performing an abortion in France. Last week the heaviest sentence handed down on several women involved in an abortion cause célèbre in the Paris suburb of Bobigny was a suspended prison sentence of one year. The mother of the girl concerned was fined £40. The girl herself, aged only 17, had already been acquitted.

You can get the death penalty for murder in France. This week, for the first time since M. Pompidou became president, it was carried out. The two men guillotined were in prison—one of them for an earlier murder—at Clairvaux when, last October, they seized two hostages and demanded to be set free and given arms. The demand was refused, the police attacked the building and the two men slaughtered their hostages, a nurse and a warder. The two were condemned to death in June. M. Pompidou refused the reprieve, which is his privilege, and the sentences were carried out on Tuesday morning.

The two cases have aroused passionate debate in France. In both, it seems, the law acted as public opinion would have had it act. France's anti-abortion law, dating from 1920, permits abortion only in the case of serious risk to the health of the mother. But it has long been questioned, recently very vigorously by the women's lib movement, which has published advertisements of the "I have had an abortion" variety. Simone de Beauvoir was one of the witnesses called by the defence in the Bobigny trial. And the challenge does not come only from embattled feminists claiming the right to abortion without restriction of any sort. A public opinion poll last year showed more than four-fifths of respondents agreeing that abortion was a matter to be decided by the couple concerned.

The health minister has already declared his opposition to unrestricted abortion. But the prime minister said at the weekend that the next parliament would have the chance to discuss a law originally conceived with the aim of rebuilding France's decimated population after the first world war.

The Bobigny trial seems certain to lead to a relaxation soon, if not at once. It has already moved the government to promise extra steps to spread knowledge of contraception.

The death penalty is another story. Here a recent opinion poll showed some two-thirds of respondents in favour of its maintenance, a view certainly aided by the nastiness of the Clairvaux case and, perhaps, by an even nastier case recently in the south of France when two petty criminals, having demanded money from a housewife, butchered a young child and stabbed the pregnant woman to the point of death in the hope merely of getting away undetected.

The triple murderer of Clairvaux actually demanded death at his trial. His long record of violence against women strongly suggested a man whom nothing would or could have deterred, but the prison warders' union, unsurprisingly, recently backed the death penalty for him. The public, it seems, agrees. Still less is it likely to back abolition of what it sees as a deterrent to the criminal who is perfectly sane.

Almost like Britain

In at least one respect it promises to be a hot winter for the French. The unions are smouldering; prices are warming up; and inflation threatens to take fire. France is not being toasted as much as Italy—where the cost of living went up by 1.3 per cent in October—nor does it yet approach the British figure for October of 1.4 per cent. But with retail price rises of 0.9 per cent in October, 0.6 per cent in September and 0.5 per cent in August, the French can no longer look upon inflation as the *vice anglais*.

To deal with this situation M. Pompidou has called on the services of M. Antoine Pinay, a former prime minister who acquired the reputation of being an economic troubleshooter during the 1950s. At 81, he may be pushed to repeat his performances of earlier years—particularly since M. Giscard d'Estaing, the finance minister, has ruled out restraints on prices and incomes. M. Giscard will announce a programme to tackle inflation next Wednesday. It will be based on the principles adopted by the common market finance ministers in Luxembourg last month and will try to remove the expectation that prices are bound to go on rising.

This will not be easy as long as



Put your trust in Pinay again

major wage claims are pressed. In addition to stoppages by dockers in some French ports, there have been strikes by postal workers and bank employees this week. On top of this workers in the power industry and on the railways are renegotiating their contracts. And although M. Ségué, the leader of the main trade union, the Confédération Générale du Travail, has promised no major confrontation with the government before the spring, he has declared that "the pressure of the workers" will be increased before then.

With an election expected in February or March both government and unions have an eye on the electorate. M. Pompidou dare not risk antagonising his supporters by introducing a wage freeze; M. Ségué dare not risk antagonising the supporters of his communist-led union by fuelling the inflationary fires too obviously. This may be the president's one consolation in the coming months. But, with another poll in *Le Figaro* this week suggesting that the opposition alliance is gaining more ground at the gaullists' expense, he cannot be sanguine about the present inflationary trend.

Iceland

No go

The breakdown of this week's British-Icelandic talks on the extension of Iceland's fishing limits from 12 to 50 miles will bring no comfort to British trawlers in northern waters. Lady Tweedsmuir, the Minister of State at the Foreign and Commonwealth Office, flew back on Tuesday from Reykjavik with the news that the talks were deadlocked. Iceland had not modified its claim to sovereignty over a 50-mile zone; and Britain had

rejected an elaborate proposal that would have divided the zone into a number of different areas to be fished at different times by vessels of a certain size. Britain is prepared to reduce its catch by 25 per cent of its 1971 level, and is also ready to allow the Icelanders priority in their own waters. But Lady Tweedsmuir argues that the Icelandic proposals would diminish the annual British catch not, as the Icelanders claim, by 35 per cent but by more than 70 per cent. This the British find unacceptable.

British trawlermen will undoubtedly continue to fish Icelandic waters up to the 12-mile limit in defiance of the Icelandic government. But, as winter wears on, they will find conditions growing more hazardous. Although the clashes that took place at sea last week were not typical of the relatively peaceful previous few weeks, they served as a reminder of the more serious October incidents.

With no prospect for a renewal of talks, the threat of harassment of British vessels will intensify the pressure on the British Government to increase its naval protection of trawlers. That may check the harassing of fishermen, but it may not make the Icelanders more willing to compromise: they seem to want to treat the sea off their shores like the continental shelf, saying that it is hypocritical for the British to lay claim to oilfields far beyond 50 miles from their coast yet deny Icelanders a similar right to their greatest natural resource, fish. But the real problem about the conservation of white fish stocks concerns not just the Icelandic, British and west German fleets but the depredations outside Icelandic waters of the Norwegians and the east Europeans. And there is no prospect of their activities being curtailed until the next United Nations general conference on the sea meets in a year's time.

Hungary

To Budapest, with tact

FROM OUR EAST EUROPE CORRESPONDENT

Mr Leonid Brezhnev, the Soviet party leader, waited tactfully until the Hungarians had straightened out their own domestic problems before descending on the Hungarian capital with a high-powered delegation this week. The straightening out took place just over two weeks ago at a meeting of Hungary's central committee which took a



Kadar gets an extension of Brezhnev's okay

hard look at the future of the country's new economic system, now almost five years old. The committee decided, after studying the findings of four commissions, to continue the curbs on prices and investment which were first imposed a year ago to correct "distortions" in the system without slowing down economic expansion. A state planning commission directly under the cabinet is to be set up to strengthen the powers of Hungary's central planners.

For years the Hungarians have been extremely wary in their efforts to reform their economy because the Russians were looking over their shoulders. But now they are feeling encouraged because of another display of Soviet tact at a recent meeting of Russian and Hungarian economists in Budapest. There the Russians conceded that Hungary, with its shortage of raw materials and a production capacity far exceeding its domestic needs, must make expansion of its foreign trade, particularly with non-communist countries, a top priority. The economists also agreed that the use of economic regulators and greater independence for industrial firms are the only methods for solving economic problems in communist states.

Hungarians are convinced that the Soviet economists would not have been so accommodating if there had been any danger of serious disapproval from the Russian leaders. Nor would Mr Brezhnev have pinned the Order of Lenin on Mr Kadar had he been assailed by doubts about the road Hungary is following under his leadership. The Hungarians seem to be right for the time being at least.

New Zealand

Kirk session

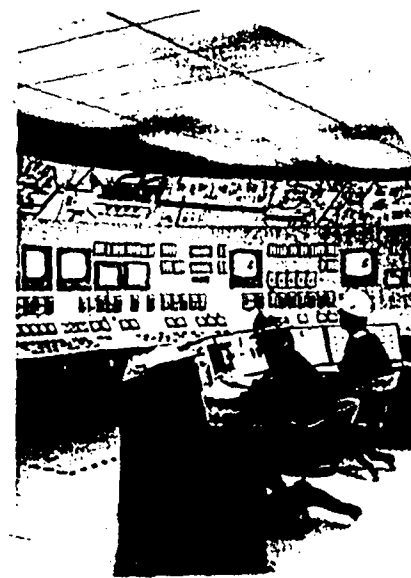
FROM OUR NEW ZEALAND CORRESPONDENT

The Labor party's landslide victory in the New Zealand elections last weekend was not predicted, but seen in retrospect it was not all that surprising. The National party had ruled for 12 years and Labor's campaign slogan, "Time for a Change" had great appeal, despite the fact that the country is more prosperous than ever and the outgoing prime minister, Mr John Marshall, was acknowledged to have done well in securing future access for New Zealand products to the British market.

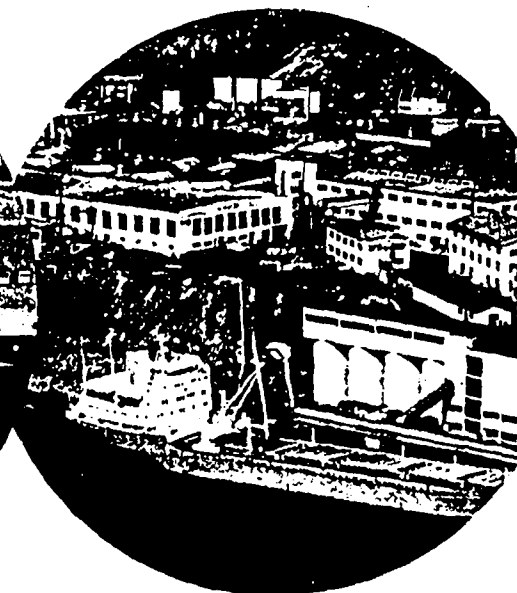
But the Nationals looked somewhat lacklustre after four consecutive terms in office and were accused of being out of touch with public opinion, especially on social and environmental issues. Under Mr Norman Kirk's leadership, on the other hand, the Labor party had built up its image as a moderate, responsible party that would not turn the country upside down. In heavy polling, Labor secured 55 of the 87 seats in the house of representatives although its share of the vote was only 48 per cent against the Nationals' 41 per cent. The remaining votes went to splinter parties which failed to gain representation.

Mr Kirk is a shrewd, rough-hewn politician who has led his party since 1965 but has never held cabinet office. He left school at 12 and worked as a railwayman before he was elected to parliament in 1957. He is firmly in control of his party and, with a parlia-

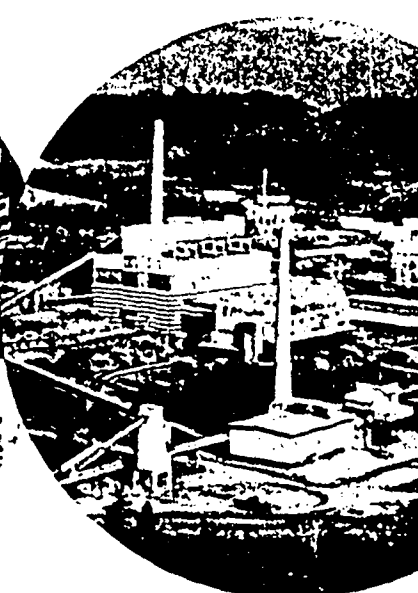
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mentary majority of more than 20, he can probably count on enjoying at least six years as prime minister. This would let him push ahead with his programmes for regional development, housing, industrial relations and better recreation facilities.

For the first time in many years, foreign affairs and defence were not major election issues. Mr Kirk will recognise communist China and pull the tiny 50-man New Zealand army training group out of South Vietnam. But he is probably in no great hurry to withdraw New Zealand troops from the five-power force in Malaysia and Singapore. The Labor party is committed to pulling out of Seato on the ground that this is an outdated regional defence organisation. Mr Kirk will probably be his own foreign minister and is likely to handle these questions with discretion. He says he will step up aid to south-east Asia. His concern for the Pacific region and for the environment underpin his threat to send a naval frigate crewed by volunteers into the French nuclear test area around Mururoa atoll.

Britain's entry into the common market, in Mr Kirk's view, must make New Zealand look increasingly to Brussels rather than London as the focus of Europe. This belief has been reinforced by the immigration rules that the British Government is labouring to introduce. Mr Kirk and many New Zealanders feel strongly on this score, and the new government will insist that New Zealanders in Britain should have the same rights as Britons in New Zealand.

Cambodia

The new force

FROM OUR INDOCHINA CORRESPONDENT

Whatever the North Vietnamese have done, or failed to do, in South Vietnam this year, they have certainly managed to organise a genuine local insurgency in Cambodia. A year ago the Cambodian government could argue with some justification that Cambodia's troubles would fade away when the Vietnamese communists withdrew from the country. It is now accepted, however, that most of the fighting on the roads leading into Phnom Penh since the late summer has been the work of communist-led Cambodian guerrillas.

The North Vietnamese seem to have decided to build up the Khmer Rouge forces, and help them to acquire more territory, during the rainy season in

the summer and autumn of 1971. This may have been connected with the offensive they were planning in Vietnam for 1972, which was going to use most of their own troops in Cambodia. Anyway, by late this summer intelligence reports put the Khmer Rouge's strength at 40,000 men—not all front-line soldiers, but including 40 to 60 battalions of 200 or more men each, with Cambodian commanders.

The big question is whether these amount to an organised movement. Certainly the rebels in the maquis got there by very different routes. The majority are probably peasants impressed by the North Vietnamese as coolies. Others are remnants of the old anti-Sihanouk Khmer Rouges. There are villagers who took to arms after suffering at the hands of the South Vietnamese army, and some common or garden bandits. But the available intelligence points to North Vietnamese-trained communists as the chief force among the guerrillas.

Since Prince Sihanouk's overthrow in 1970 some 2,000-3,000 of these men have come back from North Vietnam, where they went in 1954 or soon afterwards. They and like-minded later converts, including some intellectuals who rebelled against Prince Sihanouk, together with the North Vietnamese, have organised the aggressive Khmer Rouge units that went into action this summer.

It is hard to get a clear idea of how much of the country they control. Much of Cambodia is no man's land, and has been for two years. But there is evidence from some areas of well organised villages with their own home guard. The relationship between the Cambodian guerrillas and the North Vietnamese will be very important if there is a ceasefire in Vietnam. Will North Vietnam want the guerrillas to stop fighting and try for a compromise political solution, with or without Sihanouk? They are a new factor in the situation, which the Cambodian government cannot ignore.

Chile

Leaving the army in charge

Chile's marxist president, Sr Salvador Allende, left Santiago for Mexico City this week on the first leg of a 14-day trip that will also take him to New York, Moscow and Havana. He plans to address the United Nations General

Assembly on December 4th.

General Carlos Prats, the army commander-in-chief who was made minister of the interior last month, will act in Sr Allende's place during the president's absence. But it may well be during the next few days that the loyalties of the armed forces will be most severely tested, either because right-wing extremists will seize on Sr Allende's absence as the opportunity to stage a rising, or because the generals themselves may get ideas, or because the military men in the present cabinet will be asked to participate in measures that would fully commit them to the programme of the Popular Unity coalition.

It is easy to see how that could happen. One possibility involves "the decree of insistence," one of the key legal measures used by the Allende government to override the appeal courts and extend state control over the private sector. It is a decree signed by every member of the cabinet that overrules the decisions of the highest appeal tribunal, the Contraloría. According to the Controller-General, Sr Hector Humenes, it has been used 28 times since Sr Allende took office.

Now the protracted conflict over a company called Fensa, which produces domestic appliances, seems to have reached a head, and it is likely that the government will call on the military men in the cabinet to join in signing a new decree of insistence to sanction its takeover. Whether or not they sign will show to what extent they are ready to underwrite the economic programme of the communist party.

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China

Happiness is a bicycle

FROM OUR SPECIAL CORRESPONDENT

Mao Tse-tung's government has strung a safety net under the Chinese people. This is what strikes a visitor on the briefest tour and this is what makes China different from many poor and populous countries. The net is not without holes: some people do live in conditions which would be called slums anywhere else, and some people do face the familiar double disaster of unexpected illness followed by an unpayable medical bill. Not even the Chinese themselves claim that their social services or their welfare system have reached the level of relatively rich countries like Britain. But they have succeeded in mitigating both the rate and scale of human disaster. And they have set a standard of subsistence living that allows not only food, clothing and shelter but also, so far as one can tell, a new measure of self-respect.

The levelling process undoubtedly takes colour out of the social landscape. China looks, as every visitor has remarked, like a nation fitted out by army-navy surplus. The shops are in fact well stocked these days with brightly patterned fabrics—not beautiful but bright—and six months ago people were urged to break out of the standard blue boiler suit. But levelling brings with it a drive for conformity and the Chinese, schooled in caution, are evidently not ready to risk standing out in a crowd.

China is the farthest thing from a consumer society. Yet the shops in Peking and Shanghai are crowded at all times—partly because factories stagger their days off, partly because window-shopping is a cheap form of recreation, and partly because there is more money than things to buy. The luxuries available to a Chinese can be counted on one hand: a bicycle which costs up to three months' earnings; a sewing machine at about the same price; a short-wave radio; a mirror-inlaid bed. Yet even these major items seem to be within reach of a lot of working men; there are half a million bicycles in Canton, for example, where the population is 3m.

Clothing is relatively expensive: ordinary wool garments like cardigans

and trousers can cost more than in Britain and cotton is still rationed (the common solution is to buy a mixture of cotton and synthetic fibre). But apart from clothes and a selection of cheap household goods, there is nothing to buy. "What are you saving for?" this correspondent asked one party man who had £400 in the bank. "Nothing," he shrugged.

One option that is not open to people with savings is moving to a bigger home. Housing is usually assigned in connection with a job and tends to be extremely cramped by western standards. But there are great variations both within a city—between decaying old-style houses and modern housing estates—and between a city flat for six people, consisting of one and a half rooms plus communal flush toilet, running water and gas burner, and a suburban flat for the same size of family, with five rooms minus mod cons.

In the cities, all new housing is built and managed by factories or the municipal authority. Some pre-revolutionary houses are still owner-occupied and a handful of these small homeowners still rent out rooms. But most of the old housing is now rented out by the lowest level of local government, the street committee. In the countryside it is still possible for people to build their own homes, subject to approval by their production team and the commune which must allot them the land. In one commune near Shanghai 90 per cent of the peasants own their own homes. The usual pattern is that when a first son marries he continues to live with his parents, but when a second son gets engaged he either expands the old house or builds a new one, usually by demolishing an old one and recycling the materials.

All Chinese housing is very cheap by western standards: a relatively expensive Shanghai flat costs under £2 a month or less than 10 per cent of a couple's income. City rents, even in workers' estates, may be 10 times as high as the purely nominal fees on a commune. But an urban worker earns at least twice as much in cash terms as

THE ECONOMIST DECEMBER 2, 1972



Mod flat, 1½ rms, shared k & b, £2 monthly

a peasant. And if he is employed in a state factory he will have the benefit of free health insurance which continues after retirement and half-rate medical care for his dependants.

Since the cultural revolution, the national health scheme for state employees has been supplemented by a co-operative medical service open to commune members and workers in local enterprises. This gives them free medical care for less than 50p per person per year. But the co-operative insurance is not available in all areas and, even where it is, people can opt out. If they are then faced with a medical emergency, they must either pay up—an operation for a broken hip in a Shanghai hospital costs £7—or they can appeal for aid. For old people who are not covered by the state system, the first court of appeal is their son and their son's employer. People with no family to fall back on must seek help either from their local public service bureau in a city or their commune authority.

Medical care, like housing, still varies greatly from area to area, although the Chinese have made great efforts, particularly in the past few years, to shift medical resources from the cities to the countryside. Their best known innovation is the barefoot doctor—a worker who after a few months' training does simple diagnosis and treatment in local clinics. Fully trained physicians also leave their city hospitals to spend

THE ECONOMIST DECEMBER 2, 1972

part of the year making rounds of factories and communes. As a result of the government's public health and medical programmes, most of the scourges that used to wipe out millions of Chinese every year have been eliminated. Today China's main unsolved medical problems are the same as those of the rest of the world—cancer and heart disease.

Spare rib, sweet and sour

The spark of women's lib has started no prairie fires in China. But not because there is no more liberating to be done. Chinese women have come a long way since Mao Tse-tung wrote his first feminist tract 53 years ago. Today Chinese women are certainly more equal in law and probably more equal in fact than the women of Britain. But they are still barely represented in the councils of power. And they still have to cope with sick children, dirty dishes and discrimination by feudal-minded men.

The Chinese have a clear theoretical appreciation of the woman problem: "The emancipation of women is a measure of the liberation of a society," a Shanghai ideologist declared. And to back up his argument he explained that China is aiming to fill one-third of all party positions with women. Why only one-third? Because women constitute one-third of the Shanghai work force and because women are still catching up after millennia of backwardness. "But one-third is only our first target," a woman comrade interrupted with a zeal worthy of Germaine Greer. "We will carry on the struggle until we reach complete equality."

Apart from this flash of feminism—the only real debate among Chinese which your correspondent witnessed in China—there is no sign of a concerted effort to raise the status of Chinese women. The mass organisation for women perished along with all other such groups during the cultural revolution and there are no plans yet to revive it. There are no identifiable women's leaders (Mrs Mao has never involved herself in the problems of her sex) and even the annual policy statement on women—the People's Daily editorial on international women's day—has lapsed. "What new is there to say?" asked a weary male editor.

The one-third figure comes back again and again in response to questions about the representation of women (targets everywhere have a

way of transmuting into facts)—34 per cent in the Shanghai revolutionary committee, for example. But in the Shanghai party committee, where the power is, it is 17 per cent; in the group running the New China News Agency it is 7 per cent; and among the top editors of the People's Daily it is zero.

Progress at the top has undoubtedly been slow (the female contingent on the politburo was cut in half a year ago with the disappearance of Mrs Lin Piao) but the cultural revolution seems to have made a difference at lower levels. More girls are being educated now because of the expansion of primary schools in rural areas (where there was a shortage of school places before, the girls tended to stay home); more women are going to work because of the development of local workshops; and more working women are receiving equal pay.

Equal pay has been on the statute books in China since the mid-1950s but has always proved difficult to implement. All state enterprises are said to pay women equally now, but officials admit that in the countryside a "protracted struggle" will be required to overcome resistance to equal pay. This is partly because of the different methods of calculating pay: in urban factories and offices workers generally get a fixed wage whereas in rural communes work points are awarded by the peasants themselves on various grounds, including political attitude and physical strength. This is one of the loopholes women fall through.

Another is the familiar phenomenon of women's work. Apart from the much heralded labour heroines like the handful of women pilots, many ordinary women can be seen doing "men's work" like operating lathes, welding metal and driving tractors. But most

women seem still to be segregated into jobs that are considered most appropriate for women (and are usually lower-paid).

The local workshops that have been set up to woo the last housewives out of their homes tend to be an extension of home handicrafts, like sewing and basketweaving, or light industry, for which nimble female fingers are said to be especially suitable. Women earn less in these co-operative workshops than they would in a state-run factory and have fewer social benefits. But they have the advantage of being near to home and they can take an unpaid day off to tend a sick child.

Children are, of course, the main barrier between women and work and for years a shortage of public child-care facilities kept many Chinese women at home. But now the Chinese claim that in the cities, at least, every able-bodied woman under 45 has a job. Grannies are still preferred as babysitters but they have been supplemented by a network of nurseries run by factories (usually for under-tens) or by local committees. A typical nursery is open 10 or 12 hours a day six days a week and costs less than a pound a month. Nurseries will also take in boarders if the mother is away, at a cadre school for example, at a charge of about £3.50 a month—one-third of the mother's salary.

Another aid for working women is factory and neighbourhood canteens which provide cheap hot meals. Most people, however, prefer to eat at least one meal a day at home; here granny often comes in handy again as the weekday cook. Chinese husbands claim to help with the housework, but when a female cadre was asked why there were not more like her down at the commune, she replied in one eloquent word. "Housework."



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THE WORLD

American Survey

Housing: all falling down?

FROM OUR SPECIAL CORRESPONDENT

Four years ago the United States seemed at last set to fulfil a promise made in the 1940s: that every American family should have "a decent home in a decent environment." A 10-year goal of 6m new and rehabilitated homes for the needy was announced and big new subsidies, for both rented housing and for house-purchase, were piled on top of the subsidies and other aids already in existence. In terms of production of houses, the new approach has been a roaring success; beginning in 1969, more subsidised homes have been built than in the previous 31 years of government programmes. Yet federal housing policy has made so many enemies that it seems to be back in the melting-pot.

An early sign was the failure of the House of Representatives to pass this year's big and innovative housing bill, which for the first time would have given local authorities block grants in place of some of the many categorical grants—money limited to specific purposes—that exist today. The bill was immensely long and, because of feuds inside the committee sponsoring the legislation, reached the floor very late in the session. But in addition the coalition—of city mayors, builders, mortgage bankers, speculators and estate agents—which had kept the federal government in the housing business appeared to be falling apart. In the end Congress decided only to extend existing legislation until next July, leaving to its successor the job of reshaping the part which the federal government should play in the housing field. A fresh start will also have to be made at the Department of Housing and Urban Development (Hud). This week President Nixon received the long-expected resignation of its head, Mr George Romney.

In recent weeks Mr Romney has been campaigning actively for the virtual gutting of his department; he would limit the federal government's function to the establishment of housing goals and the stimulation of state, local and private efforts to meet them. Congress is also in on the action. Hearings start next week before its Joint Economic Committee, based on a series of special studies which the committee's chairman, Senator Proxmire, recently called a "damning indictment" of the government's performance on housing.

What has attracted most attention is a series of local scandals which have been coming to light. Most of these have concerned pre-1968 programmes, but they have tarnished the whole lot. In many big cities dishonest federal employees have connived with dishonest estate agents and mortgage bankers to inflate the appraised value of houses being sold to unsophisticated buyers in the deteriorating areas in the city centres. Hud has been left holding the not-inconsiderable financial bag, while many poor people whom Congress meant to help have lost both their savings and their homes. Congress deliberately authorised Hud to take greater risks when, a few years ago, it instructed housing officials to insure mortgages in the ghettos and other low-income areas. But the administration of the programmes has left much to be desired.

A much more intractable problem affecting the new homes being built under the 1968 subsidy programmes is the determination of towns and suburbs to keep out housing for the poor—and especially poor blacks. Mr Romney's efforts to persuade them to accept a fair share of such housing has never had the real support of the Administration, which sensed long ago how strong



Dynamite for a better environment

the resistance would be. Today that resistance seems stronger than ever. Americans, one observer notes wryly, want to be fair to the poor—but not just yet. Battles on this issue are going on all over the country.

Even so experienced, determined and wily a man as Mr Edward Logue, the head of New York State's powerful Urban Development Corporation, has failed to persuade towns in Westchester County that each should accept 100 units of housing for families with low incomes, although this was not for New York City's blacks, but for the towns' own poor. One aspect of this year's housing bill which disenchanted builders was the move to give local elected officials the power to veto all but the tiniest subsidised projects. Indeed, there is resistance not just to housing for the poor, but to new building development of all kinds, a product, very largely, of the new sensitivity to the environment.

A number of experts are also convinced that the design of the federal government's policies is basically faulty. Subsidies are available not only to the poor, but also as incentives to rich investors (through tax shelter arrangements), to bankers and to developers. Some critics charge that as much as

half of the government's expenditure on housing ends up in the hands of middlemen. This makes homes more expensive than they might be with a direct-loan programme, while many of the buildings put up are unaesthetic, badly constructed and designed with little thought for the families which will have to live in them. Some people argue that far fewer costly new homes would be needed if more of the existing stock were saved.

Finally, the housing commitments of the federal government are already large and are rising more rapidly than those in any other area of federal spending. In 1969 federal expenditure on housing was well under \$1 billion a year. Now it is nearly \$4 billion and in four years it is expected to be nearly double that, with a liability to go on providing the subsidies for 40 years. A small price, some might say, for a rich country to pay to assure a decent home to every family. But it does not look small to a President who faces big budget deficits. It is not only subsidised units which constitute a financial headache. Public housing (equivalent to British council housing) has long been out of favour and practically none has been built in recent years. But the great dreary blocks which went up after the war still house 1m of the very poorest families and the local authorities which operate them with federal help face yawning deficits.

Yet Mr Nixon has promised that many social programmes will be pruned and housing is a prime candidate for the knife. It is not only costly; it is a breeding-ground of many troubles. One long-time government expert in this field says that the Administration will move heaven and earth to get rid of the new housing programmes and public housing too. One way would be to extend block grants to housing (this year's lost bill confined it to programmes such as urban renewal) and give the money—or more likely just part of it—to the states and let them get on with the job.

The advanced states would probably do it well, if they get enough money. Massachusetts and New York, to mention two, have made a good start in packaging well planned schemes for developers and supervising them to make sure that the building is done right and that there is good management afterward. These schemes get away from the disastrous concentration of the poor in high blocks, which has led to so much crime—as in St Louis's notorious Pruitt-Igoe estate—by requiring each development to set aside 20

per cent or more of the flats for the under-privileged. More backward—and corrupt—states could be another matter. What many experts stress is that, with the present high prices of land and labour, it is impossible for private enterprise to build for the middle-class, let alone the poor, without the current level of financial aid from the government. But whether a strongly Democratic Congress, which is jealous of its control over spending of the federal tax dollar, will let the states distribute this money is open to doubt.

Another solution for housing woes which Congress will be discussing is the housing allowance, which would give poor people the money to find their own shelter in the private market; this allowance might be linked with block grants. If the laws against racial discrimination in housing were enforced vigorously—and here the Nixon Administration has a good record—the poor could live where they like, while the federal government's role would be reduced to what it does best: handing out cash.

But even here there are pitfalls. Mr Logue, looking out over a magnificent panorama of New York City, notes that its vacancy rate is a bare 1 per cent; here housing allowances would simply push prices and rents up. Even when the rate is higher, the houses and flats may be far from jobs. Where there are many vacant houses, this may be because of doubts about the area's economic and racial future; no builder is going to risk capital in a place where people will not live. An argument along the same lines comes from Mr Anthony Downs, a housing expert who is highly regarded. His study, which has just appeared, was financed by the big builders and mortgage lenders and it is being interpreted as a sign that they will be ready to do battle for the existing subsidy programmes when Congress reassembles. These interested parties have developed a cosy relationship with many powerful members which in the past has usually brought them what they want.

New players

Mr Nixon is a sports fan and so it came naturally to him, when he was discussing the need to keep up the "excitement and vitality" of his Administration during the next four years, to speak of changes in some of the players and some of the plays. But for the Department of Defence, Mr Nixon has chosen not a new face, but the



"Pretty Sure Of Yourself, Aren't You?"

familiar and highly respected one of Mr Elliot Richardson, the competent and hard-working Bostonian who has been running the vast Department of Health, Education and Welfare. Mr Richardson is a progressive Republican, but little progress was possible at HEW with Mr Nixon backing away from reform of the ill-designed system of public assistance, from racial integration and from social programmes generally. The Defence Department should be less frustrating, although what Mr Richardson achieves will depend, presumably, on what Mr Nixon wants.

Stepping into Mr Richardson's shoes at HEW will be Mr Caspar Weinberger, another familiar player as director of the Office of Management and Budget. The fact that Mr Nixon is sending his chief budget-cutter to HEW is no coincidence; many people expect a fierce onslaught on the "great society" programmes inherited from the Johnson Administration. But Mr Weinberger is no random slasher and he also possesses considerable organising ability.

Mr Weinberger's successor at OMB is to be Mr Roy Ash, the man who is dreamed up this agency when he was chairman of the President's advisory council on executive reorganisation. So far OMB has been more budget than management but with Mr Ash in charge this may change. There have been suggestions that, if Congress continues to resist the consolidation and streamlining of government departments which Mr Nixon has been seeking, he will go ahead anyway, as far as he can without congressional authority. Presumably this job will fall



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to Mr Ash, a noted business manager (he heads Litton Industries, Inc). His new post does not need Senate confirmation.

All three of these men are known as team-players, who can be counted on to carry out the President's orders. Two much stronger and self-willed possibilities for the cabinet, Mr John Connally and Governor Nelson Rockefeller, both potential Secretaries of State, will not be joining the government, Mr Nixon has announced. The subsequent news that Mr Rogers is to stay on at State thus caused no surprise. It seems that there is to be no change, just yet, in the management of foreign policy.

A real change, however, is going to take place at the Department of Labour, with the appointment of Mr Peter Brennan, head of the Building and Construction Trades Council in New York. No doubt this is thought of as recognition for the millions of trade unionists who, like Mr Brennan, deserted the Democrats and voted for Mr Nixon. But not all of them may appreciate it, although Mr George Meany, head of the big trade union federation and a defender of the Vietnam war, has welcomed the appointment. Mr Brennan first came to the President's attention when he organised a march of "hard-hat" construction workers in 1970 to support the foray in Cambodia. In the course of it there were attacks on student protesters. Mr Brennan was subsequently invited to the White House and this year he worked hard in New York for the re-election of the President.

Dissenters' day

Five leaders of the demonstrations against the 1968 Democratic presidential convention in Chicago have now had their revenge against the judge who presided over their trials. Last week the court of appeals which reversed their convictions for incitement to riot rebuked Judge Hoffman and the chief federal prosecutor severely for their antagonistic attitude toward the defendants and defence counsel, concluding that "the demeanour of the judge and prosecutor would require reversal if other errors did not." These other errors included a refusal to permit certain witnesses for the defence to testify. The defence acted disruptively, the decision said, but that did not excuse the judge's sarcasm.

The defendants—Messrs Abbie Hoffman, Rennie Davis, David Dellin-



Chicago's seven have something to smile about

ger, Tom Hayden and Jerry Rubin—are not quite out of the woods, like the two who were acquitted originally or Mr Bobby Seale (the case against him has since been dropped). The appeals court held that the five could be tried again. But, if they are, the government will have to disclose to defence lawyers all the information that it secured through electronic surveillance. The Justice Department had obtained no court authority for this wire-tapping, on the grounds that the case involved "national security," but this argument has since been restricted severely by the Supreme Court. If there is to be a new Attorney General, the decision on a new trial may be left to him, but in any case it might be the course of wisdom to let the matter drop.

Judge Hoffman also gave all eight defendants and two of their lawyers harsh sentences for contempt of court. These are to be reviewed by another judge but already the government has moved that the maximum penalty should be 177 days in prison (Judge Hoffman went as high as four years) and that the contempt charges against Mr Seale should be withdrawn (he was bound and gagged before his case was severed from those of the other defendants). The one real disappointment to liberals is that the appeals court, by 2 to 1, found constitutional the controversial anti-riot law under which the accused were tried. Therefore it still hangs over the head of other protesters, such as the Vietnam Veterans against the War, who were indicted last summer for conspiring to attack the Republican convention at

Miami Beach.

When you have a trial of intentions, trying what is in people's heads, then it is impossible to get a fair trial according to one of the defence lawyers in the Chicago case.

But almost all the other protesters who were arrested at Miami Beach have now been released without even having been brought to trial.

Ahoy there, reds!

As far as the White House is concerned ships and aircraft flying the American flag may now visit China for the first time in almost 23 years. Applications for docking and landing rights for American carriers have still to be approved by Peking; this may take time to arrange but no real difficulty is expected. The relaxation does not mean, however, that scheduled American air and shipping services to China are imminent; these are dependent on the negotiation of treaties which are not being considered at present. The flights now in prospect are *ad hoc* charter affairs and the ships will probably only be the odd cargo vessel delivering grain and any other bulky products which the Chinese may buy from the United States. But they are being careful in their purchases, all of which are on a cash basis, and they will probably prefer cheaper foreign ships, when these are available, to American ones.

Since trade with China is still so small the maritime trade unions have not stipulated as yet that a share of the goods must be carried in American

bottoms, as they have done with the huge Russian purchases of wheat. So far, however, only 3m of the 17m tons of this wheat have been loaded, all of it in ships belonging to third countries. When Soviet and American negotiators tried to work out details of the agreement on the price that the Russians are to pay to American shipowners (who are supposed to get a third of the grain cargoes), a deadlock arose over the key figure, the world market rate; on this was to be based the final price, high enough to remove from the American taxpayer some of the burden of subsidising American vessels to make up for their extremely high running costs. Last week a complicated formula was worked out at last and American ships are already loading the grain.

In spite of these delays there has been little sign of grain piling up at storage points or at the ports, or of the shortages of freight cars and the congestion on the railways that had been expected as a result of this year's huge increase in exports of wheat. Partly this is thanks to wet weather which delayed the harvest, partly to the special task force set up to handle the situation. But with storms and snow due at any time and the ports on the Great Lakes about to be frozen up, it will take even greater efforts to get all Russia's purchases delivered before next summer.

Miners' democracy

Even now the reformers in the United Mine Workers' union are having to fight hard to oust the present head of the trade union, Mr Tony Boyle. The Boyle administration has been associated with corruption, misuse of the union's funds, a fraudulent election, with violence and with murder. Mr Boyle himself has been found guilty of using UMW funds illegally in the national presidential election in 1968 and is faced with five years in prison if his appeals fail. Two senior members of the union have been charged with complicity in the murders of Mr Jock Yablonski, his wife and daughter three weeks after Mr Yablonski lost the election for the union presidency in 1969 to Mr Boyle. That election was overturned by a federal court this year on the grounds that it was fraudulent; a new one is now being held after a long battle by the remaining members of the Yablonski family.

On paper Mr Arnold Miller, the man who hopes to lead to victory the



Democrat Miller, autocrat Boyle

Miners for Democracy (the reform faction within the union) now has all the advantages. The new election is to be held under the terms of the Landrum-Griffin Act, designed to guard members of a union against corruption. There will be over 1,000 officials from the Department of Labour to ensure that there is no repetition of the vote stealing, the fraud and the intimidation which occurred in 1969. Unlike three years ago all the 200,000 members of the union have been notified of the election and have been told the times and places of polling by the Department of Labour. The ballots will not be counted by local officials this year; instead they will be taken under guard to a centre in Maryland. The whole election will cost the federal government some \$4m.

Mr Boyle's freedom has been curtailed in other ways. Neither he nor other officials have been allowed to campaign during the time which they should dedicate to union affairs. They have had to make the most of weekends. Mr Miller and the two other men on the MFD ticket, Mr Mike Trbovich and Mr Harry Patrick, have been free to campaign when they want; none of them is a union official. This year the Labour Department is making sure that Mr Boyle and his team cannot use one cent of union money in their campaign. Nor has Mr Boyle been able to monopolise the union's magazine, the bible for large numbers of miners, as he has done in the past. A court insisted that equal space must be given to all candidates.

But for many miners particularly the 80,000 pensioners, Mr Boyle is the trade union and the union has been the focal point of their existence since the revered Mr John Lewis led the UMW to greatness early in the century. The men who lead the MFD, which has its greatest following among younger members, are miners like themselves and they have little experience of union affairs or of dealing with

the owners of coal companies. Until they started to campaign this summer they were virtually unknown and miners, particularly those in the more isolated parts of Appalachia, do not take kindly to new faces or new ideas.

How did they do?

1. Women gained

FROM A SPECIAL CORRESPONDENT

The bare statistics from the recent election show that a year and a half of effort on the part of women's organisations did not achieve the hoped-for large increase in the number of women holding public office. In Congress, the total of women will remain unchanged at 14, out of the total of 535 Senators and Representatives. In all of the 50 state legislatures combined, the increase in the number of women members may be scarcely more than 70, which is a rise of only 1 per cent. In addition, an important symbol was lost with the defeat, at the age of 74, of the Republican Senator, Mrs Margaret Chase Smith, of Maine. Her absence from the new Congress will leave the Senate an all-male institution for the first time since her arrival there in 1949.

But plain statistics may be obscuring some trends. In the first place, two of the women members of the old Congress were widows who served out their husband's unexpired terms and did not try for re-election. Thus the number of what might be termed serious women politicians in Congress will be up from 12 to 14, out of the total of 32 women who ran as candidates for major parties. What is more, the five new women members of Congress have the look of the "new women" in politics. All are professionally trained as lawyers. Four of the five are under 40 years of age. The available information indicates that younger, better-trained women who intend to make a career of politics also predominate among those elected to state legislatures and city councils.

Two of the five new women in Congress are black and this high proportion also appears to reflect a trend. The three black women who will serve in the House of Representatives will constitute 20 per cent of all women in Congress (blacks constitute 11 per cent of the population) and nearly 20 per cent of the total number of blacks, whereas white women constitute only 2 per cent of all the white members of Congress. Among feminists, the



Holtzman: One of Congress's new breed

explanation given for this phenomenon is that black women, having always been forced to work, find it easier than white women to get themselves taken seriously when they try for positions of leadership.

Those who take an optimistic view of how well women did in the election make a number of other points. The National Women's Political Caucus, which was formed 18 months ago for the primary purpose of putting more women in public office, points to states where it was particularly well organised—such as Texas—as those in which women made the greatest gains. In some states where the number of women legislators declined (Vermont is an example) feminists none the less took comfort from the fact that the winners were—and the losers were not—women who were prominently identified with the new feminist issues, such as repeal of laws restricting abortion, easier divorce and expansion of facilities for day care of children.

There were also other victories for women at the polls. Four states passed constitutional amendments barring sex discrimination—Hawaii, Maryland, New Mexico and Texas. But there were losses for feminists, too. In both Michigan and North Dakota, the only states where the issue was on the ballot, proposals to liberalise abortion laws lost.

2. . . . and so did blacks

Washington, DC

Black voters seem to have followed the national pattern last month in turning out in smaller numbers than in previous years. In Washington, DC, which is over 70 per cent black, only 31 per cent of those of voting age bothered to go to the polls.

The last two Democratic presidential

candidates got a vast proportion of the black vote. Mr McGovern's share seems to have been somewhat less, if Mr Louis Harris's estimate of 79 per cent is anything to go by. What does seem certain is that a substantial number of middle-class blacks switched to Mr Nixon. According to the Joint Centre for Political Studies, a Washington body which monitors black voting trends, Negroes living in the suburbs voted much more heavily for Mr Nixon—up to 30 per cent in Philadelphia and Louisville—than the poorer Negroes living in the city centres who generally stuck to the Democrats.

In the House of Representatives three more blacks, two of them women, were elected to make a total of 15 and, in the Senate the one black Republican, Mr Edward Brooke, comfortably retained his seat in Massachusetts. Interestingly, the three newcomers—Mrs Barbara Jordan from Houston, Texas, Mr Andrew Young from Atlanta, Georgia, and Mrs Yvonne Brathwaite Burke from Los Angeles, California—are all from districts with a slight white majority. This had happened before in the case of Senator Brooke and Mr Ronald Dellums from the Oakland-Berkeley area of California, but never in the South. All this does not add up to much in terms of power for the blacks. In the new Congress Mr Charles Diggs, a Democrat from Detroit, will move up to be chairman of the District of Columbia Committee. But, while this may benefit the blacks of Washington, it has no great national significance.

In the state legislatures the blacks have made the same steady, spectacular gains. There are now 227 black state legislators in 38 states as opposed to 206 in 37 states just before the elections. Blacks lost their seats in the Iowa and Alaska assemblies. But, apparently for the first time, there are blacks in the Arkansas, Minnesota and Oregon legislatures; in Tennessee, the seven blacks in the lower house now hold the balance of power.

Environment wins

FROM A CORRESPONDENT IN CALIFORNIA

One indication that American voters are not as opposed to change as they seemed to be from their votes in the presidential and congressional elections is supposedly the sturdiness of their support for strong, even costly measures to protect the environment (although why a vote for conservation should be seen as a vote for change is

not altogether clear). Be that as it may, a \$1.15 billion issue of environmental bonds was approved by a vote of two to one in New York State. The largest share is to be spent on sewage systems and rubbish disposal; the remaining funds will buy open spaces and improvements in the quality of the air. New Jersey defeated a \$750m issue of bonds for transportation, primarily because conservationists objected that the provision for commuter facilities, as an alternative to motorways, was inadequate.

In Colorado voters overwhelmingly rejected plans to stage the 1976 Olympics in their Rocky Mountains. They feared that the games would spur the building of hotels, resorts and roads to the detriment of the rugged beauty of the area. Washington State chose a weaker, rather than a stronger, measure to protect the coastline, but it is still a comprehensive plan.

In California, a proposal was passed for strict regulation of any future building along the 1,000-mile coastline. Construction along the coast must now be approved by a system of new regional and stateside agencies. These will have final say over industrial and home building, developments for recreation, offshore oil drilling and the hotly debated siting of nuclear power plants along the coast. What is significant is that support for control over so great a natural asset came in spite of powerful opposition from oil companies, builders, property developers, banks, trade unions and utility companies.

Environmental interest has been whetted lately in California—and builders shaken—by a ruling from the state's Supreme Court that private construction, as well as public, must be accompanied by an "environmental impact" analysis, as ordered by a 1970 law. In an opinion halting the development of a holiday resort in the heart of a national forest, the court said that environmental effects must always be analysed before building permits are issued. Subsequently, the court modified its interpretation to apply to projects of "significant" impact, presumably omitting private houses which account for 90 per cent or so of all construction.

Numerous local propositions to preserve open space by buying it for parks were also approved by voters in many Californian communities. For example, San Diego and Santa Barbara voted overwhelmingly to set limits of 30 to 40 feet on the height of new buildings.

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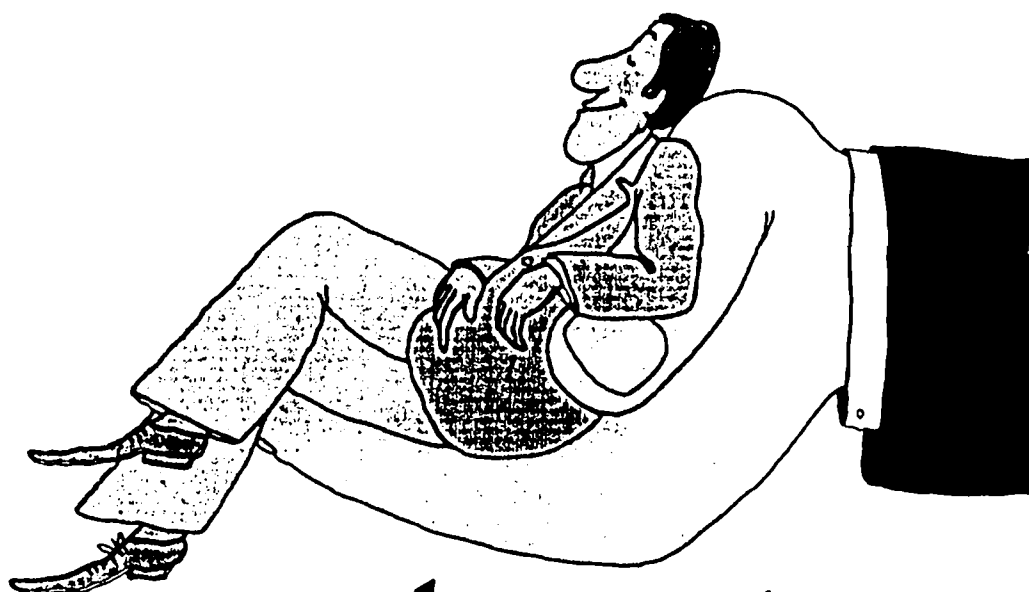
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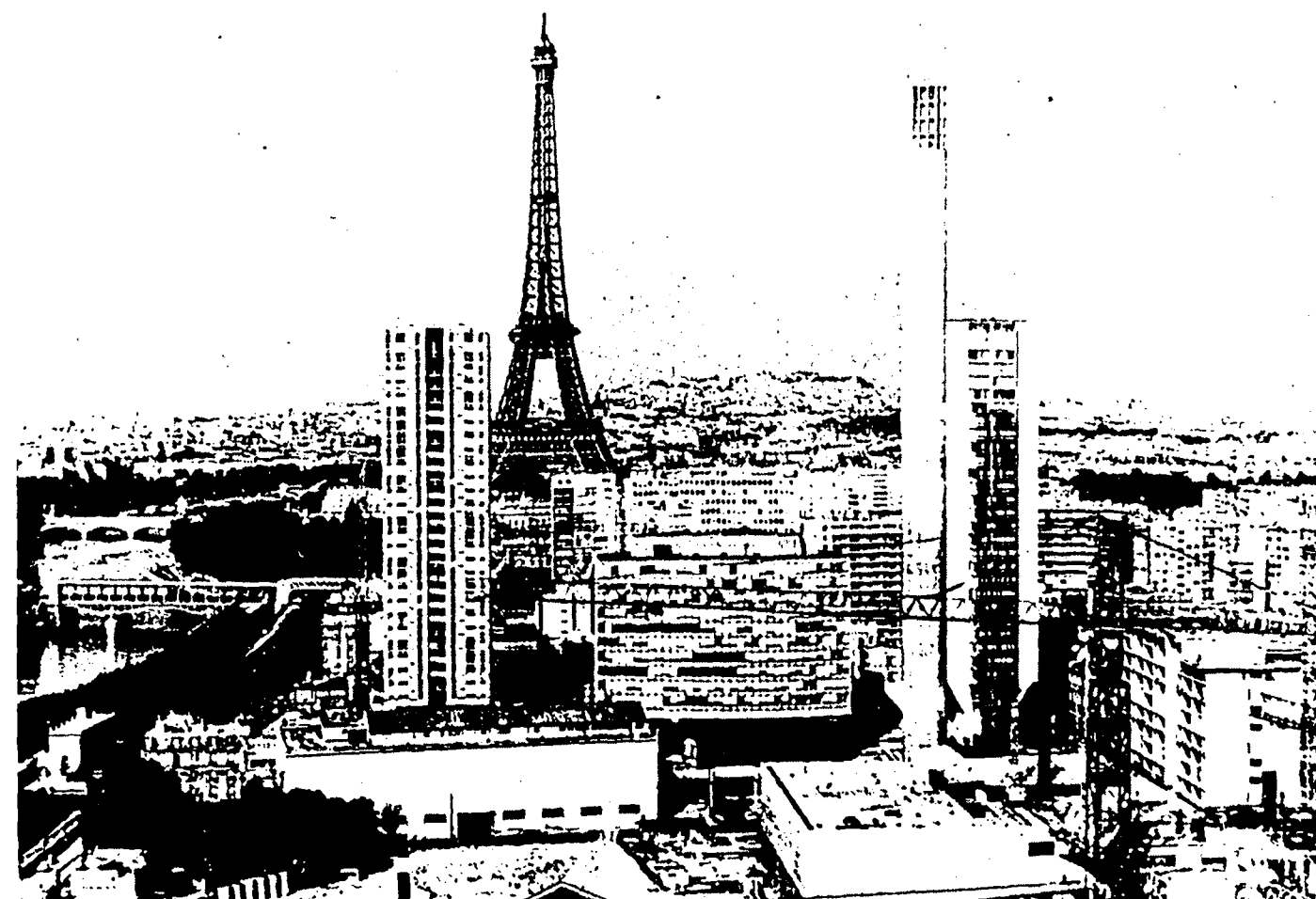
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A change in style

The France of the General has become that of the banker. In the three years since General de Gaulle handed in his baton and M. Pompidou took charge of the balance sheets, France has been a good recovery stock. The recovery, of course, dates from the Anno Domini of postwar France, 1968 and *les événements*, when the French economy almost stopped working for six weeks. Once that political mardi gras was in the past, things have gone well—almost too well, senior officials will say, looking metaphorically over their shoulder. Initially there was trouble with the franc, especially from Frenchmen, who have more confidence in themselves than in their own country. But the masterly devaluation of the franc in August, 1969, sorted that one out, and nudged the economy even faster towards an export and investment boom. And now, if there are clouds on the horizon, they can hardly be found in the statistics or in the forecasts. They lie in the expectation that

sooner or later something unpredictable will happen once again.

Indeed, while the economic outlook is better than that of France's neighbours, it has not produced a sense of euphoria. France, like most other countries, is in a pre-electoral period. And this in itself, particularly when well-seasoned with a few scandals, is enough to make the surface of events a little obscure. The governmental UDR party has been going through a period of disarray reflecting the fact that a centre-right coalition, such as the UDR is, needs a vision to provide itself with a sense of identity. And visions have been in notably short supply since the General went. The substitution of the only man who attempted to produce one, M. Chaban-Delmas, by a man whose main claim to fame is that he is decent and honest, M. Messmer, can hardly do the trick, although after the Aranda affair, gaullism needs every decent man it can get so as to reassure the faithful, and rally the doubters.

The position is made more difficult, paradoxically, by the fact that M. Pompidou, while he may not have communicated a sense of national destiny, does have policies which might be considered by a hard-core UDR man as a retreat into realism. The framework is what a medium-sized power can and cannot do, the need to avoid expensive prestige projects, to collaborate increasingly on a European basis, to encourage French investment abroad and to allow foreign investment in France.

In the past, French politicians promised to transform their country from a semi-agrarian, cartel-ridden, highly protected society into a modern, competitive nation which could stand up to any of the major economic powers. The promises have nearly become a reality. It is hard to be in France for a few days without being conscious that it is going through a period of extraordinary change and upheaval. For a European country, it has an unusually large proportion of young people. The

shift from the countryside to the towns is perhaps less dramatic than that taking place in Italy, but it is nevertheless having profound consequences.

Rapid economic growth in itself produces a strain on a nation's social cohesion. Growth with the structural shifts which have taken place in France and the rapid modernisation of what was until recently a relatively sluggish industrial sector have added to the strains. And in a country where there is more or less permanently a political majority of the centre and right the sense which large sections of the population may have of living in what M. Chaban-Delmas described as "la société bloquée" is increased. France is a country of great inequalities. There is a huge distance between the highest and the lowest, between rich and poor, between the sophisticated technology which has produced Mirages fighters, Concorde planes and colour television, and life in the bidonvilles of Paris or in the mountain farms. The Pompidou policy of accelerated industrial advance, if unchecked, could easily exacerbate these inequalities. Any rational policy, even on the political right, must include an attempt to improve the social cohesion of what has always been a rigidly hierarchic, centralised and sectional society.

Thus the twin aims of the sixth plan were industrialisation on one hand and the improvement of the lot of the poorest on the other. The difference between the highest and lowest paid in France is something like 60 to 1 and the gap is not much reduced by what is, in effect, Europe's lowest incidence of direct taxation. In the past few years the Chaban-Delmas government succeeded in making the real incomes of the old and the lowest paid move up faster than the average. It also succeeded in establishing a continuous dialogue between unions and employers which has already led to such advances as making blue-collar workers salaried employees, improving the pension rights of the under-65s and bringing in a programme of permanent vocational training. What M. Chaban-Delmas and now M. Messmer, on one side, and the finance minister, M. Giscard d'Estaing, on the other, have not succeeded in doing is to reconcile high investment by industry with a low rate of inflation and with the unsatisfied demand for more social investment. If there is choice to be made between lower taxation or higher social investment, the instinct of the government is to choose lower taxation. The French are, for example, among the worst-housed

nations in Europe. This is in part the result of an institutional failure to provide the right kind of loan finance. But it is also the consequence of a long-standing political choice. For M. Giscard d'Estaing housing is still the most inflationary form of social spending.

In their way, therefore, the French are suffering from the Japanese problem, though, admittedly, in a less extreme form. They have deliberately gone for fast growth, at the cost, primarily, of a high rate of inflation (although this has been less true relative to other countries over the past four years) and also of the perpetuation of wide inequalities in living conditions. The decision of the Pompidou regime to put the needs of rapid industrialisation above every other social priority was quite deliberate. As M. Chaban-Delmas said when presenting the sixth plan early in 1971: "The options before us are limited." In terms of immediate need they are. And there may have been sufficient growth in the incomes of the middle ranks of French society for

the failure to provide some of the basic social infrastructure not to have serious political repercussions—at least not as yet.

But the French are at a stage in their national journey when risks have to be taken. The problems are growing. But so are the means for solving them. Among the planners already gathering data for the seventh plan, which will cover 1976-80, an exercise is being done to shift the balance of priorities from economic to social ones. In the following pages it will be shown that France has been, and is being, extraordinarily successful in solving its economic problems, partly through good management and partly through access to the right kind of resources. France is also the largest and least densely populated, the most beautiful and most varied country in Europe. By the mid-1970s it will have the economic potential to reshape its social framework. It will again have the chance of showing the rest of the world how to live. This will be the political challenge to gaullism.

The industrial imperative

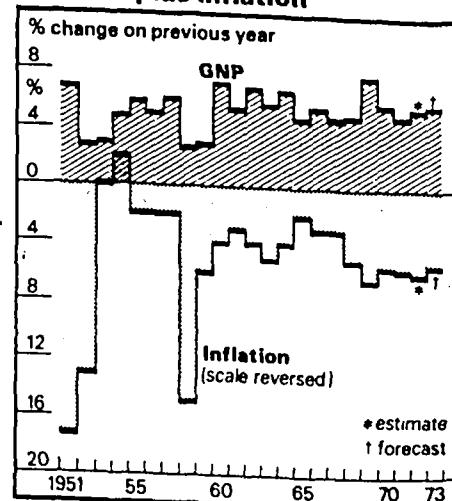
The extraordinary investment boom that France has experienced since 1968 gives rise to the hope that one day, perhaps even by the end of this decade, France will be an industrial power commensurate with its resources. This is certainly the central objective of M. Pompidou's government. And the sixth plan is subordinated largely to the goal of "industrialisation." It may seem strange to talk about a highly developed nation like France in these terms. But the French have been obsessed by their industrial inferiority complex since the Franco-Prussian war of 1870 when Lorraine, where so much of France's first industrial revolution was taking place, was snatched from them.

The men of the Fourth Republic who originally put France into the EEC hoped to see its membership as a catalyst which would prevail on the timid, protectionist-minded, cartel-ridden French industrialists and force them to modernise and grow, or perish. French businessmen, by contrast, were terrified of les Boches on the other side of the Rhine, massed in Düsseldorf and Frankfurt with their samples at the ready for a commercial invasion. In the event, partly because it was still possible to throw up some temporary shelter when the going got really rough and partly because French business was not all that bad, France benefited more

than it suffered.

France's leading utility car, the Renault R-4, achieved a wide popularity in the birthplace of the Volkswagen. Poclair became the fastest growing producer of earth-moving equipment in the EEC. Moulinex discovered that by taking all Europe as its home market, it could produce its kitchen appliances at prices far below its French or German rivals. At the other end of the scale, M. Dassault, the idiosyncratic genius of aircraft design, and the French government between them managed to make France the

Growth plus inflation



By providing financial assistance to one out of every four medium sized business concerns outside the Paris area

The SDR contributed within a dozen years to the creation of 200,000 posts of employment

In the space of a dozen years, regional development companies (SDR) have raised on capital markets 3,500 million francs for the benefit of over 3,000 medium sized undertakings throughout France, excluding the Paris area. The SDR have thus participated in investments which have helped to create 200,000 occupations. It is estimated that, outside the capital and its suburbs, one medium sized industry out of every four (building and public works excluded) has been able to obtain funds from a SDR.

Despite their prominent role in regional development, the SDR are still far from being as well known as they should be. Fifteen of them, however, were formed between 1956 and 1960 and they cover the whole of France with the exception of the Paris area. By providing medium sized undertakings with the capital resources they require, the SDR are contributing to the policy of regional expansion.

In effect, the role of the SDR has today superseded in some respects that played previously by the private provincial banks. Incorporated as limited liability companies with an exclusively private capital, the SDR are decentralised credit institutions with powers to take decisions at the regional level. Their resources are in the main derived from issues on the French market of grouped loans guaranteed by the State and carrying interest right up to their redemption date. By reason, however, of inadequate resources on the domestic capital market during the last two years, the SDR have had to raise supplementary funds on the international markets where, last year, they had become one of the major French borrowers.

The SDR operate in a variety of ways. To begin with, these regional development companies can subscribe to shares in the capital of the undertakings involved or to debentures which are convertible into shares. It is noteworthy that since they were launched, the SDN acquired some 2,000 equity interests.

A rapidly expanding activity

As can be realised, the services rendered by the SDR are both considerable and widespread. Last year, their financial operations amounted to 700 million francs of which about 15 per cent represented property leasing facilities. A further expansion of their activities will be seen again this year.

They can now finance, by means of French loans, the subsidiaries of foreign concerns thanks to the extension of new issue possibilities on a national scale. They can also grant long term loans to the service

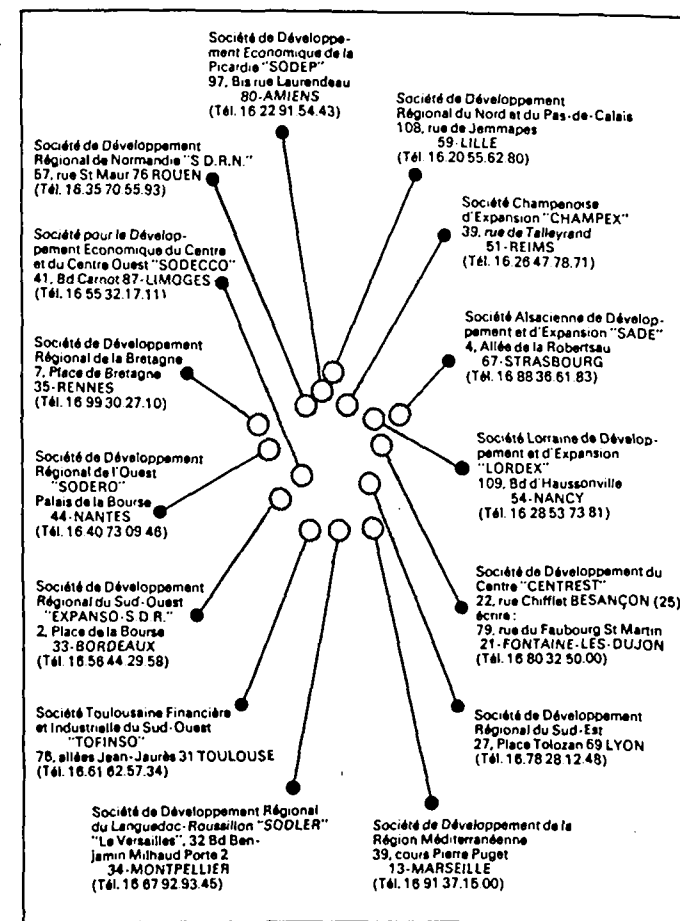
industries (road transport of goods, services connected with port activities and trade in industrial products), to regional tourist industries and to enterprises for easing congestion in built-up areas by transferring to industrial zones industries situated in town centres.

From long term loans to property leasing

Long term loans (15 years) are granted to industrial undertakings by the SDR, who as from the last few years offer also through four specialised subsidiaries advantageous property leasing facilities (low interest rates and non indexed rents). Since 1st January last, they have been authorised to deal in medium term credits, a sector which, until then, had been virtually outside their range.

Consequently, enterprises operating in the regional field can henceforth obtain from the SDR a comprehensive variety of financial services adapted, on the one hand, to their property or capital equipment requirements and, on the other, for the purpose of increasing their working capital.

Another notable activity of the SDR are the advisory services offered to the various concerns. Separately or in partnership, the SDR have set up subsidiaries for giving advice and conducting enquiries in connection with fund raising and joint ventures, for example, the "Centre Inter Régional de Négociations 'Cinég'" which was formed by ten companies. Six of them have, moreover, taken part in the creation of "France-Cadres" whose object is to specialise in appointing management staff in regional undertakings.



The fifteen companies of regional development are spread out over the whole territory and their activities, with the exception of the Paris area, are nation-wide. The above diagram shows the effective national coverage of the SDR.

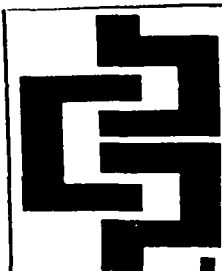
Incontestable Prosperity

The shares of practically all the SDR companies are quoted on the regional stock markets and are held mainly by private investors who account for between 50 and 75 per cent of the equity holding in the capital of the respective companies.

Their shares, as yet relatively unknown and cheap, yield high returns and it is interesting to compare the consolidated growth, over the last five years, of their profits, dividends, capital and market capitalisation (in million francs).

	1967	1968	1969	1970	1971
Net Profit	12.2	13.5	19.0	19.8	20.3
Net dividend	7.5	8.2	8.4	9.3	10.3
Gross dividend (tax credit included)	8.1	9.1	9.8	11.2	13.3
Capital	140.5	145.5	145.5	147.6	151.7
Market capitalisation	124.0	119.0	116.5	121.5	132.2
Average gross yield	6.2%	6.8%	7.8%	8%	8.5%

Finally, it will be noted that, on a comparable net profit basis, the market capitalisation of the SDR combined is very much lower than that of market ratings of similar institutions. It is very likely that, sooner or later, the Stock Market will rectify this disparity.



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Europe is sprayed with Renaults

leading exporter of aircraft equipment after the United States.

Even so France still lacked by the late 1960s basic capacity in such humdrum fields as chemical, electrical and mechanical engineering. Its exports were still heavily biased towards agricultural products which were predictably benefiting from the EEC's common agricultural policy. Germany remained impregnable strong in the heavy industries and at the other pole the Italians were flourishing in the larger EEC market with the export of not only cars but textiles and leather goods, domestic appliances and a whole raft of products which required either style or relatively cheap labour. France remained uneasily in the middle.

During the period of critical analysis which followed 1968, the conclusion was drawn that the cold shower provided by the opening of France's trade borders was not in itself sufficient. By the late 1960s, for example, critics pointed out that while France accounted for 19 per cent of the community's exports it provided nearly 42 per cent of shipments of raw materials but only 17 per cent of manufactured products and less than 15 per cent of electrical and mechanical machinery. By 1968 it was in large and growing deficit with all its community partners (which amounted to more than \$1 billion in the case of west Germany). One of the indices of national inferiority was that while the gross national product of Germany was only 20 per cent larger than that of France by the end of the 1960s, its output of mechanical and electrical materials was nearly three times larger and its exports of these things was almost four times as big.

So the sixth plan for 1971-75 was dominated by the theme of "industrialisation." The argument is simple. France needs a rapid rate of economic growth (around 6 per cent) both to absorb the growing labour force and to provide a surplus for badly needed social investment. This rate of growth requires an increase of between 10 and 12 per cent in exports, which may not be sustainable unless France engineers a structural shift in what it sells abroad, away from the relatively slow growing food goods to faster growing industrial products. To do this meant changing the shape of certain industrial sectors, shifting the emphasis of governmental support away from prestige projects to areas where the pay-off might be faster, and encouraging a new international approach, including joint projects and investment abroad.

Catching up

Fortunately, by the time the clichés came to be written in the sixth plan, they had mostly been taken to heart by industry at large. What has struck most foreign observers over the past six years has been the change in the organisation and dynamism of the average French industrial company. The picture of the grande famille controlling the upper reaches of industry, with hundreds of thousands of small family-owned firms, little more than the milch cows of tax-evading patrons, is today only partly relevant. The change has been caused, almost everyone would agree, by the psychological impact of the common market on the one hand and by the enthusiasm for modern management ideas and new

technologies which make the pace of change generally faster on the other.

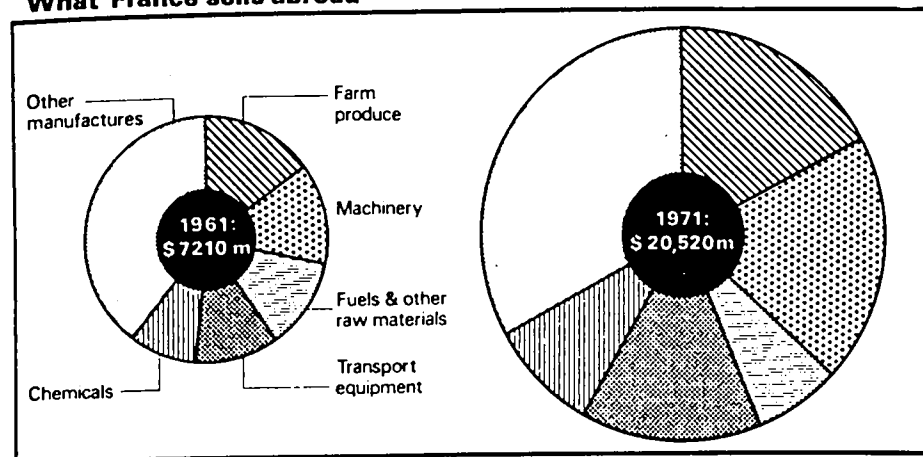
The French have a formidable capacity for catching up very quickly. There is an extraordinary passion for computers, perhaps because they have a natural appeal to the Cartesian mind. While the French have a peculiar capacity to retain their national identity, this feeling of change is more striking in France than anywhere else in the continent.

The Pompidou regime has adopted a three-pronged strategy to help shape this industrial ferment. The first prong is to encourage a rapid growth in basic capacity. One of M. Pompidou's famous dicta is that France must double its industrial capacity in 10 years. At the current rate it will do that in less than eight, thanks to the phenomenal growth in investment since 1968. But the groundwork for this was done some years earlier. During the mid 1960s there was one of those small but decisive shifts in economic ratios that can make all the difference between fortune and stagnation. Essentially, capital became relatively cheaper and labour more expensive.

There were a variety of causes. In the mid 1950s, the tax system was changed so that capital goods were not liable to turnover tax. Amortisation rates became more liberal in the early 1960s and at the same time the government developed a penchant for providing temporary investment allowances. The EEC was another factor in lowering the cost of inputs as French capital equipment producers became exposed to greater foreign competition. So the huge growth in wages after 1968 simply provided added momentum to a shift in relative prices that was already taking place. Even now, when the rate of increase in capital investment has temporarily slowed down to less than 10 per cent, more efficient use of capital is insuring that the amount of capital available per man is still increasing rapidly.

The second prong of the government's industrial policy has been to hasten the shift in the composition of exports. For most manufacturers, exporting outside the captive franc zone was until recently a marginal activity. This is changing, partly through the delayed impact of the EEC. The past two years have shown a marked shift in the trade balance on industrial products. Even more important, one suspects, was the alteration in exchange parities which gave French manufacturers a 20 per cent price bonus vis-à-vis west Germany and a significant

What France sells abroad



advantage in terms of other currencies as a whole. As a result of these two factors, the EEC and devaluation, French exports have been reoriented to faster growing markets, mainly in the EEC. A decade ago, a third of them went to the franc zone compared with only 10 per cent today. And there has been a marked shift in the type of manufacture exported, away from semi-manufactures and processed goods towards machinery, chemicals and transport equipment.

But if French companies now export more, few yet have taken the next step of investing abroad. French policy makers are only too aware of the multinational corporation. They have noted, though few other people have, that IBM France is the country's second largest exporter. They are aware too that perhaps as much as 20 per cent of total international trade in manufactures is accounted for by the shipment of goods from one part of a multinational empire to another. So M. Pompidou and his cabinet and advisors recognise that it is essential for France to have a strong international presence. This is the third prong of their economic strategy.

Diplomatic offensive

Compared with the United States, Britain and Holland, France has few companies with international claims. In the past, with the aid of lycées and French institutes, French culture has managed to hold its place in a hostile, Anglo-Saxon dominated world. Now there is a new diplomatic offensive. M. Pompidou put it this way in his last press conference: "Our ambassadors have renounced the daily round of tea and cakes and have begun to recognise that credits, commercial treaties and loans are problems which are worthy of attention."

The corollary of French investment abroad is well understood by the French government, namely that, as a quid pro quo, other nations must be allowed to invest in France. French officials are touchy on this subject. They feel they have been much maligned. They argue that France, unlike a lot of other European countries, at least has a clear-cut policy which is no more nationalistic than that of other, less articulate, nations. If foreign investment adds to new capacity, brings new technology with it or money for research, then in almost all cases it is welcome. What France is definitely against is purely financial investment, but even here there is a loophole. There is a strong chance of getting approval for investment in France provided it has some impact on regional development—and it helps if the applicant goes to the regional development agency Datar to act as its advocate.

Out of the thousand or so requests put before the foreign investment committee since 1967, there are few which have been actually turned down, although many take some time to process. Of course the French bureaucracy can be obstinate, difficult and many-headed. But French industries find this too. The real points are twofold. First, the kind of takeover to which the British are accustomed—a public offer for the shares followed by a quick plunder of the merged company's assets—is still anathema in France. Second, while foreign investment is still a low proportion of the total, France, like other countries, feels sensitive about certain areas and tends to look for a French solution first. The French argue that the foreign acquisition of one firm in a problem industry may prevent a rational solution for the industry as a whole. The classic case was the veto on the attempt by the American elec-

trical company, Westinghouse, to take over Jeumont-Schneider, which was part of the fragmented and weak French presence in the generator and turbine business.

In the mid 1960s there was the traumatic occasion when Chrysler bought Simca, the motor company, and the first General de Gaulle knew about it was what he read in the morning newspapers. French sensibilities were heightened by the take over of Machine Bull (the French computer firm) by the American company General Electric. As a result there was a period of some years when the government was extremely reluctant in principle, if not in fact, to allow foreign takeovers of French companies. *Le Défi Américain*, as it was rather over-dramatically described by the book of M. Jean Jacques Servan-Schreiber, became a catchword. Even so the number of foreign investment proposals which were turned down was small.

Change in attitude

The attitude of the French government began to change after the decisions by American Motor companies to put up several factories on the Belgian side of the northern French border rather than in France itself. Senior French ministers realised that a blanket mistrust of *le Défi Américain* carried a high price tag.

It was from the period of M. Debré, as finance minister after 1966, that the trend towards liberalisation began. A few years later the French government went out of its way to help Ford put up a plant for making automatic transmissions in the south west near Bordeaux. The need for new industry outside the boom areas of Paris and Lyons has also meant that local chambers of commerce are only too delighted to catch a foreign investor.

Many sizeable towns have industrial zones where land is either free or extremely cheap, and they offer various other kinds of assistance. So it has become considerably harder for those still in the Gaullist party who are antipathetic to the contamination of French soil by outside influences to resist the promise of more jobs.

Nevertheless, foreign investment in France will remain a controversial area of policy for some time to come. Its house is not yet in order; there are plenty of domestic firms vulnerable to takeover bids; and there are plenty of British companies, eager for a beach-head in the EEC, which are well prepared to put in their bids.

Agency

Investment

Development

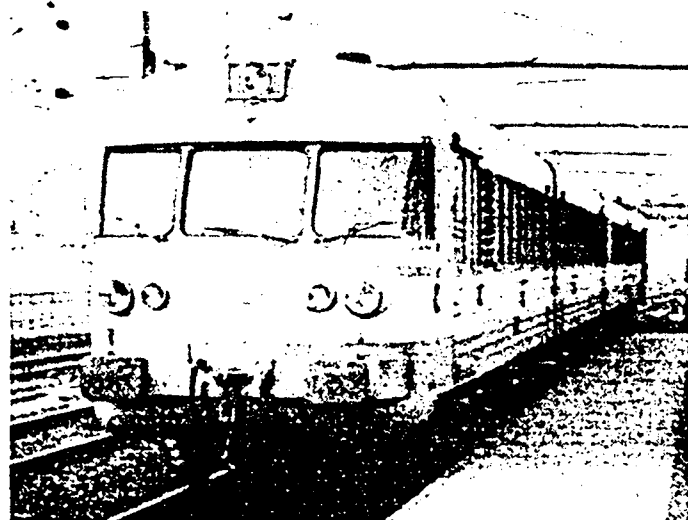
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Playing the European game

While the framework in which industry operates is changing, the government has been acting directly on the structure of those sectors where it feels France is weak. The philosophy is simple. In the not too distant future European industry in the main bread and butter sectors is going to be run by a few multinational firms, or by the joint subsidiaries of national giants. But while west Germany and Britain have got most of their basic building blocks for this European game into shape, France is behind in all but a few industries, the notable exceptions being Pechiney in non-ferrous metals, Michelin in tyres and BSN and St Gobain in glass. French companies in the subsistence fields of chemicals, electrical and mechanical engineering, machine tools, automotive products and so on have, in general, been short on weight, and, therefore, in poor shape for the bargaining that is to come.

So, where possible, the government has put together two groups, bringing in European participation when needed. Two examples are Rhône-Poulenc and Erap-CFP in chemicals and, Compagnie Générale Electrique and Thompson in electricals, with their various satellites in ancillary sectors. And in the field of electrical generating equipment the idea is to amalgamate two groups, one round Compagnie Electrique Mécanique, closely linked with the Swiss multinational Brown-Boveri, and the other round Alstom-CGE. It was to protect this tidy solution that the government prevented the American group Westinghouse from taking over Jeumont-Schneider (despite the fact that J-S was controlled by a Belgian, Baron Empain).

In the area of even more advanced technology, the French are notably less ready to squander resources on prestige projects than they used to be under the General. Once again they have realised that the concept of independence is an illusion. Instead France has gone for the best international deal it can get. And its presence inside the EEC has given it several extra cards to play, particularly against Britain which has had similar pretensions.

In nuclear energy France gave up its attempt to run its own programme, at least in the medium-term future, and has brought in American technology. In computers the CII is firmly

wedded to an alliance with Siemens and Philips, while in aircraft France is inevitably committed to European projects such as the airbus. And it is difficult to see today's government voting funds to start a new Concorde. As in Britain, the policy on research and development has been to trim as far as possible and look generally for quicker returns. In the budget, spending on direct aids to industry is now climbing quicker than research expenditure. Only the military budget, where all manner of nonsense still goes on (like the vast sums spent on nuclear

Finely timed

If you tackle a Frenchman about France's extraordinary economic success, he will usually reply: "What success?" After all in the 20 years until 1968, France was indeed achieving a reasonable growth rate of 5 per cent or so, but Germany next door, from a much larger industrial base was doing rather better. The curious fact is that, despite the enormous shock which *les événements* of May, 1968, gave to the French social and economic system, France has subsequently experienced its most successful period of sustained growth since the war. This has been all the more remarkable because the rest of the industrialised world has been suffering, with the inevitable exception of Japan, from the well-known disease of stagflation. Even Germany has seen its growth rate drop almost to zero while France managed to obtain a consistent increase of more than 5 per cent each year in gnp.

But the global figure is not the most significant one. The really important trend of the last four years, as we have seen, has been the expansion of industrial investment in France. Between 1969 and 1971 it rose by 20 per cent or more a year. As a result, French industry is now investing at a rate which is nearly two-thirds greater than it was before 1968. It has outpaced the most optimistic predictions. The French industrial machine of today is something quite new and the investment boom has transformed its prospects. The oddity is that the economic environment of the time was hardly encouraging.

Starting with 1968 itself, the strikes effectively brought France to a halt for six weeks during the summer. A large

weapons) remains relatively sacrosanct from the treasury's knife. France, then, is as ready to be co-operative in developing a European industrial policy as any other country in the EEC. At present, admittedly, this does not mean very much. But French technocrats are fond of pointing out that when the European commission brought out its voluminous report on industrial policy two years ago, France was the only country which bothered to produce a coherent set of counter-proposals. The fact that French economic diplomats like to have some strong cards in their hand when they play the European game does not mean that they are not eager to play it.

number of French companies could only catch up on the output that was lost through a very generous extension of bank credit. And this did not last long. By the winter of 1968, the government was forced to impose tight credit controls. After an agreement was hammered out between the government, trade unions and employers, which enabled work to be resumed, wages rose by something over 15 per cent and the minimum wage rose by as much as 30 per cent. So the industrialist was, on the one hand, short of cash and, on the other, having to pay enormously increased bills.

By the end of the year, however, the wage rises had triggered off a consumer boom and it was to cope with this that industry started retooling and expanding its capacity. But France still faced severe difficulties. Confidence in the French franc remained shaken, particularly among Frenchmen themselves. Many of them took off for the border with their Citroëns and Renaults heavily laden with French banknotes. The task of restoring confidence, by keeping a close control over credit and minimising increases in government spending, ran counter to the need for expansion. And on top of the short term movements, there was a worrying deterioration in the basic balance of payments.

Altogether, between the end of 1967 and August, 1969, France's exchange reserves, so painfully built up in the previous eight years, fell from over \$7 billion to less than \$2 billion if

This survey was written by
Jonathan Radice



Giscard d'Estaing: finely tuned

borrowings from central banks and the IMF are excluded. The sickness of the French franc was only part of a wider currency crisis which involved the D-mark and sterling as well. It took the defeat of General de Gaulle in the referendum of April, 1969, and his abrupt retirement for France to come round to devaluation. By the time M. Pompidou and his cabinet did it, in August 1969, the economy was operating at full steam again—hardly, it would seem, the best conditions in which to make a devaluation succeed.

The timing was, in fact, brilliant. France devalued in the middle of August, 1969, when most of the country was on holiday and such a drastic move was least expected. Even the key ministers were out of Paris, the decision having been taken a month before. M. Giscard d'Estaing, then finance minister, was reputed to be somewhere in Africa, big-game hunting. But once again, the authorities had to walk a tightrope between maintaining full employment and letting the inflationary forces which are always endemic in any devaluation, get out of hand. M. Giscard d'Estaing announced that he had three objectives: to get the budget balanced; the current account on the balance of payments balanced; and short-term debts repaid to France's creditors. France was somehow able to do all of these things, amazingly on target, by the middle of 1970.

The first problem was to hold off the trade unions. They wanted protection for their members against the extra dose of inflation that devaluation was likely to bring. At the same time, the union leaders had a continuing fear

that they were being outflanked by left-wing extremist groups and that they had got out of touch with their members' needs. French unions are traditionally strongest in the public sector industries such as transport, electricity, and, to a lesser extent, in nationalised concerns like Renault. Any really serious strike action would have ruined the government's economic policy. In practice, the government emerged an easy victor. There was only one important strike during the winter and that occurred in the electricity industry. Thanks to a harsh winter, public opinion was strongly against the strikers and the government triumphed.

By 1971, France enjoyed a strong balance of payments and the lowest rate of inflation and the fastest growing national income in the EEC. How did M. Giscard d'Estaing do it? One answer is sheer luck. Once French industry started to invest, it did not stop. It was either boom or bust. And demand kept growing, first from home consumers and then from foreign markets. Exports reacted very quickly to the devaluation of the franc, partly because the D-mark was revalued soon afterwards, giving French exporters a

20 per cent bonus in the German markets.

The ingredients for what one might call the second French miracle were—luck apart—threefold. First, the trade unions, after the unnerving strikes of 1968 (which worried the trade union leadership as much as they did the government) have been careful to avoid an open confrontation. Second, M. Giscard d'Estaing, did some remarkable bits of fine tuning, largely by letting private investment boom at the expense of public investment. Third, France devalued at a time when the franc, if overvalued in terms of confidence, was not seriously overvalued in terms of trade. France thus emerged once again with an undervalued currency, an old recipe for success.

Inevitably, some of the indicators are not looking so miraculous this year. Investment could not go on growing by one fifth a year and there has been some faltering. Prices are rising faster than the government forecast, or likes to see. But the prospects for next year suggest that investment will go up again, and a rate of inflation of 5 to 6 per cent is something the French have learned to live with.

The unions contract in

Each spring and autumn the government has been haunted by the question of what the unions will do. And despite four years of almost unparalleled growth, there are few people in the corridors of power who are not nervous that underneath it all, some day, the prosperity which they have helped to engineer may be thrown away through an accident of fate. There is a nightmare scenario, starting, perhaps, with a minor confrontation in a provincial factory leading to a rapid shutdown of France's productive forces and from there to some kind of revolution. The fact is that 1968 made people in the government feel that they did not know, in the last resort, what feelings and what ambitions were lurking in the heart of the average Frenchman. And if the neo-gaullist machine is arrogant in some ways, particularly in its treatment of the Assembly, it has not recovered the self-confidence and the sense of mission which existed in the early years of General de Gaulle.

But who is there, in fact, to carry out a revolution? In 1968 it was the combination of students, providing the ideological gloss, and workers, providing the muscle, that unnerved the govern-

ment. The students are, if anything, more politically aware than ever before. But the revolutionary fervour is not there. One does not hear of professional pickets in France. And if they existed, the strong arm of the state would soon descend. If the labour situation has been relatively peaceful, however, much of the credit lies with the man who was in charge of social strategy in M. Chaban Delmas's cabinet, M. Jacques Delors. An ex-trade unionist himself, who had risen by way of the *Commisariat au Plan*, it was M. Delors who gave life to the policy of constant dialogue, rather than confrontation, with the unions, that M. Pompidou had begun during his stint as Prime Minister.

Essentially the government's strategy has been twofold: first to ensure sufficient economic growth to prevent unemployment from rising and to allow a 10 per cent or so annual increase in money wages; and second to replace the old policy of confrontation with a new one based on long term agreements on a wide range of key issues, from wages to professional education. The result has been a marked absence of serious strikes. And those that have

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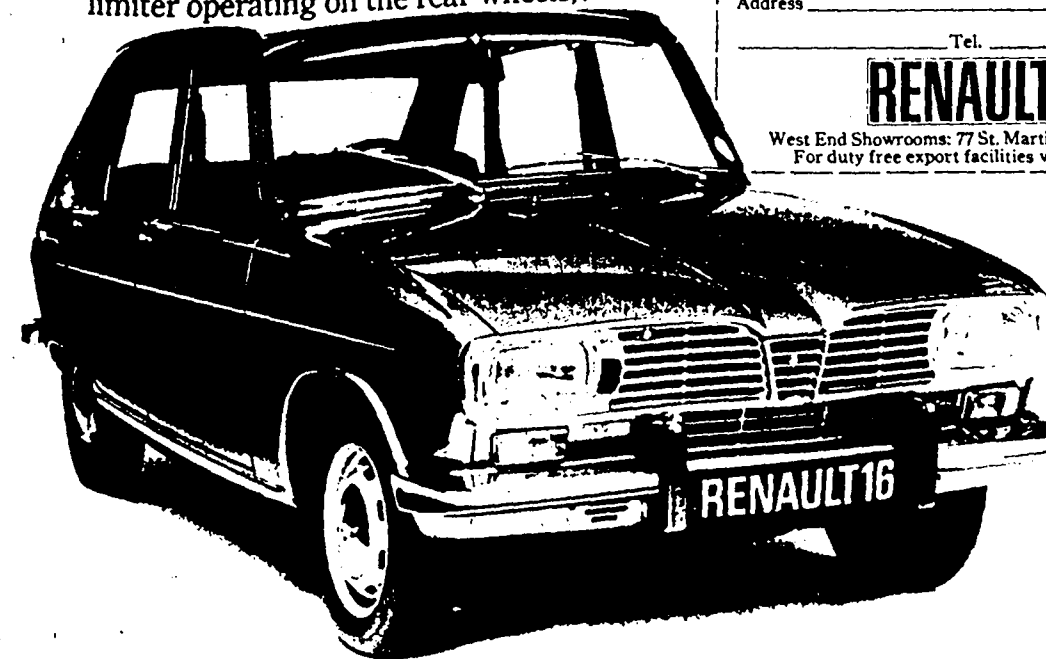
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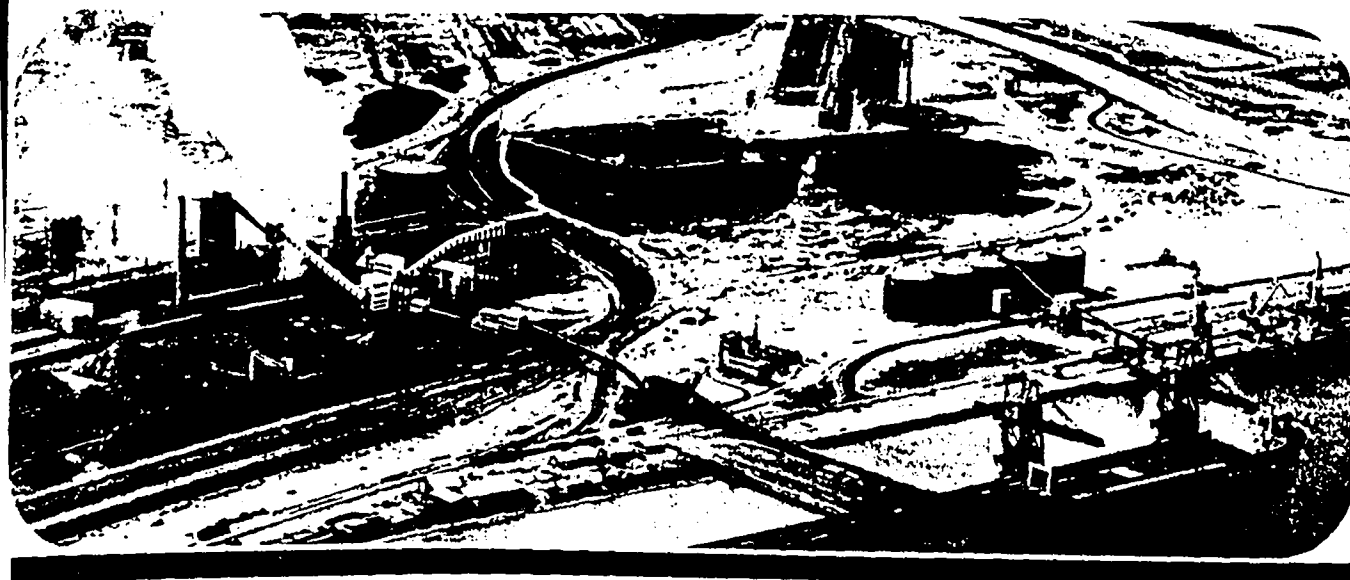
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Collective demonstration: but what follows?

taken place have largely failed.

During the three years of M. Chaban Delmas's rule as prime minister, from mid-1969 to mid-1972, there were some 7.8m days lost as the result of strikes, which makes France about average for Europe, and a long way behind Italy and Britain. When one looks at the major areas of confrontation they, too, show that in almost every case the government has won at the expense of the trade unions. The first big trial of strength was in November and December of 1969 when workers at the Electricité de France went on strike for higher wages and shorter hours. In a cold winter all they succeeded in doing was to lose public support. The power workers went back to work without gaining any of their demands and without getting any improvement on the original offer by the administration.

The next major trial of strength was in June, 1971, when the higher-paid train drivers of the SNCF went on strike to maintain their differentials and to get a radical improvement in working conditions. Once again they succeeded in gaining almost nothing, largely because the strike was not well supported by the rank and file. The other main trial of strength in the public sector, in October of last year, had much the same outcome when the conductors on the RATP (the Paris metro) came out on strike. The only substantial dispute over the past four years which has had any real effect was that in the Renault car component plant near Le Mans last year, but this

was largely concerned with the parity of wages between the provinces and the Paris region.

There has been no counterpart in France to the increasing power and authority of the trade movement in Italy, where the different confederations have been effectively banding together to achieve a sophisticated series of demands. France's rival confederations, often present in the same industries, have been slow to agree on either common objectives or a joint plan of campaign. Inter-union rivalry has inevitably strengthened the hand of employers and of the government. This weakness of the French trade union movement has been a decisive factor in favour of government economic policy of the past few years. The appalling constraints which strangle economic policymaking in Britain have hardly appeared across the Channel. Not only have the trade unions been weak, but French industry has not been plagued by the wildcat strikes which have made the going so difficult for some British companies over the past few years. One cannot put this down to skilful labour relations for, despite the changes at the top, the average French patron is still conservative.

One factor is the lack of a trade union tradition. Even if one takes the membership figures claimed by the trade unions themselves they do not add up to more than 14 or 15 per cent of the total work force. And the areas where the workforce is increasing fastest, the new industries and more particularly the service trades, are on

the whole less unionised. The unions have tended to be strongest in those traditional industrial sectors like mining, the railways, and to a lesser extent steel and textiles which are all now shedding labour. In contrast to Britain, where white collar unions are strong and growing, the union movement in France still wears a blue collar.

The political division of the unions does not encourage a strong, cohesive outlook of "us and them." The largest grouping is the Confédération Générale du Travail (CGT) which accounts for about 50 per cent of unionised labour. The CGT is traditionally dominated by the French Communist party and, indeed, its current secretary general, M. Séguy, is on the party's central committee. Even though the CGT claims to be more independent of the Communist party than it used to be—and its behaviour and the tactics of its leaders suggest that this is at least partially true—it is still regarded with some suspicion by other trade unionists. The second largest union, the Confédération Française du Travail (CFDT), which developed out of the old Christian Democrat inspired CFTC, is about half the size of the CGT. It is strong in some sectors such as the coal mines in the north. Just like its counterpart in Italy, it is this union, and not the CGT, which is making some of the more original demands, putting less accent on wage rates and trying to develop a new philosophy of work in a modern environment. The third main blue collar union is the Force Ouvrière, much weaker than the other two, but with some strength in the south-west and in the public agencies.

All the unions, it may be remembered, were much taken aback by the events of May, 1968, and only climbed on the bandwagon relatively late in the day to negotiate with the government the wage agreements of the Rue de Grenelle. Like all bureaucracies, they are essentially conservative in their approach. But a powerful reason for their weakness lies in the lack of a common ethic. Although the CGT and the CFTC have been talking for some years about launching a joint programme, only too often they are at loggerheads when it comes to any particular industrial action, with one advocating a strike while the other avoids committing itself—or, indeed, in order to do the first union down, making a separate agreement with the management. But, while it is recognised that industrial unions on the German model would solve this problem, it is hard to see any of the French confederations making

the first move.

Another pressure against militancy is that over the past few years negotiations either with the government or the Patronat have actually achieved a good deal. Until 1968, negotiations at the top were a comparatively rare phenomenon. The three sides of the triangle were more like two parallel lines. The need to negotiate in 1968 hastened a change which had just begun, largely as a result of a new generation of leaders.

In the Patronat there was M. Seyrac, who advocated and practised the idea of discussion rather than antagonism. He is now the choice of Patronat itself for its new president. On the union side there was M. Seguy of the CGT, who has shown more flexibility than any of his predecessors in his tactics if not his objectives and who has shown himself to be a good performer on television, and M. Eugene Descamps of the CFDT (now succeeded by M. Edmond Maire). Until 1968, relations between employers and employees had been dominated by legislation imposed by the state. Naturally, a good deal of this lawmaking remained ineffective. The employers got into the habit of ignoring it, and trade unionists of saying that the employers could never be trusted.

But in February, 1968, largely at the instigation of M. Pompidou, the trade unions and the Patronat started talking. They agreed, in effect, to cushion the impact of short time and partial unemployment on the workers. Since then, visits by the trade union leaders to the headquarters of the Patronat have become an almost weekly event. Trade unionists were also helped, in principle at least, by government legislation in May, 1968, which forced employers to recognise them and to grant them certain rights and privileges—such as the ability to do some of their union work during normal working hours. As a



The open persuaders: Delors (left) and Seyrac (right)

result of all the talking it has become increasingly difficult for the trade unions to spring a major attack on the employers unawares or for employers to ignore the law.

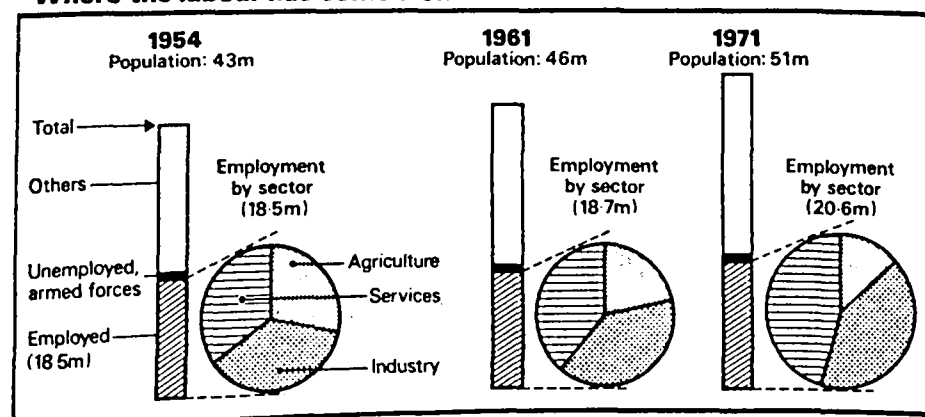
Of the two key measures passed in the past two years, one relates to what the French call *Mensualisation*, which effectively gives the blue collar worker the same kinds of rights that the white collar employees have always enjoyed in terms of fringe benefits, like sickness payments and pensions. The second is an agreement on the *formation permanente*, which may prove the most important social act of the Gaullist regime. Essentially it forces employers to pay for the continuing education of their workers. The law, passed in 1970, decrees that companies should pay 0.8 per cent of their payroll costs into a fund for the education and training of personnel, rising to 2 per cent in the next few years. No one knows yet whether a French system of permanent training will run into major snags, as the British system of industrial training

boards did. But the concept is a powerful one, not only in terms of industrial rejuvenation but also as a lever for social change.

While negotiation has been the order of the day at the national level, workers generally have been benefiting from the rapid rate of growth. And wage packets have grown by around 9 per cent a year in money terms, producing an improvement in real terms of at least 4 per cent a year. And this, of course, is on top of the big leap taken in 1968 itself. In terms of wages the government's principal aim has been to encourage a contractual system of increases called *contrats de progres*. Applied almost exclusively in the public sector so far, these are meant to act as a model for the whole of the economy. The idea is that the union, in return for a guaranteed increase over a period of up to two years, promises not to strike—at least over the terms of the contract. In return workers have the right to automatic increases if prices rise above a certain threshold level.

It is difficult as yet to assess the long term impact of this new brand of government thinking. For one thing its principal architects, M. Delors and M. Chaban-Delmas, are now out of office. And the style may change. It may be, for example, that the key to industrial peace is not here at all, but lies in the fact that much of the labour in the country's largest factories is immigrant. And an immigrant who can have his licence to work revoked at any time is not in the mood to be militant. There is little doubt, however, that the beginnings of a new mood are abroad in

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France. Whether it persists depends in a large part on whether M. Pom-

pidou wishes to maintain the momentum in favour of the "new society."

Who runs what

It has often been thought that a French government has a major advantage, thanks to its étatist, centralised tradition, in translating policy into action. Certainly there is some truth in that view. "The Ministère des Finances has means to control the French economy which are totally lacking to the British Treasury," was the way one British civil servant enviously put it. There are, for example, some specific instruments, like price controls, which have existed for some time on the other side of the Channel. But it is less a question of specific instruments than a whole cultural climate.

Most companies of any size in France will have a director whose main function is to know his way around the ministries. It will help, as will be seen later, if he has been to the right graduate schools and preferably been a civil servant himself. His task, despite the overblown revelations of the Aranda affair, is not so much that of obtaining government contracts, as understanding the government's thinking in what is still a highly regulated economy and finding the magic formulae to open the necessary doors. There are so many rules that it would be impossible to operate in almost any direction unless they had some inbuilt elastic. In general while British laws work on the negative list system (you can do something unless it is specifically mentioned that you cannot) France works on the positive list system (you cannot do anything unless it is specifically written down that you can).

The need to deal with the government under one guise or another remains as great as it has ever been. The difference is that as France develops into a modern pluralist and open economy, the government is being forced first into adapting a more subtle, less direct method of control, and second into recognising the limits of its power. It can order less and has to negotiate more. Either way, the problem of making government policy work is simplified by the continuation of an unusually strong and coherent elite. "In France a thousand or so people run the country," said one civil servant. A recent article in the business monthly, L'Expansion, described the 100 who,

it claimed, were behind most economic decisions in France.

There are, of course, several overlapping groups. To have been in the resistance or on General de Gaulle's staff during the war has proved very useful to those who are now at the top of the political ladder. But what is claimed to set France apart from other countries and give a coherence to the execution of policy which sometimes looks so impressive from outside, is the set of close professional links existing between people who have been to the two key graduate schools, the Ecole Polytechnique and the Ecole Nationale d'Administration (ENA).

The network

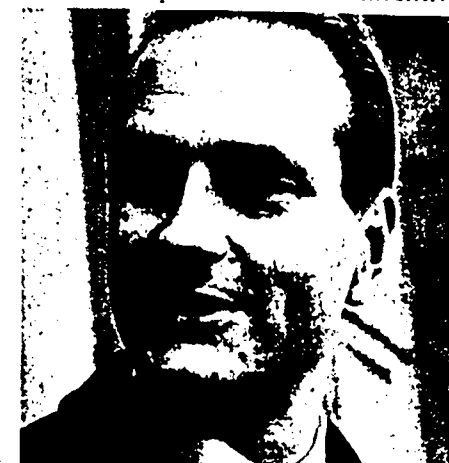
The Polytechnique, founded by Napoleon to provide France with a superior group of militarily biased engineers, has long been the basis of a network with powerful links in the higher reaches of the civil services and France's leading industrial groups. Enarchism, if one can so describe the phenomenon of ENA, is a more recent manifestation, the paradoxical result of an attempt after the war to make the civil service more democratic by forcing new administrative entrants to go through the same trial by examination. Within the ranks of Enarchs—as the graduates from ENA are called—there is an inner, even more elitist group consisting of the top 20 or so in each year's crop who are able to choose the four plum postings as inspecteurs des finances, at the Conseil d'Etat, the Cours des Comptes or the Quai d'Orsay.



These people rapidly find their way into the higher reaches of the civil service, often through the cabinet of an important minister, or into politics. They are highly sought after by industry both in terms of their civil service connections and because of their sheer ability, and because the government owns large sectors of the economy (like the banks, Renault and aerospace). They find themselves in key positions almost wherever power lies.

Of the 100 quoted by L'Expansion, 40 worked in the public sector, which gives it about the right weight, 47 had been to the Ecole des Sciences Politiques or the Polytechnique (followed usually by ENA) and 20 were inspecteurs des finances. M. Giscard d'Estaing is Polytechnique, ENA, inspecteur des finances. M. Pompidou is a graduate of the Ecole Normale (a graduate school for teachers that provides much of the cultural élite). The head of France's largest company, Pechiney Ugine Kuhlman, M. Pierre Jouven, is Polytechnique. The head of Rhône-Poulenc, the largest chemical company, M. Baumgartner, ex-president of the Banque de France, is Sciences Politiques and inspecteur des finances. Director-general of the Credit Lyonnais, M. Jean Saint-Geours, is inspecteur des finances.

And so it goes on. The effect of this network is to provide an informal communications system (as well as to foster extreme ambition and rivalry). This helps to short circuit what would otherwise be a highly rigid system of government. There is far less distrust and suspicion, at least where it really matters, between government and industry than exists, say, in Britain. Going to the same school does nothing, of course, to prevent conflicts of interest, but it does help people to think alike. And old school rivalries are also a powerful career incentive.



Part of the academic network: Dreyfus of Renault (left), Chirac, Minister of Agriculture

Translating Keynes

Out of the paradoxical reasons why French economic policy has been successful is that the men running it have not, on the whole, been all that sophisticated in applying modern tools of economic analysis. In an interview last year, M. Giscard d'Estaing argued that his predilection for balanced budgets, in any case more formal than real, could not be described as pre-Keynesian because until he went to Oxford for a short period after the war he knew nothing about economics. But it was not until the mid-1950s that the finance ministry started to use the budget as a Keynesian regulator. In place of fiscal fine-tuning the weak regimes of the Fourth Republic were usually forced into an expansionary posture through the need to finance the wars in Indochina and Algeria. When the inflationary pressures became too severe, they would devalue and rely on a fierce restriction of credit to pull the economy back into the paths of righteousness. The gaullist regime carried on this tradition with the famous stabilisation plan of 1963 of M. Giscard d'Estaing, which some critics would claim was responsible through its deflationary impact on the economy for *les événements* of 1968.

What used to distinguish a French devaluation and subsequent credit squeeze from the British variety was the sheer effectiveness of the French model. In the first place, French business has been traditionally financed short-term by bills of exchange which are ultimately re-discountable at the Banque de France. By limiting the amount of paper which could be re-discounted by the banks or by altering the re-discount rate, the Banque was able to control credit in a way which would be impossible in more sophisticated monetary systems where companies could draw on a number of sources of credit. A second factor was the shortage of medium and long term loan finance. The main source has been a number of specialist credit institutions which are closely regulated by the Banque de France. As a result it has been possible in France to apply

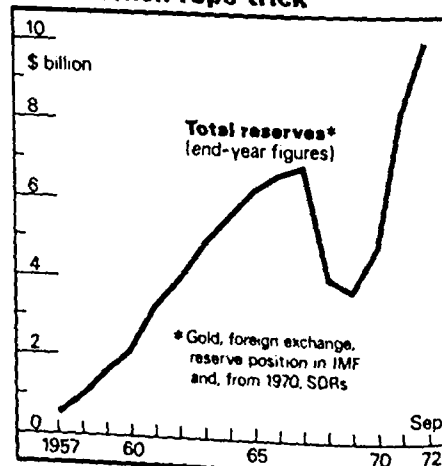
a selective squeeze which would benefit, say, exports or the agricultural equipment market at the expense of other sectors.

Thirdly, when all else failed, France in the past applied a detailed system of physical ceilings known as the *encadrements de crédit*. Not only does each bank have a total ceiling on the amount of credit it can provide, but a close check is also kept on the positions of major customers. The Banque de France with the help of its network of provincial offices—recently reduced to some 140—goes in for a detailed supervision of credit ceilings that would make British bankers turn white with horror. The close control of the banking and financial sectors had another result. By preventing the development of a wide range of financial institutions, at least until the mid-1960s, companies and individuals had fewer sources of credit to which to turn. Hire purchase was not nearly as widespread as it was in Britain.

But until recently, while France had a highly effective credit policy, it had no concept of controlling the money supply. It was fortunate that the two would naturally tend to work in the same direction. But as the economy became more open during the 1960s to the impact of balance of payments flows, and as the banks became more adroit at offsetting the credit restrictions imposed by the government, it became obvious that new mechanisms would have to be found. For one thing the use of the re-discount rate was becoming too rigid, and as France became more exposed to international money flows, too dangerous. For another, the government realised that as French industry developed it would need a more sophisticated and dynamic financial machine to provide it with funds.

With new financial instruments developing, the old methods of controlling the credit mechanism became less effective. And the desire for banks to compete more actively came into open conflict with the most powerful means of restricting credit, the *encadrement*

The French rope trick

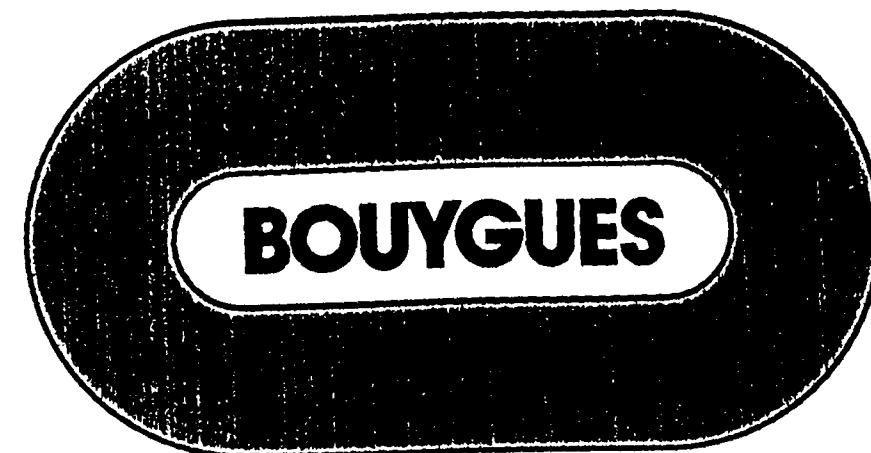
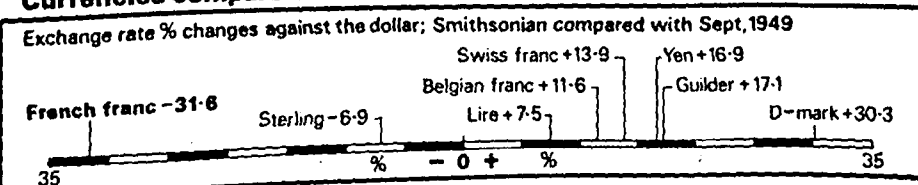


de crédit. This was last used in November, 1968. But as soon as it was lifted, in October, 1970, the banks started a frenetic campaign to lend as much as they possibly could. The fear of the next squeeze is leading them to achieve as large a credit base as possible while the going is good. In this way credit controls are actually proving counter-productive over the medium term.

The need to develop new techniques during the mid-1960s led to a high powered committee, composed of MM. Marjolin, Wormser and Sadrin, being appointed. Their main recommendation was that the Banque de France should switch to open market operations as the main day-to-day technique for controlling credit. The second reform, begun early in 1967, was to use obligatory reserves with the central bank relating to a bank's level of deposits as a check on liquidity. By increasing these, the Banque de France can raise the cost of credit. The effects of reserve requirements could not be fully seen until this year, owing to the *encadrements de crédit* from November, 1968, to October, 1970. Even so, the Banque has already developed the system in a unique way. Quite apart from bringing a wider range of financial institutions into the net, the Banque de France has extended the application of reserve requirements from the deposit side to the lending side. The rationale is that while for the banking system as a whole deposits and advances must move in parallel there is no clear relationship between the two for any particular bank.

To speed up the impact of a change in reserve requirements on the lending policy of banks and hence on the creation of new money the Banque has, since April, 1971, applied them to the lending side as well. But the new

Currencies compared



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PREMIUM INCOME: f 475 millions

With this global premium income in 1971, l'U.A.P. holds the fifth position in the enlarged European Community.

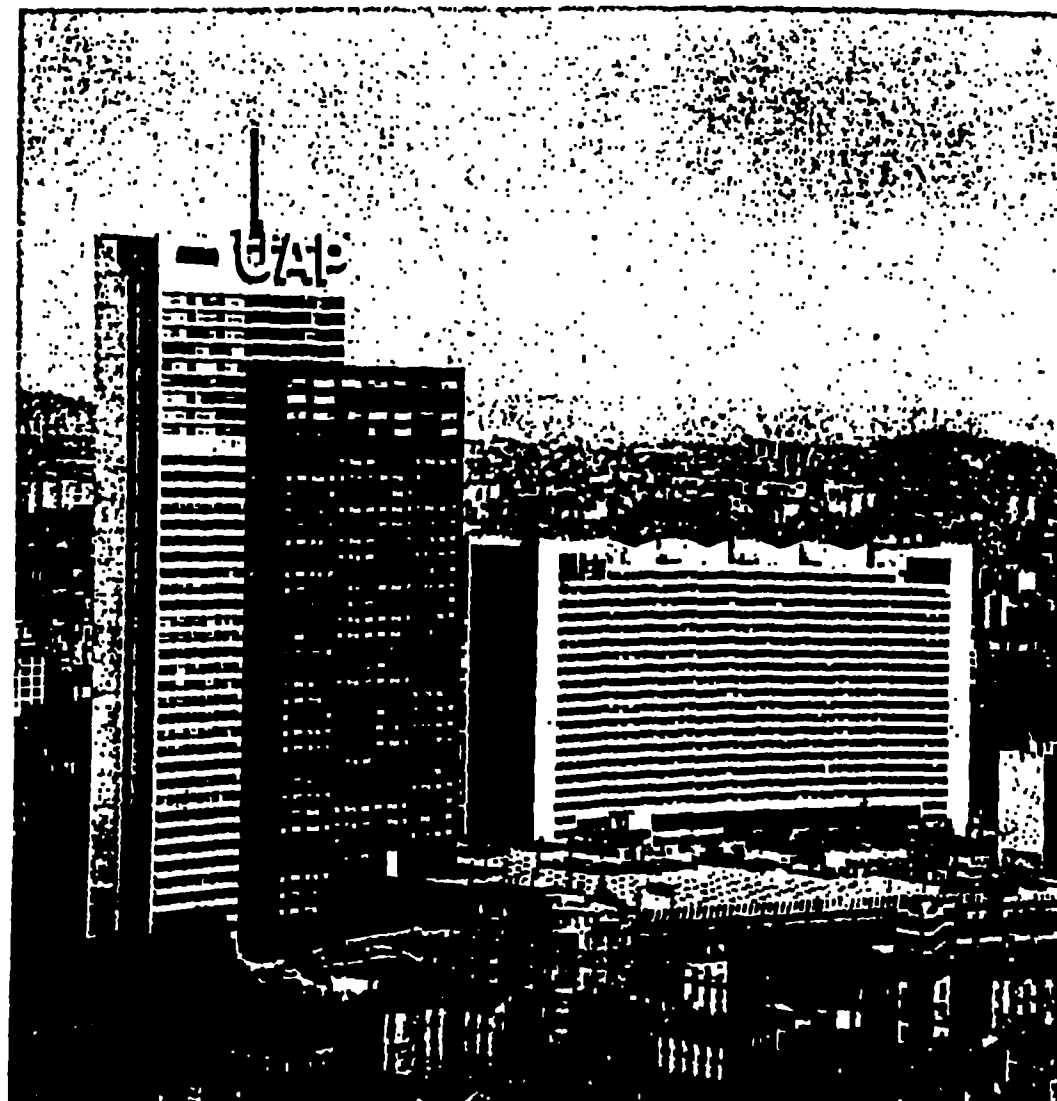
Its insurance activities, dating back to 1828, cover to-day

fifty countries, and are carried out through branches and/or subsidiaries; it has worldwide reinsurance activities.

In 1972, l'U.A.P. concluded reciprocal agreements with two of the largest English and German insurance companies, in order to exchange technical information on industrial risks.

PRESIDENT : Dominique LEMA
DIRECTEURS GÉNÉRAUX : Pierre BERTHA, Jacques-Michel COCHET

(By the way, if you need a good bank, see facing page.)



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than 20 over the last three years).

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(Besides, we know an insurance company that can be a great partner. See facing page.)



THE RHÔNE-POULENC GROUP

A company with an international role. Rhône-Poulenc is one of the largest industrial companies in France and was among the first to be known internationally. In the last thirty years it has come to rank among the largest chemical companies in the world, with 120,000 employees and annual sales of over 12 thousand million francs (around \$2.4 billions).

Development of the Group

Rhône-Poulenc has achieved its present importance by launching new activities in France and other countries, and by combining these activities with parallel or complementary activities of certain other firms.

In this continuing process, three events have been particularly significant:

In 1928: the formation of the Société des Usines Chimiques Rhône-Poulenc

In 1961: the incorporation of 80% of Celtes assets (man-made fibres and cellulose films) which resulted in the formation of Rhône-Poulenc S.A.

And in 1969: the addition of Progil and Pêchiney Saint Gobain companies become Rhône-Progil in 1972.

The holding company and the Rhône-Poulenc Group

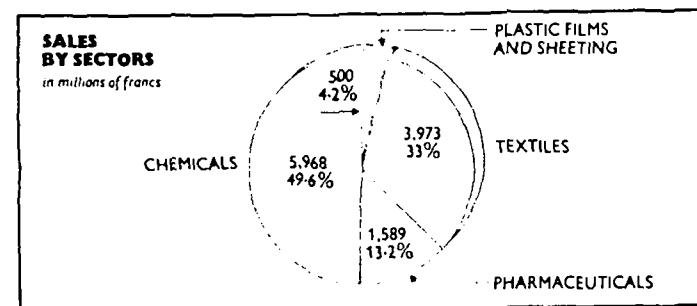
Rhône-Poulenc S.A. is a holding company whose stock is traded on the Paris Stock Exchange. Among its industrial holdings are important producing companies which are wholly owned or majority-owned, as well as minority interests in several other companies.

Rhône-Poulenc in 1971 (consolidated data in millions of French Francs)

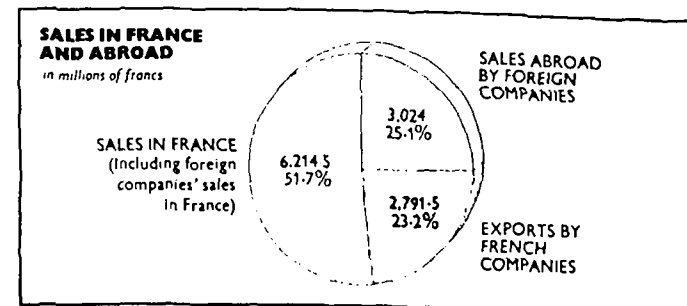
Turnover	Fr. 12,030m
Cash flow (including minority interests)	Fr. 1,301m
Total consolidated net profit	Fr. 284m
Capital Expenditure	Fr. 2,331m
Research and Development Expenditure	Fr. 523m

Activity of the different sectors of the Group in 1971

One characteristic of the Rhône-Poulenc Group is the variety of its products: its diverse activities may be grouped in four main sectors: chemicals, pharmaceuticals, textiles (cellulosic and synthetic fibres), sheeting and plastic films.



As before, chemicals predominate in the breakdown of turnover. Geographically, turnover breaks down into four quarters, three quarters being manufactured in France, two of which are sold locally and one exported, and one quarter being manufactured outside France.



Activities of the principal companies of the Group in 1971

Chemicals

Société des Usines Chimiques RHÔNE-POULENC (organic fine chemicals, pharmaceuticals, pesticides, plastics): The turnover increased by 6.1%. Export sales forged ahead in Europe still further, especially within the Common Market.

RHÔNE-PROGIL (organic and inorganic chemicals, plastics, fertilizers): The amalgamation of Pêchiney Saint Gobain and Progil to form the RHÔNE-PROGIL company took place on 30 December last, and was retroactive to 1 January 1971. Since the two companies operated independently throughout the year, their activities are dealt with separately in this review.

PÊCHINEY-SAINT-GOBAIN: The turnover increased by 11.2%. Export sales represented 18.5% of the total.

PROGIL: The turnover increased by 13.8%. Exports represented 25.4% of the total product sales.

Main subsidiaries: NAPHTACHIMIE, MELLE BEZONS, THANN et MULHOUSE, PLASTIMER, PEPRO.

Pharmaceuticals

In this sector of the Group are companies which produce pharmaceutical specialities or more generally speaking "drugs".

SPECIA: turnover up by 7.55% **THERAPLIX:** turnover up by 14.3% **ROGER**

Foreign subsidiaries The Group's assets in foreign countries represent 25% of capital expenditure.

Europe

Chemicals and pharmaceuticals

MAY & BAKER (Great Britain)

Total turnover of the company and its subsidiaries rose by 9.2% in 1971, activity on foreign markets being the main contributor of the increase. The breakdown of MAY & BAKER Group turnover by markets (national, export, and sales by foreign subsidiaries) was as follows:

United Kingdom	42%
Exports from U.K.	12%
Sales by foreign subsidiaries	46%

Sales within the United Kingdom held up in spite of fierce competition, particularly in the field of pharmaceutical specialities.

Textiles

Société de la Viscose Suisse (Switzerland): turnover increased by 10.3% **Deutsche Rhodioceta** (Germany): Turnover increased by 7%.

S.A.F.A. (Sociedad Anonima de Fibras Artificiales)—(Spain): turnover increased by 3.44%

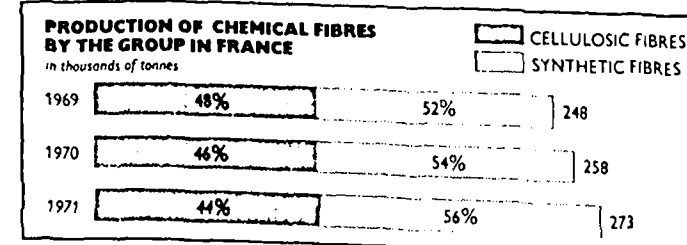
BELLON: turnover up by 13.7% **INSTITUT MERIEUX:** turnover up by 13% **A.E.C.** (human and animal food): Turnover up by 7.10%

Textiles (cellulosic and synthetic fibres)

Textile production of the Group merged under **RHÔNE-POULENC-TEXTILE**. Textile transformation: eight companies grouped together in **CHAVANOS S.A.**

Sheeting and plastic films

Principal company in the sector, **LA CELLOPHANE**: turnover up by 7.3%



North America

Rhodia Inc. (U.S.A.) **Poulenc Limitée** (Canada) **Rhodia Mexicana** (Mexico)

South America

In this area the subsidiaries established in Brazil have a pre-eminent position. They employ 12,500 people and their total turnover represents approximately 180 million dollars.

Rhodia Industrias Químicas e Têxteis

(Brazil)

Rhodia Nordeste

(Brazil)

Valisère (Brazil)

Rhodia Argentina Química y Textil

(Argentina)

Rhodia Uruguay

(Uruguay)



system has so far lacked bite because the total indebtedness of the banking system with the Banque de France, of which the need to finance the obligatory reserves forms a part, has fallen as a proportion of overall bank resources to rather less than it was during the last period of easy money, in 1967. So a considerable extension of obligatory reserves will be needed to have any impact. With this in mind, the Banque was recently given the power to raise the ratios vis-à-vis deposits and credits from 15 per cent to 50 per cent, which should provide it with all the scope necessary for imposing a squeeze when it is needed, which everyone judges will be after the election.

So it is not yet clear whether the Banque de France has found the means, in the France of the 1970s, to control the growth of money supply without imposing such a Draconian credit squeeze that the government's key objectives of full employment and a high level of investment would be imperilled. At the time of the 1963 stabilisation plan, the Banque de France and the Trésor were responsible directly for more than a third of the new money

supply. Now the equivalent figure is only a little more than a quarter. During the 1960s there was a very close relationship between the growth of money gap and the increase in money supply, broadly defined. But, over the past two years the money supply has been growing 50 per cent faster.

To sum up, the development of new forms of saving and borrowing, which has been proceeding all the faster during the current bank war, means that the Banque de France has to find new instruments of control. At the same time, it is becoming increasingly hard to isolate, except in periods of acute crisis, the French money market from the international one. Thus, if a French company finds it hard to borrow domestically, there are a variety of ways in which it can take in money from abroad. In France, as in Germany, the huge Eurodollar system complicates the shaping of internal monetary policy. If credit control was the chief means of regulating the economy without threatening its underlying dynamism in the 1950s and 1960s, it is not clear whether or how it will play the same role in the 1970s.

Waking up

The more liberal policy that M. Debré brought to foreign investment was only part of a much wider-ranging attempt to find ways of fulfilling the investment requirements of the fifth plan, both public and private. The problem was twofold, to improve the means by which companies could obtain money and to raise the level of long term savings available to industry. This may seem odd, given that the savings rate in France has for some years been one of the highest in Europe. But the problem which needed to be solved was that too much of these savings was kept highly liquid or channelled into unproductive uses.

The historic attitude of the French peasant was either to keep his money under the mattress or, even better, turn it into gold. France has more gold in private hands than any other country; the rough estimate being \$5 billion (at \$35 an ounce). The Debré formula was to increase competition for savings by revising the banking laws. In part this meant allowing banks to compete for any kind of savings, by abolishing the hard and fast distinction between banques de dépôts and banques d'affaires. The first are branch banks, dominated by the nationalised banks

(now three after the merger which led to the Banque Nationale de Paris, the other two being Crédit Lyonnais and Société Générale). They were not previously allowed to lend over two years. The second are the banks, similar to British merchant banks and predominantly concerned with financing industry, which were previously restricted on the number of branches they could have. M. Debré, as well as abolishing the distinctions between the two types, also raised the restrictions on the number of branches which banks could open.

The result was a fierce new era of competition. Against 138 new branches opened on an annual average between 1959 and 1966, the annual figures rose rapidly to 744 last year. To pull in the customers banks had to think of new sales techniques and to develop a new breed of marketing men. The frenzy has been heightened by the severe credit restrictions which were imposed between 1969 and 1971. Banks, fearful of another squeeze after the next general election, are now going all out to raise their credit base so that they enter the new period of restrictions—which have in the past taken the form of physical ceilings—with as much

room to manoeuvre as possible.

The banques de dépôts have developed a variety of new instruments, such as housing finance, long-term savings accounts and mutual funds which have helped to raise the level of savings. But their old enemies, the savings banks (caisses d'épargne) and the Crédit Agricole have done even better. These have been the traditional savings media for the provincial Frenchman, and they operate from a far wider base, with a network of branches unrivalled by the banques de dépôts. And, since 1966, they have succeeded, by a similar kind of aggressive marketing, in increasing deposits by 13 to 14 per cent a year.

Reviving the bourse

While the banking revolution has caused a lot of sound and fury—and produced a few disasters on the way, like the Carte Bleue, a credit card launched inexpertly by the major banks—a quieter but also significant attempt at resuscitation has taken place on the stock exchange. For a long time this was a disaster area which the development of SICAVS (as mutual funds are called in France) largely by the banks did little to rescue. Between 1962 and 1967 the market underwent a dramatic slide, with the index dropping by 40 per cent. Private investors deserted equities in droves, switching their portfolios abroad or into bonds.

To broaden the base for companies which wished to obtain new money a number of reforms have been initiated, starting with the formation of the Commission des Opérations de Bourse (Cob). This is a tentative move towards a Securities and Exchange Commission on the American model, without the SEC's policing powers. The Cob can only propose not dispose, in bringing the authorities' attention to such practices as insider trading, one of the old traditions of the French bourse which has aroused the distrust of the investing public.

The basic problem of the bourse is that it has long been too narrow, dominated by a dozen or so banking institutions. Company information has been inadequate and stockbrokers highly conservative, hampered by a commission system which does not encourage the development of small trading or, indeed, any form of marketing at all.

Parallel with the establishment of Cob, a commission was appointed under M. Baumgartner (ex-head of the Banque de France) to suggest a comprehensive series of reforms. The aim was first to attract more French savings.



Fouchier, Paribas

Only one person out of 33 is a shareholder, and limitations on institutions such as pension and life insurance funds buying equities mean that not many are even indirectly connected with the bourse. As a result only 4 per cent of French savings goes into stocks. Second, the Baumgartner report was asked to suggest ways of improving the international appeal of the French bourse. The government has been very conscious of the attractions of London, with a market capitalisation over three times larger and a vastly greater turnover. And the growing need for a European capital market meant that Paris unreformed might be in danger of sinking to the level of a provincial bourse.

The reforms put together by Cob and the Baumgartner commission include the publishing of better company information, such as consolidated accounts for companies wanting to raise new money, quarterly turnover figures and the publication of company reports before, rather than after, their annual general meetings. Consolidated accounts, which more and more large companies are now producing, provide analysts at last with some solid base for such indicators as price/earnings ratios. Other important reforms for foreign investors were the abolition of a 25 per cent withholding tax and the removal of exchange credit restrictions.

Since the beginning of 1972, foreign interest in the bourse, spearheaded by British institutional investors, has been largely responsible for a 30 per cent rise in the share index and a rapid increase in turnover. French stockbrokers, delighted by this trend, have set up offices in London or spent their time trotting round the financial capi-

tals of Europe. While average p/e ratios are now close to those of London, there are a number of high fliers, such as Legrand, Moulineux and Carrefour, which are still far cheaper than their equivalents in Britain or the United States.

The French investor, however, is still suspicious of the bourse and is still attracted by bonds which carry tax advantages and are actively sold through bank branches. The banks have been no help at all in developing the equity market, discouraging brokers from opening new offices and pressing bonds, which are far more profitable to them, on their customers. SICAVS have to invest at least 30 per cent of their portfolios in bonds (the actual ratio invested is currently over 50 per cent) and stockbrokers, hampered by their low commissions are, with a few notable exceptions such as Meeschaert (set up only a few years ago and already the largest broker by far), short on ideas.

In any case, in an era when stock markets are dominated by institutional buying and selling, private interest is less important than the encouragement of more institutions. One significant new development is the law on share participation by workers, which provides them with a share of profits on condition their money remains invested for five years. Already some of this money, which totals Fr5 billion, is finding its way into equities. Another is the activity of the new merchant adventurers such as Jimmy Goldsmith of Générale Occidentale, who are beginning to use the stock market if not yet for disputed takeovers at least as a way of gaining leverage on the companies which they wish to absorb.

Muscling in

The banque d'affaires, like the traditional deposit banks, have been allowed by the banking reforms to develop a new financial power and dynamism. Essentially they can now become deposit banks too, or develop deposit bank offshoots and thus broaden their financial base. The deposit banks, likewise, have been developing their own banques d'affaires. BNP, for example, has Banexi, and Société Générale, Valorinde.

The merchant bank sector of the market is dominated, however, by two Compagnies Financières—de Paris et des Pays-Bas (Paribas) and de Suez et de l'Union Parisienne. By a series of brilliant coups Suez gained control in 1971 of France's largest privately-controlled deposit bank, Crédit Indus-

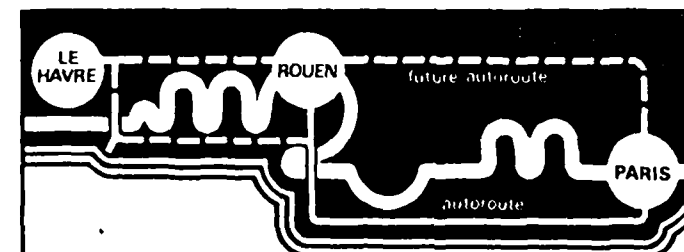


Schlogel, Crédit Lyonnais

riel et Commercial, and more recently, the Banque de l'Indochine as well as another merchant bank, Union Financière et Minière. Paribas, which as its name suggests, is almost as active in Belgium and the Netherlands as France itself, has acquired a controlling share in two smaller deposit banks, Crédit du Nord and Banque de l'Union Parisienne. A third name which is beginning to make itself felt is Générale Occidentale, best known for the activities of Mr James Goldsmith, its Anglo-French chairman, which is associated with Cavenham, Occidentale's British food offshoot, and with Anglo-Continental Investment and Finance, a banking plus insurance group that has grown eighteen-fold in the past eight months.

The basic method of these financial groups is to feed the cash they obtain from their banking activities into their industrial holdings. Over time the huge financial muscle of the state-owned banks will be used in the same direction, if less adventurously. The urge to put together new and more profitable groupings should, in principle, help towards fulfilling two of the government's objectives, by widening the pool of funds available to industry and at the same time making it more dynamic. Earlier this year, Mr Goldsmith put forward a bold defence of the British tradition, whereby groups are free to bid for what they want on the stock market and let the best man win.

But it is not at all clear if the growing French financial groups—whether one describes them as banques d'affaires or not does not much matter—will take this path or be allowed to do so. The past weakness of the bourse has made French companies potentially too vulnerable to takeover bids by outside groups, which until recently has usually



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Rouen, a busy metropolis, has many technical colleges and a university. The present population is developing much more quickly there than in the rest of France (8% as against 6.2% in the rest of France).

A complete communications network

The Seine will accommodate vessels of 40 to 60,000 tdw in 1975.

The port of Rouen, situated 75 miles inland, allows enterprises which feel transport costs to benefit from cheaper transport by ships and a shorter journey on land. Rouen can take vessels of 25,000 tdw fully laden and 35,000 tdw unladen. By 1975 fully-laden vessels of 35,000 tdw will be sailing up the Seine. The forecasts are even more favourable for Honfleur and Port-Jérôme, which will be receiving vessels of 60,000 tdw in 3 years' time.

- a complete network of regular lines permitting the export of finished products,
- facilities for penetration inland,
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- electrified railway (1 hr 5 mins to Paris),
- motorway (to Paris in 1 hr 30 mins),
- air links with the interior: to Deauville, Tours, Lille,
- land reserves among the most important in Europe.

Industrial and Port zones of Rouen

Position in the maritime port and in relation to the sea	Zones occupied	Zones being extended	Zones reserved for future annexation*	Totals
Grand-Rouen (75mils)	677	219	194	1,090
Anneville (50mils)	—	—	1,062	1,062
LeTrail (44mils)	97	186	—	283
Port-Jérôme (19mils)	519	587	1,344	2,450
Honfleur (10mils)	44	656	287	987
TOTALS:	1,337	1,648	2,887	5,872

* Longer term extensions.

For information, apply to:

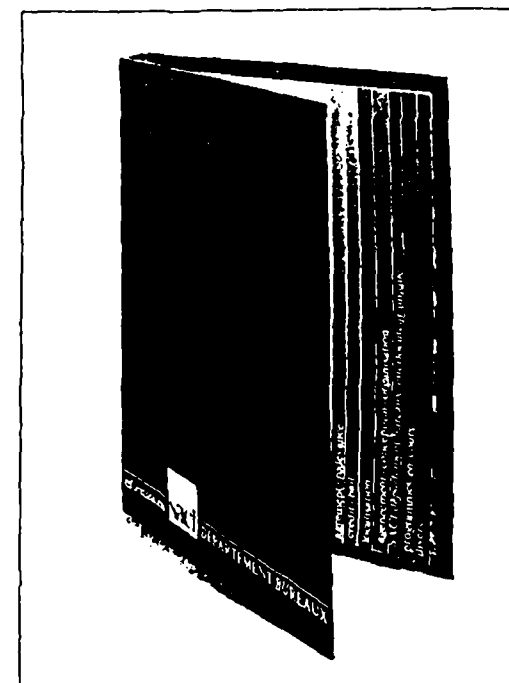
Port Autonome de Rouen
Service Commercial
Palais des Consuls
Quai de la Bourse
76000 ROUEN
Tel. 71.71.35

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Illustrations: Table—Estuary map with ind. zones.

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Tenants have access to the shops and restaurants within La Boursidière, which in turn is close to the massive Vélizy 2 Shopping Centre.

Office units, all with modern, prestige finishes and services, are available from 500 m² in the second phase of 15,000 m² which is now close to completion. Phase 1 is already fully let to international companies and the entire development will be completed in mid 1973.

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meant foreign companies. To overcome this French industry has evolved a complicated series of cross-holdings whereby major concerns take defensive stakes in one another's shares.

As a result, no major disputed takeover bid has succeeded. A classic example of the defensive power of the establishment was the defeat, three years ago, of the bid by Boussois-Souchon-Neuvesel for the sluggish glass giant St Gobain. BSN clearly did not have the friendship of the right people. Later St Gobain was virtually forced into the arms of the building group Pont-à-Mousson—and Suez played an important part in engineering this.

The likelihood, therefore, is that the French stock market will not be helped much by the banking revolution since, on the whole, industrial groups prefer to act through secret share swaps rather than by buying or bidding for shares outright in the open market. In any case, until brokers become large enough and astute enough to take sizeable positions in shares (which they are only now being allowed to do) the open market method is virtually closed to them. The net result is that it is going to be extremely difficult for a French Jim Slater (who in a decade has built up Britain's largest merchant bank) to develop, unless, like Jimmy Goldsmith, he has toned up his financial muscle abroad.

The question is whether this matters. Despite the bad record of the bourse in terms of turnover and market capitalisation, far more new capital through new issues is raised on it than on the British market. Once the patronage of

one or two of the major financial institutions is obtained, a growing company can get the cash it needs, and if it cannot there are bodies like the Institut de Développement Industriel set up by the government to promote the growth of medium-sized companies.

The French bourse, once the fashion for it abroad passes, could therefore remain the sickly prisoner of the banks, through their own holdings and the medium of the mutual and other funds they control. There is just a chance, however, that the authorities will try to encourage the Jimmy Goldsmith version. First, the government, having opted for competitive, open-frontier capitalism as its industrial model, needs to give maximum scope to its go-go entrepreneurs. Hence the freer and more accessible the stock market, the better.

Second, the government is less and less able, as the economy grows larger, more complex and increasingly enmeshed with those of its European neighbours, to wield direct control over it. Power is seeping away from the government both to different levels of decision, international and regional, and towards pressure groups, which are becoming better and better organised.

At the financial level the future predicted by the banking reforms is a France controlled by banks in the same way that west Germany is. The only way to mitigate this is through a more active stock market. Some of the government's planners recognise this. The question is whether a France led by a banker will do anything about it.

The cost of pegging prices

The last time the French government actually froze prices was for a month after the devaluation of the franc in August, 1969. But the direct general control of prices, in one form or another, is a long and continuing tradition in France which brings the rue de Rivoli face to face with companies and businessmen in a way that is virtually unique for a non-communist finance ministry. Along with credit controls, the normal budgetary machinery and the plan, price controls form the fourth instrument with which the state manipulates the economy. And, like credit controls, limits on price increases can be used as a highly selective method of favouring one section of the

economy at the expense of another.

The French government has had the power to control prices ever since the war. Indeed, M. Giscard d'Estaing earned his reputation as an iron chancellor by his freeze on industrial prices in the stabilisation programme of 1963. But the squeeze did not work vigorously for long. The trouble is that over time price controls can only distort the economy. In this case, the profitability of companies making basic industrial inputs was so badly hit that in some ways they have only recently recovered. In particular, the problems of the steel industry, which has been late to modernise and switch from the traditional areas of production in the east



Shopping for the lowest price

of France, based on local coal, to new sites based on imported coal, such as Dunkirk, were made considerably more severe by the price controls of the 1960s.

The French government has hung on to price controls, but the system of policing them has become more flexible. Indeed, both sides of industry would grudgingly concede that price controls have done their bit to curb inflation. The system involves a series of agreements between the government and the main industrial groups (*contrats de programme*), which effectively allow them to raise prices by a certain amount provided that they keep them at that level for a given period. Over time, the *contrats* have been extended to cover service industries and, in the distribution field, gross margins. If a company refuses to accept a *contrat de programme*, it risks being unable to raise its prices at all. The *contrats* now extend widely throughout the economy. They now cover, for example, about half the country's 550,000 retail outlets. To run the system and maintain a detailed check on prices, the finance ministry has at least 2,000 inspectors, as well as a large section within the ministry itself.

For a company making a variety of products, the system offers a certain flexibility, since it only has to make a commitment on the average level of price increases and not on every product individually. Even so, in areas where there are frequent developments in new product lines or changes in specification, the system involves a good deal of haggling and tiresome delay. It may also, although the evidence here is conflicting, have had some impact on the ability of firms to finance new investment out of profits. Certainly, self-financing is less important in France than it is in the United States.

On the other hand, from the point of view of a company desperately wanting to raise the level of its industrial exports, price controls appear to have had the effect, on some industries at least, of making foreign markets look relatively attractive. The motor industry is a case in point. The European Commission has recently brought a case against the French car companies for allowing exclusive geographical franchises and preventing French dealers from exploiting the substantially higher prices prevailing in other EEC markets. This spotlights the fact that one of the main reasons why the French industry exports over 50 per cent of its output is that the controlled prices on the home market make it the only way to live.

Even so, the general effect of the price control system is inevitably partial. While *contrats de programme* have, in principle, kept price increases down to 3½ per cent this year, the actual rise in the cost of living from year end to year end, has been more than 6 per cent. But the administration would strongly claim that controls are essential to prevent inflation from running amok. If price increases are cut

from 5 to 4 per cent during one period, this limits the rate of wage increases during the next, which in turn has a beneficial effect on prices later on. Certainly during 1970 and 1971 France enjoyed one of the slowest rates of inflation in western Europe, though this year has been worse.

For the Patronat, of course, the price control system is one of the main bones of contention with a government whose economic performance in other directions they thoroughly applaud. But while investment was expanding at a rate of 20 per cent a year, their arguments about the impact on profitability had little cutting edge. It would be true to say, however, that the change in the competitive environment should normally make government intervention in prices less necessary.

When French companies operated in an atmosphere of cartels, low turnovers and high margins, government intervention was some substitute for market forces. But during the decade since the barriers between common market countries effectively came down, the scale and the pressure of competition have changed.

The best laid plans . . .

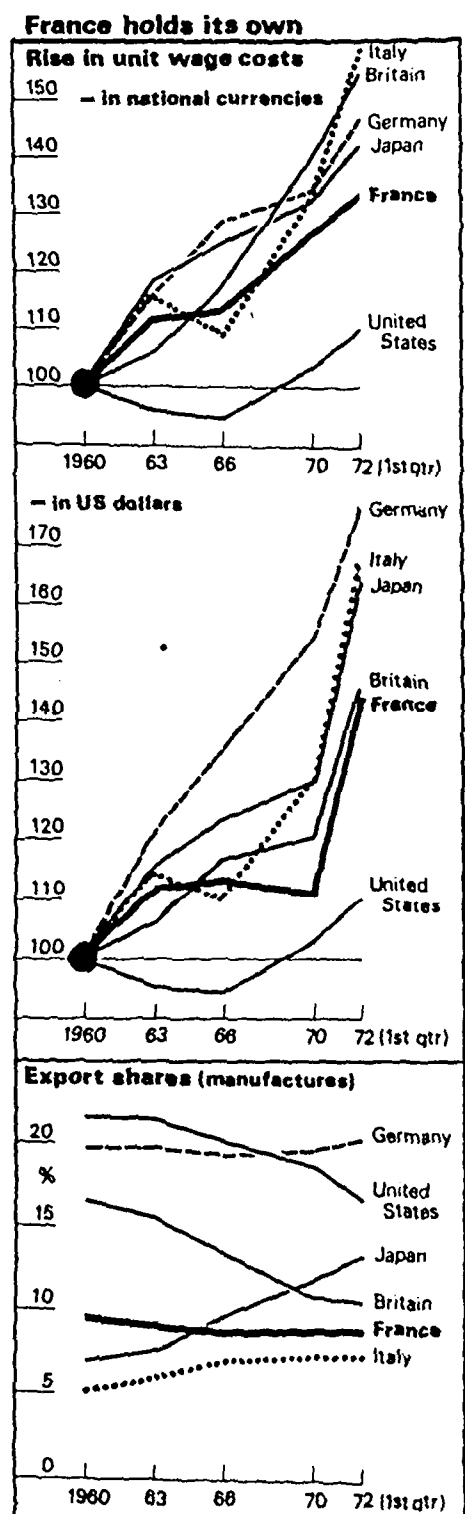
In addition to credit and fiscal policy, the French policy makers possess means of shaping the economy which are peculiarly French. The most all-pervasive is le plan. There was a time, perhaps a decade ago, when foreign academics suddenly discovered French planning. It became particularly fashionable among British economists as they searched for means of improving what appeared to be an endemically slow growth rate at home. An attempt was made to imitate the French planning process, first with the establishment of the National Economic Development Office and then with the ill-fated national plan of 1965. French planning started after the war, under the guidance of Jean Monnet, as a means of channelling what resources were available towards reconstruction. Since then there has been a steady progression from one plan to another (the seventh plan is currently being prepared). But by the time the French concept of planning became fashionable abroad, it was being questioned in France itself.

Nevertheless the apparatus of planning not only continues to exist, but has

steadily been expanded and refined. There is the Commissariat au Plan, a group of around 80 civil servants drawn from various departments, which is the effective secretariat for the planning network. There are committees covering every aspect of French economic life, staffed by several thousand civil servants, politicians, businessmen and trade unionists. And there is the plan document itself, an elaborate confection of political objectives, sector by sector, targets and forecasts, and a mass of statistical analysis.

France is now halfway through its sixth plan. And, even if few Frenchmen know the name of the commissaire général du plan, M. René Montjoie, they can hardly fail to find some mention of the plan whenever they pick up a newspaper.

The annual budget, presented to the assembly in October, is always placed within the framework of the plan. Spending decisions in the public sector generally are constantly related to what the plan has to say. Recently there was a long, three-part critique in *Le Monde*, France's leading daily newspaper, on the government's economic policy. It



began by quoting, ironically, from a recent pamphlet from the Commissariat au Plan which said that the success of the sixth plan depended on the will of Frenchmen to act responsibly. In which case, *Le Monde* commented, the citizens of France are clearly irresponsible since on most important counts the plan is not being fulfilled.

But does the fact that the plan discusses in great detail the future of the French economy actually make any

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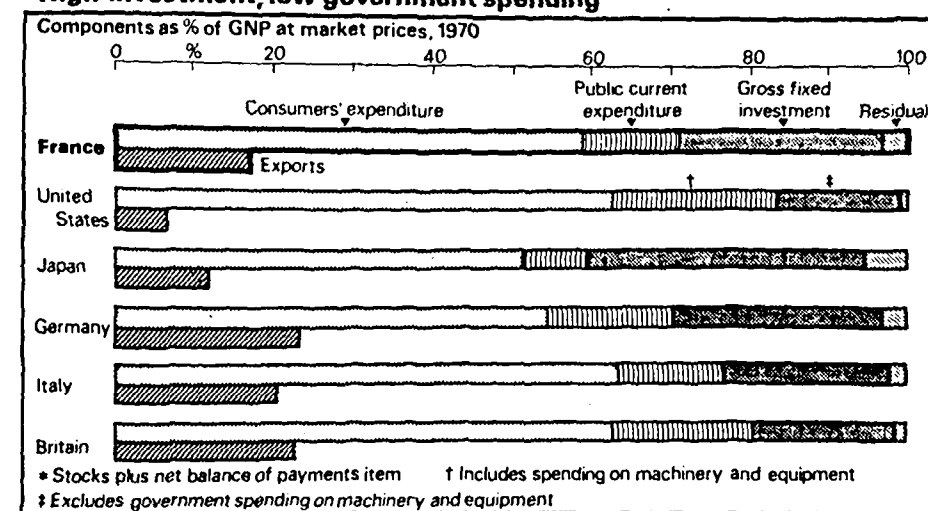
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High investment, low government spending



difference to that future (as the commissariat implies)? Or does it merely observe what is happening and predict with greater or lesser accuracy what will happen? The most recent authoritative account of the growth of the French economy since the war spends a chapter discussing the impact of the plan. One of the authors, M. Edmund Malinvaud, is at present in charge of forecasting at the ministry of finance. Another, M. Paul Dubois, is in charge of the macro-economic studies used in the plan itself. Yet in their book they are curiously reluctant to come to any definite conclusions. Plan targets have generally been fulfilled, taking the economy as a whole. Even the original predictions of the fourth plan were very close to what was actually achieved over the five-year period as a whole (1961-66) despite M. Giscard d'Estaing's stabilisation programme. But when it comes to individual sectors, as one might suspect, the accuracy of the assessments has varied widely.

It is extraordinarily hard to show that France would have grown any slower if the planning apparatus had not existed. For example, might it not have done just as well by relying on a reasonably sophisticated economic policy framework for the annual budgets, coupled with some forward assessment of where public expenditure was going to go over a five-year period?

It is true that the plan has helped to articulate and co-ordinate spending budgets by the public sector, even if too often these have been the victims of short-term economic changes. It is also true that the individual sector committees have done a lot of useful work in building up a programme of reforms and educating the businessmen and trade unionists who sit on them. But the actual business of providing a detailed and coherent set of forecasts

for the economy is more suspect. What is the use of an industry forecast, for instance, if half the firms in the industry do not think more than one year ahead? And there is always the danger that industries will deliberately be over-optimistic.

Prediction or target?

One of the main problems of the plan was a confusion between what is being forecast as an objective prediction of what will happen to a sector of the economy and what has been presented as a target which that sector must try to achieve. Even the assessment of how fast the economy as a whole grows could be described either as a target or as a prediction. If France has by and large achieved the gnp laid down for it in the plan, this could be largely because it was chosen, on the basis of past performance, as being reasonably credible and likely in the first place. In general the plan now makes a clear distinction between targets and forecasts, and is less ambitious on the number of targets it chooses.

When it comes to the conduct of short-term economic policy, the ministry of finance, just as in other countries, is extremely jealous of its prerogatives and would no more keep firmly to what was laid down in the plan than hand over control of the economy to the International Monetary Fund. The annual budget, although it is presented in terms of the planning framework, is after all mainly concerned with the immediate outlook for the balance of payments, prices and employment.

Moreover, if one examines the three vital areas—the rate of inflation, the rate of growth in productivity and the behaviour of the balance of payments

—the plan's forecasting record is distinctly shaky.

Nevertheless when all these doubts have been aired, the fact remains that the plan is still important in French life. In the first place it provides a useful forum for presenting, in a coherent way, the impact of political choices on the economy. The rate of growth chosen as the target (if that is the right word) carries in itself strong implications about the trade-off between inflation and employment or growth and the increase in foreign exchange reserves considered suitable by the government. The plan, in other words, imposes a certain consistency. And even the minister of finance has to explain deviations in policy and performance from the plan, even if he does not hesitate to bring them about.

In the run up to the sixth plan three alternative targets were presented. Even if the way that they were presented made the final answer self-selecting, the posing of alternatives did expose the options in front of the government. There was the high growth rate much advocated by the Patronat, the employers' federation, of some 7 per cent. This was described in a rather hyperbolic way as growth *au Japonais*. The theory behind it was that France had the productive potential to grow faster, that it was lagging behind Germany and that there might be problems with the level of employment if it grew by very much less. On the other hand it carried serious short-term implications for the balance of payments and for the level of inflation. The second option was a low growth rate of 3-4 per cent which was found to carry not only serious implications for employment but also in the medium-term for the balance of payments (as



Monnet: the father of the plan

it would impede the structural shift in exports so badly needed). Lastly, the middle range target of 5.9 per cent was chosen. This was rather faster than the postwar average of around 5 per cent, but corresponded closely to what had happened between 1965 and 1970. And in principle it neither seriously endangered the level of prices nor the balance of payments. At least this is how it was presented by M. Pompidou.

Implicit in the whole concept of the plan and of the choice between political objectives is the idea that only through this conscious articulation of goals can France maintain a certain autonomy. At its highest—and this was true for the first plan and possibly also for the fourth plan at the start of the Fifth Republic—the plan expresses a certain national vision.

Thus the first plan was aimed at the rapid rebuilding and development of the commanding heights of the economy, such as electricity, the railways and steel. It was concerned with channelling national resources to priority areas and, as such, was far closer to the normative planning of communist systems than anything which happens today. The main preoccupation of the second and third plans was to foster the dynamic developed in the reconstruction period. France had fallen subject to a Malthusian pessimism over several decades of stagnation. It had missed out on the revival of economic activity which took place in the fascist countries during the 1930s and in Britain and, more particularly, the United States during the war. Therefore the fundamental need was to overcome the fatalism of the French people, and to show that the rapid growth rate achieved during the immediate postwar years of reconstruction could be sustained and was not doomed to peter

out once the economy was back to normal peacetime conditions.

With the return of General de Gaulle, planning received a new twist, as a medium for expressing political priorities and for obtaining a commitment to them, through the consultative committees, by the main pressure groups in the economy—employers, trade unions, professional organisations and, of course, the civil service itself. Apart from the maintenance of a high rate of growth (5.5 per cent), the overriding priority was seen as a rapid increase in public investment of 10 per cent in real terms. Education in particular received a massive boost to cope with the baby boom of the early postwar years. Accent on one type of public spending, then another, has remained one of the key notes of planning. After education, priority has been given to communications, roads and the chronically bad telephone system (where heavy spending was essential to provide a framework for France's industrialisation).

Beyond the stressing of certain objectives such as a high growth rate, however, planning in France has shown certain inescapable weaknesses. A good five-year indicative plan cannot prevent violent disequilibria appearing in the short term. This was shown in

1963 when prices and the balance of payments began to get out of hand. One answer was a lower rate of wage increases—through a system of contracts. In other words, wages had to be planned, too. The other was to use the traditional strategy of lowering the rate of expansion and increasing the margin of unemployment. A lower growth rate was accepted in the fifth plan and unemployment went up from around 150,000 to 500,000. If the objective of planning is to ensure that resources are fully exploited this is a defeat which allows the job of running the economy to remain squarely with its traditional mentor, the finance ministry. Obsession with inflation will remain, one suspects, the major obstacle to planning.

Second, by concentrating on economic growth, the planning mechanism put social priorities on the back seat. The sixth plan tried to correct this by affirming support for the lowest-paid workers and the dispossessed. And the commissariat itself is now feeding into the preparation of the seventh plan a lot more social indicators. But until they are firmly established, and a new hierarchy of pressure groups has been built, the bidonvilles and the clochards will continue to be a familiar part of the landscape.

More unequal than others

When M. Pierre Messmer, whom M. Pompidou appointed as successor to the unfortunate M. Chaban-Delmas in the summer, made his first prime ministerial speech to the Assembly, he described his goal as the need to make society more just, more responsible and more humane. Three years ago, M. Chaban-Delmas talked of the "New Society," in which divisions would be healed by the removal of the inequalities that have long been more prominent in France than in almost any other advanced country. Such proclamations are the regular clichés of political rhetoric. So how far in reality along this road has the Gaullist regime gone?

All the indicators suggest that the question of equality ranks low in the priorities of gaullism or even pompidolisme. De Gaulle had a few unorthodox views on such questions as worker participation, but these were never comfortably received by the bulk of his followers. There are a number of signs one can look at: the trend in wages and salaries between the highest

and lowest paid; the impact of taxation; social security payments and transfers; and the amount and incidence of social spending.

Over the past two decades French society has had a bias towards saving and investment rather than consumption, although a 5 per cent plus annual rate of growth allows for plenty of improvement in all sectors. While household consumption has gone up 2½ times, private investment (other than housebuilding) has risen nearly 6½ times. The total share of investment in gnp rose during the past decade alone from 20 to 25.5 per cent. Capital, in fact, has been accumulating faster than wages have been rising despite the anxieties of the economic policymakers—the result, one suspects, of a combination of inflation and weak trade unions.

If one looks at the difference between salaries paid to *les cadres*, as the French call anyone who is, however remotely, concerned with management from foremen upwards, their numbers

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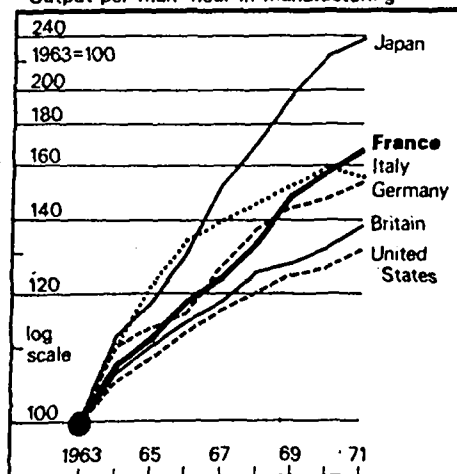
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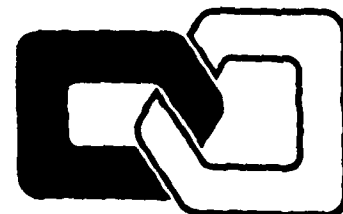
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The old way of low taxes—and incomes

have both increased rapidly and their salaries have risen in relation to that of the average worker, from 3.5 to 4.2 times. The wage agreements of 1968 did, however, narrow the gap somewhat and there is no evidence that it has widened significantly since then. A further indicator is the discrepancy between the average and the minimum wage. Familiarly called SMIC, the minimum wage is fixed by the government so as to act as a protection for those in traditionally low paying industries such as distribution and textiles.

Over the past 10 years the minimum wage has risen mildly faster than the average hourly wage (by 56 per cent, against 52 per cent). Even so, the gap between the highest salaries and the lowest is still in the order of 60 to 1. But, as elsewhere, the poorest groups in France tend to be the old and those on the land. Although the grain farmers of the centre and north have done very nicely out of the common agricultural policy, the average agricultural wage and the income of the small farmer has lagged badly behind industrial wages. In the past four years, for instance, farm incomes rose by 7 per cent in real terms while average industrial wages rose by a hefty 23 per cent. But what France has succeeded in doing has been to shift several million people out of agriculture altogether. Only 12 per cent of the active population are now on the land, compared with nearly 30 per cent two decades ago.

As for the old, who form a growing part of the total population, the basic

pension has increased by a whopping 225 per cent over the past 10 years. But that was from a particularly low base, less than 3 francs a day. No west European country, however, has done all that much over the past 10 years to redress social inequalities. So France suffers more from a historic inegalitarianism than from present performance. Indeed, the government has declared that its intention is to make the minimum wage rise faster than wages as a whole, and it is discussing the possibility of putting it on a monthly, salary basis which would add some important fringe benefits.

Poor record

The next question is whether the impact of the tax system has become more or less equal. Here the record is poor. Although M. Giscard d'Estaing did undertake a massive study of the system which he presented to the Assembly in 1971, nothing has been done to upset the position of the privileged and those who do not pay their taxes. One of the most telling accusations which led to the replacement of M. Chaban-Delmas was that, during one year, he was discovered to have paid no taxes. This was perfectly legal. During the 1960s, to stimulate investors' interest in the bourse, M. Giscard d'Estaing modified the company taxation system so that tax credits could be offset against investment income, based on the profits tax the company had already paid. This may have been good for efficiency, but it did nothing for equity.

M. Giscard d'Estaing's study showed

what everyone already knew—that the whole system is long overdue for reform. In terms of direct taxation those on salaries have at least to pay, although rates are about the most regressive in Europe. But, the self-employed or people in well-favoured groups like farmers, pay very little. As a whole the system is biased towards indirect taxation and social security contributions which are both heavy and regressive.

The last measure of equality is the way that government funds are spent. How much cash goes into public spending which benefits the less well-off? Over the past decade as a whole, the increase in public investment compares favourably with that of other European countries. But since 1968, the need to avoid inflationary budgets has exacted its toll. M. Giscard d'Estaing is carrying on an old tradition when he cuts social spending rather than increase taxes. Thus programmes for building hospitals or roads which figured in the fourth plan have still not been translated into action. M. Giscard d'Estaing has, in fact, acquired the habit of putting a chunk of social spending projects into a fund (the FAC) which is then only unfrozen if the economy looks in need of stimulation. As a result, between 1970 and 1972, public investment has risen by less than half the plan targets of 7.6 per cent.

In order to get round the constraints of a balanced budget, M. Giscard d'Estaing has been persuading more and more money in the private sector to take the place of public finance. This may work for areas such as roads and telecommunications, but not in those where profit margins are low. Nor has the government done much to reform the shambles of the housing market. Since the war, France has built half the number of dwellings that west Germany has, and the number of new housing starts, while now rising by a reasonable 4 per cent a year, is not being swollen by publicly financed houses. The housing boom has been confined to flats and houses for the middle-income groups. The poor and even the not so poor have as much difficulty in finding somewhere to live as ever.

But, if France is a society where a high level of inequality still flourishes, it is because when a government is determined to put economic growth first, and when it is hamstrung by an incompetent and regressive taxation system, something has to give.

Paris is a desert

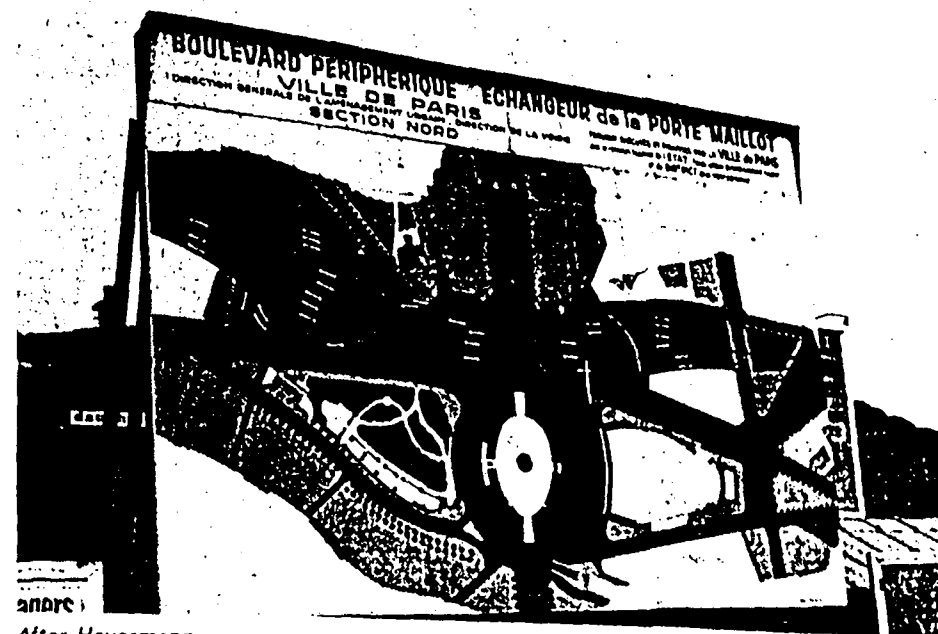
Paris, except on Sunday mornings and in the middle of August, is a pretty horrible place. It is just possible that its sheer unpleasantness may, by the mid-1980s, make it culturally démodé. And that would be the most important change in French life since the 1789 revolution. Why Paris became so grossly overweight in relation to the rest of France, why all roads and railways lead to it, is buried in the depths of French history and psychology. Whatever the reasons, the facts are outrageous. It was not long ago that a provincial prefect had to refer to Paris for anything involving the smallest expense such as hiring a new secretary or installing another filing cabinet.

The predominance of Paris since the days of Richelieu and Colbert led to what was described in a famous book published after the last war as *Le Desert Francais*. In the stagnant economy of the period between the wars the centripetal pull of the metropolis was less apparent than it became in the years of reconstruction. The concept of the *Desert Francais* was that, apart from a few areas like the Mediterranean coastline east of Marseilles and the industrialised corridor running to Lyons and St Etienne, the lifeblood of the provinces was being sucked out of them and pumped into the evermore bloated Parisian spider. To this disparity between Paris and the provinces was added two further problems: the structural decline in the old industrial areas to the north towards the Pas de Calais and in the east in Lorraine and the flight from the land, inevitable in a country which still had over a quarter of its population dependent on agriculture 25 years ago.

Despite the lip service paid to regional development from the early years of the EEC onwards, Paris continued to have remarkable powers of attraction, both in terms of people and resources, during the period of the fourth and fifth plans. For example, between 1962 and 1970, investment per head in urban equipment like transport and sewage systems was two to three times higher in the Paris region than it was in provincial towns. Incomes per head are twice as high in Paris as they are in the poorer regions. In terms of population and economic power, Paris grew even more preponderant. Whereas in 1800, less than 2 per cent of the population lived in the Paris region, by 1970

it contained over 9m people, or nearly 20 per cent of the French nation. It is thus nine times larger than the other main urban centres of Lyons, Marseilles and Lille. The Parisian hegemony is even more apparent in the most highly trained, most talented sectors of the population. In the early 1960s, when some efforts to redress the balance had already been taken, over 40 per cent of those with higher degrees lived in Paris, while two-thirds of those involved in scientific research worked in the area.

Since then, some attempts have been made to develop a regional policy. But while it was perfectly possible to devise noble plans for the more backward areas and to administer a system of regional incentives, the problem was and still is that all roads lead back to Paris. Regional investment incentives tend to be rather low (around 10 to 15 per cent). This is not so much because they are considered ineffective, but because in budgetary terms regional development still does not rate very high. It is hard for leading politicians and civil servants to overcome their blinkered Parisian outlook. It is true that the French system of administration, with the provincial and regional prefectures, means that the central government controls the running of provincial France in a way that does not happen in other European countries. But controlling local government is one thing. Changing the economic map is another.



After Haussmann

The first step was to get away from the Napoleonic structure of 90 departments towards a more rational economic grouping. The *raison d'être* of the department was that it made the whole of France amenable to being overseen by a central authority. Its size was such that a policeman on horse could reach any part of it from the town hall in a day. In 1955 a new structure was superimposed on the old, introducing 21 regions. But it was not until 1964 that the regional concept was given some political clothes, with the creation of the regional prefect and the Commission de Développement Economique et Régional (or Coder). The main task of the regional prefect and the Coder is to establish a programme for economic development and public investment in their region. After that principle had been established it was only a matter of time before the annual budget was put into a regional framework.

The Coder is an embryonic political body composed in part of local bigwigs in industry and commerce, in part of the elected representatives of local towns and in part of nominees of the prime minister. They and the bright young men in the regional prefectures have developed as an important new series of pressure groups. But there are still serious defects. In theory the local planners should be able to organise the funds allocated to the region in what seems to them the most fruitful way—for instance by putting more money into telephones and less into new houses. In practice, not only do these regional bodies remain largely



Modern living outside Paris, but still close

consultative but there is still considerable opposition to any dilution of the central authority within the ministries in Paris.

At the end of 1970, a minor financial gesture was made to regional prefects. They were allowed to decide themselves for the first time how certain small investments should be made. But power remains firmly in the hands of Paris. Of much greater significance has been the recent tendency for young civil servants fresh out of ENA to eschew the traditional ladders to the top. Instead of becoming *inspecteurs des finances*, they are trekking out to the regional prefectures, where at least they can have the illusion of getting something done. While the government retains a natural distrust of any dilution in its powers, it has gone some way towards distributing public investment more equally around France. And as counterweight to the ministries, the prime minister has under him an energetic agency, the *Délégation de l'Amenagement du Territoire et de l'Action Régionale* (Datar).

The main nuclei for large state projects are the *Metropoles d'équilibre*, such as Lyons, St Etienne, Bordeaux and Metz/Nancy. The planners have gone boldly for the idea of growth points, on the argument that if the economic influence of Paris is to be diminished rival poles of attraction must be established. Around these growth points some grandiose and imaginative schemes have been designed.

France is a country of engineers, if the term is taken in its French rather than Anglo-Saxon sense, meaning someone who not only knows

how to build a bridge but has a vision of what it is the bridge is joining. The conversion of Languedoc-Roussillon from a malarial swamp into a huge tourist complex cum market garden is one of them. Fos, the new industrial zone west of Marseilles, is another, and there are high ambitions for Le Havre and Dunkirk as well. Perhaps the most extraordinary achievement has been the taming of the Rhone. By the 1980s, it should not only be navigable along most of its length but connected to the central European waterways via the Rhine.

Large projects may be essential but they do not generally mean many jobs. The prosaic task of persuading medium-sized companies to move from Paris elsewhere or to get an American multinational company to invest in Lorraine rather than Westphalia has fallen to the group of organisations based on Datar. This small band of irregulars, with direct access to the prime minister but with no budgetary powers, tries to short-circuit the long-winded administrative

machine and act as advocate both for the regions and for those who want to invest in them. With the blessing of the highest authority, M. Pompidou himself, Datar has flourished.

If Paris is still growing at a rate which will take it to 16m people by 1980, the net migration from other areas is declining. And there are actually fewer industrial jobs in the Paris region than there were five years ago. Net migration out of the west, which used to be particularly severe in Brittany, has now been halted. And while two-thirds of the employees of the automobile industry in 1960 were in Paris, by 1975 the proportion will be less than 40 per cent. Datar is even beginning to make some impression on the crucial service sector, which provides three out of every four new jobs in France.

One of its main preoccupations has been to improve communications. Until the mid-1960s these were woefully neglected in the national budget. By the late 1970s there should be a complete motorway network reflecting the real need of the regions rather than just their satellite status to Paris. Telecommunications, not before time, have become the fastest growing sector of public investment. And a key plan of Datar is to reorganise the internal airways system so that it is possible to go from one part of France to another without changing planes in Paris.

Despite all these efforts, however, it is going to be hard, if not impossible, to spread economic growth and prosperity right across France. At the most, regional policy may have won for France two new poles of development: one running down the Rhone spreading east and west at the mouth to Nice and Montpellier; the other, just possibly, joining the main towns on the Atlantic. As for the rolling hectares in between, is it a bad fate for them to remain as they are, evidence that France is the most beautiful country in Europe?



The president dons a regional cap

Heading south

Marseilles, as Frenchmen are fond of saying, is hardly a French city, but part Mediterranean, part African and highly independent. Even government officials tend to say that it is hard for Paris to understand the problems of Marseilles. And these are great. Marseilles, like Vienna after the 1914-18 war, is a metropolis without an empire. In place of its past role as focal point for the commercial network which bound France and its North African colonies together, Marseilles has been in search of a new one. And the urgency of this task was increased by the closing of the Suez canal which cut off a lot of its natural traffic. Faced with the uncomfortable combination of a growing population, swollen by Algerian settlers, and a stagnant local economy, Marseilles and the national government in Paris have been looking for a dramatic solution.

Thirty miles to the north-west, there is a desolate region surrounding the Etang de Berre, a large inland salt lake. Once this used to be the grazing land of several hundred thousand fine merino sheep. Now, if the visions of the planners turn into reality, it will be one of the great new industrial areas of Europe, providing the means of livelihood for 500,000 people and acting as the hub of a great new area of industrial development.

The first part of the master plan was based on oil. Marseilles is strategically placed to receive shipments from the other side of the Mediterranean. Through pipelines it could serve not only southern France itself but also the central area of the common market, notably southern Germany. And the port of Fos, south of the Etang de Berre, was capable of receiving tankers of 500,000 tons or more. With Shell, BP, and the Compagnie Française des Pétroles setting up refineries, over 400 tons of refined products are coming out of the area. The oil and natural gas—for Fos is one of the key terminals for Algerian natural gas—should attract chemical plants. There ICI has built a 60,000 ton polyethylene factory, which went on stream this year.

But to obtain broadly balanced industrial growth, Fos needs something more. The success of the whole plan depends on what is Europe's largest steel project, Solmer. The aim is to produce 3.5m tons by 1975, expanding to 7m tons by the end of the decade. The sheet steel and rolled

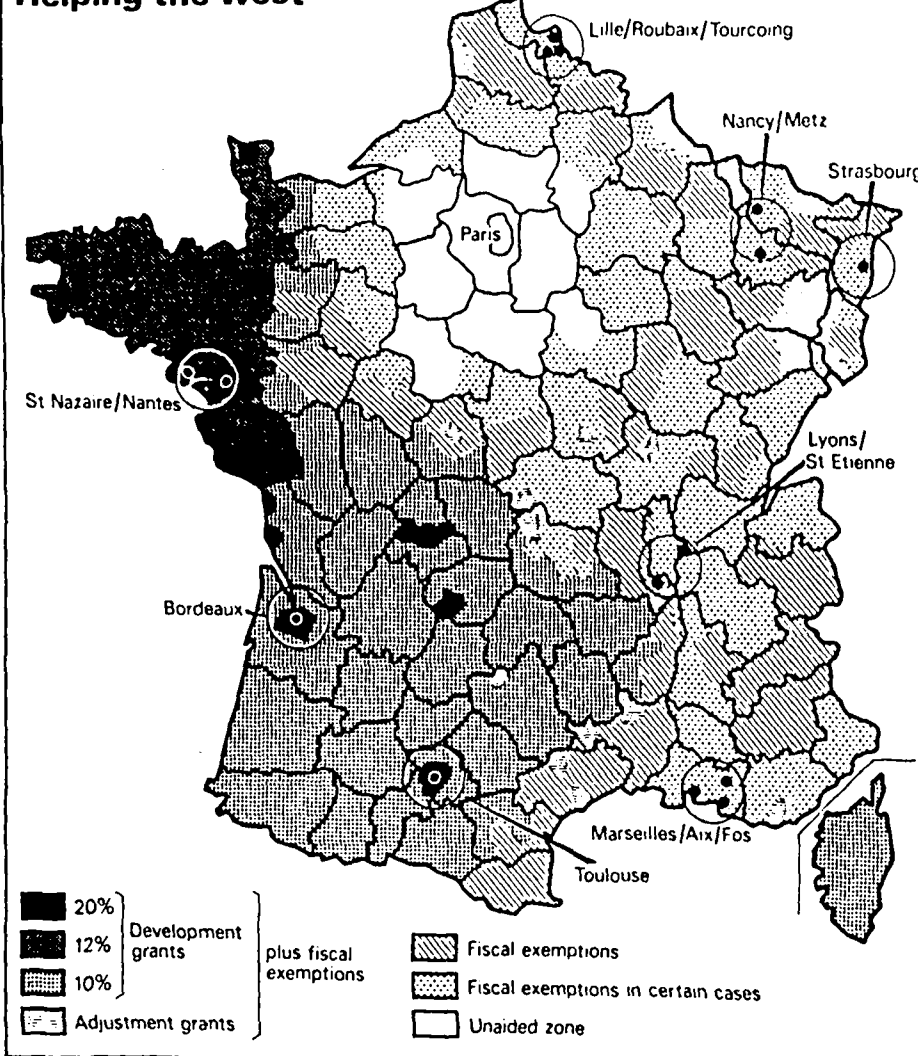
products coming out of Solmer will, in theory, act as a magnet for a wide range of engineering plants, thus providing the balanced industrial growth the region so badly needs. While the plans look good—and will provide France with some bargaining power when the European Community gets round to controlling steel investment—the problem is money. Hopefully, the scheme will cost some £550m, but this will almost certainly escalate to nearer £1 billion. Wendel-Sideler, entrusted with building the steel plant, has, after more than a year of trying, only just succeeded in persuading Usinor, the other major French steel producer, to join forces, with some lubricating government money. And it is still not clear whether stage two will take place without other participants. The German firm, August Thissen Hutte, is

usually mentioned in this connection, but it is still being coy.

Until steel is actually being produced, the Fos grand industrial design will not get very far. Which is just as well. It is one thing to attract industry to the area, it is another to provide the essential services like roads, railway links and houses. The narrow, dusty lanes which at present give access to the Fos area could not stand much more traffic. Motorways are planned but it will be something like two years before they are actually built and connected to the national network. The housing situation is, if anything, worse. The main problem has been an appalling lack of co-ordination between the ministries, coupled with suspicion and distrust for the whole idea from the local communes and even Marseilles itself. Now a whole raft of committees and consultative bodies have been set up. But the sorting out will take time.

To the north of Fos, the Rhone is being turned into a navigable link be-

Helping the west



EMPAIN-SCHNEIDER: AN INDUSTRIAL STRATEGY

At the end of the nineteenth century, Baron Edouard Empain, a pioneer in the fields of production, distribution, electrical engineering and urban transport, formed a powerful and diversified group whose interests and industrial undertakings both in Belgium and in France were very substantial.

The Schneider undertaking, which was founded at Le Creusot in 1837, received during the first half of the twentieth century, under the management of Eugène Schneider, an impetus which placed it in the forefront of the French industry.

In 1949, Schneider became a holding company and its object was to acquire interests in other fields including:

- electronics,
- nuclear industries, enterprises in general...
- automation and computerisation,

and it gave to its financial activities a considerable expansion.

In 1963, the Empain Group acquired a large shareholding in Schneider and thus became the firm's principal shareholder.

In 1966, the limited partnership was converted into a public limited company with the Barons Empain joining the first Board of Directors.

In 1967, Baron Edouard-Jean Empain was appointed Chairman of Electrorail and Vice-Chairman of Schneider S.A.; he thereby assumed responsibility for the general management of the Empain-Schneider Group and in June 1972 this office was legally confirmed by his appointment as Chairman of Schneider S.A.

The assets of the Empain-Schneider Group were integrated within two holding companies, one subject to French law: Schneider S.A., the other subject to Belgian law: Electrorail S.A.

Both companies operate in the fields of finance, industry and services.

In each one of these sectors, Empain-Schneider's constant endeavour is to devise and pursue a strategy of expansion designed:

- to maximise its existing industrial holdings and give these a more even spread by acquiring interests in light industries in which there is more scope for control and usually a higher profitability.
- to reinforce its financial activities by extending the operational sphere of the Group's financial and banking subsidiaries.

RAW MATERIALS AND ENERGY

Heavy iron and steel industry

In the heavy iron and steel sector, the aim of Schneider S.A. is to focus its attention on those companies in which it has a controlling interest or over which it can exert a decisive management influence.

After the renovation of the plant and machinery, destroyed during the war, of Société Métallurgique de Normandie (S.M.N.), this company has made good progress. Its steel production has increased from 671,000 tons in 1968 to 865,000 tons in 1971. The turnover advanced to 554 million francs with exports accounting for 31%. Investments in 1971 amounted to 53 million francs. The installation of an additional steel processing plant with a 450,000 tons per year capacity will be completed in the course of Plan VI.

In Luxembourg and in Germany, Arbed, which is managed jointly with Société Générale de Belgique, produced in 1971, with the steel-works of Roehling, in whose capital it has a 50% interest, and other companies in which it owns a major equity holding: 10,139,000 tons of steel.

In 1971, Arbed created, on an equal share basis with the American company National Standart, a new concern named Fan-International which produces tyre reinforcing wires.

Electricity-gas

Thanks to its equity holdings in the major Belgian companies engaged in the production and distribution of electricity and gas, Electrorail has a prominent place on the energy market in Belgium through the medium of three companies: Intercom (sales 1971: about 2,623 GWh of electricity and 614 million cub. m. of gas), Interbrabant (sales 1971: 2,905 GWh) and Electrobél, whose speciality is that of engineer consultants and technical research not only in the electricity and gas sector but also in the fields of civil engineering and industrial equipment.

Petroleum and by-products

In Canada, Electrorail holds a controlling interest in "Canadian Hydrocarbons Ltd." which is a rapidly expanding company with assets worth some \$130 million. This leading propane gas distributor in Canada is also engaged in the distribution of natural gas and petrol both in Canada and in the north-west of the United States. Electrorail also controls an oil producing and mining company (Canadian Homesteads Oils) and has recently launched into uranium mining in Colorado.

MANUFACTURING INDUSTRIES

Metallurgy-engineering

In 1970 a new company, Creusot-Loire, was formed as a result of a long-prepared merger between S.F.A.C. (Société des Forges et Ateliers du Creusot) and C.A.F.L. (Compagnie des Ateliers et Forges de la Loire). The special steels market conditions, which were very buoyant in 1970, contributed to this amalgamation. A combined strategy has already been carried into effect to enhance the profitability of an industrial instrument of exceptional importance.

Creusot-Loire achieved an after-tax turnover of 2,683 million francs which represents a consolidated turnover amounting to over 3,000 million francs. Its capital investments in 1971 reached a figure of 163 million francs of which the major part is being devoted to the construction of nuclear tanks at Le Creusot and of steam generators at Chalon. The five-year Plan of Creusot-Loire, financed largely from internal resources, represents one of the greatest ventures of

modernisation and equipment ever to be undertaken in France by a company in the private sector.

Mechanical construction

H. Ernault Somua was able to record further growth in its production of machine-tools for the French and export markets, the German market in particular. The turnover, excluding taxes, increased from 223 to 246 million francs, of which 30% represented export sales.

In addition to its activities in metallic and mechanical fabrications, the A.B.R. Company (Ateliers Belges Réunis) continued in 1971 to expand in the field of engineering. The gross turnover amounted to 1,544 million Belgian francs against 1,465 million in 1970.

Electromechanics

In the electromechanics sector, the problem facing Jeumont-Schneider is shortly to be settled. Having ascertained that a merger of this company with a competitor would lead to a disruption of the Group, a solution was advanced by the parties involved whereby this sector could be reinforced by a link-up between Jeumont-Schneider and Merlin-Gérin, both concerns being complementary to each other. This new partnership will be operational in June 1973.

In 1971, the after-tax turnover of Jeumont-Schneider reached 924 million and the net profit 9 million francs (3.6 in 1969) after capital expenditure amounting to 48 million.

France-Dunkerque

The buoyant conditions prevailing in the ship-building industry during 1969 and 1970 have ensured for the ship-yards of the France-Dunkerque Company a full workload until 1975 consisting mainly of methane and propane tankers.

In 1971, this company received an order for two roll-on/roll-off vessels from Société Française des Messageries Maritimes.

Public Works

In this sector, Citra, a subsidiary of Schneider, merged with Spie-Batignolles of the Empain Group, thus forming the largest public utility company in France with a turnover of 2,000 million francs.

The primary purpose was to constitute a coherent and efficient alliance aiming at higher profitability by a more systematic selection of markets.

In Belgium, the Group has a controlling interest in two utility companies, "E.T.S." (Electrification and Travaux Spéciaux), and Immeubles et Constructions, which are respectively specialised in electrical, piping and allied installations, and in public and private utility works.

Packing industries

Empain-Schneider operates in this sector in Belgium. For the glass container branch, 1971 was a year of expansion and significant market adjustment, this being reflected in improved turnovers (7.9% for Verlica Momignies, 5.8% for Boutelleries Belges Réunies, in whose capital Verlica-Momignies has a 30% holding) and also in the realisation of important capital investment programmes.

In 1970, the Group acquired a substantial interest in the capital of Papeteries Catala, thereby extending, with the addition of cardboard wrappers, its share of the whole packing materials market.

FINANCIAL AND BANKING ACTIVITIES

Empain-Schneider is in a position to exert a powerful financial leverage through the medium of Union Européenne and its shareholding in Banque Belge pour l'Industrie.

The objectives are: to reinforce its position in the sector of financial activities, to ensure the financing of its existing subsidiaries, and to take effective action in certain sectors with a view to securing an appropriate spread of capital investments leading to quicker and higher profits.

Union Européenne

Union Européenne is a joint undertaking comprising two companies:

—Compagnie Financière de l'Union Européenne, which consolidates and supplements the industrial and financial interests of Empain-Schneider, makes surveys and investments in new sectors. In 1970, investments were effected in the food, property, tourist equipment and toy industries. Recently and through Sofisport, a newly created holding company, an interest was acquired in Dynamic skis and in Fusalp.

The net profit for 1970/mid-1971 amounted to 13.8 million francs (+20% compared with the previous year).

—Banque de l'Union Européenne, which is controlled by Compagnie Financière, has increased the number of its establishments and extended its branch network in France and other European countries. It participated in numerous operations in connection with market transactions, introductions to the stock market, investment management, and reorganisation of industrial company structures. In 1971, its balance sheet total stood at over 4,000 million francs (a 22% increase over 1969) and its net profit advanced from 7.1 million Frs. in 1969 to 19.5 million in 1971.

Banque Belge pour l'Industrie

This is the Group's banking institution in Belgium which has been affiliated since 1968 to the international network of the Royal Bank of Canada and which acquired therein a 25% interest. This medium-sized institution is very dynamic and within a year doubled both its turnover and resources (balance sheet total: 5,000 million Belgian francs).

Across the Atlantic

The Group is also engaged in financial activities in North America, particularly in Canada, where it has ample scope for manoeuvre with the large amount of funds placed on deposit or invested in readily marketable securities.

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tween the Mediterranean and the area around Lyons, which, with the cheap electricity being generated close by, should develop into a new industrial corridor. This is the planners' dream and there is a good deal going for it. The more ambitious visionaries would go further. They see the three southern regions of France — Languedoc-Roussillon to the south-west, Provence-Cote d'Azur to the south-east and above it the Lyons region—forming a linked and coherent whole.

Without the smog

Already the south of France is one of the most interesting areas of change in Europe. Its population is increasing almost as fast as that of Paris, as more Frenchmen seek the sun and the good life. To the east of Marseilles, along and behind the Cote d'Azur, the hope is to develop away from the present dependence on tourism and property speculation and become a new California—without the smog. The first seeds are already planted. There is the IBM research centre just above Nice and Texas Instruments has a factory in the area too. Near Antibes a high technology industrial park is being set up, together with research centres and graduate schools.

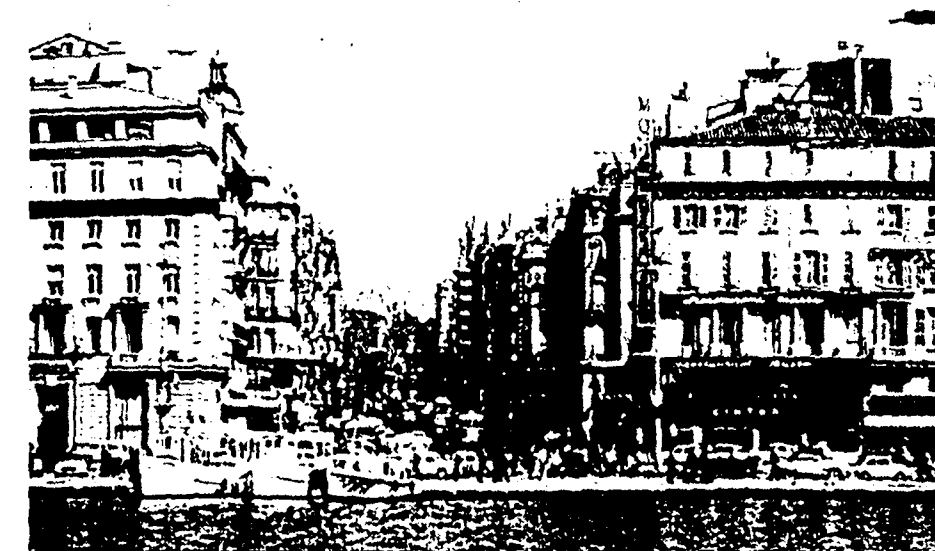
The problems of the south-west area, Languedoc-Roussillon, are different and far more severe. Between the mouth of the Rhone and the Spanish border, there is over 100 miles of flat, marshy, once mosquito-ridden, coastline with very little on it except for a few smelly little fishing villages and the odd dusty resort. At least this was the position ten years ago when the government got to work. There were two essential problems: one was to attract tourists to a fairly inhospitable and not particularly exciting area with in fact only one natural advantage, miles and miles of sandy beach; and the second was the comparative poverty of the traditional Languedoc kingdom where there was little except vineyards, deserted villages and the relics of a once great culture.

Over the past decade the French government has been working in two different ways. It has been pumping billions of francs into a new irrigation system to allow economic farming in the south-west. The effect has been a huge increase in France's output of such things as peaches, tomatoes, apricots and all the other Mediterranean produce already grown in super-abundance from the south of

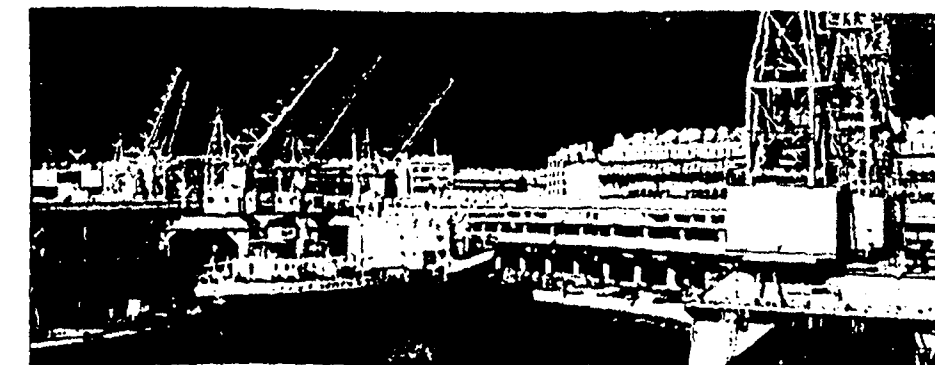
Spain to Sicily. The second part of the plan was to drain and develop the whole of the Languedoc-Roussillon coastline. The idea was to foster six new holiday resorts. Now, nine years after the scheme began, futuristic developments dot the coastline. But the response in terms of tourism has been

disappointing. The area is too expensive for the poor to invest in, the scenery too dull for the rich.

But these, like the problems at Fos, are teething troubles. Along the south coast, France is planning for the next century. The cynics should suspend judgment at least for another decade.



Marseilles has an old port.



a new port



and a competitor close by at Fos

Another beginning

"Chère vieille France! La bonne cuisine! Les Folies-Bergère! Le gai Paris! La haute couture et de bonnes exportations, du cognac, du champagne, des Bordeaux ou du Bourgogne! C'est terminé." In these words, the President of the French Republic, during one of those pieces of political theatre, a presidential press conference, closed a chapter in French history. M. Pompidou had spoken. In the place of the old France, a new one, engaged in a second industrial revolution, is emerging. The main thesis of this survey has been that the rhetoric of the Fifth Republic in its second phase, after General de Gaulle's retirement and death, has by and large been translated into reality. The transformation is not complete, for if France is a country where change, once underway, can be extraordinarily rapid, it is also a country where the past to an unusual degree continues to live in the present. The rhetoric of ambition has always to be qualified by the reality of achievement.

The first qualification is that agriculture will continue to be more important to France than to any other advanced European nation. Farming remains one of France's major resources. Although the proportion of the labour force employed on the land is declining by around one per cent a year, the current ratio is still that which existed in Britain a century ago. France has a larger area of cultivable land than any other European country. The proportion of its exports which arise from farm products has actually increased

over the past decade. General de Gaulle described France as the country of 200 cheeses, and despite M. Pompidou's picturesque turn of phrase, farming and the sale of all that the rich soil offers, whether it is Camembert, Chateau Mouton-Rothschild or the most advanced form of convenience food, will continue to bulk large in the French economy.

The second qualification is that sectional interests—such as the farmers, blocking the road with sugar beet or grapes—will have enough power to slow things up. It is now the shopkeepers, café-owners or artisans, who give France so much of its individuality. France is a country where sectional privileges remain commonplace—where farmers, for instance, pay no income tax. Recently it has been the turn of the shopkeepers and café-owners, led by their young hero, M. Nicoud, to protest, by strikes and the burning of tax records in provincial government offices, against the march of progress. Shopkeepers, for instance, are menaced by the vast out of town hypermarkets developed so rapidly by groups like Carrefour and Casino over the past decade. It is no coincidence in a pre-electoral year that M. Nicoud and his friends have been granted an amnesty for their part in civil disturbances and that Carrefour has been given permission to build only two hypermarkets. Progress even in a hard, unsentimental country like France is kept within bounds. A political party to the right of centre, even when it proclaims economic progress as its main raison d'être, can never forget its constituents.

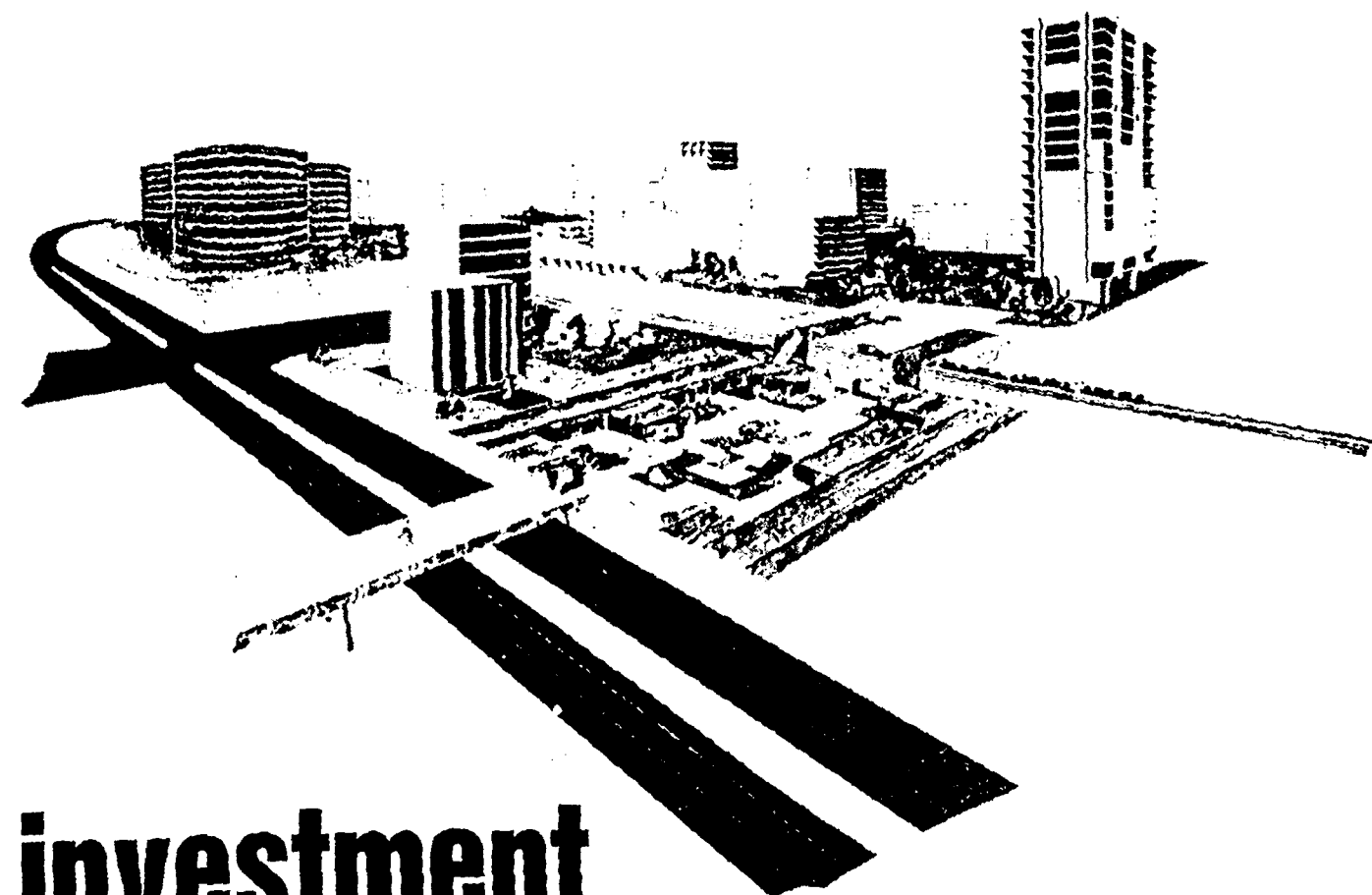
The third qualification relates back to M. Pompidou's press conference and his famous sketch of the old France and the new. He was in fact replying to a question about France's well known diplomatic activities in favour of foreign sales of its colour TV system, Secam, and of Mirage military aircraft. These—and such matters as French participation in Concorde—are to a large extent the products of old gaullist policies in favour of national self-sufficiency and high technology programmes, rated in prestige rather than cost terms. These are now largely discarded. French sales of military equipment abroad have accounted for a large slice of its increase in manufactured exports. But this is a game which will have declining returns in the new



One of the 200 cheeses

France. There is a new maturity at work. Prestige now takes second place behind pay-off. This means that France is no longer prepared to bear the costs of high technology itself. Just as the French have learned the lessons of modern management, which implies teamwork, so they have caught on to the rewards to be won through international consortia.

The consequences of France's industrial revolution point in the same direction. Given the French traditions of self-sufficiency and autarchy the common market was bound to have a greater impact on France than on the other northern European nations. Initially, the French conceived the impact as meaning a greater vulnerability to risk and damage, which, they hoped, would be counterbalanced by higher agricultural exports. Now it is seen in France as meaning something else. France is becoming as dependent on international trade and as closely enmeshed in international business as its partners. And this will lead, indeed is already leading, to a profound change in mentality. The curious paradox is that General de Gaulle had to revive a sense of national confidence before the French could persuade themselves to think internationally. Like all the major changes in the history of France, the switch from being France in Europe to being European France will not be accepted by a section of its population for a long time to come. But it is happening nonetheless. What Algeria was for General de Gaulle, Europe is for M. Pompidou.



investment in office buildings near Paris

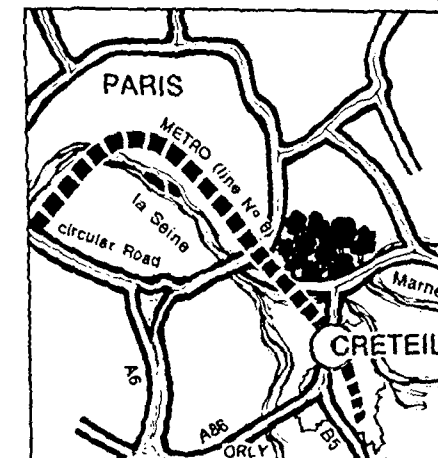
Creteil is a new town, 6 km. from Paris by underground "metro". Under the direction of the "Société d'Aménagement du Nouveau Creteil", 100 architects are building all the various important buildings required for this new town — Headquarters for the Prefecture, University, Town Hall, General Post Office, Borough Financial Headquarters, Law Courts, Cultural Centre, Police Headquarters, Shopping Centre, etc. together with new factory and office buildings.

The group responsible for New Creteil (SEMAEC, Avenue François Mauriac, 94301 Creteil. Tel : 207.65.00) have taken advantage of the following facts — extension of the Paris metro; French Governmental decision to encourage office building on the east side of the Paris region; and finally, the availability of land for immediate building, and have obtained the agreement of seven of the biggest investors and promoters in Paris for the immediate construction (1972-1975) of 150,000 sq. metres of office buildings.

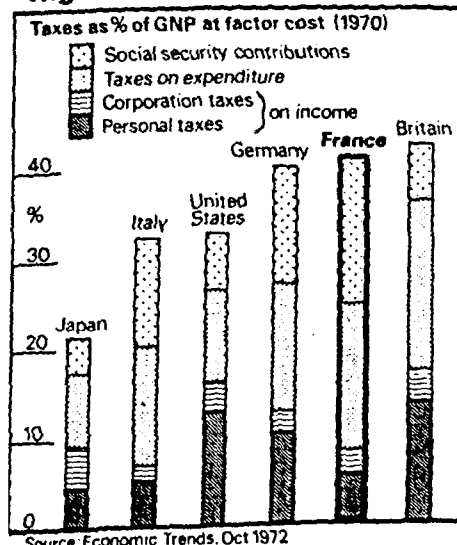
The selling price for this space which investors in the Creteil region can demand is about 2,500 fr. per square metre. This price is the lowest in the whole of the Paris region, and will ensure the success of this project — office buildings of this quality are usually priced two or three times higher.

In view of the initial success of this project, the SEMAEC has decided to increase the scope of its development, and is offering new sites, either immediately available for building, or available in one or two years' time. Prospective investors are asked to get in touch at the address given above.

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Books

The view from Harvard

THE FALL OF THE AMERICAN UNIVERSITY

By Adam Ulam.
Alcove Press. 226 pages. £2.75.

REBELLION IN THE UNIVERSITY

By Seymour Martin Lipset.
Routledge and Kegan Paul. 336 pages. £2.75.

When President Nixon ordered the renewal of the bombing over North Vietnam last May there was every expectation that there would be a repeat of the violence and the troubles that exploded in the American universities in the wake of the Cambodian invasion in 1970. But the spring of 1972 was not the season for demonstrations. Students merely worked harder to secure the Democratic presidential nomination for Senator George McGovern. The enthusiasm for the Democratic candidate did not last into the autumn term; but there was, curiously, still no sign that this disenchantment was a prelude to more direct action. Instead, there were reports that more students were turning up to their lectures and classes, that the libraries were fuller than for many years past and even that attendances at football games, a pastime scorned in the late 1960s, were up again. The calm may be short-lived; there is plenty of tinder in American

society to fire the indignation of a new generation of students. The deaths of two black students at Southern university in Louisiana last month perforated, if it did not tear, the fragile peace. But there has been time for analysis and for soul searching, not so much among the students, who moved on and out of the universities, but among the professors and academics who remained behind.

Professor Adam Ulam, a professor of government at Harvard university, presents a personal theory of what went wrong in American universities during the last decade. As he makes plain even in his title, he believes that the events and their consequences were a disaster for academic life and for higher education. He lays the blame for the upheavals squarely on the shoulders of his own profession.

Professor Ulam's great lament is that the university became a centre of public attention and politics in the 1960s. Just as business was thought to hold the answer to the nation's problems in the 1920s, so, he argues, too much hope was invested in the genius of the universities, and of education in general, in the 1960s. Professor Ulam singles out the presidency of John Kennedy as the turning point for intellectuals. This was the period when professors (particularly those from Harvard) were given positions of considerable power in Washington, and

when it was thought that the academic approach would uncover the perfect solution to America's domestic and foreign ills. But then came the troubles with Cuba, and with south-east Asia. After the fiasco of the Bay of Pigs invasion, intellectuals searched for scapegoats; the military and the intelligence services were the closest at hand. The mistakes by which the academics in government failed to profit in the early 1960s were repeated later, in south-east Asia. And by then, Professor Ulam claims, there remained too few detached scholars in America.

What the professors began, with their move to Washington, the students completed. Beginning with the civil rights movement in the early 1960s, direct action, to help the blacks, the poor whites or to halt the war in Vietnam, became the order of the day. With direct action came the call for a revolution in academic teaching; the reaction against Greek philosophy, French literature or English history as irrelevant to the riots in the black ghettos, the starvation in Appalachia and the slaughter in south-east Asia. Having involved themselves so closely in the government and the problems of the day the universities were in no position to resist the demands of their students. Now, according to Professor Ulam, unless the universities are able to rebuild their walls, to revalue learning and research for their own sakes and also to acknowledge their limitations, there will be more trouble.

But this type of breast-beating can be too self-destructive. It has become painfully clear that able and valuable academics who were involved with the government's policies in Vietnam are being blamed for the war and ostracised by the academic community. The universities may react to their failures in the outside world by barricading their doors and breeding a new type of isolated academic. Fortunately, the conclusions of Professor Seymour Lipset, also a professor at Harvard, are less gloomy and more objective. He places the student revolt in its historical and international setting. It is comforting to be reminded that protests among American students about methods of teaching and the inaccessibility of professors are not unique to the 1960s, and that in the nineteenth and early twentieth centuries the activities of Russian, French, German and Italian students had far more political impact on their governments. Professor Lipset gives a detailed sociological analysis of student activists in America: their home background, the



Harvard in mourning for the war—and for academia?

socio-economic group of their parents—like their British counterparts but unlike other European students they tend to come from more affluent homes—their religion, their political views and their academic ability. He includes the results of polls that have provided hard evidence of students' reactions, political identification, attitudes to American institutions and involvement in demonstrations. Right from the start, the percentage of people opposed to the war was higher among the older age-groups than in the 21-29 age group.

But Professor Lipset is also uneasy about the present role of the universities. He is against the idea that universities should simply be teaching establishments, an advanced form of high school. Like Professor Ulam he values academic research. But he is wary of the idea that the universities should shut themselves away and that involvement in matters of policy and public concern corrupts scholarship and intellectual freedom. Professor Ulam decries activism, and Professor Lipset does not support it; but he points out that, historically, a politically inactive student body has been a much more curious phenomenon than an active one.

Passing of the liner

THE NORTH ATLANTIC RUN

By John Maxtone-Graham.
Cassell. 448 pages. £3.75.

The Atlantic liner was probably the most glamorous form of bulk passenger transport ever created. But the legend is becoming a little hard to explain. The sea voyage was, of course, born of necessity. Now that ships cannot compete, either for speed or even for price, with the jets overhead, their share of the market has almost vanished. But for all the extravagance of the decor—a trend started by the Germans—and other efforts to insulate the liner passengers from the awful knowledge that they were at sea, it was not until the 1940s that naval architects paid serious attention to the problems of seasickness. Many passengers spent the voyage in acute discomfort, and others in boredom. Yet perhaps it was their shared knowledge that they were prisoners for the duration, that this was the only way to get to the other side, that made them determined to turn the crossing into a ball. Curiously, a modern cruise—in calm waters, and with the daily thrill of arriving at a new port—has not got the same charisma.

Mr Maxtone-Graham's history of the Atlantic run avoids the superlatives that can ruin a book of this sort. His narrative is a sensible compromise between those sea-going anecdotes that are almost too good to be true, and matters of historical significance that are never too solid to be interesting. Jingoism played a big part in the development of these floating palaces. Shortly before the German Emperor left for trials in 1913 an enormous, pugnacious bronze eagle arrived, to be fitted to the prow. It added 10 feet to the ship's length, deprived the British *Aquitania* of the prize for the longest ship—and considerably reduced visibility from the bridge. German liners built at that time were fitted with gun-mountings; in the event, several of them spent the first world war impounded in New York harbour.

In one respect, however, the Germans were content to give first place to the British. The German designers realised that speed could only be bought at the expense of comfort, and, since they did not share Cunard's preoccupation with the running of a competitive mail service, they could concentrate on building some of the most sumptuous liners ever afloat. Decorators included Charles Mewès, designer of the Ritz hotels; galleys were given over to mushroom cultivation; and the cuisine was outstanding, for those who had worked up an appetite carrying out the German dictum that plenty of on-board exercise was the only way to avoid seasickness.

A crammed jumbo is neither as exciting nor as uncomfortable as an Atlantic liner could be. And on the modern liner, the blue rinses who have



The Emperor's eagle

replaced the film stars do not make good copy. Even the stowaways are duller. Gone are those of the stamp of "Prince Mike Romanoff," the debonair but bogus Russian aristocrat, who, questioned as to his cabin number by a suspicious purser, declared that "the entire ship is my cabin," and waltzed down to dinner.

Diary of a not-quite-nobody

THE FORGING OF A REBEL

By Arturo Barea.
Davis-Poynter. 751 pages. £5.

Very few of the lasting books about the Spanish civil war have been written by Spaniards. It is probably too early, even now, to ask for impartiality from a Spaniard writing about a war that tore a whole society apart and set Moroccan soldiers at the throats of peasants and peasants at the throats of priests. What one must look for instead, above all from Spanish novelists and memoirists, is the immediacy of perception and the depth of understanding of Spanish society that are denied to most foreign historians.

Arturo Barea's autobiography, the work of the man who served as foreign press censor for the Republican government in Madrid, would have proved ephemeral had it come from the hand of a lesser, or less human, writer. He is openly partisan; he regarded General Franco as a fascist in league with Hitler to overthrow democratic society. But he does not attempt to turn his opponents into pasteboard caricatures, nor to impose his developed political consciousness on the story of his childhood or his conscript service in the Riff wars in Spanish Morocco. It is this detachment from party politics, and a meticulous respect for the facts as he saw them—remarkable qualities in a civil war refugee—that make Sr Barea's autobiography a tremendously valuable social document 30 years after it was first published in three volumes.

Written in a spare, sinewy prose that is beautifully translated by his Austrian socialist wife, Sr Barea's book is set out in three parts. "The Forge" is the story of his early life, a tug-of-war in which the boy Arturo was pulled back and forth between his washerwoman mother and his middling-prosperous, voraciously possessive aunt, to emerge in stiff-collared penury as a clerk at the *Crédit Etranger*. This part of the memoirs beautifully evokes the world of the strong, silent men of Castile,

like Uncle Luis, the blacksmith at Mérida who rose at dawn to swill home-brewed brandy and gobble up a brace of pigeons.

The second volume, "The Track," probably has the greatest historical value. Sr Barea pops up as a sergeant with the engineers in Morocco, caught up in an army web of profiteering, whoring and corruption. This is a world where soldiers die horribly in the heat and flies while their sergeants make a few hundred pesetas a month by skimping on provisions; where Colonel Millán Astray of the Legion sends his lost soldiers into battle screaming "Long live death" and Major Francisco Franco is beginning to make his mark through his personal valour and his obsession for discipline.

Finally, "The Clash" brings Sr Barea back to Madrid in 1935. He suffers the siege of Madrid, an amateur entrusted with the job of looking after foreign pressmen and removing "unfavourable" news from their copy. He is finally the "rebel" of the title, but not a prominent nor a very ideological one. Lacking powerful friends in the government, he falls victim to the petty intrigues of the Republican bureaucracy even as Franco's troops tighten the ring around the capital, and leaves for France, in 1938, a defeated man.

The reader should not expect completeness from Sr Barea's book, nor more than a passing glimpse of the great men who brushed past—General Primo de Rivera, General Miaga (the beery Republican commander in Madrid) or Franco himself. There are some convincing vignettes of middle-rank party chiefs or Russian commissars, who, then as now, are more concerned with the views of the conservative press abroad than with the opinions of communist papers. But Sr Barea's book is so immediate precisely because it is the work of a not-quite-nobody, a little man with a keen eye caught up like a surfer in a great historical crisis, buffeted by it and never quite grasping its course, but able to chronicle the shocks along the way.

God in America

A RELIGIOUS HISTORY OF THE AMERICAN PEOPLE

By Sydney E. Ahlstrom.
Yale University Press. 1,174 pages.
£7.95.

By any standards it is a story of remarkable range and depth. It encompasses at one end the simple piety of William Bradford's Plymouth Pil-



Mennonites: primitivism is godly

grims: "Our fathers were Englishmen which came over this great ocean and were ready to perish in this wilderness, but they cried unto the Lord, and He heard their voice;" and at the other the promotional advertising of RIAL (Religion in American Life) with its "attend the church of your choice" posters in bus and subway. It ranges from the primitivism of the Mennonite sect to the exuberances of the Shakers and the show business of the Jesus People. It includes the theological rigour of Jonathan Edwards and the "power of Positive Thinking" of President Nixon's favourite pastor, the Rev. Norman Vincent Peale.

There is no lack of multi-volumed treatises to encompass this diversity, from "The American Church History Series" to Smith and Leland's "Religion in American Life." Mr Ahlstrom's study, though contained between two covers, can fairly be said to rival, if not exceed, these in comprehensiveness, because he seeks both to set his religious theme in a specifically social context (as his title implies) and to reassess the whole of American religious experience from the viewpoint of one living, as he puts it, in the post-historic culture of the contemporary United States.

Of these two objectives the first is considerably the easier to achieve. Mr Ahlstrom has here developed and extended, with more thoroughness and self-consciousness, a well-established genre of American religious history. It is the extent, rather than the novelty, of this reassessment that will most strike the reader. But when he goes on to revise the concept of what is relevant for religious history from the standpoint of what he calls "the turbulent sixties" (his penultimate footnote alludes to the Bobby Seale trial and riots in New Haven in 1970), Mr

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Ahlstrom may be thought to risk weaknesses as well as gains. What he gains is breadth of sympathy, a non-dogmatic sensitivity to the variety of the American religious experience. What he lacks is any clear perspective beyond that of a vague liberalism and, as it were, intellectual egalitarianism. Little wonder therefore if the story frequently lacks edge and drive: the shadow of the card catalogue often falls across the page. Where, however, the "enemy" to be exposed is the arch-opponent of liberalism and the claims of diversity and toleration, even this weakness of Mr Ahlstrom's pays off, in a renewed insight and vitality. Some of the best pages in his book are those devoted to that religion of American nationalism which many have thought to be the most pervasive of American faiths but which the historians of creeds and sects have seldom been willing to recognise. Mr Ahlstrom's Part VIII on "The Age of the Faltering Crusades" is a frank and shrewd incorporation of this theme into the more conventional story of faith and church.

One complaint is, quite simply, a request for more. Fleeting lunacies apart, the United States has invented two distinctive and outstandingly successful religions of its own—Mormonism and Christian Science. So remarkable an achievement seems inadequately explained or recorded in Mr Ahlstrom's synoptic survey. Mormonism rates some eight or nine pages; Christian Science some five or six. Joseph Smith and Mary Baker Eddy might have valid grounds for protest. More important, perhaps, the enquiring layman will find most of his questions about these movements, so striking for their creeds and their social achievements, largely unanswered here.

All contributions welcome

PROJECT EVALUATION: COLLECTED PAPERS

By Arnold C. Harberger.
Macmillan. 342 pages. £9.50.

The problem of evaluating investment projects in developing countries, where relative prices may fail to reflect resource scarcities, has drawn a lot of attention in recent years and it is good to have Professor Harberger's contributions assembled in one volume. Although there is some overlap between them, the papers fit together much better than is usual when authors reprint their selected works.

Professor Harberger is firmly convinced that in countries without developed capital markets the right discount rate to apply in project evaluation is the social marginal productivity of capital in the private sector. He argues that this can be approximated by measuring the private rate of return on existing private capital and then by making corrections to allow for the effects of taxes and for any excess of wages over the shadow price of labour. Calculations of this sort are presented for India and Colombia, both of them good examples of his penchant for rough and ready measurement in a field where many other writers are content with precise but unusable theorising.

A second and related aspect of his approach is his view that the marginal productivity of labour in agriculture is not nearly zero and in any case is not as high as the shadow price of labour to industry. He produces an ingenious model to show that the existence of an urban pool of unemployment can be an equilibrium phenomenon, not demanding any downward adjustment of observed unprotected-sector wages to obtain the shadow price of labour.

This, like his views on the discount rate, is controversial and it is a pity that Professor Harberger says so little about other people's ideas. But much of the discussion, such as the notion that the discount rate depends on the choice of numeraire, has appeared since he wrote these papers. A final up-to-date essay which commented on some of these issues would have made a good book better. As it is, he concludes with a case study of a proposed dam in Argentina and a general essay on how the United States could make aid more effective.

Judgment for Effie

THE RUSKINS AND THE GRAYS

By Mary Lutyens.

John Murray. 298 pages. £4.

A blink of the eye turns this title into "The Ruskins versus The Grays"; another reduces it to the cold courtroom singular, "Ruskin v Gray." And that, in a way, summarises the popular idea of the marriage between Ruskin and Effie Gray, the one with all the heavyweight wealth of Denmark Hill, the other a pre-raphaelite wraith.

Thanks not least to the scholarly work of Miss Mary Lutyens, this picture has lately begun to shed some of its more romantic over-simplifica-

tions and to take on a harder, more realistic, line. The name of her book, to begin with, states at least that Effie had a family like normal girls. Not that hers was an altogether normal family; there were tendrons of speculation and bankruptcy clinging to the family tree, which actually had branches entwined with the outwardly more prosperous growth from the Ruskin trunk.

Yet even here there was blight in the form of an old suicide, and Ruskin's father himself does not stand up too well to cross-examination. Jane Austen would greatly have appreciated him for so beautifully representing in his own far from simple personality that horror of commerce by which his own kind had made its way. To be "in trade" was to be without the law, and part of the strain between Ruskin and Effie sprang from old Ruskin's unwillingness to find George, her brother, a "position" in London.

Here, indeed, are matters far removed from all that fuss about Effie offending Ruskin by being as other women in body. That is, of course, mentioned by Miss Lutyens, but the emphasis is, rather, on the social comedy implicit in the narrative, on the lack of balance in the financial scales as weighed between the families.

Miss Lutyens has uncovered some fascinating material in the letters that whizzed about between the families and the principals themselves. There are enough of Effie's to show her as an attractive and spirited girl, although not strong in health (hypochondria was raging round like a bush fire) and it is easy to believe in the fascination she had for the eminent and the elderly. Ruskin, on the other hand, seems to dwindle in the face of the limelight turned on him. In his correspondence with, for instance, Anna Blunden, he showed the more attractive side of his nature; here, as a young man, he is hard to take and to like.

His hatred of babies (masking a hatred of responsibility?) which more than anything else seems to have condemned the girl to years of unconsummated marriage, his supine acquiescence in the doting spoiling lavished on him by his parents, his self-expressed indifference to the problems and sufferings of others, all add up to give at least a measure of justification to the thunderous condemnation by Millais that was to come. But it would perhaps be best to enjoy the book as a delightful social document, to be read side by side with, say, "Mansfield Park."

Short list

US Investment in Scotland by David J. C. Forsyth (Pall Mall, £7.75). Americans love Scotland's whisky and golf courses. They also, it seems, love to invest there. American firms have invested an average of \$143 per Scot, more than in any other foreign country except Canada, and nearly twice as much as in the rest of Britain. This excellent study shows that this has been the result of regional incentives. It also analyses the effect on Scotland's economy of this influx of capital, which has been generally very beneficial. In the 1960s, for example, one new job in three was created by American firms. The only bad effect of American investment is that it may have helped accelerate wage inflation, since companies like Chrysler seem to have given in to trade union demands rather too easily.

The Economics of Public Policy by E. Victor Morgan and Ann D. Morgan (Edinburgh University Press, £4). The temptation to write books aimed both at ordinary citizens and at students of economics is a strong one. This latest manifestation of it is in four parts. First comes a theoretical introduction to welfare economics, then a less theoretical introduction to macroeconomics culminating in a chapter on incomes policy and followed by seven chapters on transport, housing and other such topics in applied welfare economics. Lastly, there are two chapters on international trade and payments. It is, as one would expect, an extremely competent textbook. Being concisely written, it covers a great deal of ground.

The Economics of Medical Care edited by M. M. Hauser (Allen and Unwin, £5.50). The bill to reorganise the health service has appeared, the first intimation of the brave new world of management in the provision of medical care, and the members of the proposed new area health authorities would be well advised to read this book. The outcome of a conference at the University of York, it includes the papers and comment on such topics as efficiency and equality in medical care, a cost-benefit approach, decision-making in hospitals and operational research, and it has contributions from Sweden, France and the United States. There is a really excellent summary by the editor which is stimulating but also cautionary, since it shows the difficulties of an economic approach to the subject.

Delmas-Harrap French and English Business Dictionary compiled by George Anderla and Georgette Schmidt-Anderla (Harrap, £12). If you are in business, the law, the social sciences or even computers, this is the dictionary to turn to if Harrap's New Standard French and English Dictionary fails you. The compilers have spent 10 years gleaning business terms, both in Britain and America, and claim that this is the first bilingual dictionary of its kind and size. The size may not be an unmixed blessing: at over 5lb, the book is less than portable.

The New Militants: crisis in the trade unions, by Paul Ferris (Penguin, 25p). This little book is a highly readable and up-to-date description of militant trade unionists in 1972. Sadly, there is little original research and even less analysis. Mr Ferris is an accomplished journalist, but does one really want to know that:

On the dot of 12.30, he [Laurence Daly] appeared from the Euston Road and said he had driven with colleagues straight down the motorway after celebrating a union official's retirement; a short man with shiny face and strong eyebrows, porkpie hat jammed on his head, carrying a bag.

If one does, this book has plenty more to offer.

4 days, 40 hours, edited by Riva Poor (Pan, .75p). Earlier this year, the Trades Union Congress passed a motion which among a dozen other things called for a four-day working week. The TUC sees the four-day week as a device for reducing working hours, but, as this book's title suggests, the two are not necessarily linked. The book mainly consists of a series of case histories of American experience, where a sprinkling of smaller companies have introduced a working week of four 10-hour days. Most have found it has worked well, although the unions have been apathetic. One chapter is devoted to British experience with the four-day week, but since only two tiny firms have adopted it so far, there is not much to say. It may never catch on seriously, but then that is what was once said about the five-day week.

British Trade Unionism: select documents by N. Robertson and K. I. Sams (Basil Blackwell, £9.50). This two-volume work is a handy digest of the multitude of documents about unions published between 1914 and 1969; handy, that is, if your interest extends to such literary gems as the rulebook of the National Union of Boot and Shoe Operatives.

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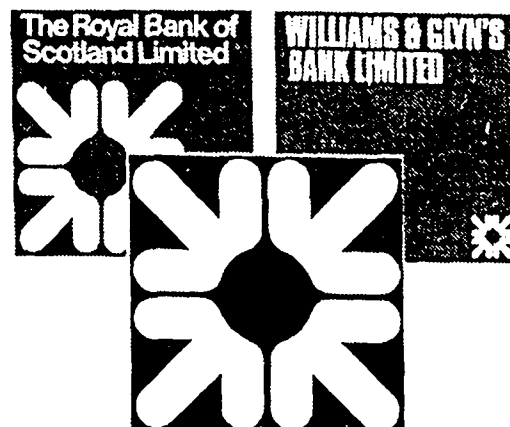


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Statement to the Shareholders by the Chairman, Mr. J. O. Blair-Cunynghame

The Annual General Meeting of Shareholders of National and Commercial Banking Group Limited will be held in the North British Hotel, Edinburgh, on Thursday, 28th December 1972 at 12 noon. The following is from the Statement by Mr. J. O. Blair-Cunynghame, O.B.E., LL.D., D.Sc., Chairman of the Board, which has been circulated with the Directors' Report and Accounts to 30th September 1972.

Results

The Group profit before taxation increased from £24,158,000 to £29,870,000 or by 24 per cent. The rise in profit after taxation is from £14,382,000 to £17,816,000 which also represents a 24 per cent. increase.

This year's total includes second half earnings not only better than for the six months to 31st March 1972 but also greater than for the corresponding period of the previous year. This satisfactory result is due to a number of factors which include the higher sterling and currency resources available for deployment, the satisfactory margins maintained on wholesale money activities, at any rate in the earlier part of the year until interest rates generally started to turn up again, the greater commission and fee income and a large rise of some £1.6 million after tax in the share of associated companies' earnings, particularly in the Royal Bank of Scotland.

These contributions to greater income were more than sufficient to offset the rise in costs which were reasonably well contained and also the reduction from an average Bank Rate of 6½ per cent. in 1970/71 to an average Base Rate of about 5½ per cent. this year.

Current and deposit accounts rose by £360,210,000 to £1,533,015,000 whilst advances increased from £788,808,000 to £1,082,964,000. At 30th September 1972 capital and reserves stood at £129,255,000 compared with £119,231,000 at the end of the preceding year.

Dividend

Since the standstill outlined by the Government in the White Paper issued on 6th November includes dividends, we are thereby limited in our recommendation for a final dividend

to the same as last year. The cover, on the basis of accounting which includes the share of associated companies' profits, is 3.1 times compared with 2.7 times last year and would certainly have justified a higher distribution had there been no restraint.

The Group

The commercial policies of both banks in the Group have reflected the changed trading conditions resulting from the new arrangements introduced last year to encourage greater competition in the banking industry. These have been directed to expanding revenue by offering customers new and better services at realistic prices and, at the same time, collating and analysing fuller information regarding market potentialities and comparative contributions to profitability.

Common to both banks has been the Group decision to join the Access credit card scheme and thus make this additional service available to all customers. A share option scheme for senior executives was to have been proposed to shareholders for approval but was withdrawn, temporarily, in view of current circumstances.

The Royal Bank of Scotland Limited

The Royal Bank of Scotland has continued to develop a wide range of services for all its customers, small and large, private and corporate, representative of every facet of the Scottish economy. The bank has played a leading part in the lending by British and American banks to the North Sea Oil industry and, with the help of its New York Office, maintained continuous contacts with the important foreign and domestic service industries growing up in this field.

In a more general way, by the setting up of insurance, leasing and financial advisory departments, the Royal Bank of Scotland is catering for the needs of the complete spectrum of the Scottish business community. There has also been further developed machinery for the provision of risk capital for new and growing ventures which need this kind of help.

The growth in the Royal Bank of Scotland's earnings continues to come from a useful increase in resources—both sterling and

foreign currency—from a growth of commission income and from the continued process of branch rationalisation. That part of the Royal Bank of Scotland's total of £16.3 million pre-tax profit which now comes from their share of Lloyds and Scottish Limited and of Associated Securities Limited has now reached over 30 per cent.—i.e. £5.5 million. This is a useful counterbalance to the continued sluggishness of the Scottish economy. The bank is a market leader with about half of the deposit banking business in Scotland.

Williams & Glyn's Bank Limited

In contrast to the Royal Bank of Scotland, on the domestic side Williams & Glyn's represents only a small share of the English deposit banking effort and, accordingly, makes the best use of the opportunity this provides to present the greatest possible flexibility of marketing approach to customer service, based on the mixed bank concept and on initiatives best suited to individual business sectors. Examples of this policy in retailing are the Nest Egg plan and the Masterguard policy. On the merchant banking side Williams, Glyn & Co. and Williams & Glyn's Leasing Company have both had an active year. An important development was the setting up of BankAmerica-WilliamsGlyn Factors Limited in which Williams & Glyn's has 39 per cent.

On the international banking side, where Williams & Glyn's has been increasingly active, a significant feature was the successful Eurobond issue of \$25 million with an 8½ per cent. coupon. During the year the formation of the Inter-Alpha Group of six European banks, of which Williams & Glyn's is a member, was announced. Williams & Glyn's intends to form a subsidiary company in Piraeus before the end of 1972 to serve its extensive shipping business.

The greatly increased profits of Williams & Glyn's compared with the previous year are attributable to a number of factors. These include, firstly, greater resources, both sterling and currency, in which the latter has played an increasingly important part, secondly, rising commission and fee income and, thirdly, a most satisfactory containment of costs based on a sound system of management accounting and information.

Banking and the Economy

General

Three features of the general economic background were prominent during the year in their influence upon banking operations. Firstly, the new arrangements introduced in September last year designed to encourage competition in the industry and for the control of credit, have worked well against a background of fiscal and other measures by the authorities to encourage growth and industrial investment and achieve some reduction in the unacceptably high level of unemployment. Within this setting the new freedom for borrowers and the competitive lending efforts of the banks have brought an exceptional rise in deposits and the money supply. Although the pace of expansion slowed in the latter part of the year and a call for special deposits a week ago was evidence of the authorities' concern in this respect, it is still not wholly clear how well the new arrangements will operate in a period of severe restraint. It would, however, be a seriously retrograde step if the authorities, in reducing the rate of expansion, were to consider revoking the underlying principle.

The second most significant feature of the banking scene is in the field of international banking operations which are playing an increasingly important part in the work, plans and revenue of all banks in this country and throughout the world. The United Kingdom's decision to join the E.E.C. will, I believe, be judged ultimately—perhaps fifty years from now—on grounds far wider and more deeply rooted than economic gain. These will include political, social and cultural considerations of great importance to mankind, including the contribution it may make to peace in Europe. So far as banking is concerned and apart from early developments such as the setting up of a European Monetary Union which may itself raise some problems in reconciling differing financial systems, it is well to remember that there has been a large measure of mutual

penetration and understanding between the banks in the United Kingdom and in all other European countries for many years. The formal entry into Europe will serve to underline the importance of further progress in this direction.

Finally, there is the present problem of domestic inflation in the United Kingdom. The Government has just announced the first stage of its programme for controlling inflation. The threefold objective remains to contain the rate of income and price increases and to allow the growth of the economy to provide the necessary stimulus to existing plant and thus absorb some of the present high unemployment. It is clear that there can be no long-term benefits for anyone from rapidly rising prices and incomes or from repetitive devaluations of the currency to meet balance of payments difficulties.

Scotland

In the Scottish economy during 1971/72 two contrasting features predominated. Firstly, there was a depressing reflection of the United Kingdom economy as a whole where the recovery of activity was much slower than expected. Against this background the Scottish banks have done well to maintain their position by participating in the rapid upturn in United Kingdom deposits and advances over 1971/72.

The second feature, however, is a really significant improvement in the prospects for the future, not only because of similar hopes for the United Kingdom economy but due, firstly, to the current and potential impact of North Sea Oil and, secondly, to the much better regional incentives introduced in the budget, which may get further force from the regional policy of the E.E.C.

Future Prospects

Given these three general conditions, therefore, that the year-old arrangements to encourage competition and control credit are maintained, that international banking continues to develop on the basis of the new constructive thinking and hard bargaining regarding currency exchange rates of which clear signs appeared at the International Monetary Fund and, finally, that domestic inflationary rates are abated without, however, too severely restricting the money supply and so as to stimulate industrial investment, then the growth potential for banking profitability is there.

To secure and increase our share of these benefits, the major efforts of the two operating banks in the Group will continue to be directed to giving the best possible service to customers, anticipating their needs if possible and, at the same time, giving effect, quickly and decisively, to changes of commercial policy based on timely management information about how our business runs. All this underlines the tremendous importance of the excellent communications between all levels of management and staff, which, in the context of their individual management styles, is one of the most marked characteristics of the Royal Bank of Scotland and Williams & Glyn's.

16th November 1972.

SALIENT FIGURES		
30th September		
	1972	1971
Profit before taxation	£29,870,000	£24,158,000
Profit after taxation	£17,816,000	£14,382,000
Earnings per 25p ordinary share	15.8p	12.7p
Dividend per 25p ordinary share	5.075p	4.7p
Customers' current and deposit accounts (including notes in circulation)	£1,623,240,000	£1,256,087,000
Total assets	£1,790,752,000	£1,392,238,000

Business Brief

How savers beat inflation

When you newly fashion an old-fashioned word like bonds, you can be in business. The three fastest-growing new investment media in Britain today are managed (or flexible, or balanced) bonds, growth bonds and income bonds. Run through any week's newspapers and you will find one or other, or all three, on offer. Managed funds are now attracting £250m a year, according to a recent estimate by the investment magazine, *Planned Savings*. And insurance brokers say that growth and income bonds have together already taken £260m this year. As a yardstick, the net inflow into unit trusts was only £191m (to October). Building societies, however, are still in a different league; they got £1,782m (to October).

Managed funds appeal to people who shy away from the risks of investing in equities, yet are too worried about inflation to stay in building societies. Growth and income bonds offer no inflation hedge, but the attraction of a guaranteed high post-tax return. How do they all work?

Managed funds

It all started off with the equity-linked life policy. That is a special life policy, all the premiums of which (less a disclosed charge) are invested in a unit trust, which might be set up specially for the purpose. When the policy matures, or when you withdraw, you get the value of the units bought with your premiums, plus the reinvested net income they have produced. This idea was soon adapted, substituting property for equities. While unit trusts are not legally permitted to invest in property, it is quite legal for a life assurance company to run a fund entirely invested in property, consisting of the premiums from property bond life policies. So the property bond—a form of life policy—came into being, enabling the ordinary investor to invest in commercial property.

The managed fund grew out

of this: it is invested in a mixture of equities, property and fixed-interest, in proportions which can change as the fund managers see fit or good opportunities for buying commercial property arise. When the policy matures, or is cashed, the investor gets his slice of the capital, plus reinvested income.

Where the managed fund falls short of the conventional with-profits life policy (except for the new Lloyd's Life one) is that it does not offer the chance to share in the life office's other profits (made from without-profits life policies), or in the income from the office's accumulated reserves. But managed funds offer one decisive advantage. They are suitable for lump-sum investment, unlike conventional with-profits policies which are only good for regular premium investment, with high or low life cover tacked on.

Managed funds, too, can be used to provide pension policies for people in jobs without a pension scheme. But most of the money comes in lump sums. Hambro Life—the new company which Mr Mark Weinberg has built up from scratch to funds of £100m in 18 months—sold policies in October that will generate annual premiums of £500,000 a year, but lump-sum, single-premium policies of £103m.

These lump-sum investors were clearly not interested in life cover. They would not get any life assurance tax relief and were not trying to avoid surtax. There was a time when single-premium policies were a fine old way to escape surtax since the income accumulated after tax at just 37½% (the flat rate a life office pays). When the surtax payer needed money, he cashed his bond (no surtax, but possibly some capital gains tax) and started again.

Top-slicing

Mr Roy Jenkins put a stop to these high jinks in his 1968 budget. A single-premium policy (or bond, as it is now called) became a "non-qualifying" life

policy (to "qualify," premiums must now be paid for 10 years or more). When it is cashed, the entire gain (ie, the reinvested net income) is then charged to surtax on the holder. For this there is a special formula, known as top-slicing. You divide the gain by the number of years the bond has been held, and add the result on to your income in the year you cash it. The whole gain is then taxed at whatever rate of surtax applies at that time. If you can manage to wait for a year when you are below the surtax limit—say after you have retired, or a sabbatical year, or when you get the sack and take time to find another job—then fine: no surtax. But you may need to cash out before that. You need strong nerves for this game.

However, the bulk of the money now flowing into managed bonds is not running away from surtax. The typical investor is a chap in his 50s, who up to now has relied on building societies (deposits £14.6 billion), or banks (personal deposits £9.5 billion), but who has become really rattled about inflation and is looking for a better return to make up for it. Confusingly, the bonds are called by a number of different names such as Schroder's flexible bonds, Lloyd's Life's multiple growth bonds, Abbey's selective bonds, Tyndall's three-way fund, Save and Prosper's balanced investment bonds, and the most popular one, Hambro's managed bonds. As a refinement, under many of the schemes you may now cash in, say, 6% of your original investment every year, giving you an income free of income tax, but subject to top-slice surtax.

Growth bonds

Growth and income bonds are both aiming for the same market. The growth bond was first on the scene. Although sold only by life offices, it is not a life policy, but a so-called deferred annuity. You pay a lump sum now; at some agreed point in the future the life office starts paying you an annuity of so much a year for life. Obviously, growth bonds are intended for people saving for retirement; but they also invariably give an option to cash out at the point when the annuity would become payable, or even (subject to a penalty) any time before that.

This means that if you had invested, say, £1,000 in a recent



Winning Weinberg

offer of Trident Topgrowth Bonds, you could choose a maturity date for the bond between 5 and 15 years ahead. If you had chosen 10 years, you would have had the option of either cashing out for £2,220, or taking an annuity then, the amount of which would depend on your age, but would be laid down at the outset. The investor who takes the cash will have a net tax-free build-up between 8% and 8.3% a year over the 10 years.

How can a life office give such a generous rate when the money goes straight into fixed-interest stocks, yielding 8-9% gross? Only because its annuity fund is taxed in a special way. Its income is investment income, its outgoings are the annuities it is paying. The Inland Revenue considers part of these to be capital and part income; only the income part is taxed, in the hands of the person who gets the annuity. Normally, the life office itself is not taxed on its investment income, except when this is greater than the annuities it is paying out. So whenever the office's income falls below its annuity outgo, it can issue a batch of growth bonds (and might sell £2m worth in 48 hours) to bring its investment income nearer to its annuity outgo, knowing that it will get the extra investment income tax-free.

Income bonds

The income bond developed from the growth bond. If you had invested £1,000 in a 10-year Star High Income bond, recently offered by Eagle Star, you would have been promised two things: a tax-free income for

10 years of between 7.5% and 8.3% depending on your age, plus, at the end of the 10 years, either £1,000 back or an annuity for life. The Eagle Star would have split your money into two parts. About £450 of it would be used to buy, in effect, a growth bond, which would accumulate to £1,000 over the 10 years, at the end of which you could either cash it or take the annuity. The other £550 would be used to buy you a 10-year immediate annuity. A large slice of the annual income payments is simply your £550 being returned to you, which makes it not taxable. Only the small remaining slice counts as income on which you are taxed. The returns quoted are net of this tax, assuming you pay at standard rate (or 30%, as it will become next April onwards). With complete security of capital and reasonable provisions for pulling out, the standard-rate taxpayer gets a guaranteed net return of over 7½%, against 5½% in a building society.

Surtax problems

The bulk of the money both types of bond are attracting would otherwise have gone into building societies. But brokers suspect that the massive advertising for these bonds has also lured in a good deal of mis-directed surtax money. For surtax payers income and growth bonds are a much more mixed proposition since they are "non-qualifying." If the holder pays surtax (or the higher rates of unitax, after next April), he is taxed on the gain in the year the bond matures, by the top-slicing method. So our investor in Trident Topgrowth bonds would be charged tax on the gain of £1,220. If he chose to take the annuity instead of the £2,220 cash, he would still be caught. Only a small part of the annuity payments would count as capital—a part corresponding to the £1,000 invested 10 years earlier, not the £2,220 lump sum cash he could take as an alternative at that point. If he is aged 65 when the bond matures, the spot cash option of £2,220 will leave him with £1,220 surtaxable by top-slicing; the annuity option of £226 will allow him £68 to be counted as capital, but £158 as income liable to income tax and surtax (or their new equivalents).

A surtax payer is no better off with income bonds. The £1,000 he gets back at the end

includes a gain of about £550 (£1,000 less £450), on which he gets top-slice surtaxed. If he chooses the annuity, about two-thirds of it (if he is aged 65) is taxed as income. But of the income he gets during the life of the bond, only a small part counts as income for tax purposes. Most of it is considered as return of capital, that is, the £550 used to buy the immediate annuity to provide the income during the term of the bond.

Both life offices and some of the faster-moving brokers are guilty of not spelling out clearly enough just how unsuitable these bonds can be for surtax payers. For people just in the surtax bracket when the bond matures, the drawback is not serious. The top surtax rate man, however, might buy an income bond thinking his capital was guaranteed on maturity, only to find himself clobbered for top-slice surtax on the presumed gain. On a £1,000 bond for 10 years, this could cost him £275, or even more for a longer term.

He might, of course, have retired by then and fallen out of the surtax bracket. But unlike the holder of a single-premium managed bond (as already explained), he cannot escape top-slice surtax by waiting for a year when his income is low and cashing in his bond then. He must decide the term at the outset. And his tax rate at maturity may be higher than he expected.

Avoiding income tax

Optimists reckon that the Inland Revenue is unlikely to prod the Government into legislating against growth and income bonds, but they could be wrong. Although these bonds are pretty useless for avoiding surtax, they do happen to be a fairly effective way of avoiding income tax. As long as only growth bonds were being issued, the revenue might not have worried. Life offices could only issue enough of these to boost their own annuity fund investment income up to the level of

the outgo, which put a strict limit on numbers. But an income bond produces income and outgo in roughly comparable amounts, both largely free of income tax; so there is no limit on the quantities the life offices can issue.

Yet the Government will be wise to think twice about getting rid of an attractive new savings device used mainly by non-surtax payers. The returns are still barely enough to keep pace with inflation. The penalties for cashing in the bonds before maturity should keep dissaving down. And the intense promotion behind the bonds may actually encourage people to tie up loose savings they might otherwise have spent.

It is the building societies and local authorities who are losing money to the bonds who should worry, rather than the Inland Revenue. This money is being diverted to equities, commercial property, gilts, and fixed-interest stocks. The long-term implications could be intriguing.

Five ways to invest your money

CONVENTIONAL WITH-PROFITS POLICY

Invest £x a year
(less life assurance tax relief, worth 16% of premiums)

Equities, property, fixed interest.
Plus surpluses from life office's non-profit policies and income from reserves

Sum assured payable on maturity or death, guaranteed at outset.
Plus reversionary bonuses added on every year (according to profits)
Plus terminal bonuses added on at the end (according to life office's unrealised capital gains then)

EQUITY-LINKED POLICY

Invest £x a year
(less life assurance tax relief, worth 16% of premiums)
Or invest a lump sum

Equities*
(less a small deduction to cover charges and cost of life cover)

On maturity or earlier death
Value of equities bought with premiums and reinvested income. Guarantee of a minimum value on maturity or death. Much higher life cover can be added on (small charge) if wanted

*Property bonds and property-linked policies, same; property in place of equities

MANAGED FUNDS

Invest a lump sum or £x a year
(less life assurance tax relief, worth 16% of premiums)

Equities, property, fixed interest.
(less a small deduction to cover charges and cost of life cover)

On maturity or earlier death
Value of share of fund appropriate to invested premiums and reinvested income. Similarly on death. Guarantees etc as for equity-linked policy

Option to cash in 6% (or so) of policy annually

GROWTH BOND

Invest £1000

accumulates over 10 years to
£2220 cash or Annuity of £226 (if then aged 65)

INCOME BOND

Invest £1000

about £450 into a growth bond — accumulates over 10 years to — £1000 cash or Annuity of £90 (if then aged 60) £122 (if aged 70)
about £550 buys an immediate annuity — income of £75 p.a. (free of standard rate tax) for 10 years

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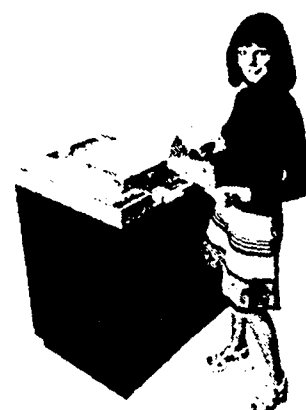
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BUSINESS

The last men on the moon

The last American astronauts set off for the moon on Wednesday night, and no man is likely to set foot there again for another 20 years. It leaves the space programme in something close to ruins

The Americans have not really begun to ask themselves why Apollo 17 has turned out to be the end of a programme that once looked as if it would run up to Apollo 22 and beyond. The first men landed on the moon only three years ago. This will be the seventh team to set out and, with luck, the sixth to land. The moon is not a small place—its area is equal to the whole of the land mass of the earth—and a dozen astronauts spending a few hours on a few square miles of its surface cannot be said even to have begun to explore it.

As good a face as can be is being put on this last flight. Everything possible is being crammed into the mission, knowing that its results must last for at least 20 years, that at least two of the previous landings have been chiefly a waste of time, and that there was the terrifying near-failure of Apollo 13 which all but broke up before it had even reached the moon. Three men and five mice (for cosmic ray research) are attempting the trip, and for the first time on any moon flight one crew member is not a professional pilot but a geologist. Captain Eugene Cernan, the mission commander, and Commander Ronald Evans, the command module pilot, are typical professional astronauts, but Dr Harrison Schmitt, the lunar module pilot and a teaching fellow of Harvard,

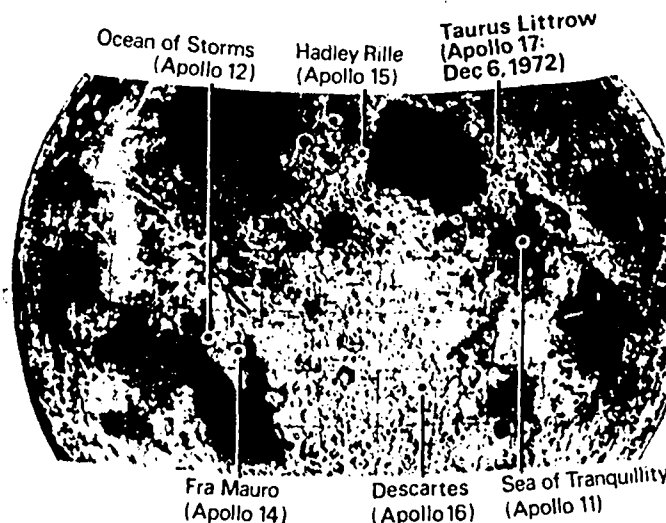
will be the first and last scientist to set foot on the moon in this generation.

Astronauts have refused to fly with scientists before because they said the risks were too great to carry civilian passengers who were at best only amateur pilots. If anything went wrong on board the spacecraft, they said, the presence of men who were scientists first and astronauts second would be a positive liability. Apollo 13's epic struggle home as good as proved them right; three experienced test pilots just got away with their lives. But that attitude has cost them dear in the goodwill of the scientific community. Not that the scientists actively resented their exclusion from the moon flights, although many of the young scientists recruited as astronauts left the National Aeronautics and Space Administration as they saw their chances of landing on the moon receding to nothingness. But the absence of scientists on the moon has reduced the scientific value of the moon landings, and diminished scientific interest in them.

The astronauts did what they could to offset this: they studied geology, learning to recognise and describe rock and soil samples in an adequately intelligent way to scientists following their moon walks on the television monitors. They picked up what they were told to collect and each crew snuffled like a pair of docile bird dogs. They were as effective as well-trained retrievers—but nothing more. If he is lucky Dr Schmitt is going to be the first man who will stand on the moon and really know what he is looking at.

The caution and stubbornness of Nasa are also responsible for the fact that at least two landings were made in places that were profoundly uninteresting; Nasa had been warned in advance that they would be. This was especially true of the Apollo 16 mission, which duplicated that of Apollo 14 in many respects. And that was not a particularly outstanding success either. This time the scientists have got their way, as they have over Dr Schmitt, and Apollo 17 is going to the narrow valley where the Littrow crater lies among the Taurus mountains, a site that Nasa objected to on safety grounds but where the scientific urgency of making this last flight a success has overruled all other misgivings.

The area is not easy to get to. The launch has to



take place at night during the period while the moon is in the right position—and that is another thing that Nasa would have preferred to avoid. Some advisers doubt whether the technique of landing lunar modules is up to the task of steering them down into so small a valley at a sharper angle than any used before, but those misgivings have been overridden too. Had there been the prospect of another moon flight, scientists might not have been so insistent, but ever since Apollo 15's command module flew over the spot in the middle of last year, they have wanted to get into that crater more than they wanted to go anywhere else on the moon.

Their reason was that photographs taken of it by Major Al Worden, which are so clear and sharp that they show objects as small as 3ft across, picked out sharp-rimmed craters that look like relatively new volcanoes—if you regard a few hundred thousand years as young. This could be one of the most recently formed parts of the moon, and scientists want samples from it; they are no longer interested in oldish sites. At the same time, it is surrounded by mountains as old as the moon itself, from which massive landslides have sent rocks from the peaks down into the valley for which the astronauts are aiming. Astronauts have regularly claimed to have brought back specimens of original moon bedrock, but this will be the first time that they can be sure of collecting samples that came without question from the mountains themselves. There is enough doubt about how the moon was formed, when and by what process, and how often it has melted, for scientists to feel the need for unambiguous evidence. The belief that the moon has a liquid core is gaining respectability since two meteorites hit it this year—the last on its backside only three weeks ago—and sent reverberations ringing through the instruments implanted on its surface.

Without the support and enthusiasm of the scientists, Nasa's hopes of keeping its space programme lay in getting the public's support, and that it failed to do. Without a flow of scientific information to give some purpose to the landings, Americans simply did not see

what the astronauts were doing, and their diversification into the souvenir business has not helped their image. If the astronauts were not bringing back results there seemed no object in continuing to finance them. This, of course, is a travesty of what was actually happening, but because Nasa had from the outset refused to release any scientific news from the moon landings until it had been worked over, agreed with and deodorised by the scientific establishment, and all traces erased of the violent controversy it was causing the landings appeared both unproductive and boring. Since the astronauts were not putting the moon to any other obvious use, like establishing temporary bases, people were left wondering what the project was really for.

President Nixon has not made it any easier for them to find out. His space policy has been to cut spending to below an effective threshold level, while maintaining the outward appearances of a thriving programme. He has allowed the remaining Apollo rockets to be diverted to such public spectacles as a joint link-up with the Russians which will do nothing more useful than foster a sense of togetherness that could come unstuck if anything goes wrong. He has set in motion a programme for space shuttles that will in their turn make it necessary to develop space platforms and deep space ferries, and eventually allow the Americans to return to the moon—perhaps 20 years from now. But the money is plainly inadequate for anything so ambitious, and in their efforts to keep costs down Nasa's engineers have chosen shuttle systems that they will almost certainly have to drop at some later date. Some future President may decide it is worth breathing life into the programme again. But Mr Nixon does not look like being that man, and Europe is understandably cautious about accepting his invitation to join in work on a space shuttle about which the Americans themselves are so noticeably unenthusiastic. The picture of the last man leaving the moon will induce nostalgia. The Skylab will be promoted on the world's television screens, and the Mars probes will keep the enthusiasts happy for a while. But it will take a long time to get the Nasa machine into gear again.

Key indicators: British economy

Bank advances

Large rise in November. Both personal and industrial loans were up.

Employment

Lower in the production industries in September after four months of hardly any change. With output up about 4 per cent and employment down about 3½ per cent, there was a third quarter increase in output per man of 7½ per cent on a year ago.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial					
production*	September	130.3	+0.2	+0.3	+3.8
employment*	September	88.3	-0.3	-0.5	-3.3
productivity*	September	147.6	+0.5	+0.8	+7.3
Export trade*‡	October	171	+9	+19	+14
Retail trade*	September	117.3	-0.8	+1.4	+6.3
Unemployment*	November	150.5	-1.3	-6.3	-9.8
Average earnings*	September	214.6	+3.2	+5.1	+13.9
Retail prices	October	162.8	+1.4	+2.7	+7.9
Export prices	September	154	-1	+2	+6
Import prices	September	141	nil	+3	+5

Export trade, retail trade: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.3 per cent. *Seasonally adjusted. ‡Provisional

How to have a Vat-happy Christmas

The Commons got worked up again on Tuesday about the effect of value-added tax on retail prices. We calculate what the difference could be, and what you should (and should not) think of buying for Christmas

When value-added tax comes in next April, purchase tax and the remains of selective employment tax go out and it is the balancing of gains and losses from the new arrangement that causes the argument. Those businesses that now pay Set but will not pay Vat are in for a bonus: that means food shops and builders. Experience suggests that only 40 per cent of any Set reduction is passed on to customers; even so, we would expect food prices to come down by between ½ per cent and 1 per cent. Some eatables that are not strictly food, like sweets, soft drinks and potato crisps, will pay Vat, but probably not as much as the purchase tax they pay now. And since Set accounts for £60 of the price of a new house, house prices ought to fall marginally too. That deals with two things over which MPs are most liable to work themselves into an emotional lather.

The losers are the service industries. The abolition of Set will not compensate them for having to pay Vat, and, with the single exception of public transport, everything from car repairs to restaurant meals and new telephone installations is likely to go up. Ironically, it was complaints from the service industries about the crippling effects of Set that made the Tories put Vat into

their election programme. At worst, we would expect prices in service industries to go up by rather less than 4 per cent, and at best (ie, if the Government decides on a 7½ per cent rather than a 10 per cent rate for Vat) at rather less than 3 per cent.

In between falls the whole range of consumer goods that now pay purchase tax, with only one or two exceptions. As a rule of thumb, anything paying above the 11½ per cent rate would be cheaper as an Easter present (Easter is late next year), and that includes nearly all consumer durables and most luxuries. The exceptions form an odd bunch: yachts, caravans, pianos and cookers do not incur purchase tax and all will be hit painfully by Vat. The ending of Set can have little material effect on their prices, but it may play a bigger part in moderating what would otherwise be a sharpish rise in the price of children's clothes. At least that is how ministers have been trying to reassure MPs; but it would be as well to be prepared for a rise of around 2½ per cent.

There are fringe trades like pet dealers who will pay Vat unless their turnover is small enough to allow them to opt out, and secondhand car dealers who will gain if Vat is assessed on their mark-up only and be clob-

Daddy'd better buy me a bow-wow now

Christmas presents

Children's clothes
Cookers
Havana cigars
Health farms
Holidays in Britain
Liqueurs, brandy, malt whisky
Meals out
New telephone
New works of art
Pet dogs and cats*
Pianos and organs
Redecorating the house
Theatres
Yachts

Easter presents

Boxes of chocolates
Cameras
Furs, leather
Hair dryers, brushes
Jewellery, cuff links
Motor cycles
Musical instruments (except pianos)
Radios, television sets
Record players, tape recorders
Sewing machines
Tapes and records
Toasters and mixers
Washing machines, refrigerators
Watches

Vat-minded Santas want to avoid buying Christmas presents that attract heavy purchase tax. They should concentrate on anything now free of purchase tax, and not heavily affected by Set, but likely to go up after Vat. Consumer durables and fancy goods generally would make better Easter presents. One exception is good quality drink and cigars. When part of the present excise duty is replaced by ad valorem Vat, the price of cheap tobacco and alcohol will go down slightly, but the good stuff will go up quite a lot.

*Racehorses may avoid Vat by qualifying as potential horse meat



For stockings: some modern art, some good drink,



something useful,



something cuddly

Vat's bonus

	Consumer spending 1971	Effect on prices of Vat* at		Effect of 7½% Vat on spending†
	£m	10%	7½%	£m
Food	6,968	-0.6	-0.9	+13
Drink	2,470	-0.5	-0.5	+29
Smokes	1,692	-0.8	-0.8	+4
Rents, etc	4,329	+1.0	+0.7	-3
Fuel, etc	1,607	-0.1	-0.1	+1
Clothes	2,913	+2.6	+0.3	-6
Cars‡	1,326	+1.3	-2.2	+24
Furniture	734	-0.4	-2.6	+28
Radio & electrical	805	-3.7	-5.7	+76
Other household	1,018	+4.3	+2.0	
Books & papers	528	-0.4	-0.4	
Chemists' goods	511	-5.3	-7.2	+26
Leisure goods	794	+2.0	-0.3	
Other goods	411	-8.0	-10.9	
Running cost of cars	1,866	+2.3	+1.7	
Fares	1,133			
Telephones, etc	402	+7.0	+5.2	-402
Entertainment	625	+5.3	+3.4	
Other services	4,379	+4.9	+3.5	
Total	34,511	+1.0	+0.0	-210

*Assuming that 40% of Set cuts are passed on in prices.

†For each spending group this is calculated by multiplying the relative price change by the price elasticity of demand (see unpublished paper by J. Dorrington and G. A. Renton prepared for a London Business School conference in July). The net of £210m implies a real income increase.

‡This assumes the worst: tax on the full value of secondhand car sales. This is unlikely, but separate figures for secondhand dealers' mark-ups are not available. Tax on the mark-up only would show a price fall for cars as a group.

bered badly if it is based on anything wider. But the National Institute of Economic and Social Research's original estimate of the cumulative effects of Vat, based on 1970 data, of an extra 1.1 per cent on consumer prices generally still looks much closer to the mark than the scare reports that have been going round. It is, if anything, over-pessimistic. Using 1971 prices and 1971 levels of consumer spending, we would expect a 10 per cent rate of Vat to add 1 per cent to prices. But hardly anyone now expects the Government to go for a 10 per cent rate. The general expectation is that Vat will come in at 7½ per cent; if it does it should have no effect on the general level of prices at all.

But Vat is bound, just the same, to change the pattern of spending. For three decades, consumer demand in this country has been distorted by the incidence of purchase tax on some forms of spending and not on others. The relative rates at which purchase tax was levied on

different goods were decided by wartime priorities and continued unchallenged and unamended throughout 25 years of peace. Vat, levied at the same flat rate on all spending other than food, fuel, public transport and housing, could set in train a change in buying habits that would on certain assumptions leave consumers more than £200m in pocket. The table shows how such a figure can be arrived at.

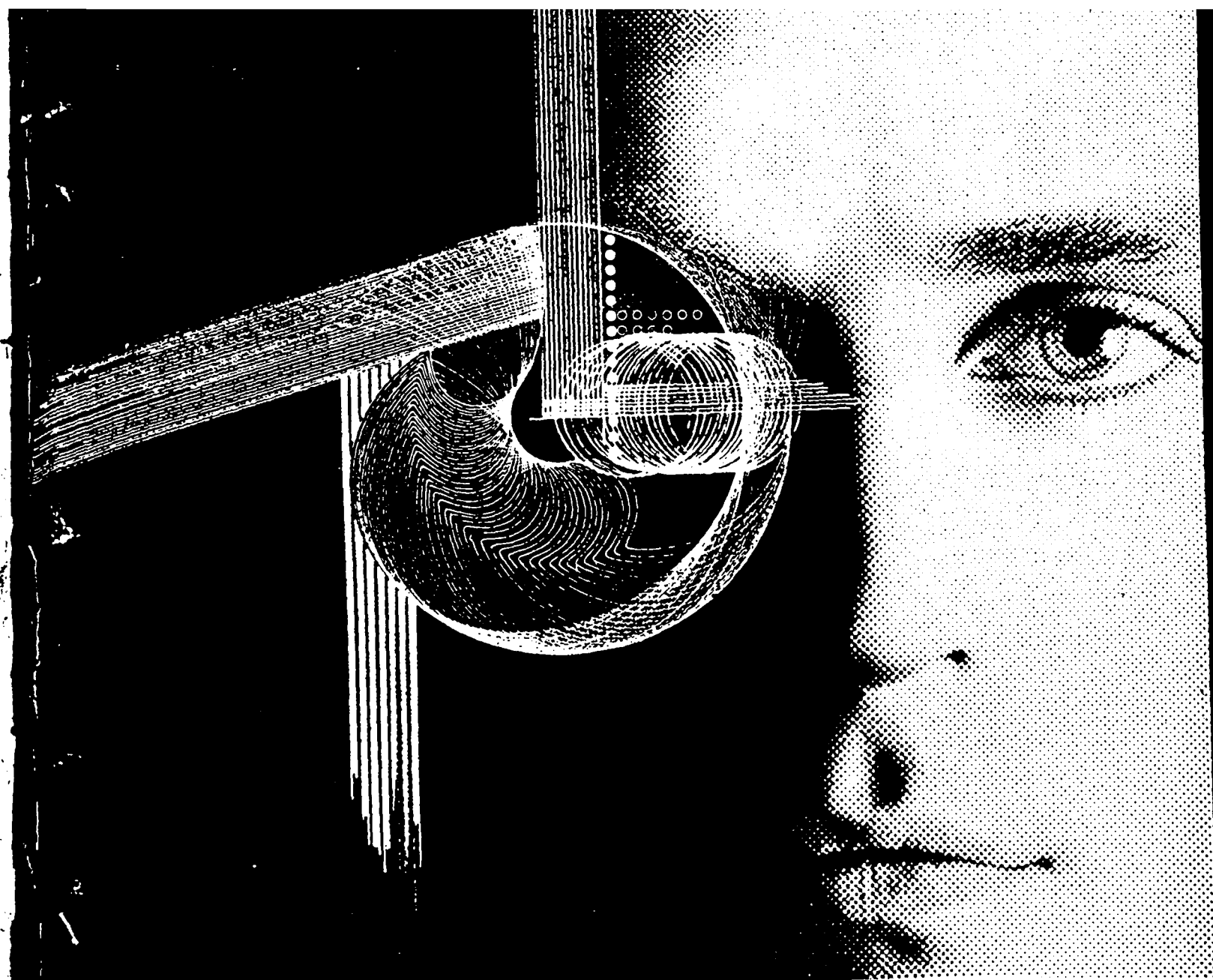
The gain is equal to 0.6 per cent of consumer spending at, admittedly, fixed prices. One of the quarrels that Mr Roy Jenkins has had with the Government is over the notional ending of the price freeze in February, which he argues will give industry several weeks in which to raise prices before Vat comes in. But it is more likely that the freeze will still be in force when Vat is introduced; it is certainly in the Government's interest to see that it is. The first quarter after Vat is introduced will see a jump in industry's cash flow, so that requests to raise prices are going to look a bit thin.

The easiest contributor to identify is Set, which all employers pay as part of the national insurance stamp and which manufacturers then reclaim and have refunded some months later. These refunds will continue to come through for at least three months after Set ends in April, probably up to a total of £155m. The other, much less obvious, source of cash is Vat itself; everyone paying it will also be collecting it at the same time from customers but only handing it over to the Government once every quarter, and it could represent quite a tidy sum in hand.

To some extent, industry gains in the same way now from purchase tax; manufacturers or wholesalers collect it from retailers when they deliver goods (except from the toughies who insist on sale-or-return so that no one pays over tax in advance), but pay it only quarterly to the Government. But their gain has been the retailer's loss; with Vat all have a cash flow gain at the expense of the Government which ought to be equal to the average Vat outstanding in any given quarter. This could be of the order of £310m, making a probable total cash injection of £465m in the second quarter of next year, a sum equal to nearly 3½ per cent of the quarterly gross national product. Even as a rough guide these figures show that Vat is going to give the Government a strong argument for insisting that industry should keep prices down for some considerable time after the freeze.



Better save the scent for Eeeter, along with the mink, the dish-washer and the record player



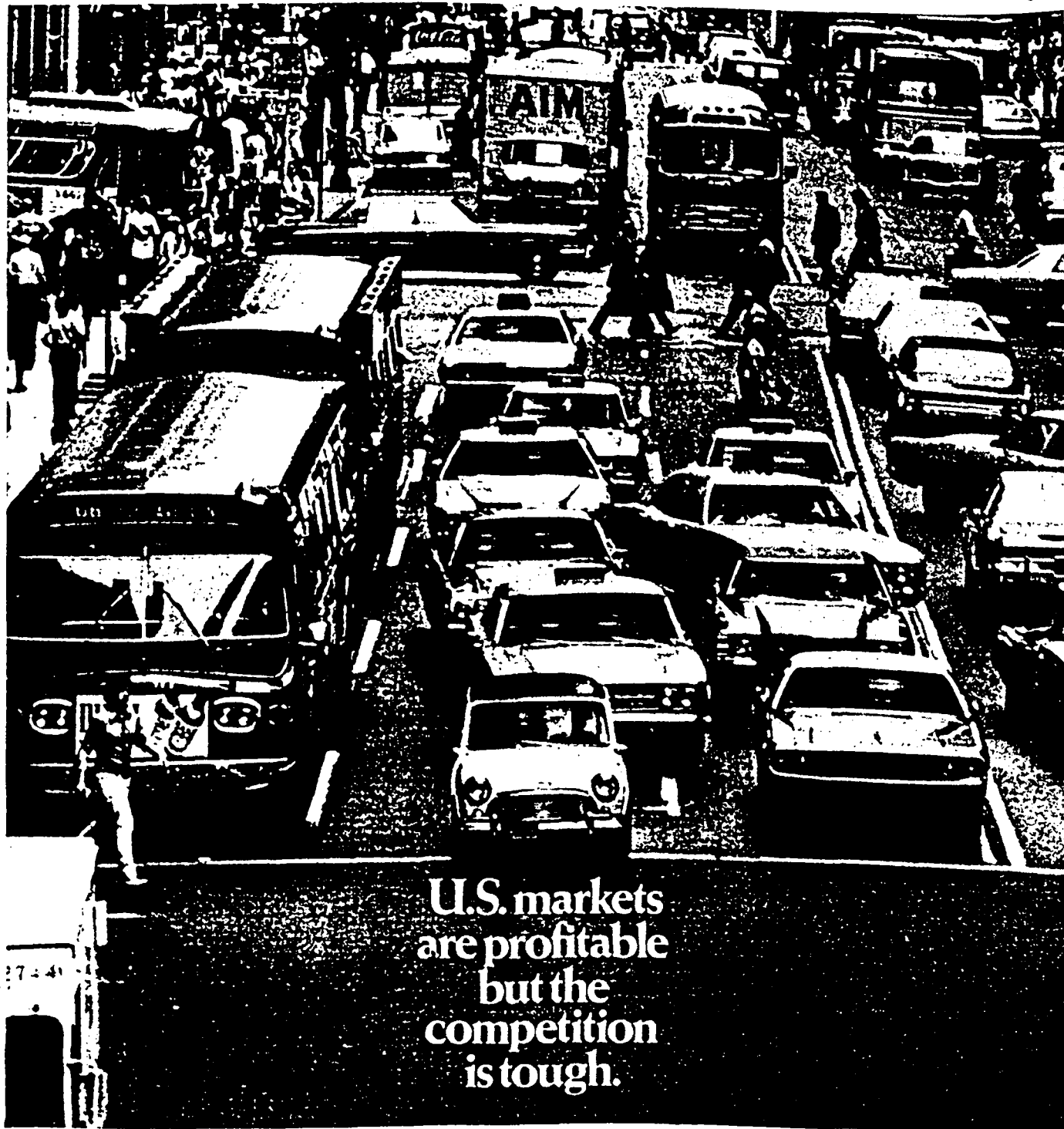
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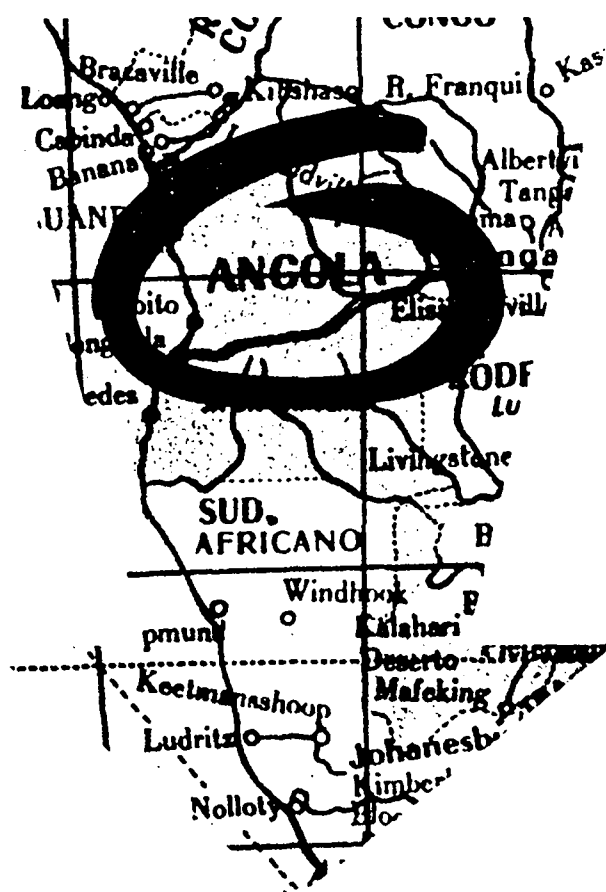
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BUSINESS

International

Playing it the Morse way

Washington, DC

From all accounts the first working meeting of the deputies of the Committee of Twenty was orderly, unruffled, polite and gentle, which is a way of saying that no attempt was made to reach agreement on new rules to run the world's monetary system. Indeed, the three-day meeting started off with a series of such general statements of governments' views that all topics seem to have got a mention from somebody. Then they proceeded to get down to the one substantial item on the agenda, the adjustment process. But they did not manage to finish even with that; according to their chairman, Mr Jeremy Morse, they will complete this part of the debate when they next meet, in Paris from January 23rd to 25th. However, that does not necessarily mean that at that stage they will have reached agreement on the adjustment process; that will not be attempted until all the topics have been debated.

Mr Morse told a press conference on Wednesday evening that he did not think the timetable had slipped this week and he still thinks two years a reasonable time in which to finish, adding: "If we got some kind of outline agreement in Nairobi [where the International Monetary Fund meets next September] there would then be more work to do."

The impression left at the end of

the Washington meeting was that the Americans are still out ahead of the field with their adjustment proposals, though they have redefined them somewhat in a paper circulated on Monday night. They claim to have been misunderstood and not to have advocated automaticity: but they are still fairly alone in their concentration on reserve movements as the indicator for exchange adjustments. (There is, of course, to begin with, a problem of definition: our table, put together in London, shows that Japan's reserves at the end of October were officially reported at \$17.8 billion, but the true figure must have been over \$23 billion.)

The majority feeling was that in determining the need for adjustment attention must be paid to other aspects of a country's situation besides its reserve movements, and that other remedies besides exchange rate adjustment should be considered. As Mr Morse outlined it, if the indicators light up for a country there should first be consultation. Then there might be "positive guidance." If that did not work, should there be sanctions? The Americans are not alone on that, but a rather more extended and flexible series of processes is favoured before sanctions than the Americans are believed to want.

The next group of subjects for debate, to be taken up in Paris, will



Morse: unrushable

	Reserves		
	Latest official figure \$ billion	% change over a year ago	Number of months' imports covered
Germany	24.2	+42	8.5
Japan	17.8	+26	10.8
United States	13.3	+9	3.3
France	10.0	+37	5.7
Middle East	6.7	+53	8.7
Italy	6.4	-4	4.8
Britain	5.9	+12	3.0

be reserve assets, convertibility and intervention mechanism. The link between SDRs and development aid is to be left to the third meeting, which will probably be in March. Mr Morse is certainly not using an express timetable. But will he be overtaken by events?

TUC into EEC

Backing in

The British Trades Union Congress seems a trifle keener to participate in the EEC than the Labour party. The fact that Labour's shadow cabinet decided against sending anyone to the European parliament has not stopped some unions from ensuring that they are represented in Brussels. Already, the miners have decided to sit on the advisory committee of the coal and steel community.

The TUC has not formally taken any decision about the two main institutions in the EEC where unions are directly represented: the unimportant Economic and Social Committee ("a bladder of lard" to some trade unionists) and the up-and-coming Standing Committee on Employment. The employment committee was set up last year and is one of the few institutions at which unions, employers and government ministers can meet face to face. Already both the commission and the council of ministers are treating it very seriously.

Mr Feather hinted in Brussels at the weekend that the TUC might wait for up to a year before joining either committee, although he himself would like the TUC to participate as soon as possible. In the meantime, the TUC will probably send observers and rely on a new Euro-TUC to speak on its behalf. This double-speak should keep anti-marketeers happy.

The decision to set up a Euro-TUC was taken in principle last summer at a meeting of EEC and EFTA unions in Geneva. However, the British TUC insisted that the new organisation should not be confined to the EEC unions but should include the Swedes, Austrians and others. Many of the



German TUC's Vetter

individually powerful German unions, like the metalworkers, thought this stupid: they could not see the point of diluting an organisation whose main aim was to influence EEC policies. The DGB, the German equivalent of the TUC, eventually persuaded them to accede to the whims of the British. But this has delayed the founding of a Euro-TUC until next February at the earliest. The other suggestion the British made was that a Euro-TUC should not be confined to Social Democrat unions, but should include the Christian unions as well. This was a much more sensible idea.

The Dutch Christian unions may well affiliate to a Euro-TUC, and could be followed by the Belgian Christians. The French Christians will probably not join because they are still at political loggerheads with the French socialists. There is not much chance of communist unions joining, although if the Italian unions merge the Italian communists could do so under the guise of a new Italian union structure.

At the end of this week, union leaders will meet in Brussels to decide the details of the finance, staffing and constitution of the Euro-TUC. But the British TUC now fears that reports that it does not want to participate in the EEC could so anger the Germans and others that the whole scheme could fall through. Mr Feather will have to explain once more that the TUC often speaks with two voices.

Car plants

You have Dagenham, señor

Chrysler stopped exports of the British-built Cricket to America this week. Sales of the Cricket, the American version of the Avenger, have been sagging, partly because of the import surcharge and the devaluation of the

dollar, which helped the American-built small cars made by General Motors and Ford. The more recent fall in the value of the pound has not helped Chrysler to shift the heavy stocks American dealers are now carrying. An even more dangerous long-term threat to the British motor industry is posed by Ford's rumoured plan to set up in Spain.

Our Spain correspondent writes that the latest joke in Madrid is about how Sir Alec Douglas-Home went to clinch a deal under which Britain keeps Gibraltar but gives Dagenham to Spain. It is widely believed that if Spain shuts up about Gibraltar Britain has agreed to help Spain to get into the EEC, and this in turn will enhance Spain's attractions for the motor industry. Mr Henry Ford was in Spain recently. His views about the Dagenham way of life are well known. And last weekend Madrid announced new and easier rules for foreign car firms: only 50 per cent of the components need now be Spanish-made in place of the old 70 per cent minimum.

Ford has recently been diverting some component orders to Spain that used to be placed in Britain. Chrysler, Fiat and even British Leyland have been buying more Spanish components. But Spanish planners want to see vehicle exports stepped up. Only 2 per cent of the 313,000 Spanish-made cars were exported in 1968. Of this year's output of 600,000, 16 per cent will be exported. Seat (owned mainly by Fiat and the Spanish government) has had great success in exporting a Fiat model, no longer made in Turin, which sells well in more distant countries. Renault is expected to continue making its R4 and R8 there, after they have been phased out in France. Citroen makes its GS in Spain for export to non-European markets. This avoids competing too inconveniently with the home factories.

Seat (55 per cent of the market) plans to raise production to 500,000

cars a year by 1976. Renault (24 per cent) reckons on 200,000 within three years. Chrysler (7 per cent) aims for 300,000. Exports, for all of them, will provide the bulk of the growth. British Leyland (7 per cent) is vaguer. Its Minis and 1100s missed the boom because of uneconomic production methods and inadequate promotion. With the camping and caravanning boom, the Maxi ought to do brilliantly, if British Leyland could market it. Meanwhile, Spanish planners want fewer, bigger units. They have tried to merge Citroen and Seat; Renault-British Leyland has also been mooted. But if Ford arrives with plans for making 250,000 cars a year, three-quarters of them for export, the smaller producers will either coalesce or collapse.

Coffee

Soluble problem

The 22 developing countries which grow the \$3 billion of coffee traded in the world each year will be trying to suspend the international coffee agreement at a meeting with consumers in London next week. The growers are determined to keep the world supply of coffee restricted and to boost prices which are already at a record high (60 per cent higher than when the agreement was started in 1962).

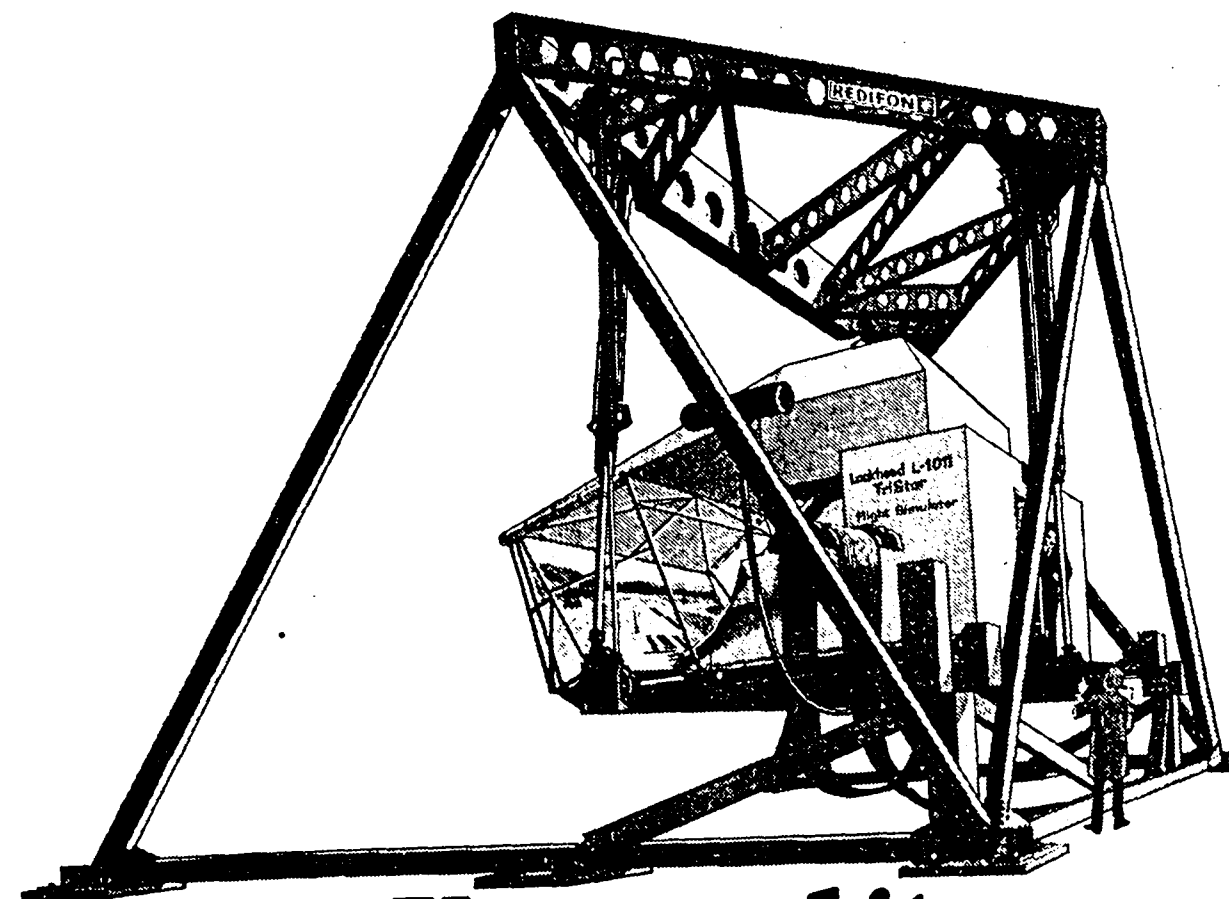
The plan for a unilateral producers' pact has been spearheaded by the four biggest growers, Brazil, Colombia, Portugal (Angola) and the Ivory Coast, which account for 60 per cent of the world's output. In the short term a breakdown in the agreement would keep prices high. World stocks, particularly of the high grade arabica coffees, are short—so short that Brazil has begun importing coffee. But coffee bushes are easy to grow. Unless the producers can stick together in divid-

Key indicators: world commodity prices

	Index 1963=100		Percentage change on	
	Nov 22	Nov 29	one month	one year
All items	155.7	158.2*	+ 3.0	+35.0
Food	168.9	173.4*	+ 3.5	+33.6
Fibres	141.4	141.7*	+ 5.3	+61.8
Metals	184.0	185.0	- 1.2	+ 8.5
Misc	145.4	147.4*	+ 2.0	+47.4

*provisional

Zinc
European zinc producers have raised prices £13 to £173 a ton. This is not quite as bad as expected; a figure of £20 had been batted around because demand from industry is rising while stocks, at least in Europe, are dwindling with the decline in world smelting capacity. The free market cash price of £161 a ton looks as if it will go on going up.



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ing the world market between themselves—without help from the consumers—there could be a rash of independent planting and a world glut within five years, with prices perhaps falling to those existing before the agreement.

Under the agreement each country is rigorously restricted to an export quota, though this has not prevented the African countries chipping away at Brazil's market dominance by growing the cheap robusta used for instant coffee. The surge in potential African production over the past 10 years is a far greater threat to the major producers than the consumers' desire to keep prices steady.

The growers' plan to keep world supplies at only 50m bags next year would certainly bring on the high prices that would tempt smaller producers to boost production and so undermine the cartel that the big growers are devising. The consumers, led by the United States, which takes 40 per cent of the world's coffee, would rather see the pact collapse—even if marketing chaos results—than agree to a quota restricted to 50m bags.

The international coffee agreement, however, has been on the verge of breaking down many times before, only to be kept going. Its collapse now would threaten the policy that is increasingly favoured inside the common market of encouraging commodity pacts as a useful way of funneling aid to developing countries. The recent cocoa pact, largely useless because it does not include America, is one such effort. The renewed enthusiasm for commodity pacts spread largely from the United Nations Conference on Trade and Development in Santiago this year. But the same countries that pressed for commodity deals then are now happy to scrap the coffee agreement, by far the largest and most important commodity pact. This plays right into the hands of those who believe in a free market.

Iran

Redistribute, please

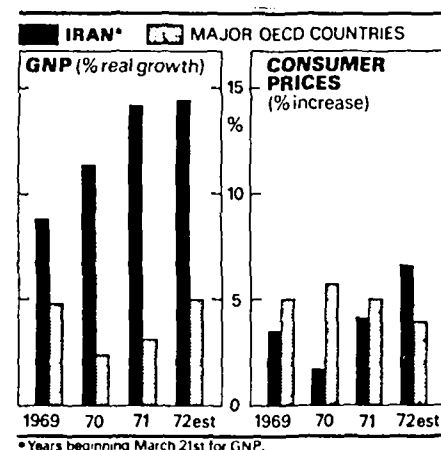
Teheran

Under the Shah's orders, Iran's new five-year plan is being rejigged to encourage greater income redistribution. The minimum earnings of civil servants are to be raised and a £55m fund is to be created to pay off peasants' debts to rural moneylenders.

Iran is by no means the first to discover that fast economic growth exacerbates income inequalities, but it needs to act decisively just because its pace is so spectacular. Real growth has averaged 11.5 per cent over the past four years but could be as much as 16 per cent this year, spurred on by rising oil revenues and large public outlays. Yet inflation, until this year, has been held to 4 per cent or less.

The Shah met his ministers a month ago under the great tent at Persepolis, where the world's heads of state were wined and dined last year, to prepare the launching of the new plan. The planners, whose chief is Mr Khodadad Farmanfarmaian, a former governor of the central bank, wrote into the draft supervisory powers for themselves that were resented by the ministries of economy and finance. More seriously, the Shah ordered the planners to re-work some of their figures with income redistribution in mind. The plan itself is still unpublished. But the prime minister, Mr Amir Abbas Hoveyda, has said it will provide for real growth of 11 per cent a year up to the end of 1977, a rise in income per head from £200 to £340, and 1.4m new jobs.

The plan will entail investment of £12.75 billion over the five years, including an allowance for inflation at 6 per cent. Of this, £8.5 billion will come from the government (including £6.4 billion from oil revenues) and the



rest from the private sector. Agriculture will absorb a greater proportion than before: £1.7 billion is being allowed for concealed subsidies to peasants as well as new projects. Social welfare spending will also go up proportionately, but from a very low level.

The big digesters of funds, however, will be the programmes the government is already committed to: dams, electric power, gas distribution, the Isfahan steel mill and the huge Sar Cheshmeh copper mine. The private sector will provide a greater proportion of total new investment than in the last plan. Once the massive military budget and the government's current spending have been allowed for, however, the planners have less room for manoeuvre than the growing volume of oil revenues (likely to top £3 billion a year by 1977) might suggest. The existing law—that 80 per cent of oil revenues must go to the plan—is being quietly ignored.

European glass

To be looked into

Having been rebuffed in the Court of Justice in Luxemburg over Continental Can, the European commission's competition department has held off similar inquiries into the merger

between the French and Belgian glass giants, Boussois-Souchon-Neuvesel and Glaverbel. Instead, it came in this week with a hefty anti-trust fine of £45,000 against Pittsburgh Corning Europe, a subsidiary of two American glassmakers. Naming the company's Belgian and Dutch distributors, the department alleges the existence of restrictive agreements. The distributors are said to have been told not to export, and, as a result, prices in west Germany for cellular glass insulating material were up to 40 per cent above what they should have been.

Inquiries into BSN and Glaverbel will not be completed until well into next year, but the department wants to use article 86 of the Treaty of Rome to control mergers likely to affect trade between members. First, however, it wants to examine what effect the entry of Britain, and Pilkington Bros in particular, will have on the European glass market. At the moment, BSN has only one other competitor in its league, France's Saint-Gobain. Pilkington's entry will make little difference: a large amount of its glass is safely exported these days (even to Australia) but transport and insurance costs are probably too high for further bulk supplies to Europe.

In the past 12 years Pilkington has been raking in handsome royalties (now about £10m a year) through licensing its float glass process, which is what it would use in any plant set up on the continent. But the company that has acquired numerous rights to the float glass process is Saint-Gobain itself. In effect, Pilkington, which invented float, has sold the dominant position in continental Europe; in six plants, Saint-Gobain has invested £31m and commands more than a third of float glass productive capacity.

With a strong Saint-Gobain around, why should the commission be worrying about BSN? Both make massive quantities of flat glass. But they are not strictly competitive across the board. Their processes, and therefore their end uses, differ. BSN and Glaverbel have limited float production, but they and their subsidiaries (eg, in Germany) rely mainly on the old process of making flat glass for windows. But the other big customer for glass, the car industry, is going towards float, and so are other customers wanting better quality.

BSN first merged all its glass interests in France with the Belgian producer Mecaniver, so ending with 92 per cent of the shares of the

resulting Belgian-based manufacturing company. Then the ailing but bigger Belgian producer, Glaverbel, in which BSN owned 25 per cent already, took over the enlarged Mecaniver. Both deals were done purely by swapping shares and were completed on November 15th. BSN ended with 58 per cent of Glaverbel-Mecaniver—and over half the European sheet glass market. Hence the commission's curiosity in what is going on.

Japanese exports

Chimerical controls

The more that is known about Japan's new export controls, the more chimerical they look. Not only are there blatant omissions, such as computers and desk calculators, but the export quotas so far spelled out by the Ministry of International Trade and Industry are hardly repressive. Manufacturers of motor cars, whose foreign sales have been expanding at an annual rate of 33 per cent, are being asked only to knock back that pace to 25 per cent. And the growth targets for exporters of seamless steel tubes and of clocks and watches are as much as 18½ per cent and 27.3 per cent respectively for the year ending next August.

Then there is the problem of policing. Most of the curbs will be administered by export cartels formed by the industries concerned—although the cartmakers, unable to agree among themselves, have plumped for statutory controls. At the start of the scheme, manufacturers can plausibly argue that any bulge in shipments merely reflects prior commitments. One rumour is that Miti will not even attempt to assess the statistics for three months—that is, before March—which is about the latest most commentators believe a yen upvaluation can be delayed.

And that raises a third point. If the yen defence programme fails to avert another upvaluation, the export controls are expected to become a dead letter overnight. And since almost everyone outside the ministries assumes that the programme will fail, there is every temptation to push sales hard while the going is good. The value of export credit in October turned out to be 28 per cent higher than a year earlier.

Small wonder, then, that the controls look a write-off even as a public

relations exercise. They never promised to be much else. In defending their policies before the Organisation for Economic Co-operation and Development in Paris recently, the Japanese suggested that the entire package of measures to prevent a yen upvaluation might trim \$1½ billion to \$2 billion in a year from their current account surplus (which promises to be nearer to \$7 billion this year than the \$6 billion officially forecast). The smaller figure assumes virtually nothing from export controls, the larger one no more than about \$½ billion. There is not much for Japan's competitors to be grateful for there.

North Sea oil

Making it all leak-proof

What will happen if an oil pipeline breaks in the North Sea? Very little. British Petroleum and Phillips Petroleum have devised pipeline systems that should keep the loss from the worst possible leak to a few hundred barrels of oil, roughly the same amount the seas must absorb every time a tanker flushes its tanks and a mere nothing compared with the potential loss from a conventional pipeline which might run as high as 100,000 barrels. Yet the new systems devised by BP and Phillips, which will probably be the first companies to lay North Sea oil pipelines, hardly involve any new technology. Instead, they will minimise leaks by making use of the pressure from the hundreds of feet of water lying above the pipelines. To do so, pressure inside the pipeline must be kept relatively low.

When a leak of any size appears, the pressure inside the pipe will drop. This will then automatically shut down the pumps within seconds. Without the pumps, the pressure inside the pipeline will then be lower than the pressure exerted on the pipe by the seawater outside. The slight compressibility of oil probably makes a small loss unavoidable, but the weight of the water should quickly stop the leak.

The new system will require sophisticated separation equipment on the production platforms themselves instead of on shore as with conventional pipelines. Putting it on the platforms costs marginally more. For instance, Phillips estimates that the new system will cost an extra £4m-£6½m. The total cost of its Ekofisk project, excluding drilling expenses, will run to £235m.

Key indicators : world economies

America is now achieving Japanese-style industrial growth and both countries are managing to contain inflation to a rate about half that of the main European countries. Both, too, are putting up good export performances, although American figures are distorted by dock strikes.

	Industrial production			Exports			Retail prices		
	1963=100	% change 3 mths	% change 1 year	1963=100	% change 3 mths	% change 1 year	1963=100	% change 3 mths	% change 1 year
United States	153†	+2½	+9½	233†	+8½	+60	138†	+½	+3
Japan	305	+3½	+9½	558	+18	+26	162	+1½	+3½
Germany	157*	-3	+3½	312	-1½	+8	137†	+1½	+6½
France	170*	+1	+7	344	+5½	+29½	150†	+2	+6½
Britain	130	+½	+4	222†	+19½	+15	163†	+2½	+8
Italy	147	-2	-1	359	-½	+16	145†	+2½	+7
Benelux	170*	-1½	+4½	344*	+4	+23	154	+1½	+6

Index numbers refer to September, 1972, except* (August) and† (October). Industrial production and value of exports (in dollar terms) seasonally adjusted.

BUSINESS

Britain

Putting the squeeze on BSC

The Government is now convinced that British Steel has set some of its prices at unfairly low levels and will shortly force the corporation to raise those of three important products: reinforcing bar; low-carbon, soft-wire rods; and hot-rolled, mild steel sections. The decision, which will be put into effect as soon as the freeze allows, results from an inquiry led by Lord Hirschfield which upheld allegations that the nationalised industry had been manipulating prices in a way that squeezed the private sector's profit margins and meant BSC was making an actual loss. It is expected that the three prices will be increased by about 4 per cent over and above any general increase that might be allowed at the end of the freeze. Such increases would add at least £10m to British industry's steel bill. This is not the only time that the corporation has been caught abusing its monopoly.

The Hirschfield report will be only the first knock in what promises to be an uncomfortable period for BSC. Ministers are attempting to clear a backlog of steel decisions before entry into Europe, when responsibility for steel formally passes to Brussels. British Steel had, for example, hoped to gain commercial freedom after January 1st

within the community rules. This would have included a general price increase and changing to a new pricing system in which transport costs are charged separately. But the Government has made it clear that there will be no price movements until the freeze ends, however much catcalling there is from continental steelmakers. (The commission is saying nothing: it already has enough inflation worries without importing more and it has always accepted that January 1st was a purely nominal date.) Britain's private steelmakers are prepared to go along with the delay so long as the Government makes it clear to BSC that it must behave in the future.

The Government is being much tougher with BSC since the new Secretary of State for Trade and Industry, Mr Peter Walker, arrived on the scene. It has twice sent back the corporation's new price list drafted to EEC standards, the first time because of some crafty "structural" changes which involved hidden price rises for certain customers, and the second time because charging for transport inevitably means that steel-users living a long way from a rolling mill will have to pay more for their steel, which would be incompatible with the freeze.



Boardman, cool



Hirschfield, critical



Melchett, on the defensive

Mr Tom Boardman, the Minister for Industry, was to make a statement about basing points on Friday.

BSC would like to go ahead with its so-called brown field development at Redcar, which would cost at least £700m, but the prospects of getting that approved in time are becoming increasingly gloomy. It is much more likely that BSC will be told to start on the less ambitious programme of extending existing works, like Port Talbot in South Wales.

A new factor is the prospect of an increased share of production being taken by the private sector. The Hirschfield report raises the question of BSC's involvement in some of the smaller tonnage markets and suggests there is room for greater rationalisation. There is a plethora of private sector plans to set up mini-mills, but more fundamental changes are in the wind. This week GKN entered into new talks with BSC; GKN would like to buy back its old steelmaking plant at Brymbo which was taken over on nationalisation. But it wants it at a realistic price. It is holding out as a carrot the idea that GKN and BSC might then invest jointly in the new rod mill that it said on Monday it would like to build some day.

Employment

We lost 130,000

Employment in British industry is still falling. Figures released on Thursday, but not published yet because of a hitch in printing the Department of Employment Gazette, show there were 10,051,800 people employed in production industries in September, 22,200 fewer than in August. This brings the fall in jobs in six months, on a seasonally adjusted basis, to 63,000. Yet in March unemployment nationally reached its peak and by September the number of people looking for jobs had fallen by 67,000. How could 130,000 workers get lost?

Industry is not the only employer of labour, but there is a long delay before any employment figures emerge for the

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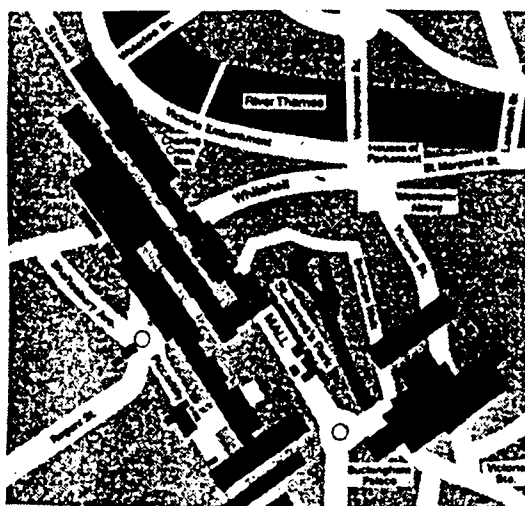
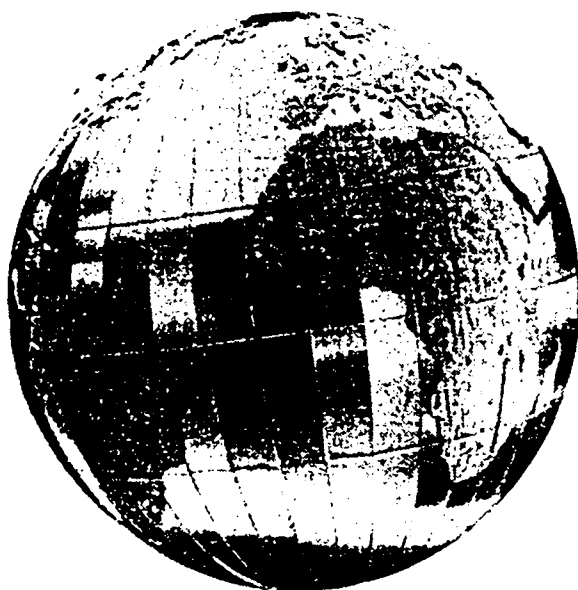
The British Steel Corporation belongs to you.

Here are some important facts about its future.

Exporter to 147 countries

In 1971, the British Steel Corporation exported over 4 million tonnes of steel to 147 different countries.

Add to the raw steel, the quantities of steel in items like cars, refrigerators and other consumer durables, and British Steel helped to bring in more than 50% of Britain's export income!

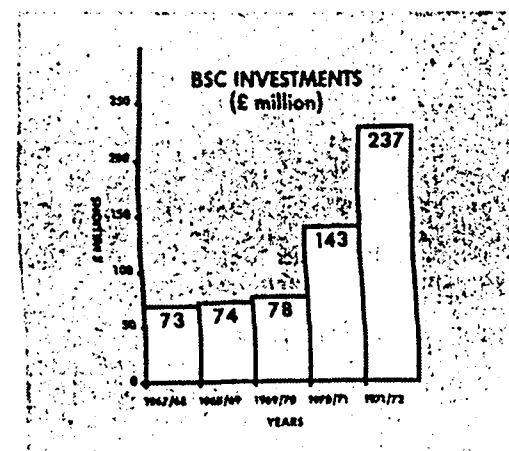


Plan of Anchor buildings superimposed on a map of central London to show their vast scale.

The Anchor Project

To meet the demands of the 70s and 80s, BSC will have to produce low cost steel of high quality. This will require a mixed investment in large bulk steelmaking plants and smaller 'mini-mills' to serve specialist consumers. The first of the larger plants is due to begin operations in 1973 at Scunthorpe.

The "Anchor" scheme is the biggest single investment ever undertaken by British industry (£200 million). Additions to the existing works complex, plus a new ore terminal at nearby Immingham, will enable raw materials to be brought in in giant carriers; steelmaking capacity will be increased by two-thirds; new rolling mills will turn out top quality products.



BSC leads in investment

For many years, the British steel industry, starved of capital, was unfitted to meet the challenge of the international future.

In the last decade, the position has changed: particularly since 1969. In the two years to the end of March 1972, British Steel's rate of capital investment increased by more than 200%. Not only that: in terms of £'s per tonne of annual crude steel production, BSC's capital investment was greater than that of either Japan, the USA or ECSC.

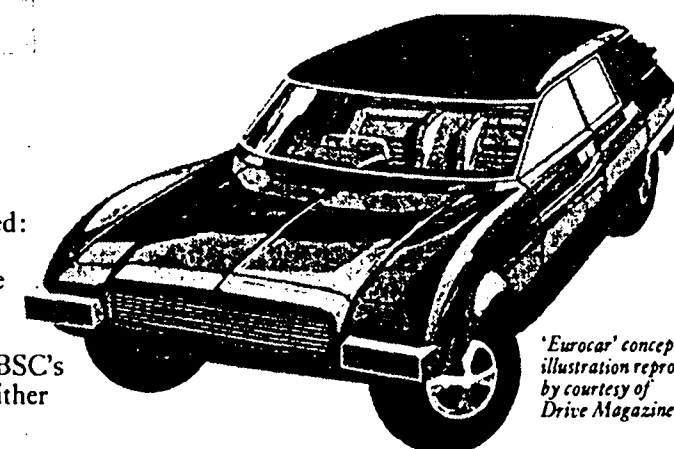
British Steel and better transport

As major consumers of steel, the transport industries have priority calls on BSC's technical resources.

It is a general rule that as machines develop and become more sophisticated, greater and greater demands are made on the steel used in their construction. The car of the future, for instance, will need to embody specialist steels to enable it to meet the rigid noise, pollution and safety requirements that will be placed upon it. Higher

exhaust temperatures will bring about the widespread use of stainless and other high alloy steels in silencers and other important parts of the exhaust system. Long-life silencer systems incorporating some of these steels are already on the market.

BSC is also developing a unique sound deadened steel which will make future motor travel quieter and more comfortable. And to combat the increasing problem of corrosion in the underbody of a car, British Steel has developed a new sheet steel with an iron-zinc coating, which has all the corrosion-resistant qualities of zinc-coated steel plus easier weldability and paintability.



'Eurocar' concept and illustration reproduced by courtesy of Drive Magazine.

New steels for the new supertrains

When the Advanced Passenger Train commences regular services at speeds of up to 150 m.p.h., much of the track it runs on will be of a high grade steel developed over the years by BSC to meet the strains of high speed traffic. BSC is continually developing specialist steels for the aircraft industry, bridge building and marine applications.

As the opportunities in transport engineering increase, so does BSC's market for these steels. At home and abroad.



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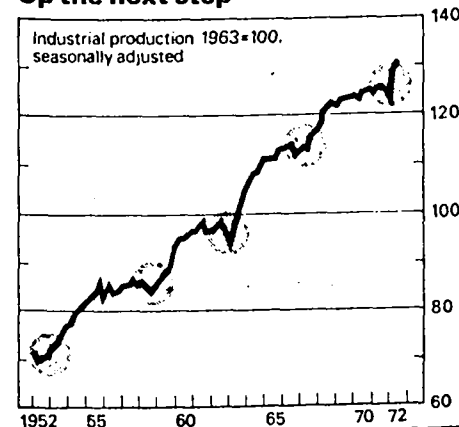
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service sector of the economy. It is a fair bet that when they do a good number of the missing 130,000 will eventually turn up. It is also probable that the Department of Employment will run true to form and in due course revise its industrial employment figures upwards. Even so, it does look as if the labour shake-out in British industry has continued.

The result has been an impressive rise in productivity. But productivity always does well in the early stages of each upswing in the economy. When demand picks up most companies are able to take up some slack before they go in search of extra workers.

The chart shows industrial production over the past 20 years. While it is difficult to identify the precise timing of each turning point, there seem to have been four previous periods in which the economy has moved into the upswing phase of the cycle. The results for the 18 months straddling such turning points are, in terms of per cent changes, as follows:

	Output	Employment	Output per head
Jan/March, '52- July/Sept, '53	+0.0	+0.4	+ 5.6
Jan/March, '58- July/Sept, '59	+4.2	-0.7	+ 4.9
Jan/March, '62- July/Sept, '63	+6.6	-1.8	+ 8.5
July/Sept, '66- Jan/March, '68	+3.4	-4.0	+ 7.7
Jan/March, '71- July/Sept, '72	+4.8	-5.8	+11.3

Each time round, productivity grows that bit faster than output. It is also probable, from the accepted fact that the underlying growth of productivity in the economy has shown some acceleration during the past two decades, that such gains on the early stage of each upswing are not completely lost later on when employment does begin to recover. The recent fall in unemployment does not, therefore, mean that the hypothesis of a faster underlying growth in productivity has been upset.

Women are odd

Women account for little more than one-third of the working population: that is, those at work or available for work. What happens to them is normally hidden by what happens to the more numerous males. But it is dangerous to ignore them. Last Friday the Department of Employment released some rather dated figures which showed that the labour force increased by 204,000 in the year to March, 1972, and that women accounted for all but 1,000 of this increase. Many more married women are apparently staying at work, going back to it, or wanting to do so. This trend has almost certainly continued since.

They have not been having too much luck lately. Out of the past month's fall in wholly unemployed of 18,200 only 900 were from the ranks of unemployed women. Yet most of the new jobs appear to have been in distribution and services; employment in industry is still falling. This should have helped the girls. They account for only a quarter of employment in production industries and a much higher proportion in service industries.

One answer is that women finding jobs have come from the ranks of the 300,000 who the Department of Employment estimate are available for work but are not registered as unemployed. The sharp rise in unemployment over 1970-71 was almost entirely accounted for by men.

If this is what has been happening it means that the actual fall in unemployment has been larger than the figures for registered unemployed suggest. It also means that the rise in employment in the service sector may have been larger than implied by the analysis of the missing 130,000. Not only are there a lot of men finding jobs when the number at work in industry continues to fall; there may also be a lot of women not finding jobs when the number of them at work rises. The mystery deepens, but one thing is sure: women will need watching more carefully in future.

Transport

An eye on profit

The port of Felixstowe—a private enterprise thorn in the side of the militant docker—completed on Tuesday the first phase of an £8m expansion that will double its capacity. The

new berths are fully booked already, and the port could double in size again, which would give it 20 per cent of Britain's trade and make it a serious rival to London.

Felixstowe has to pay higher interest charges than public sector ports. How does it survive? It is the nearest British port to Rotterdam, and that helps. But the main reason is that its service is dependable. Felixstowe was the last port to down tools during the national dock strike, and the first to start work again. Mr Gordon Parker, the 80-year-old chairman, was on the quay in his bedroom slippers before breakfast helping his customers. This means a lot to many of them, such as the suppliers of newsprint, who can lose a contract by missing one day's supplies.

The dockers do not have the bitter history of other ports to sour them, nor does management give any excuse to get like that. Felixstowe was giving all its dockers permanent employment long before Lord Devlin persuaded the rest of the industry to do the same.

Felixstowe opened a new Freightliner terminal on Tuesday. So far Freightliners, which runs British Rail's container trains, has made a loss on Felixstowe business, and it did not pay a penny towards the new terminal, a marked change from its early over-expansion. Freightliners used to be the jewel in BR's crown, but when he was minister of transport the present BR chairman, Mr Richard Marsh, made BR sell 51 per cent of Freightliners to the commercially successful but road-oriented National Freight Corporation.

Freightliners could at last be on the verge of making profits, though. With only 30 per cent of costs accounted for by labour (compared with two-thirds for BR generally), Freightliners is a capital-intensive business that should have a good gearing factor when capacity utilisation improves. At the beginning of 1972 utilisation was only 60 per cent, but now it has been brought up to 70 per cent. Another 5 per cent, and it will be earning a decent return on capital, and next year's trade upturn could well be the cue. The company is winning an increasing number of customers among the road haulage firms themselves, who are learning to use rail for the trunk haul of a long journey. British Road Services has now stopped sending lorries from London to Scotland.

Bank lending

Going strong

There is no mistaking the revival in industrial loan demand. The London clearing banks' ordinary loans and overdrafts went up by something like £250m-£300m in the four weeks to mid-November, after allowing for seasonal factors, compared with about £200m in the previous month. More to the point, the rise was spread right across customer lists.

The banks could not meet all the extra demands painlessly. Their ordinary retail deposits did not keep pace, a tribute, perhaps, to the Government's continued success in selling gilts to the public. All but a fifth of the £353m rise in the banks' total net deposits last month are thought to have been bid in, increasingly expensively, from the wholesale markets. Issues of certificates of deposit by the big banks were heavier than for some

time, even though secondary market dealers were reluctant to take large lines. Despite some further off-loading of gilts, the clearers' average reserve ratio fell slightly, from 14.6 to 14.2 per cent; Williams and Glyn's ratio was down to 12.6 per cent, just a whisker over the minimum.

But the banks will not have had any difficulty meeting the Bank of England's modest call for special deposits, the first tranche of which fell due on Thursday. The Government's own financing requirements, even allowing for substantial sales of gilts to the public, and the fact that the banks' large holdings of 5½ per cent Treasury stock will soon rank as reserve assets, will have seen to that. But a rise in the banks' base rate, now 7 per cent, may well be in the offing. The authorities have already signalled by their tactics in the money markets that, at the very least, they do not want to see short-term interest rates come down. The Bank of England's call for special

deposits may hardly amount to a squeeze within the freeze, but it requires little more than another touch to force bank lending rates up. On Thursday, the finance houses announced that their rate would go up next day by half a point to 8 per cent.

Monopolies

Which witch?

The Government's long-awaited legislation on monopolies and mergers is expected at any moment. Companion legislation to protect shoppers was announced on Thursday. The drowsy Monopolies Commission will be given additional powers, probably to edge it further towards being able (and keen) to initiate monopoly and/or merger studies off its own bat. The Minister for Trade and Consumer Affairs, Sir Geoffrey Howe, has hinted that "monopoly conditions" in an industry may be redefined. A monopoly is presumed to exist now when one firm

The other men on Papa India

The Trident court of inquiry was scheduled to visit Farnborough on Friday to inspect what remained of Papa India but it spent the earlier part of the week taking evidence not about the aircraft but the state of its crew. The emphasis has shifted from Captain Stanley Key and his health at the time of the crash last June. It is now on discovering why, if he did have a heart attack just after take-off, the fail-safe precautions against precisely this eventuality failed to work. Pilots have collapsed at the controls of aircraft before, and there is a clearly laid out chain of command under which the rest of the crew know what they have to do when it happens. On Papa India this failed.

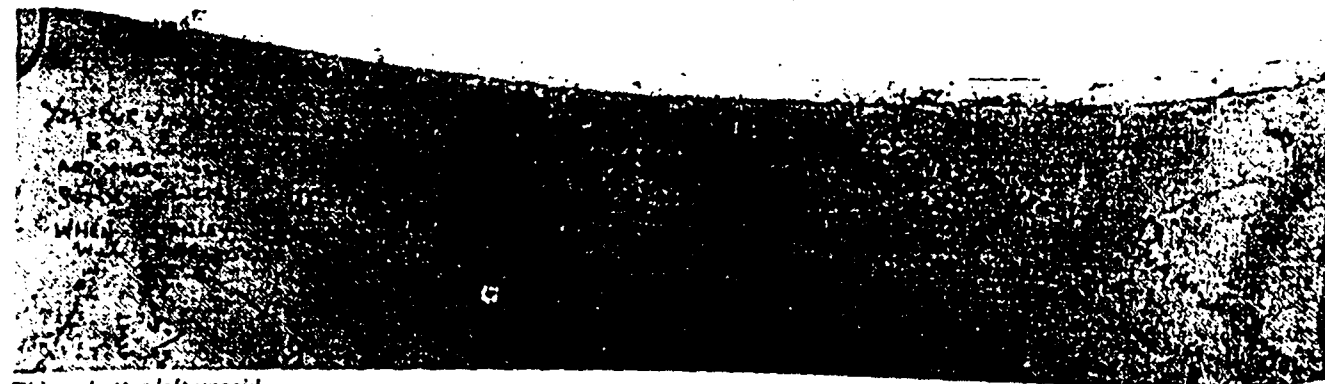
The court has so far uncovered facts about the training and discipline of British European Airways crews that raise questions ranging well beyond the Papa India disaster. Pilots are assumed

by the public to be highly trained, disciplined and responsible. In the course of the inquiry some of them have been presented as childish, petulant and slow to react. The most shaming piece of evidence so far is the scribbled-upon table from the flight deck with graffiti so immature that passengers might prefer not to trust their lives to the men who wrote on it. Handwriting experts cannot conclusively pin the scrawls on the Papa India crew; if they were not responsible, the men who were cannot sleep at all easily at nights. They could at least come forward and tell the court—if only to clear the names of dead men.

Papa India was not the only BEA aircraft to be so defaced. Granted that BEA crews were in the middle of a wage dispute with the management, and that pilots have become more militant and strike-prone in recent years than they ever were in the early days

of flying, that still does not excuse behaviour that they would not tolerate in their own children. But the fact that there was such an apparent lack of responsibility also reflects on BEA's crew selection and training. The court heard a good deal this week about protests that senior captains had made over the relative inexperience of the crews with which they were asked to fly, and it heard in particular about the slow reactions of Mr Jeremy Keighley, the co-pilot on Papa India who should have assumed command when Captain Key became ill. On Mr Keighley's last training flight the month before the crash, it was reported of him that he "needs prompting, but not as much as before."

Both BEA and BOAC have a pilot age problem, with an excess of senior men near retirement, junior men just out of training and a dearth of crews in between. BEA has to answer the growing impression that it has not coped with this as well as it might.



Things better left unsaid

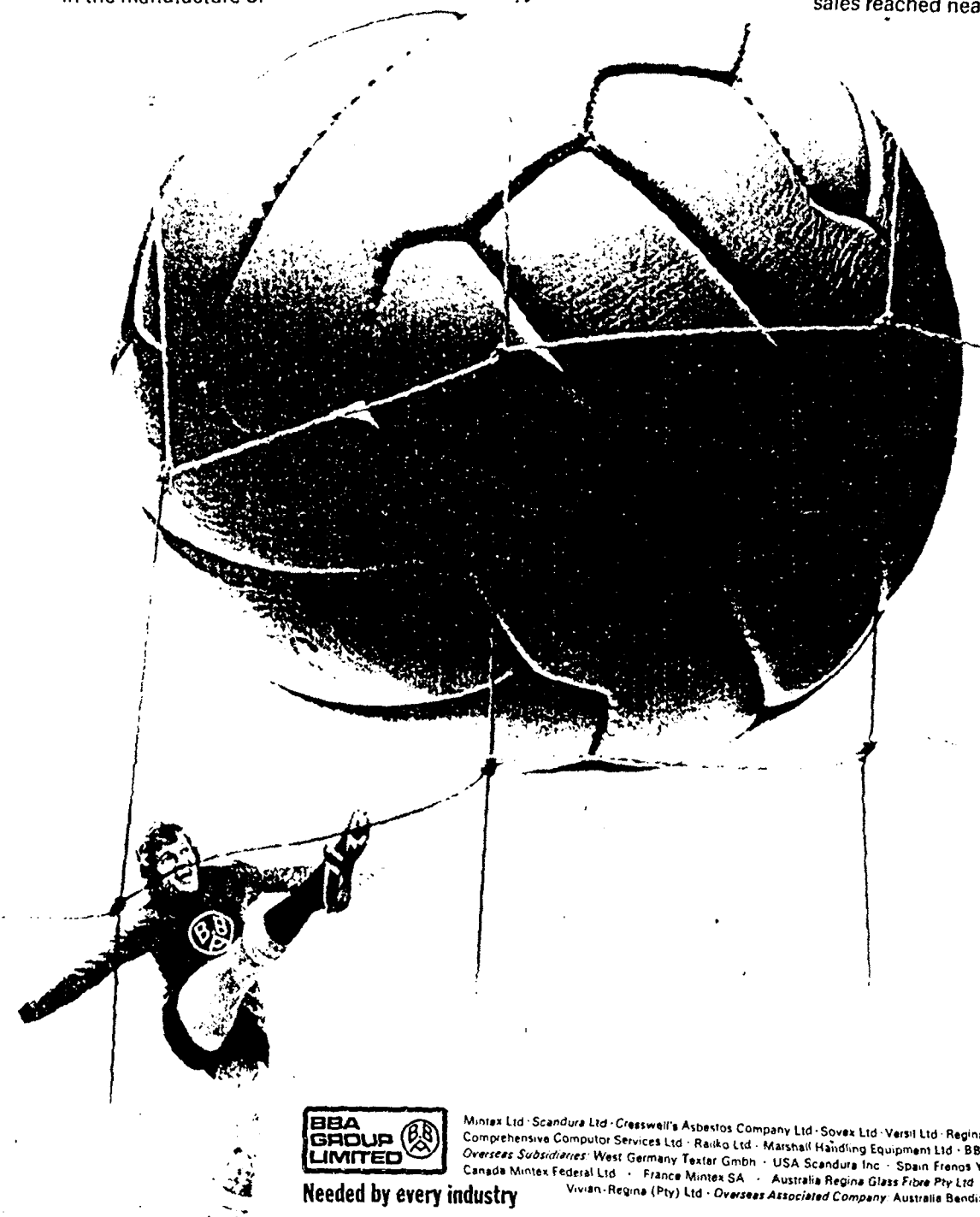
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BUSINESS

Investment

The thoughts of the tanks

The think tank is thinking about the City. About a year ago, Lord Rothschild and his merry band decided that the City was moving fast into Europe and all over the place, but without any clear sense of direction. The City presents the perfect project for the Central Policy Review Staff: it is important, but not examined comprehensively by any single policy-making department.

To help the think tank decide whether any policies were necessary, the Inter-Bank Research Organisation—a kind of clearing-bank tank—was asked, in June, to report on the present shape and future form of the City. That report has now arrived at the Cabinet Office, and will be one of the bases for inter-departmental discussion of the useful sort that the tank can initiate. The trouble is that, to avoid upsetting anyone, it is not being published yet.

The report is far from dogmatic. It errs on the side of the "there are umpteen options and umpteen alternatives" approach, and at the end of the day no clear conclusions emerge.

The central theme is that there is

an interconnection between financial services, a common thread between banks which lend money, stockbrokers who lend to clients, and insurance companies that lend to policyholders. The regulations that have been tailored over the years to clothe the separate bodies that carried out each of these different activities no longer fit. The bodies are changing shape. Insurance companies go into banking and vice versa. Clearing banks poach on merchant banking territory: even Lloyds has now joined in initially by grouping all its existing corporate services, and adding new ones, in one distinct division.

The Bank of England regulates banks and the Department of Trade and Industry regulates (or fails to) insurance. Thus, at a time when the City is girding its loins for Europe, and the harmonisation thereby entailed, the Government should think of making a new loincloth; it should look at things comprehensively.

But who is to take this comprehensive look? A committee (of whom?) in the first place, and a more permanent body later on? The report wants a task force to do it, and is keen on avoiding the introduction of Whitehall bureaucrats into the City. A kind of bigger and better combined think tank (one breeds another) and expanded takeover panel would be one solution. The greater codification of practice and ethics in company law, and more specific laws for various other activities, would be a necessary adjunct of greater self-control. There is a delicate balance between the laws of the land, the light touch of the Bank of England, and the ways of the City which the City sums up in the word "flexibility." Clearly, like motherhood, flexibility is a good thing—but the recent voices

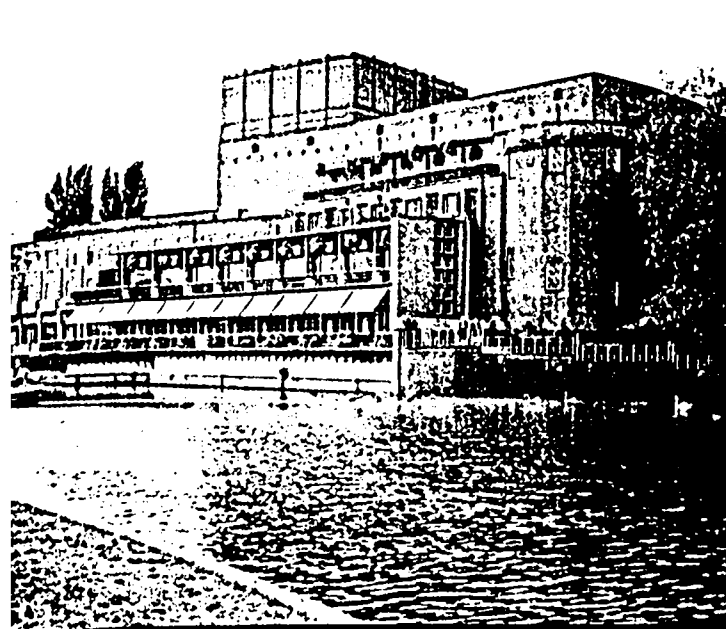
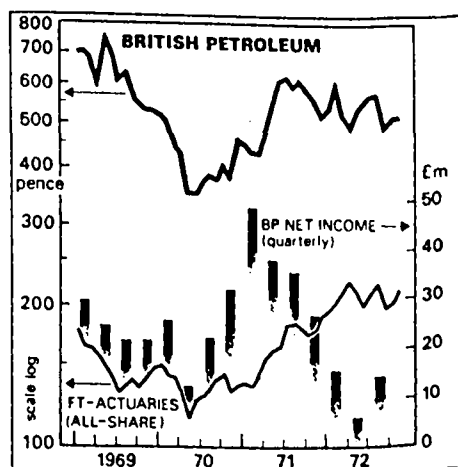
of Lord Shawcross and Mr Jim Slater have been added to those who think that the City is far from perfect.

Supplements to the main report contain a great deal of useful material: on the physical environment and how rents and the cost of living affect the City, and the competitive advantages of London and its various markets (money, capital, commodities) compared with Europe. European developments are looked at, too, and there is a useful summary of all the ways that the Government affects all the activities of the City. The report should be published before the dust gathers. The most important need for the City is not a body of recommendations, but an informed debate by all concerned about what those recommendations should be.

BP and Burmah

Troubled waters

British Petroleum is still in a bit of bother, even though its third quarter figures were better than expected and the market moved its share price up 21p to 533p. Net income was £14m, against a paltry £6m in the second quarter and £36m last year, but the effective devaluation of sterling contributed windfall profits of about £7m. The remaining £7m was none the less better than the pundits were expecting. Crude oil sales were up by 15% and



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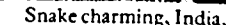
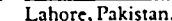
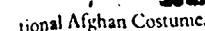
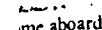
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the common pasar

Europe has a Common Market known principally for its economic bonds. South East Asia has a common "pasar," the Indonesian - Malay word for market place. Called the Association of South East Asian Nations - and comprising of Indonesia, Malaysia, the Philippines, Singapore and Thailand - the common pasar is a composite of modern and historic Asia. Come to Bangkok, Djakarta, Kuala Lumpur, Manila or Singapore, and wander through the un-commonest group of countries anywhere, any time. From the hustle and bustle of Manila and Singapore to the idyllic villages on Java and the East Coast of Malaysia. From the sun-splashed resorts of Bali and Thailand's Pattaya Beach to the cool, quiet mountain lodges in the Malaysian Highlands and the Philippines' famed Baguio area. Here, some of Asia's oldest civilizations - influenced by Buddhism, Christianity, Hindu and Islam - live side by side to offer the traveler, seasoned or novice, a true package holiday.



product sales by 20% on the equivalent period last year.

The weak prices and high costs that drove Shell's third quarter profits down to £45m have also been responsible for BP's worries. But BP's trouble has been exaggerated by high gearing—both financially and operationally. Unlike Shell, BP is a net seller of crude and margins are smaller. A drop in volume, therefore, leads to a more-than-proportional drop in net income. Low demand caused by the unusual mildness of last winter sent product prices sliding toward the end of 1971. But BP's profits remained steady for a while, as its crude prices were protected by long-term contracts. Also, as Libyan production slowed down, BP controlled enough of the marginal crude market to keep prices firm. Then the borrowed time ran out.

But the high gearing that made BP's downswing the worse should help it in the upswing. The summer months are never the best and already there are signs that fuel prices are picking up—Rotterdam spot prices in particular. German inland product prices, which tend to be a more accurate indicator of demand, have been less buoyant but are also on the turn. On conventional share evaluation terms, BP's price of 533p is too high; the prospective p/e is an astronomic 50-ish. But the shares are towards the lower end of their trading range and the gearing is such that at the first sight of gravy investors immediately jump aboard. On that basis, if the worst really is past, the shares could be up to 600p again in no time.

An investor, however, has to look at the longer-term problems. BP holds more reserves in the politically unstable Middle East than any other oil company. Nobody really knows what 51% participation is going to mean. And the financial position is tight at a time when the company is entering a very expensive phase. It is unlikely to be able to achieve off-balance sheet funding Forties-style until the Forties are producing the goods (and cash). The consolidation of Sohio will also add to the gearing. These problems—particularly the expected cut in the BP dividend—are all bad news for Burmah Oil, which collected about £4m from BP last year. This can only be grist for the mill of Mr Dennis Blake, the ex-director of Quinton Hazell who opposed its takeover by Burmah. He and Dr Bill Dawkins, previously a senior Burmah

executive who resigned because he reckoned the company was badly managed, complain that the company's investments in BP, Shell and Woodside-Burmah account for the equivalent of the present market capitalisation and thus the trading interests are in the share price for nothing. These include Castrol, Rawlplug, Halfords and, most recently, Quinton Hazell, all profitable businesses. They want to split the Burmah shares into two, one representing the BP holding and the other the trading interests. They also want to improve the management, and have sent out letters asking shareholders to convene an extraordinary general meeting. They claim to have over 25% in favour as a result of a previous circular, but, without representation on the Burmah board, the going will be hard.

IOS

Sincerely yours,
Robert L. Vesco



In SEC's bad books

The Securities and Exchange Commission has filed a suit against Mr Robert Vesco, and 40 associates, accusing them of taking \$224m out of four IOS offshore funds and of diverting the proceeds "to their own personal pursuits and interests." The American portfolios were in good quality companies, and their removal must have left the funds in a more illiquid and barren state than before. Since the IOS funds are still unaudited, the true value to the remaining investors is still uncertain. The latest news will no doubt start another round of redemptions.

Mr Vesco, and his International Controls Corporation, arrived on the IOS scene in August, 1970, with the offer of a loan of \$5m to bail the group out. But the SEC had effectively banned all companies from having dealings with IOS, and so Mr Vesco was obliged to resign his IOS

posts and give up control of the group. At least he appeared to do so. Another part of the suit alleges that he did not in fact do so and that a series of shell companies obscured the true situation, which was that Mr Vesco remained very much in command. The original purchase of control, from Mr Bernie Cornfeld, was hidden from shareholders for several months. But Mr Cornfeld was most unhappy at what was going on and encouraged dissident directors to wrest control back. He and the others lost, and Mr Vesco simply made sure, according to the SEC, that the funds sold their marketable securities—and the cash was collared by banks he controlled.

It was the fact that the transactions took place in the United States and that ICC is an American company that renders them subject to the rule of the SEC. For many years the SEC has been following IOS through all its from-bad-to-worse changes and has been examining the Vesco file for nearly two years. Its single-mindedness in the face of such determinedly offshore activities is worth commending.

Hongkong Land

The battle is over

Hongkong

After all the paraphernalia of full-page newspaper advertisements, unexpected forecasts, revised asset valuations and not a few muffled grunts behind the scenes Hongkong Land, the largest company in the colony in terms of market capitalisation (£520m), has emerged victorious in its battle to take over Dairy Farm Ice and Cold Storage, with 80% acceptances. Not only was it the largest bid ever made in Hongkong, putting a value of over £100m on Dairy Farm, it was the first full-scale paper bid and it was contested. N. M. Rothschild and Sons of London was called in for the defence.

The takeover battle was an unusual sight in Hongkong, where business grows by interlocking holdings, joint ventures and directors with fingers in many pies. But Hongkong Land decided to go all out, and had the market rating to do so. When the offer of two Hongkong Land shares for every one Dairy Farm was first made, Hongkong Land at \$HK94 was standing on a p/e of nearly 80. Dairy Farm was at \$HK145, but the shares quickly took off to over \$HK230. In a

week of frenzied market activity the shares of Hongkong Land went up to \$HK130 while Dairy Farm touched \$HK270, compared with its net asset value of around \$HK50. But with a market which has doubled in a year, logic is scarce.

The merger, however, does have some industrial sense. Dairy Farm is the largest processor and packager of food, and this would fit in nicely with Land's hotel side. But the lure for Hongkong Land was Dairy Farm's undeveloped properties. Not so much the acres at Pokfulam, on the west side of the island, where its cows graze—it is doubtful if the government would allow these to be developed—but the warehouse and a choice site on the island's waterfront. Property values have risen in Hongkong by 25% in the past six months and Dairy Farm did not convince shareholders that it could unlock the assets itself.

What undoubtedly helped to swing shareholders was the profit record turned in by Hongkong Land especially since Mr Henry Keswick, a 34-year-old Etonian, was appointed managing director (he also became managing director of Jardine Matheson this year). Profits are expected to be £6m this year (up 25%) and nearly £8m next year. It was hard to resist.

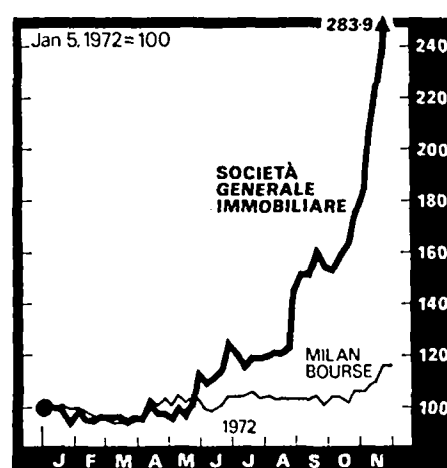
Italian bourse

Is now the time?

Rome

The Milan bourse is taking off. In a month which has seen token strikes by engineers, farmworkers, school-teachers, building workers, postmen, bank clerks and even the bourse personnel themselves, the Il Sole share index has climbed by 13%, relieved that things have not been worse.

It was the last round of major wage talks that brought the economy to a three-year standstill and the threat of further wage inflation still has many industrialists worried. But Italy is recovering. Its balance of payments is running an annual surplus of £1.3 billion and, according to this week's annual scrutiny by the Organisation for Economic Co-operation and Development, Italy could be back on a 5% growth rate by 1973, compared with only 1.4% in 1971. So the lira should be protected from its long-threatened devaluation and foreign investors may, therefore, be encouraged back to the bourse. What is required now is for Italy's record and



spiralling foreign trade earnings to create an export-led boom that will lift the domestic economy and tighten the inordinate slack in industrial capacity.

It has already lifted share prices. In the past eight months the index has grown by 30%, making the 180 companies of the Italian bourse among Europe's most bullish performers. The boost in equity prices has come largely from domestic funds anxious to find investments that might be proof against Italy's 6% inflation. Though most Italian companies have reported net losses for the past two years (making p/e ratios a useless guide), the bourse is attractive because its downward potential is so slight. Even with the present upturn the average share is still standing at less than half the levels of 1961. Foreign funds are likely to be encouraged further by the announcement this week by Signor Malagodi, the Liberal leader, that bearer shares may shortly be allowed on the exchange.

But at present the Italian bourse remains highly volatile and unorthodox. This week Montedison, one of

Italy's largest industrial companies, decided to halve its capital of £550m to set £275m against its debts and continuing losses. So stick with the financial and property sector. Società Generale Immobiliare, Italy's largest property company, has soared 300% this year, and has doubled in the past six weeks. SGI used to be controlled by the Vatican, but now has Signor Michele Sindona and Gulf+Western as its chief shareholders. SGI has a string of high-class developments to its credit, including the famous Watergate building in Washington. At L880 the capitalisation is £150m, compared with the 1971 book asset value of £130m. But no one really knows how much SGI is worth.

SECTOR ANALYSIS

American movie company Oscars

Movie companies and associated conglomerates are among the least-favoured sectors on Wall Street, but as bargain-hunting in the bull market gets under way some could be in for a substantial re-rating. The arguments for the movie industry start from recreation and entertainment expenditure in the United States, now running at close to \$1 billion a month and 13% higher than last year. Although the share from cinema box offices continues to decline, the film companies are increasingly taking advantage of the leisure dollar. After the bloodbath of 1969-71, when something like \$300m (pre-tax) was written off the value of films in the balance sheets, the distributors reduced

Key indicators: world bourses

	Stock price indices			Percentage change on				
		Nov 29	1972 high low	one week	one month	one year	record high	
New York pauses for breath and profit-taking, but its rise, and huge profit increases, have encouraged the optimistic Londoners. Japan continues to break records.	London	510.6	543.6	461.6	+ 3.3	+ 5.7	+18.4	- 6.1
	New York	1018.8	1025.2	889.2	- 0.2	+ 5.2	+20.4	- 0.6
	Canada	235.5	235.5	187.5	+ 1.4	+ 5.3	+37.4	-
	Australia	596.4	639.8	490.1	- 2.8	+ 1.4	+40.1	-10.1
	Japan	372.9	372.9	199.9	+ 5.6	+11.3	+101.0	-
	Hongkong	661.4	759.4	324.0	- 2.0	+ 4.6	+132.3	-12.9
	Belgium	116.6	120.8	96.9	+ 0.1	+ 0.1	+22.6	- 3.5
	France	80.1	89.3	67.6	- 2.4	- 6.8	+20.1	-15.4
	Germany	111.5	121.3	97.1	-	+ 0.4	+18.7	-26.2
	Holland	149.7	155.3	105.4	- 0.7	+ 0.2	+50.5	- 3.6
	Italy	54.9	56.9	43.9	-	+ 9.6	+22.3	-52.9
	Sweden	364.7	368.1	308.7	- 0.9	+ 3.5	+21.5	- 2.9

Stock prices and yields are on pages 117 and 118

December 1, 1972. Wako Securities comes to London.



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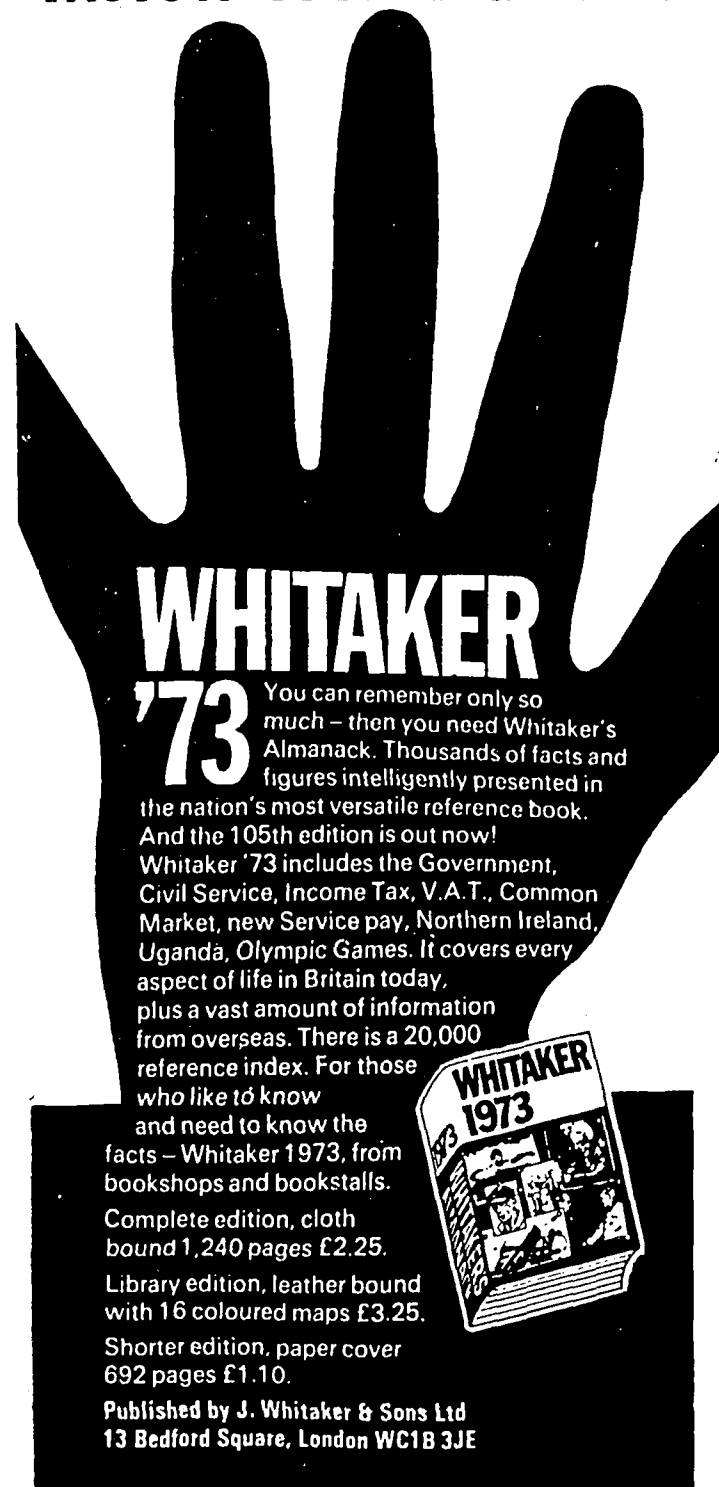
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III

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APPOINTMENTS



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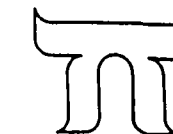
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£2,670-£3,429

To participate in the provision of a corporate planning service and particularly to assist in the depth analysis of specific policies.

CORPORATE PLANNING ASSISTANTS (Ref. CE74(2)).

£2,493-£2,766

Generally to assist with the collection and utilisation of information and the analysis of particular problems, projects and plans.

Both posts will involve close liaison with departments and inter-departmental working parties and the ability to provide concise information and reports is essential. Applicants should be numerate and have a good degree or relevant professional qualification. A background in economics or statistics would be an advantage. A variety of backgrounds would be relevant including economics, statistics, accounting, sociology; but experience in housing or social services could also be valuable. Local Government experience is not essential. Removal expenses paid in approved cases.

Application forms, returnable by 23.12.72, and full details from 01-690 7666 (24 hour Ansafone service), quoting appropriate reference and job title, or write (or call at) Personnel Division, London Borough of Lewisham, Town Hall, Catford, London SE6 4RU.

For further
announcements
see pages 5, 108 to 115

University of New England

ARMIDALE,
NEW SOUTH WALES

Applications are invited for the following position:

SENIOR LECTURER IN ACCOUNTING AND FINANCIAL MANAGEMENT: The Department provides courses in accounting, systems, business finance, security analysis, and business law for undergraduates in the Faculty of Economic Studies, and postgraduate candidates for diploma and master degree courses. Applicants should be qualified to conduct lectures and initiate research programmes in one or more of the following fields:

- Management Accounting
- Accounting Systems (with particular reference to computer based systems)
- Business Finance
- Financial Accounting

Teaching staff are encouraged to participate in programmes of the Accounting Systems Research Centre established within the Department. The Research Centre has a staff establishment of one senior and four junior research fellows with secretarial and computer programming assistance.

Salary: Senior Lecturer—\$9,971 range \$8,112-12,346.

Conditions include provision for travel and removal expenses, superannuation assistance in buying or building a house and study leave. Study leave grants are available and credit may be given for existing study leave entitlements.

Further information and application procedure can be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PP (Tel: 01-387 8572).

Applications close on January 12, 1973.

The Hatfield Polytechnic

Principal Lecturer in Economics

The person appointed will lead a group of Economists and be responsible for developing the teaching of economics at degree and sub-degree level, including a projected Social Sciences Degree with a specialisation in Economics. The vacancy is due to the appointment of the present post holder to a Senior Research Fellowship.

A good first degree and experience of teaching and planning O.N.A.A. degree courses is essential. A higher degree would be an advantage.

Salary scale: £3,421-£3,829 per annum.

Further details and application form available from the Secretary and Academic Registrar, The Hatfield Polytechnic, P.O. Box 109, Hatfield, Herts. Closing date 22 December. Quote ref: 181/E.

University of Queensland

AUSTRALIA

Reader in Accounting or Information Systems

Applicants to have suitable academic qualifications, previous professional and teaching experience desirable.

Salary: \$A12,392-\$A12,897 per annum.

Other Benefits: Superannuation similar to F.S.S.U., housing assistance, study leave, and travelling and removal expenses.

Additional information and application forms will be supplied upon request to the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PP (Tel: 01-387 8572). Applications close in London and in Brisbane on January 5, 1973.

University of New South Wales

GRADUATE SCHOOL OF
BUSINESS

Senior Lecturers

Salary: \$A9,771 range \$8,112-12,346 per annum. Commencing salary according to qualifications and experience. Salaries are under review.

In the fields of business policy, international business and quantitative methods. Appropriate academic qualifications required. Previous business and teaching experience advantageous.

Details of appointment, including superannuation, study leave and housing scheme, may be obtained from the Bureau, University of New South Wales, Box 1, P.O. Kensington, N.S.W., Australia 2033, or the Secretary-General, Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PP (Tel: 01-387 8572), with whom applications close in Australia and London respectively on 15 December 1972.

APPOINTMENTS

THE QUEEN'S UNIVERSITY OF
BELFAST

LECTURESHIP IN POLITICAL SCIENCE

This post is tenable from 1st March 1973 or such other date as may be arranged. An interest in International Relations or Political Sociology or the Politics of New States is desirable but not essential. Salary scale is £1,764 to £4,143 (maximum to be paid to £4,299 on 1.10.73) with related contributory pension rights under the F.S.S.U. Initial placing on the salary scale will depend on qualifications and experience. Applications should be received by 15th January 1973. Further particulars may be obtained from The Senior Assistant Secretary (Personnel), The Queen's University of Belfast, 97-101 Northern Ireland. (Please quote Ref. 72/E.)

The British Council

TUNISIA

THE HIGHER INSTITUTE OF BUSINESS MANAGEMENT, UNIVERSITY OF TUNISIA requires a LECTURER IN MANAGEMENT as soon as possible. Candidates should have a relevant degree from a university in Britain, at least five years' experience and the ability to lecture in French.

Salary: £3,132-£4,161, or £2,391-£3,132 per annum according to experience. Overseas allowances within the following ranges: married (accompanied) £678-391, married (unaccompanied) £553-266, single nil, or for lower salary range, married (unaccompanied) £750-1333, single £25-nil. Children's and home education allowances. Income tax refunded if levied. Free furnished accommodation. Unfit grant. Employer's superannuation contribution paid. Medical and insurance schemes. Fare paid for lecturer and family, including mid-four passages for children. In Britain. Local terms guaranteed. Two-year contract. 72/NU109.

Write quoting relevant reference number to: The British Council, 25 Breckenden Place, London SW1E 5DP, for further particulars and application form to be completed as soon as possible.

New Zealand

UNIVERSITY OF
CANBERRA
CHRISTCHURCH

Senior Lecturer or
Lecturer in Geography

Applications are invited for the above-mentioned position. Applicants may have research interests in any systematic branch of geography; teaching interests and field experience in either New Zealand or Europe or another continental area would be advantageous.

The salary for Lecturers is on a scale from \$NZ5589 to \$7149 per annum and for Senior Lecturers \$NZ7278 to \$8578 (bar) \$8839 to \$9358 per annum.

Particulars, including information on travel and removal allowances, study leave, housing and superannuation, may be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PP. (Tel: 01-387 8572).

Applications close on 20 December 1972.

University of Southampton

Lectureships in
Economics

Applications are invited for two posts of Lecturer in any area of economics in the Department of Economics which is responsible for the teaching of courses in economics, commerce and accounting at the undergraduate and postgraduate level. In the selection of candidates consideration will be given to both their teaching and research experience and potential. The appointments will be from 1 October, 1973, with a salary in the range £1764-£4299. Further particulars may be obtained from the Deputy Secretary's section (ext 131). The University, Southampton SO9 5NH to whom applications (7 copies from United Kingdom applicants) should be sent not later than 20 December, 1972. Applications should include details of research and teaching interests and the names of three referees. Please quote reference E.532/A.

University of Western Australia

PERTH

Economics

Applications are invited for appointment as LECTURER in the Department of Economics from as early as possible in 1973. This will be a temporary appointment for up to two years initially with prospects of permanency thereafter. The appointee will be required to teach economics principles and will be given the opportunity to participate in specialist units according to his interests. Academic salaries are at present under review. The current salary range for a Lecturer is: \$A6501-\$A8390 p.a. The appointee will be entitled to appointment expenses of up to \$A1000.

Applications in duplicate stating full personal particulars, qualifications and experience should reach the Registrar, University of Western Australia, Nedlands, Western Australia, 6009 by 20 December 1972. Candidates should request three referees to write immediately to the Registrar.

The Arts Council of Great Britain

Accountant

Applications are invited from qualified accountants aged 25-45.

The successful applicant will manage the accounts section of 12 within the Finance Department and have responsibility for quarterly and annual accounts, budgetary control and the maintenance of all accounting records. A working knowledge of modern accounting techniques and systems with computer bureau services is essential.

Salary will be on the scale £1344-£3813 p.a. Non-contributory pension scheme.

Applications giving full details of age and experience with curriculum vitae should be addressed to the Establishment Officer, 103 Piccadilly, W1V 0AU, and arrive before 17th December, 1972.

Associate Managing Editor

For international banking and world monetary publication covering all fields of international finance. Excellent career opportunity for journalist with basic knowledge of various fields of international finance or for international banking expert with writing skills. Knowledge of foreign languages desirable. Must locate in New York. Reply in confidence to Box 2551.

Oxford University Institute of Economics and Statistics

The Institute has a vacancy for an Assistant Research Officer. Candidates should have a good degree in economics, and some post-graduate experience. The salary is in the range £1,710-£2,136.

Members of the research staff are permitted to do a limited amount of teaching for colleges without deduction from their stipend.

Applications, giving personal details, age, academic qualifications and experience, together with the names of two referees, should reach the Secretary, Institute of Economics and Statistics, Manor Road, Oxford by December 11, 1972.

University of Rhodesia

Senior Lectureships/
Lectureships in
Economics

There are two vacancies. Applications will be particularly welcome from candidates with qualifications in Quantitative Economics. Applications should indicate when candidates will be available to take up appointment.

Salary scales: (approximate sterling equivalents)
Senior Lecturer: £3,815 x 147—£4,991
Lecturer Grade I: £3,458 x 126—£3,962
Lecturer Grade II: £2,135 x 105—£2,450 x 126—£3,332

Family passages and allowance for transport of effects on appointment. Installation loan of up to half of one year's salary if required. Unfurnished University accommodation guaranteed for a period of at least three years for persons recruited from outside Rhodesia. Sabbatical and triennial visits with travel allowance. Superannuation and medical aid schemes.

Applications (6 copies) giving full personal particulars (including full names, place and date of birth, etc.), qualifications, experience and publications, and naming three referees, should be submitted by 13 January 1973 to the Registrar, University of Rhodesia, P.O. Box MP 167, Mount Pleasant, Salisbury, Rhodesia. A further copy should be sent to the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PP from whom further particulars of terms and conditions of service may be obtained.



ECONOMIST

British Petroleum Pension Trust

The British Petroleum Pension Trust is seeking a young economist to work with the Investment Research Manager, himself a trained economist. This is a new position in a new, analytical team at present being built up, and offers considerable scope for innovation to a person with a creative approach.

The economist will be responsible for the macro-economic analysis of the UK and other countries with developed capital markets; he will be expected to provide the information and forecasts on the basis of which decisions on the allocation of the Trust's funds will be made. He will work closely with a group of investment analysts engaged on monitoring the sectors of the various economies.

The ideal candidate will have a degree in monetary economics, or a related subject, and at least two years' experience of economic forecasting.

A fully competitive salary will be negotiated.

Please write, giving age and brief details of qualifications, experience and current salary, quoting reference S.448, to: The Manager, Central Recruitment, The British Petroleum Company Limited, Britannic House, Moor Lane, London EC2Y 9BU.

APPOINTMENTS

University of
BradfordPROJECT PLANNING
CENTRE

RESEARCH ASSISTANT required with appropriate qualifications and an interest in some aspect of planning in developing countries. Salary within scale £1335-£2190. Super-annuable.

Further particulars and application forms obtainable from the Registrar, University of Bradford, Yorkshire, BD1 1DP, quoting ref. PPC/RA/M.

APPOINTMENTS
WANTED

Ex-accountant (48), long experience Company File Searches, for mortgage charges, credit worthiness, management, accounts, etc. seeks part-time position. Box 2543

TENDER

NOTICE

STATE OF ABU DHABI

The Government of Abu Dhabi invites hereby internationally reputed oil companies having marketing facilities and willing to participate in exploration for and development and exploitation of oil and other hydrocarbons in areas in Abu Dhabi (off shore) totalling 2,800 sq. km., to apply to the Ministry of Petroleum & Industry (P.O. Box 9, Abu Dhabi, Arabian Gulf), for information regarding the areas in question, the terms and conditions to which applicants should conform and any other information. Documents and information will be supplied only to oil companies or to a duly authorised representative of such companies.

Bids should be submitted in a sealed envelope marked "Confidential—Bids for Oil Rights in Abu Dhabi" to the Minister of Petroleum & Industry, not later than February 1, 1973.

Mana Saeed Al-Otaiba,
Minister of Petroleum and Industry,
and
Chairman of the Abu Dhabi National Oil Company

University of
SalfordDepartment of
Economics &
GeographyCHAIR IN
GEOGRAPHY

Applications are invited for the newly established Chair in Geography in the Department of Economics and Geography.

The salary will be at least £5376 pa.

Applications (1 copy suitable for photographic reproduction) should be received by the Registrar, University of Salford, Salford M5 4WT, from whom further particulars may be obtained, by 18th December 1972.

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For further
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5, 108 to 115

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PUBLICATIONS

For the record—Asia Research Bulletin a complete monthly summary of events in E. & S.E. Asia. Free index from Dept. 7, P.O. Box 91, Alexandra, Singapore.

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Telephone 01-493 8272.

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noranda
DIVIDEND NOTICE

NOTICE is hereby given that a quarterly dividend of Thirty Cents (30¢) per share Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable December 15, 1972 to Shareholders of record November 22, 1972.

By Order of the Board,
R. C. ASHENHURST,
Secretary
Toronto, Ontario,
November 13, 1972.

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APPOINTMENTS

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Colin Buchanan & Partners have a vacancy for a principal economist in the fields of transport economics and the economic aspects of urban and regional planning. The successful candidate will have a good degree in economics or a closely related discipline, such as operational research, and extensive experience of urban transportation modelling, and the application of economic evaluation techniques. Knowledge and experience of related planning fields, such as the application of cost benefit analysis to housing policy or urban infrastructure investment, would be a major advantage. Salary around £4,000, pension scheme, 4 weeks' holiday. L.V.'s. Applications giving details of education, experience and present salary should be sent to:

The Office Manager,
47 Princes Gate,
London, S.W.7.

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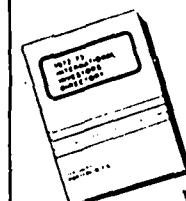
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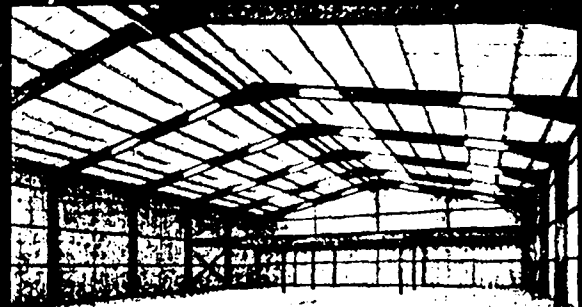
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MAJOR TIMING RECOMMENDATIONS

COCOA — Oct. '71: major buying opportunity expected during this quarter; Jan. '72: prices to average higher in second than first quarter, still higher in third.

SOYBEANS — Apr. '71: B U Y; Oct. '71: complete '71/72 crop year coverage on current weakness.

SOYBEAN MEAL — Nov. '71: BUY AGGRESSIVELY.

SOYBEAN OIL — Jan. '72: New lows fourth quarter.

WHEAT — BUY on dips towards 1.45 Chicago; June '72: Much further price strength into fourth quarter if significant sales made to U.S.S.R.

CORN — June '72: BUY on weakness.

SUGAR — Jan. '72: SELL ON STRENGTH; June '72: Aggressive buying; Mar. '73 New York Future 5.50-6.00 cent range.

HIDES — (HEAVY NATIVE) Jan. '71: B U Y; March '71: B U Y; July '71: B U Y; Oct. '71: B U Y; Jan. '72: B U Y; Apr. '72: B U Y.

PORK BELLIES — Aug. '71: B U Y on weakness; Feb. '72 B U Y.

HOGS — Feb. '72: B U Y

WOOL — Mar. '72: Continue view major trend up.

COTTON — Mar. '72: New York futures approaching top levels thereafter major trend down.

SILVER — Oct. '71: B U Y — cover previously recommended short position; Jan. '72: Prices in second half higher than first half.

COPPER — Aug. '72: SELL Dec. '72 COMEX in 52-54 cent range.

GOLD — We have been bullish for two years; Jun. '72: expect third quarter high around \$70-75 London.

PLATINUM — May '72: B U Y.

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Prices, 1972				Price, Nov. 29, 1972				Net red. yield, Nov. 29, 1972				Gross red. yield, Nov. 29, 1972				Eurobonds				Last week's prices				This week's prices				Yield to maturity %				
High	Low																															
98 1/2	97 1/2	British Electric 3 1/2%	1968-73	98 1/2	98 1/2	4-240	7-070	7-070	7-070	7-070	7-070	7-070	7-070	Anglo-American 7 1/2%	1987	99-100	99-100	99-100	99-100	99-100	99-100	99-100	99-100	99-100	99-100	99-100	99-100	99-100	99-100	99-100	99-100	
89 1/2	88 1/2	British Electric 3 1/2%	1976-79	77 1/2	75 1/2	6-270	7-915	7-915	7-915	7-915	7-915	7-915	7-915	Amoco (L) 8 1/2%	1987	94-5	94-5	94-5	94-5	94-5	94-5	94-5	94-5	94-5	94-5	94-5	94-5	94-5	94-5	94-5	94-5	
100 1/2	96 1/2	Treasury 8 1/2%	1980-82	101 1/2	100 1/2	5-280	8-915	8-915	8-915	8-915	8-915	8-915	8-915	General American Trans. 8 1/2%	1987	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	
108 1/2	94 1/2	Treasury 8 1/2%	1984-86	98 1/2	98 1/2	5-510	9-175	9-175	9-175	9-175	9-175	9-175	9-175	International Utilities 8 1/2%	1982	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	102-3	
96 1/2	80 1/2	Funding 6 1/2%	1985-87	81 1/2	80 1/2	5-925	8-955	8-955	8-955	8-955	8-955	8-955	8-955	Kleinwort Benson 8 1/2%	1987	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	
66 1/2	54 1/2	British Transport 3%	1978-88	56 1/2	54 1/2	6-460	8-200	8-200	8-200	8-200	8-200	8-200	8-200	Motorola 8%	1987	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	
86 1/2	69 1/2	Funding 6%	1993	72 1/2	71 1/2	6-060	9-190	9-190	9-190	9-190	9-190	9-190	9-190	N. American Rockwell 8 1/2%	1987	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	
111 1/2	93 1/2	Treasury 9 1/2%	1994	95 1/2	94 1/2	5-845	9-615	9-615	9-615	9-615	9-615	9-615	9-615	Pennwalt 8%	1987	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	
58 1/2	46 1/2	British Gas 3 1/2%	1990-95	47 1/2	46 1/2	6-285	8-115	8-115	8-115	8-115	8-115	8-115	8-115	Queensland Alumina 8 1/2%	1987	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	
89 1/2	73 1/2	Treasury 6 1/2%	1995-98	75 1/2	74 1/2	6-045	9-465	9-465	9-465	9-465	9-465	9-465	9-465	Wellcome 8 1/2%	1987	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	
73 1/2	54 1/2	Treasury 5 1/2%	2008-12	61 1/2	60 1/2	5-950	9-445	9-445	9-445	9-445	9-445	9-445	9-445	Williams & Glynn 8 1/2%	1987	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	103-4	
43 1/2	35 1/2	War Loan 3 1/2%	after 1952	36 1/2	36 1/2	5-835	9-720	9-720	9-720	9-720	9-720	9-720	9-720	Inter-American Devel. Bank (DM) 6 1/2%	1987	98-9	98-9	98-9	98-9	98-9	98-9	98-9	98-9	98-9	98-9	98-9	98-9	98-9	98-9	98-9	98-9	
30 1/2	25 1/2	Consols 2 1/2%		26 1/2	26 1/2	5-765	9-670	9-670	9-670	9-670	9-670	9-670	9-670	Malaysia (DM) 7%	1987	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	
														Slater Walker (L/DM) 7 1/2%	1987	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	97-8	

Prices, 1972				Price, Nov. 29, 1972				Change on week				Yield Nov. 29				Prices, 1972				Ordinary stocks				Price, Nov. 29, 1972				Change on week				Yield Nov. 29			
High	Low																																		
383 1/2	268	Banks, other financial																																	
84	57-8	Algemeene Bank	FI 339	-1-1	5-0																														
410	257	Amsterdam-Rot	FI 72-8	-1-7	4-5																														
50 1/2	37 1/2	Aust & NZ Bank	400p	+15	2-5																														
500	370	Bank of America	349 1/2	-2 1/2	2-3																														
11 1/2	8 1/2	B of Ireland	465p	+5	3-3																														
116 1/2	84	B of Montreal	41 1/2	+1 1/2	2-9																														
600	298	B Nac de Mexico	P 93	-2	8-1																														
500	525	B of NS Wales	600p	+10	2-9																														
108 1/2	2110	B of Scotland	750p	+35	1-7																														
134-8	183-3	B Bruxelles	Fr B 2995	+45	4-2																														
19 1/2	53 1/2	B de Paris Pays Bas	Fr 215	+8	5-3																														
492	298	Bankers Trust	366 1/2	-25	4-3																														
18 1/2	11 1/2	Barclays	475p	+25	2-0																														
122	78	Can Imp Com	£18 1/2	+3 1/2	1-5																														
66	52	Charterhouse Group	£22p	+15	3-4																														
59 1/2	48	Chase Manhattan	358 1/2	+1 1/2	3-5																														
257	221	Chemical Bank NY	353 1/2	+1 1/2	3-5																														
182	148 1/2	Commerzbank	DM 216	+5	3-9																														
450	370	Credit Commercial	Fr 169	+1	4-9																														
4550	3695	Credit Foncier	Fr 408	+2-9	5-5																														
250	230	Credit Suisse	Fr 5 4090	+110	2-0																														
289	255	Deutsche Bank	DM 321	+1	3-8																														
78 1/2	53 1/2	Dresdner Bank	DM 253	-4 1/2	3-5																														
75 1/2	43 1/2	First Nat City	368 1/2	-4 1/2	1-9																														
700	355	Fuji	Y 700	+82	0-9																														
490	335	Hambros	470p	+30	1-9																														
208 1/2	142	Hill, Samuel	180p	+12	2-4																														
27 1/2	13 1/2	IOS Mgmt	£1 1/2	...	...																														
209	130	Hongkong & Sh	£25 1/2	-1 1/2	1-4																														
7890	5830	Kleinwort Benson	174p	+4	2-1																														
410	330	Kreditbank	Fr B 7890	+260	2-5																														
2500	1840	Kundenkredit	DM 407	+2	2-4																														
457	320	Lambert L'ind	Fr B 2460	+5	3-5																														
850	601	LBI	405p	+5	2-5																														
88850	62670	Lloyds	730p	+14	2-2																														
146 1/2	91 1/2	Manul's Hanover Tst	£37 1/2	...	4-3																														
25 1/2	16 1/2	Mediobanca	L 84000	-4850	1-3																														
50 1/2	34 1/2	Mercantile Credit	113p	+5	3-3																														
440	202	Mercury Secs	200p	+8	1-7																														
327	205	Mitsui	Y 440	+26	1-1																														
113 1/2	71 1/2	Montagu Trust	276p	+4	1-8																														
150	89	Morgan J P	£102 1/2	-8 1/2	2-7																														
4-30	2-80	Nat & Grindlays	144p	+9	2-9																														

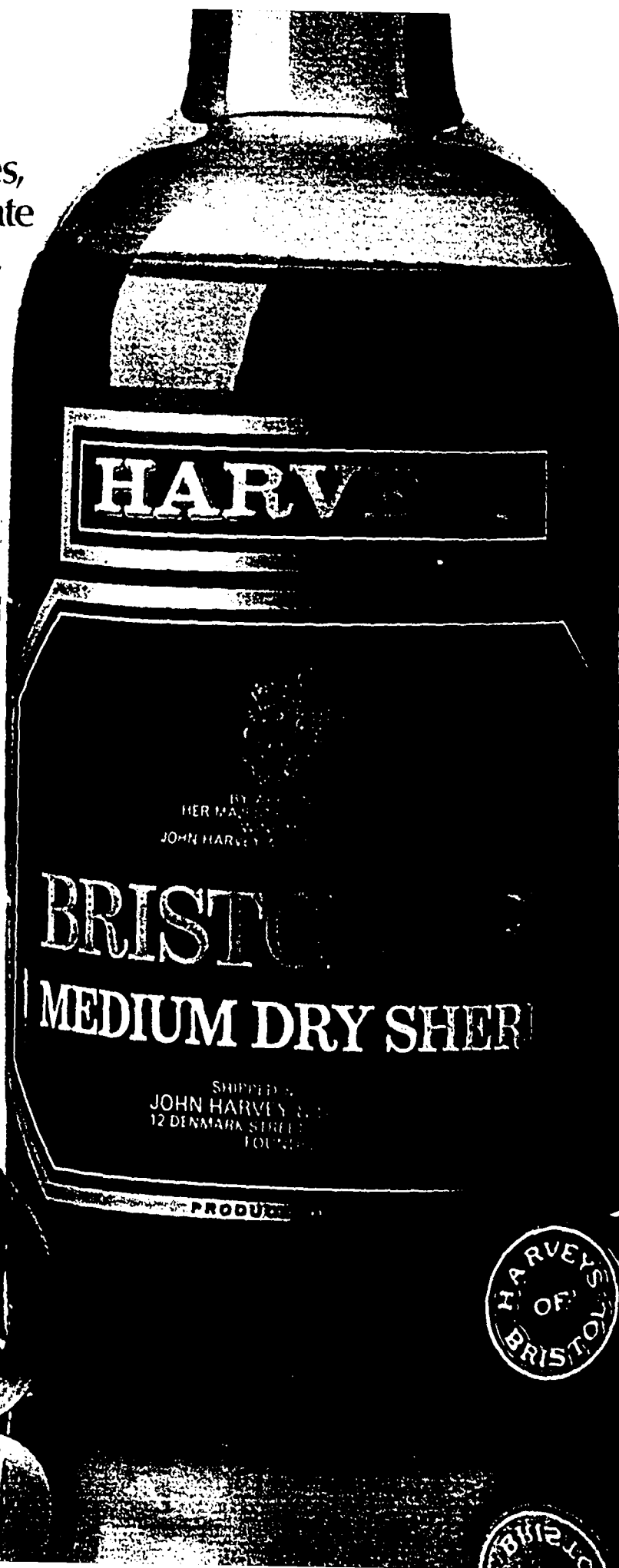
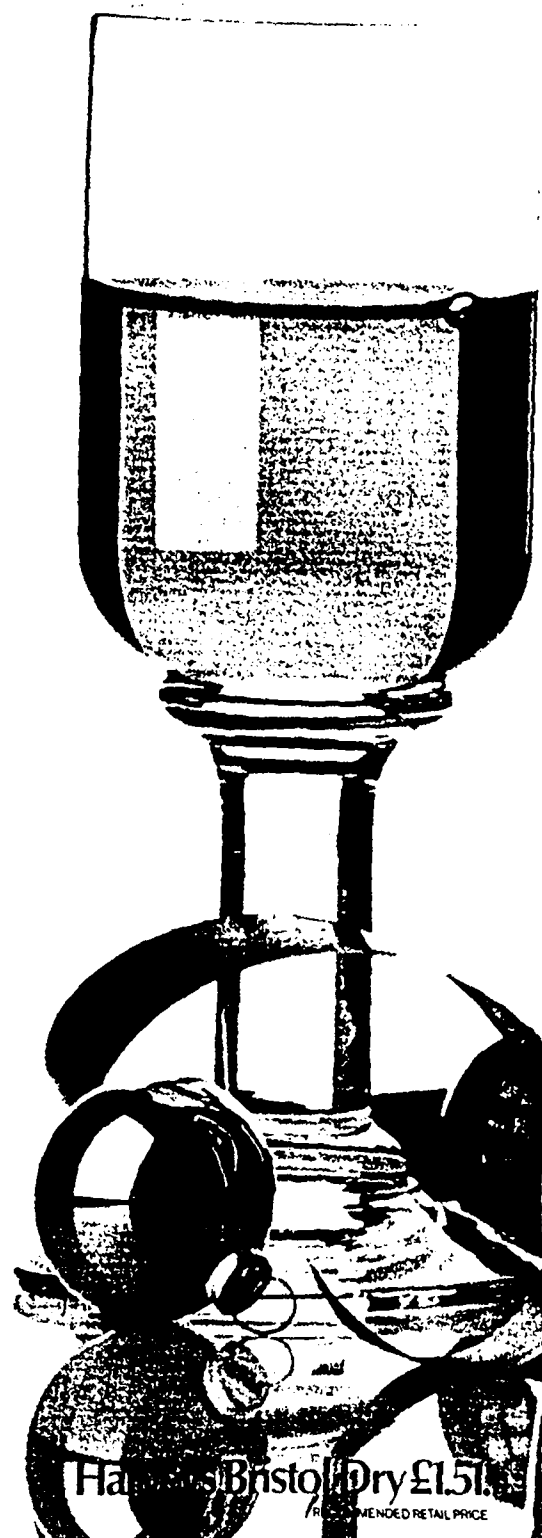
Stock Prices and Yields compiled with help from Messrs. Yamichi Securities Co. and The First Boston Corporation. * Ex dividend. † Ex capitalisation. ‡ Ex rights. § Ex all. (f) Flat yield. (l) To latest date. Interim since reduced or passed. § The net redemption yields allow for tax at 42p in £.

We're all watching, Henry



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December 9, 1972



The eyes on Henry

There are three main tests of whether Henry Kissinger has got the last loose ends of the Vietnam settlement tied up right—and whether he can therefore go into the coming years of bargaining, with Russia and western Europe and in the Middle East, as a man who has stood out for his principles, or let them go at the last moment, page 13. The first shots in 1973's negotiations between America and the European community, page 34.

Alms for Allende

Chile's President Allende has gone to tell the Russians that he is losing support so fast he needs \$500m from them to keep himself in power, page 18.



What's yours?

Tea, coffee, port-and-lemon? The Erroll committee thinks you should be able to buy what you like in a pub, when you like, page 66.



Phase two

The best recipe for phase two of Mr Heath's incomes policy in 1973 will be to allow wages to rise by 1 per cent for each 1 per cent rise in prices, and to take all rises in real incomes solely through higher social security benefits and lower taxes, page 15. If Thursday's by-elections were the first political test of how phase one of the freeze has been greeted, the result was a draw, page 23.



Japan steps out

A special survey from Tokyo suggests that booming, changing, but cautious, Japan probably will upvalue the yen, pages 73 to 83, after Sunday's hugely expensive election, page 41.

Talking oil

Iraq has started negotiating with the oil companies again and the logjam's breaking up, page 69.

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and Yields 113

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Letters

Terrorism

SIR—One of the main points made in your otherwise excellent article, "Under skull and crossbones" (November 18th), has, I am afraid, little foundation in fact and I trust that you will permit me to put the record straight.

In the paragraph headed "The Cubans think again" the article states that the Cuban government now says it is ready to negotiate with the United States about piracy in the air. This is not a correct assessment of the position at all since Cuba has on several occasions offered to enter into bilateral extradition treaties dealing with sea and air piracy "on the basis of strict equality and reciprocity" with all nations.

In August, 1961, following the very first hijacking of a United States airliner to Havana, a Cuban proposal that the United States and Cuba enter into a bilateral agreement for the return of both aircraft and hijacker evoked no response from the United States government. In September, 1969, Cuba's foreign minister declared his country's readiness to "discuss bilateral agreements for the solution of hijacking with those countries which will undertake to implement fully identical measures in regard to the seizure of aircraft and ships." This offer has been reiterated several times by the Cuban representative in the United Nations but has been met with silence on the part of the United States.

The position is, therefore, that the United States has at last accepted Cuba's offer made eleven years ago to enter into negotiations with a view to signing a bilateral extradition agreement.—Yours faithfully,
DANIEL GARDNER
University of McGill, Montreal

SIR—May I be permitted to reply to Messrs Connor and Jacobs (Letters, December 2nd) on the subject of the recent letter-bombs?

As is inevitable with this cowardly form of attack, conclusive evidence is very hard to come by, but surely there is all the difference in the world between an open attack that is freely admitted by the attacker and an anonymous action by an undercover organisation. No reasonable person would doubt the origin of the air-raids on Coventry or of the bombing of Palestinian settlements, but in the case of the letter-bombs the acceptance of responsibility is not so clear cut. To the best of my knowledge, the Palestinian Liberation Organisation has denied any Palestinian involvement, although they appear to have had little opportunity to publicise their denial.

That Zionist organisations are willing to use letter-bombs is clearly established by the freely acknowledged use of such weapons against German scientists working in Egypt in 1963. It is, of course, completely misleading to suggest that Jewish extremists would not risk harming their own people. Jews as well as Britons and Arabs were killed in the bomb attack on the King David Hotel in 1946. There was certainly less danger of people being killed by the letter-bombs sent from India since the envelopes could scarcely have been more conspicuous if they had "bomb" written all over them.

Which leaves us with the evidence of the letter-bombs and arms found in the luggage of an Algerian diplomat in transit at Amsterdam airport. Searching a transit passenger's luggage is such a rare event that the police were almost certainly warned beforehand, so there is at least the possibility that the letter-bombs were "planted." Even if they were not, what does this prove? Only that some Arab organisations are willing to use letter-bombs as terror or counter-terror weapons in imitation of a well-known Zionist technique. It certainly does not prove that the letter-bombs sent from India to British Jews (as distinct from Israelis) originated with the Black September organisation.

When the Palestinian Ghassan Kanafani was killed by a bomb earlier this year, it was widely reported that rival Palestinian groups were responsible. Is it so unrealistic to consider the possibility that some of the recent letter-bombs were sent by other than Arab organisations? Terrorism, like war, is essentially the use of force for political ends. I suggest that the political objectives of terrorism should be considered, as well as the apparent evidence, before reaching firm conclusions.—Yours faithfully,
G. J. HUGHES
Felixstowe, Suffolk

Public expenditure

SIR—I must compliment your newspaper on its highly-informed article on future public expenditure plans ("Tony's sharpening that knife of his again," November 18th). However, might I suggest that, rather than limiting public expenditure throughout the country, there should be a redirection of public expenditure towards improving the "social infrastructure" in the development areas especially. Whilst I accept that public services throughout Britain require overall improvement, I believe that a construction programme, involving renewal of schools and hospitals in the development areas, would both provide employment but, more important, serve to convince management and employees from the south-east, who may be attracted to these areas, that civilisation does not end north of the Trent.

Secondly, I believe increased public spending on labour-intensive environmental projects, using mainly youth labour, could be justified at this time to remove the danger of widespread teenage unemployment giving rise to anti-social behaviour.

I do not know whether these ideas would appeal to the Treasury as medium/long-term policies rather than short-term palliatives, to be altered with each change of government. I feel, however, that although they can have little influence on expenditure planning for the period to 1977, there can be little harm in their being suggested.—Yours faithfully,
Catshill, Worcs.
KEITH BLACKBURN

ICL

SIR—The impression created by the note on computers in your edition of November 18th is that a high proportion of ICL's 1900 computers have been installed for more than five years and are due for replacement. This is totally erroneous and misleading.

The facts are that by a continuous policy of product improvement ICL customers have replaced the bulk of their early 1900 machines by a second and third generation of 1900 computers known as the "A" series and "S" series. Over 60 per cent of the presently installed 1900 machines have been delivered in the past three years. Only 7 per cent of 1900 installations were delivered before 1968 and of these a significant number are due to be replaced by ICL equipment already on order.

In total over the past five years, 98 per cent of ICL customers have replaced their computer systems with new ICL systems. The company believes that our approach to customer service will be rewarded by continued customer loyalty in the years ahead. ICL is working as hard as possible towards this end.

The other comments in your article are therefore based on incorrect assumptions or are purely speculative and must therefore be disregarded.—Yours faithfully,

G. R. CROSS
Managing Director,
International Computers Ltd
London, SW15

Housing

SIR—Your excellent article "Hogs, cobwebs and homes" (November 18th) barely mentioned two important and preventable causes of the hog cycle, i.e. the shortage of houses to rent in the private sector and the financial cossetting of owner-occupiers.

A determined effort to revive the private rented sector would be immensely beneficial on several counts. Obviously more houses would get built but also at a more even rate, for in times of financial stringency builders would let houses and in easier times sell them; either way they would get a return on their money and houses would get built continuously. Also there would be a proliferation of option schemes for renting with an option to purchase at a fixed price within a given time. The simplest way of achieving this state of affairs would be for the Government to implement the recommendation of the Francis committee that the rents of newly-built houses should be decontrolled and also to provide realistic depreciation

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allowances against tax, as is done with industrial plant and buildings. So far they have made no move in this direction.

At first sight it would be absurd to think that a Conservative government would reduce benefits to owner-occupiers but there is one way in which it would make sense. Tax relief on mortgage interest costs £300m a year and a property tax analogous to the old Schedule A would bring in perhaps another £300m net. If all this were then used to finance a massive cut in income tax then this would be a package deal that made sense, for it would make for economic logic and, on balance, electoral appeal. It is doubtful whether the present Government would have the flair to implement such a package. It is quite certain that the Labour party, whose thinking on housing, as on most issues at the moment, is intensely reactionary, would not look at it but it could well be considered by a future Labour government.—Yours faithfully, JOHN LEWIS Porth, Glam.

Air accidents

SIR—I wish to comment on the strange conclusions drawn from the stated facts by you in "A heartbeat away . . ." (November 25th).

Your main argument in favour of machine over man seems to be in the statement "had they (the machines) been left to get on with the job, and not for some inexplicable reason been overruled by human hands, those robots might very well have pulled Papa India and the 118 people on board out of danger." I suggest you answered this inexplicable reason when you state: "There had been four such false alarms on Papa India in the previous month." Why wasn't this aircraft grounded until such a serious fault was corrected? I do not condone the action of this crew if they ignored the warning siren, even if at first they assumed it to be

erroneous, but let me paint the following picture. The warning was not ignored but cancelled because of the great distraction such horns are (and indeed designed to be) before making the correction. The pilot, in the middle of the correction, suffers his heart attack, slumps over the controls and leaves the startled and inexperienced co-pilot to regain control of a stalling aircraft, with a 200lb dead weight lying over the controls, with the two other pilots strapped shoulders and waists into their seats, out of reach. All of this as the aircraft is dropping from a mere 1,000 ft.

You make much of the fact that there were four pilots on the flight deck. You state: "Captain Key's heart attack must have affected his performance, although it should not have led to disaster with three other pilots present." Unless seats are swapped, only two pilots have access to the controls and I respectfully point out that in the take-off and landing regimes only one pilot, the one actually flying the aircraft, has any effective control. There is just too little time for the other pilot to take over.

This might suggest automatic take-offs and landings would be more responsive. Unfortunately not. In aircraft automation great reliance is placed on accurate and precise measurement of radio signals, which in turn actuate torque motors, which actuate hydraulic valves, which finally move controls. All of this takes even more time and tends to lead to over-corrections. But worse still, what does the fully automatic aeroplane do, 200 ft off the ground, coming in for a landing and, for some reason, losing its radio signals? In aviation, "Murphy's Law" states: "If something can go wrong, it will."—Yours faithfully, ROBERT FRENCH Marlboro, N.J.

Newspapers

SIR—Your article "Sun at night?" (November 25th) is speculative nonsense. Mr Petrie and Mr Pilton are joining the Sun. No more, no less.

This was made absolutely clear to *The Economist* reporter who twice telephoned this office seeking confirmation of his "story."

It ill becomes *The Economist*—never slow to lecture the rest of us on journalistic ethics—to publish stories which it knows to be untrue.—Yours faithfully,

LARRY LAMB
Editorial Director,
London, EC4 News International Ltd

Development areas

SIR—I was originally attracted to establishing my business in a development area—Cornwall: I now experience three aspects of this error of judgment.

- (1) My company is failing to meet export orders.
- (2) (1) is due to inability to house enough chemists in this area.
- (3) (2) is due to the refusal of the Cornwall County Council to allow our

company to use its own land to enable potential workers to erect dwellings—despite (or perhaps because of) the fact that we offered plots at one-seventh the local immoral market price.

The Cornwall County Council justifies this by saying that within this area there are over 700 outline building permits (present prices vary between £3,000 to £6,000 per plot). The result of this selective rationing is:

(1) Virtually no building is occurring—owners of "outline plots" are "hanging on" as a "hedge against inflation"—thus there is a housing shortage.

(2) Economically more important from a capitalist point of view is the fact that people owning a plot with outline permission can borrow against this equity two-thirds from any bank. Thus, within this area some £2m-£4m of assets capital is poured away without the necessity of creating any employment in the area or wealth for the country—is this sense or is it stupidity? Is it capitalism in practice or is it communist subversion? My company has created export wealth (over 90 per cent of our products exported) and jobs (without Government assistance)—with local government obstruction. It would appear that unless we get classified as a Rolls-Royce or Upper Clyde Shipbuilders, or perhaps get nationalised, we have no hope of accelerated expansion.

The real point, however, is the way in which "phony assets" can be capitalised without reference to the usefulness to the society—surely this is the basic responsibility of government.—Yours faithfully,

R. J. BRIDGWATER
Maybridge Chemical Company Ltd.
Tintagel, Cornwall

English language

SIR—Changing the pronunciation of English to fit the spelling, advocated by Mr G. H. Tallack (Letters, December 2nd), is already common for individual words but has rightly been likened to cutting off one's toes to make do with ill-fitting shoes. Spelling pronunciations destroy the rimes, metre, alliteration and puns of English literature. In Shakespeare, "Davenry" (spelt "Daintry" in early editions) scans as two syllables. By departing from the traditional pronunciation and popularising a spelling pronunciation the BBC has diminished the ability of people to appreciate England's greatest writer. The rime "clothes: rose," common in English poetry from the sixteenth century to the present, is imperfect for those speakers who have adopted a spelling pronunciation of "clothes."

One or two spelling pronunciations would be little cause for concern, but unfortunately a hundred examples could be easily found. If we treasure our literary heritage then we must not let bad orthography erode the oral tradition. A language spoken by hundreds of millions around the world requires a simple orthography that would be a conservative influence on pronunciation.—Yours faithfully, EDWARD SMITH Beckenham, Kent

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The
Economist

December 9, 1972



We're all watching



It is only half of the story to say that Henry Kissinger needed to get Vietnam out of the way before he could make 1973 the year he sorts out the tangle in Europe, or takes a hard look at the one in the Middle East. Even this remarkable manipulator knows that he cannot manipulate himself out of the iron realities of how countries judge each other: which means that he needs to deal with the last loose ends in Vietnam in a way that does not actually make it harder for him next year to deal with governments, in Bonn or London or Jerusalem, which in the last resort have to rely on what America will do for them if things get rough.

There have been a lot of eyes watching Mr Kissinger this week. It has seemed increasingly likely that the present meetings with Le Duc Tho in Paris really are the last round: that a ceasefire agreement is about to be signed, and that soon the planes will be on their way to bring back the first American prisoners from North Vietnam, and the first international supervisors will be assembling, with varying degrees of cynicism, to watch over the ceasefire. The Vietnam war has always been both a war about self-determination for South Vietnam and a war about America's relationship with the rest of the non-communist world. It is not only in Saigon that every word of the settlement Mr Kissinger finally accepts will be examined with a microscope.

Between them, President Nixon and Mr Kissinger have brought off a small miracle in the past four years. They realised, when they came to office in 1969, that the United States needed a few years of peace and quiet in the world, and that one necessary step towards achieving this was to detach the Soviet Union and China from North Vietnam's war aims. They saw the opportunity provided by the enmity between China and Russia, and by the fact that both of them needed economic help from somewhere. The result has been, step by step, and each step just about exactly on schedule, the new American relationship with the two great communist powers. It has been a model of pre-planned foreign policy. But Mr Kissinger knows that so far he has achieved no more than

a suspension of hostilities: a truce, which may last no longer than the heartbeat of Leonid Brezhnev and Chou En-lai, in which the real problems of our half-century's war of ideas have still to be settled. There is still no clear understanding about the Soviet Union's future relationship with either half of Europe, or China's with the small countries to its south; or about the American relationship with western Europe; or about the ultimate disposition of that small corner of the world that happens to lie around Armageddon. These things are the agenda for Mr Kissinger's next four years, if he chooses to stay the course. It is his bad luck that they are coming on to the agenda just when his winding-up of the Vietnam war is being put to the test of public inspection; but that is how the timetable has gone, and he has to live with it.

The three things to look for

There are three main tests that are going to be applied to the Vietnam settlement, to see whether it fits Mr Nixon's definition of peace with honour. The first is whether the National Council of Reconciliation and Concord is given some fairly crisp instructions about its job of supervising a future election. The fact that this curious body will have to operate on the unanimity rule, as Mr Kissinger said it would on October 26th, means that it is not going to be the coalition government the communists have been asking for; the existing Saigon government will stay in power, and it can tell its man on the council to veto anything it does not like. Even so, "supervising the election" is a dangerously loose phrase.

It certainly includes deciding who the candidates should be, and watching over their freedom of speech during the campaign, and superintending the counting of the vote. It ought not to include taking over the other jobs of local government, least of all the work of the police. The danger that one side or the other will nevertheless try to twist the council to its own purposes is increased if the council is not just a single committee based in Saigon but is allowed to set up branches in the 44 provincial capitals and, below them, in the 268 dis-

strict capitals, and worse still if it tries to go into business in every village in the country. The proper function of the National Council is to be a sort of loudspeaker through which any candidate who thinks he is not being given the normal freedoms of a democratic election can make his voice heard. One sub-council in every province is probably enough to do that, and each of these sub-councils should be told in advance what the Saigon government and the National Liberation Front have agreed that it can and cannot do. President Thieu, who has been saying since 1969 that the NLF can help to supervise the election that follows the settlement, ought to be able to accept that.

No veto on the checkers

The second test by which the settlement will be judged is the power given to the team of international supervisors; and it is important that these, unlike the National Council, should be given as loose a rein as possible. Of course, nobody expects this handful of men to find out everything that is happening everywhere in Indochina. There is too much jagged tree-covered emptiness around the place for that. But they can do better than the old fiasco of a control commission under Indian chairmanship did in the years after 1954 if certain things are made clear to them. They should be able to check whether North Vietnam really does take its troops out of Laos and Cambodia, as it promised to do in October; if it does, its only remaining route into the south will be across the fairly short, and relatively more easily controlled, border between the two Vietnams along the 17th parallel. And in South Vietnam itself it should be made clear that the four-nation supervisory commission does not have to be unanimous, or even to have a majority in favour of action, before it goes out to check a report that somebody is breaking the rules. That was how the Indians ruined the old commission; they usually voted with the Poles in favour of sitting on their hands when the Canadians wanted to do something about a communist violation. The new system could avoid that sort of nonsense if any two countries were entitled to inspect a reported violation, and say what they thought of it, without having to get the permission of the other two. No doubt that would mean most of the work being done by the Indonesians and Canadians, if Mr Trudeau agrees to let his country take part; but at least it would prevent the supervisors fiddling with mutual vetoes while the ceasefire agreement was burning to ashes around them.

The third test, of course, is what happens to those North Vietnamese divisions sitting in the corners of South Vietnam. It is as wrong that they should be there as it would be if most of the west German army were sitting inside east Germany in support of a rebellion by east German non-communists against Herr Honecker—especially since North Vietnam agreed in October that the future of South Vietnam was a matter for “the two South Vietnamese parties” alone to decide. The failure of so many western liberals to make that comparison with Germany is part of the moral ambivalence they have shown during most of the Vietnam war. Unfortunately, the United States long ago gave up the power

to insist on the withdrawal of all of Hanoi's men before peace was signed; Mr Nixon proposed a ceasefire-in-place, which meant with quite a lot of North Vietnamese over the border, as long as 1970.

The real test of this part of the peace agreement, or of the private protocols that go with it, is not whether all of General Giap's men get out. The settlement can still work if, by the time the last American troops leave South Vietnam three months after the ceasefire, the number of North Vietnamese left in the south, and the places they are concentrated in, are no more than sufficient for these troops to perform the legitimate function North Vietnam is said to want them to perform.

The legitimate function that North Vietnam sees for these troops, as described by the sort of Europeans who usually speak for Hanoi, is to prevent Mr Thieu breaking his part of the deal. North Vietnam now realises, these men say, that the most it can hope to do for the National Liberation Front is to make sure that the NLF can take part in a reasonably free election, and operate as a normal opposition party afterwards. It is resigned to the fact that, given the way most South Vietnamese feel at the moment, the NLF will win no more than a minority of the votes. In fact, if this story is true, the North Vietnamese are prepared to accept the sort of settlement that happened in Greece after the end of the civil war there in 1949. But they know that the NLF's own armed forces are far too weak to make sure that the election really happens, and that the NLF's minority of elected candidates are allowed to take their seats afterwards; so they want to keep enough of General Giap's men in the south to make sure that Mr Thieu lives up to his side of the bargain.

There is nothing in this that the United States need object to: if North Vietnam is at long last ready to accept an elected government in Saigon, it is necessary to make sure that the election takes place. The arrangements for the North Vietnamese withdrawal can therefore provide for the temporary leaving behind of a deterrent force. There will have to be an understanding about how many men this needs, and where they should be. They will have to be open to inspection by the international supervisors, and it must be understood that they will go home once the whole deal is seen to be working. If the North Vietnamese presence can be defined in these terms—and the Americans make it clear that any other movement by it will bring their air force back into action—it need no longer be an obstacle to peace.

The penalty of being seen to fail

If the agreement that Mr Kissinger and Le Duc Tho eventually produce comes reasonably close to passing these three tests, Mr Nixon will have the sort of peace he wants. There is no democratic way of prescribing the sort of government South Vietnam will have in ten years' time; it was to stop the North Vietnamese prescribing it, in their own non-democratic way, that the Americans went into the war. The most that can be done is to make sure that the war ends with a political system in South Vietnam that leaves the choice of the next government to the preference of the majority of the people who will have to live under it. That has been, through all the

years of bloodshed, the necessary justification of the American part in the war. It should be a matter of embarrassment to many American liberals that they failed to keep their eyes fixed on that principle. Mr Nixon and Mr Kissinger have tried to. The working out of the Paris agreement will show whether they succeeded. They will not want the negotiations of the next four

years—with the European community, with Mr Brezhnev, with Mrs Meir and Mr Sadat—to take place to the accompaniment of the slow rumble of a collapsing peace in Indochina. But if they can show that they have held to their principle through all the difficulties of the past four years, and have made the principle stick, they are men who are going to be listened to.



Time to be tough

Mr Heath must not risk being hung for a 7 per cent lamb.
Phase two needs to be a near-freeze

A month has passed already since Mr Heath announced his wage-price freeze. Two months remain for him to decide whether to extend it for another 60 days. In five months' time, at the very most, the freeze must end and effective machinery for phase two must take its place. Time is desperately short, but the first month has passed without anything very positive emerging from Whitehall.

When he announced his freeze, it looked as if Mr Heath had taken control and knew where he was going. In the past month this drive and initiative seem to have been lost.

The most worrying reports are that the Government would be willing to forgo the 60-day extension to the freeze if the unions would come back to Downing Street and do a deal on phase two. There is nothing that the Government could possibly offer the unions which would, at the same time, reduce inflation to a tolerable pace. This is no time to pretend otherwise.

The worst thing that could happen during the freeze would be for the Government to pin its hopes on a resurrected package deal which might, at best, hold down price increases next year to 7 per cent, with talk of a further de-escalation to 5 per cent in 1974. This would be an improvement on the double-figure increase forecast for 1973 before the freeze, based on wage rates rising by 20 per cent a year or more. But the window cleaner is little better off when he falls from the seventh floor than when he falls from the twelfth. Britain came perilously close to disaster on the eve of the freeze. The inflationary momentum is still around. The Government should not look for glib promises from the unions which everyone knows will never be kept. Mr Heath must keep on playing it tough for as long as he possibly can.

This will not be easy. Those who advocate caution and unambitious targets argue that there are already 4.5 per cent price increases built in for 1973: $\frac{1}{2}$ -1 per cent for the effect of the common agricultural policy; 1 per cent for a 10 per cent value-added tax; $1\frac{1}{2}$ per cent from import prices, partly the result of sterling's effective 10 per cent devaluation from its Smithsonian level; and 1 per cent from rents. So wage rates will need to go up by at least 7 per cent and earnings by 9 per cent next year, as in the original £2 a week proposals, if real incomes are to continue to rise. This

would bring the minimum price rise to 7 per cent or more. But no one could seriously expect the Government to face all the difficulties and risks of legislating for complex and permanent machinery to control wages and prices merely to perpetuate and sanctify an intolerably fast rise in prices. This would be political suicide.

Consumer-led growth to nowhere?

On this view it is hardly surprising that the Government is taking its time. It is better that it should do so than rush into half-baked schemes. There is also merit in giving the freeze a little time to affect expectations. But, as before, there are very real dangers in delaying too long before it shows its hand. The economy is by no means as robust as the Chancellor of the Exchequer, Mr Barber, has been suggesting. Mr Michael Clapham, the CBI's president, was nearer the mark on Tuesday when he told Conservative backbench MPs that the Government's target of sustained 5 per cent a year growth was open to some doubt. Output and productivity have risen at record rates in recent months and the economy is at present hitting the 5 per cent growth target, but the growth in demand is still uncomfortably lopsided. As the latest economic indicators show, most of it has come from consumers' spending. The volume of retail sales is now running some 6 per cent up on a year ago. But industry's investment and stocks are still falling. The third quarter investment figure was $5\frac{1}{4}$ per cent down on a year ago; for manufacturing investment it was the worst individual quarter's figures for at least five years. Stocks, which were expected to recover, are still being run down at the same appalling rate as in the first half of the year.

Mr Clapham is not alone in believing the present 5 per cent growth rate will not be sustained, as the table on the next page shows. At a conference on Tuesday members of the Society of Business Economists, representing most of the major companies in the country, collectively forecast growth of only 3 per cent through 1973.

Britain has experienced lopsided, consumer-led growth in the past and it has never led anywhere. The Government desperately needs to carry conviction that it will be successful in its fight against inflation if it is to get

investment, upon which sustained growth must depend, rising once more. There is no reason why the Government should be complacent or settle for an intolerably fast rate of inflation. Price rises of 7 per cent a year or more have neither economic nor social justification. Price increases throughout 1973 should be subject to the most stringent control. The Government could take powers on the American pattern to roll back any increases above a very low norm, even a zero norm, unless they had been previously sanctioned. Permission to exceed the norm would be given only where profits were intolerably squeezed. It should never be given merely because of increased labour costs. Industry will be very unhappy, but most companies will receive a substantial boost to cash flow from the ending of purchase tax and Set and the changeover to Vat.

Stable real wages, plus tax cuts?

On wages *The Economist* has suggested £1 for all and 1 per cent for each 1 per cent rise in prices. There is no reason why the £1 for all should come from the employer as part of his wage costs. Wage increases could be limited to the rise in prices. Since this would stabilise real incomes, the room for reflation by way of tax cuts and higher pensions would be increased. If all the increase in demand for 5 per cent growth has to come from wages rising faster than prices there is little hope of getting either down to tolerable levels. By limiting severely the growth of both wages and private sector prices the Government could get room to deal with some of the in-built price increases. The rate for Vat could be put at 7½ per cent; further tax cuts and higher social security benefits would be possible; and the Government could then aim at a much more ambitious price target: say 3 per cent inflation instead of 7 per cent.

This would be virtually an extension of the wage-price freeze through the whole of next year. It will be claimed that this is unfair. For a very few, such as the agricultural workers, this would be true, and some exceptions would be necessary. But in reality very few indeed are now worse off than they were a year ago, despite the rapid rise in

prices. Real disposable personal income is estimated by the Treasury to have risen by 9 per cent in the past year. Any unfairness arises from some people doing better than others. Ending inflation is bound to be unfair in this way. It will be less unfair with a virtual freeze than if wages continue to rise. The people who lose most from a freeze are those who would otherwise get the largest increases. The people who gain are those who lose out in the wage grab.

There is also every reason why the Government should be ambitious in its price target. America apart, no other major industrial country looks like being very successful in controlling inflation next year. Most are also expanding again and many, by the end of the year, could be reaching full capacity. The prospects for world trade are very favourable. Mr Nicholas Plesz, chief economist for the Gatt, told the SBE conference that world exports could well increase by 16-18 per cent in 1973, "the largest rise in many years." Britain, with more spare capacity than most, and with a tough control over wages and prices, would be well placed to exploit this. Mr Heath's choice lies between drifting cautiously back into crisis, or else boldly seizing a remarkable opportunity.

Business Economists' forecasts* for 1973

	Changes, per cent			
	1973 on 1972	1973 4th qtr on 1972 4th qtr		
Gross domestic product at current prices	+10.8	+10.6		
at 1963 prices	+ 4.8	+ 2.8		
Consumers' spending at 1963 prices	+ 4.7	+ 3.1		
Investment at 1963 prices	+ 6.6	+ 6.4		
	Levels			
	Years	4th quarters		
	1972	1973	1972	1973
Stocks, £m at 1963 prices	— 50	+400	+100	+100
Unemployment ('000)	823	700	780	660
Current balance £m	+200	+ 50	+ 40	+ 40

*The median results from 52 replies received from members of the Society of Business Economists. The majority of the answers to the questionnaire were received after the announcement of the freeze.

predecessors is the first fact of life that secretaries of state for education learn to live with, and even to turn to their advantage. For example, Mrs Thatcher's white paper announces two special £10m building programmes for the replacement of old secondary schools, for 1975-76 and 1976-77. This is an obvious counter to criticisms that she has concentrated too heavily on primary schools—at a time when secondary schools are having to cope with increasing numbers while the pressure in primary schools is easing. It is, of course, equally obvious that not one of these schools will be built by June, 1975. There is nothing necessarily machiavellian in such a time-lag. Mrs Thatcher's most innovatory proposal in the white paper is for an expansion in nursery schooling to meet the Plowden targets—part-time nursery schooling for 90 per cent of four-year-olds and 50 per cent of three-year-olds—by 1981. She proposes two £15m building programmes for 1974-75 and 1975-76. (The Scottish programme, covered in a separate white paper†, is for three £4.5m programmes for 1974-77.) But even for a programme set as far ahead as this, the first batch of local authority bids will have to be tendered and accepted, and the pattern for provision set, within the next year. It is therefore fair both to credit Mrs Thatcher with the ability to extract the resources from the Treasury—and even Mrs Thatcher's unkindest critics must admit that she has proved remarkably good at that—and then to criticise her for the way that it seems that the pattern of provision will be allowed to develop.

Too much choice

Mrs Thatcher in this is remaining dangerously true to her favourite principle of local authority freedom of choice. This sounds admirable; there has been plenty of argument that the selection of particular local authority areas for special treatment is too arbitrary a way of concentrating special educational help. Meanwhile, the campaign for nursery schooling has been made up as much of middle-class mums as of social workers in educational priority areas: Mrs Thatcher will do more to satisfy it by spreading successive thin layers of nursery schooling all over the country than by concentrating it in slum areas. The urban programme has already provided 18,000 nursery class places, and it is projected forward to 1976-77. "Some preference" is to be given in this new programme, which will provide 40,000 places a year, to disadvantaged areas; but in essence this money is to be allocated in response to local authority demand. Again, while local authorities are to be encouraged to concentrate their allocations in problem areas, the choice is essentially to be left up to them. It is worth remembering that, even when a small number of local authorities were picked for inclusion in the first urban programme and offered particularly generous grants, one declined to apply for inclusion. And, since nursery schooling is not being made compulsory, nursery school places will obviously be filled according to demand. There is an obvious danger that, all along the line, those who need it most will find themselves last in the queue.

The greatest hostage to fortune in Mrs Thatcher's white paper is the bland statement that the Government has

"carried through to finality a great reform, the raising of the school-leaving age." The schools will not, in fact, contain extra 15-year-olds until next term, and the summer term. Some secondary schools, especially in the north, will be under strain throughout the mid-1970s. Mrs Thatcher has, of course, extended the Labour government's special leaving-age building programme; but if her nursery school programme is not to be concentrated in epas, some of the money earmarked for that might be better spent advancing the secondary school replacement programmes. Primary schools will, over the next decade, find themselves with space for an extra 150,000 children below school age anyway, because of the decline in the birth rate.

The building programmes are, of course, only the bricks of Mrs Thatcher's programme. She does propose an extra dollop of mortar, in the shape of a reduction in the pupil-teacher ratio from 22.6:1 in 1971 to 18.5:1 in 1981. To allow for this, for the nursery school programme and for the proposals in the James report on teacher training, the teaching force in England and Wales must increase to 510,000 by 1981. That will still mean a sharp reduction in initial training places required in colleges of education, from 114,000 to 60,000-70,000. (In Scotland, the intake has already been cut.) The colleges themselves will need about 15,000 more places for the James retraining schemes, but this will still mean the closure of some colleges, the amalgamation of others with other higher or further education institutions and a sharp reduction in their intake of school leavers. That will mean a rather brighter intake. At present, only about 40 per cent of entrants have two General Certificate of Education "A" levels.

Degrees of difference

Teachers constantly press for an all-graduate profession. By this they usually mean that teaching skills should be recognised as worthy of degree status. The James committee came up with the bright idea of a two-year post-school course, to lead to a Diploma of Higher Education, for which the entry qualifications were to be the same as for university—two "A" levels. An education degree would be awarded after a further two years of training (one spent in school) just as students might go on from the Dip. HE to complete other degree courses. The Government has jettisoned this idea in favour of a degree course education-centred throughout. The dangers are obvious. Either the new education degree will be viewed as a second-rate degree—with the usual subsequent grumbles about status from teachers—or the entry standards will be so high as to debar very good potential primary (or, for that matter, nursery) school teachers from the profession. In a typical education compromise, its status will probably hover somewhere between the two. Another archetypal compromise is that the Dip. HE is meanwhile to be developed throughout the higher education system—including a special course for education students.

There is another fact of life that secretaries of state for any expenditure department must find particularly hard to accept: that any decline in the rate of increase



The Thatcher factor

The Secretary of State for Education has wrung a new expansion programme out of the Treasury. Parts of it are excellent

This Government's two achievements in education will have been the raising of the school-leaving age to 16 and a heavy capital investment in primary school buildings. Halfway to the next general election, it can expect to see no other large ideas translated into reality before going to the polls. Even the universities' quinquennial settlement for 1972-77, delayed to form part of the catch-all white paper* published by Mrs Margaret Thatcher on Wednesday, had to be anticipated nearly a year ago

*HMSO. 314p.

by building programmes for 1972-73 and 1973-74. But just as the raising of the leaving age, her principal achievement as Secretary of State for Education, was a left-over commitment by the last Labour government which she could not refuse to honour, so Mrs Thatcher's own white paper, covering what she described as three-quarters of the education system, sets targets that whatever government is in power in the late 1970s can retreat from only at the cost of intolerably odious comparisons.

The inheritance of the unfulfilled promises of their

of government expenditure is likely, and most unfairly, to be greeted as an actual fall in expenditure. Poor Mrs Thatcher has made this particularly hard for herself by delaying the settlement for the university quinquennium. The provisional target on which the universities have been setting their sights was for 320,000 places (representing 331,500 students) for 1976-77. The settlement in the white paper is for 310,000 places (or 321,500 students). That is still a formidable increase over the total of 236,000 students in 1971-72. The department's projection for the number by the end of the decade is 375,000. The non-university sector of higher education (mainly, the polytechnics and colleges of education) will show a much faster rate of increase, to accommodate another 375,000 full-time students. The rate of growth of expenditure on higher education will be 5 per cent a year, as against 3 per cent a year on schools. The education budget for Britain will grow by about £1,000m (at constant prices) between 1971 and 1981. But in 1961-71, while the rate of expenditure on schools grew by only 2½ per cent a year, expenditure on higher education grew by 6½ per cent.

The polys' decade

This will still mean an increase in the proportion of 18-year-olds entering higher education from 15 per cent in 1971 to 22 per cent in 1981 (in 1961 it was only

7 per cent). The numbers in each school-leaving age-group will anyway be shrinking in the late 1970s. In the late 1960s it was the new universities that needed building up to an economic size; now, it is argued, it is the new polytechnics, where the student-teacher ratio is expected to increase by 1981.

The overall ratio in higher education is pegged to a target of 10:1. The other side of the equation is, of course, the ratio in the universities, at present rather over 8:1. The white paper makes it plain that unit costs in universities are to stop rising. Ministers have been hunting for cuts in university budgets since 1968. It would obviously help if some higher education candidates could be channelled into Dip. HE courses, though the budgeting in the white paper takes no account of this possibility. The danger with the Dip. HE is, in fact, that it could be just too convenient for everybody: a dilution of university standards to save costs and increase student numbers. Mrs Thatcher is determined that it should not be a soft option, and that entry qualifications should be the same as for university. But the standard of a course is determined not only by those who run and examine it (and it remains to be seen how many universities, in particular, will want to do so), but by those who follow it and by their employers. The saving grace is that there really is a gap in post-school education between the under-used Higher National Certificate and the degree.



Chile joins the pensioners

President Allende is telling the Russians it will cost them \$500m to keep him in power

President Allende of Chile did what he was expected to do in the United Nations General Assembly on Monday. He made a speech in which he argued that the economic confusion and Weimar-like inflation he had left behind in Chile are the result of the intrigues of the multinational corporations, and that the developing countries are now locked in a do-or-die struggle with capitalist exploitation. This is a fashionable view of the relations between poor nations and rich companies that is shared by more than a few development economists in the west, and indeed the poor nations do have plenty to complain about. But those who happily bent their backs beneath Dr Allende's verbal flail might have taken the trouble to discover that in fact Chile has become a prime example of the economic and social cost of a hasty programme of state confiscation of private investments, and that the man who complains so bitterly about economic dependence on western banks and corporations is now actively promoting an even greater dependence on Russia.

The real purpose of Dr Allende's two-week trip, which has already taken him to Mexico City, Algiers and Moscow as well as to New York, was not to have another public bash at ITT and the Kennecott corporation in the best available forum but to persuade the Russians

to give him the foreign exchange to cover Chile's rapidly mounting import bill. It is true, as Dr Allende complained, that the World Bank, the Export-Import Bank and the Inter-American Development Bank have all suspended lines of credit to Chile. This was mainly the result of the Chilean government's decision to take over American copper interests last year without paying compensation. But it was also, so far as the World Bank was concerned, related to Chile's failure to maintain wage controls in order to curb inflation, which is now running at a rate of 160 per cent a year. And Chile's finance minister admitted last month that its foreign exchange reserves have now dropped below \$80m. The bill for food imports has more than doubled since Dr Allende came to power at the end of 1970, the result of the disastrous decline in agricultural production that has accompanied the land reform, and the cost of imported food is likely to rise to \$600m next year. Meat rationing and the chronic shortages of food and basic consumer goods have inspired housewives' protest rallies and brought people out on to the streets to support the whole succession of strikes that lasted 27 days in October, drove Dr Allende to bring three military men into his cabinet at the beginning of last month in order to restore confidence, and shook the

marxist parties in the government far more than their leaders were publicly ready to confess.

It is clear that, two years after he took office, Dr Allende is what he started out as: a marxist with a highly controversial programme who can claim to represent only a minority of the Chilean people. He was elected in 1970 with only 36 per cent of the votes; his supporters have been beaten in every by-election since, with one solitary exception, and recently even lost the election for the rectorship of a traditional bastion of the far left, the university of Concepción. Dr Allende must now realise that he can avoid a stinging humiliation in the parliamentary elections next March only if he can find the hard cash to buy favour by putting goods back into the shops. He has gone to Moscow in the hope that the Russians will be ready to underwrite him.

With France and Italy in mind

He is not likely to be disappointed. When Dr Allende first came to power, it was widely assumed that the Russians would be highly reluctant to shoulder the economic burden of subsidising a second Cuba. But Chile is rather special because of the demonstration effect of the victory of a popular front movement including communists in a free election, and the subsequent success of the Chilean marxists in building up their political power by extending state control over the private sector of the economy. With a popular front movement taking shape in France, and perhaps in prospect in Italy before long, the Russians may now feel that they cannot let Chile's marxist experiment founder. Last June they gave it trade credits worth \$260m, and agreed to import 130,000 tons of Chilean copper over a three-year period, despite the fact that Russia is a net exporter of copper. Since Dr Allende took office, the Russians have probably granted Chile about \$400m in credits and long-term loans. Only Cuba has done better in Latin America.

Now it is said that Dr Allende has arrived in Moscow hoping to receive some \$500m in hard-currency loans. He may also ask the Russians to take on responsibility for the marketing of the bulk of Chilean copper exports, a move that would clearly be designed to bypass the Kennecott corporation's attempts to recover its lost assets by appealing to courts in France and elsewhere to place an embargo on incoming shipments of Chilean copper. It is doubtful whether the Russians will be ready to go that far. But they probably calculate that a big loan to Chile at this stage is a worthwhile gamble; after all, Chile is basically a much richer country than Cuba, the present depressed world price of copper is temporary, and Russian technicians could help to sort out the management problems in the nationalised mines, where production costs have doubled since the Americans were pushed out. Paradoxically, President Nixon may even have provided the Russians with one way of helping Chile on the cheap. The Americans' agreement to supply cheap grain to Russia could result in Russian shipments of wheat to Chile, in many of whose cities it is now very hard to buy white bread.

But there is a political problem attached to any deal that Dr Allende concludes with the Russians. It involves the

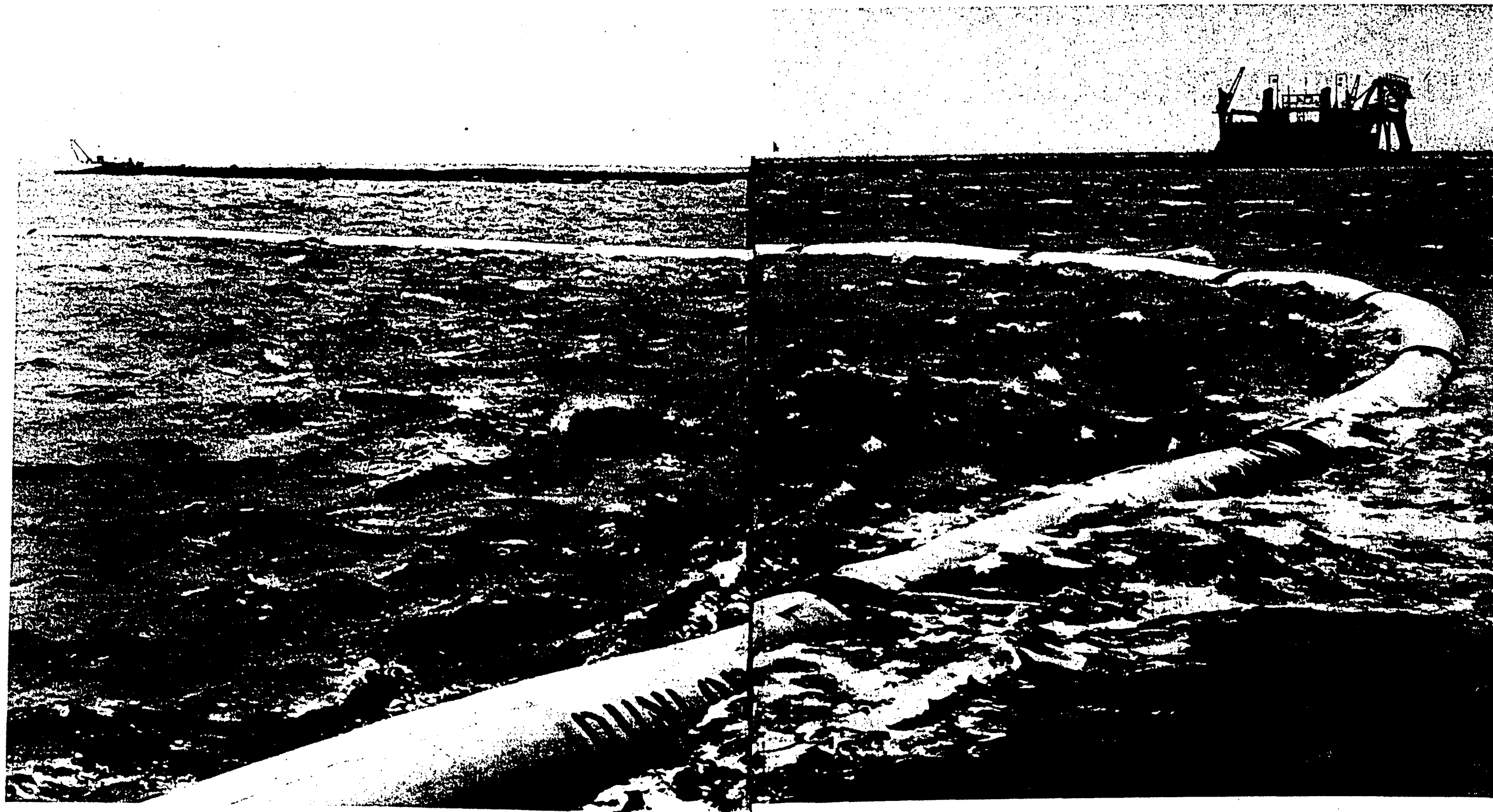
man whom he left to run his country while he was away. General Prats, the army commander and the new minister of the interior, remains a man of mystery to most Chilean politicians. Last month the world was presented with the unusual spectacle of an alliance between communists and orthodox military men. The question is whether General Prats and the other two military men in the present cabinet—Admiral Huerta and the air force General Sepulveda—intend to apply the brakes to Dr Allende's programme.

Unless a major crisis develops, it is probable that they will hold their hand until the March elections, which will test the government's support. If the opposition really does manage to get more than 60 per cent of the votes (as many observers believe it can) the armed forces might then decide to present Dr Allende with a kind of ultimatum, telling him either to respect the wishes of the electorate by calling a halt to his programme of state takeovers of private firms and taking some firm action against left-wing extremists, or to resign in order to hold new presidential elections. But one thing that would test the loyalty of the armed forces in the meantime would be a greatly increased Russian presence in the country; it is significant that so far the Russians have not been asked to supply military equipment to the Chilean armed forces. The reaction of the men in uniform is a factor that Dr Allende will have to keep very much in mind as he bargains in Moscow.

In the eyes of the Russians themselves, Dr Allende has probably found approval. Of course, in one sense Chile's marxist experiment has already failed, just as Dr Castro's revolutionary experiment failed before it. It has certainly not provided a model for other societies. The poor have seen their temporary gains through income redistribution whittled away by unchecked inflation; landless peasants have exchanged one employer for another, the state; there have been steady inroads into the freedom of the press; and now the polarisation of forces in the country is so great, with would-be guerrillas actively rehearsing civil war, that it is increasingly hard to see a democratic outcome in Chile—unless Dr Allende himself calls a halt to the process he has set in motion.

They can have one more friendly dictator

But there is another sense in which Dr Allende's experiment may still succeed. It may result in the total concentration of power in the hands of the marxist parties. That is the logic of the extension of state control over the entire economy, and the harnessing of the trade unions, whose national leader, a communist, is also the new minister of labour. What has happened in Chile has raised very grave doubts about whether marxism is compatible with any democratic idea of the relationship between government and electorate. But then the Chilean marxists have never professed to respect that political system; it was liberal opinion in the outside world that hoped that somehow they might come to live with it. The Russians, watching from a wary distance, may now calculate that Chile may soon become their permanent ally if Dr Allende can be shored up for a few months more.



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BRITAIN

Terrible for Ted— but disastrous for Harold

The significance of Thursday's by-elections in Uxbridge and Sutton and Cheam will be argued over for months. But on the night one thing was absolutely clear: Sutton and Cheam was terrible for Mr Heath, but Uxbridge was a triumph, whereas the results in both constituencies were dreadful for Mr Wilson. And what can the Liberals claim? They did brilliantly at Sutton and Cheam and if Uxbridge had not polled on the same night it would look—following their recent victory over Labour at Rochdale—as if a really serious Liberal revival was under way. But whereas the Liberal vote shot up in Sutton and Cheam by more than 12,000 it actually dropped in Uxbridge.

At Sutton and Cheam the Liberal candidate, 29-year-old Mr Graham Tope, boosted his share of the poll from 14.6 per cent at the general election to 53.6 per cent. The Tory share fell from 58.2 per cent to 31.9, and Labour's collapsed from 27.3% to a mere 8.7, and its candidate lost his deposit. At Uxbridge nothing near so dramatic occurred in a poll which was nearly 20% down on the general election. Mr Michael Shersby's vote dropped

but he held the seat quite comfortably in the end. He polled over 14,000 votes to Miss Sykes's 13,000 for Labour, and the Liberal could not manage more than 3,650, compared with the 18,328 chalked up by Mr Tope at Sutton and Cheam.

So what does it mean? If the by-elections are regarded as the first electoral test of Mr Heath's prices and incomes freeze the answer can only be that the result was a draw. Yet it cannot be that the more prosperous Tories in Sutton and Cheam are more opposed to the freeze than their fellow voters at Uxbridge. Perhaps the Sutton and Cheam Tories are a bit more sophisticated and were prepared to give what Mr Jim Prior, the Leader of the Commons, called on television after the result a bit of a kick in the by-election while being certain to return to the true blue fold at the general election. But if that is so, why are the Tories in Sutton and Cheam and Rochdale, where the same thing happened, more sophisticated than in Uxbridge? A more likely explanation is that the voters of Uxbridge take their national politics rather more seriously.

The Tories had a very good inkling of what might happen at Sutton and Cheam—which probably accounts for Mr Heath's signs of edginess in the run up to the result. And it may be that down in Sutton and Cheam the Tory voters have been more offended by the Government's present political difficulties with its right wing. Such Tories might be more prepared to vote for a Liberal in a by-election than merely abstain, for there is some evidence that Mr Enoch Powell has almost as much relative support among Liberal voters as he has among the Tories.

Obviously, the Liberals have benefited in Sutton and Cheam, as they



Tope: Liberal revivalist

did at Rochdale, from the concentration on local issues: they have shown before how they can win by-elections by appearing to be all things to all voters. But there is one point about Sutton and Cheam which might deserve serious attention when the shouting has died down. It is very clear, as was proved at Rochdale, that the Liberals will always attract more support if the electorate believes they have a chance of success. At Sutton and Cheam that effect was achieved by leaking partial and misleading bits of a private opinion poll.

But if there is the considerable consolation for Mr Heath that he held Uxbridge against the odds, there is no comfort at all for Mr Wilson anywhere. As Mr Denis Healey said before the Uxbridge result was known, defeat there would be a serious setback for Labour and would cause them to seriously examine where the party was going. This is Labour's second such setback this autumn and there will be voices in the Labour party calling for a fundamental reassessment of the party's leadership and policies. Mr Wilson will no doubt feel that it is his duty to ride out these blows (Sutton and Cheam was, after all, worse for Mr Heath than even Orpington was for Mr Macmillan), but any further disasters—for example a Labour defeat at Lincoln—might make even that resilient man wonder whether it is still all worth the struggle.



Shersby: Tory retriever

Angry Brigade Long time ago

On Wednesday, more than three months since the beginning of the trial, and after over 50 hours of deliberations, the jurors finally returned a majority verdict of 10 to 2 against four of the defendants (three of whom had conducted their own defence) in the "Angry Brigade" trial and acquitted another four. One of the four acquitted, Mr Stuart Christie, had been in prison on remand for about 15 months, which is all a convicted criminal sentenced to nearly four years' imprisonment might hope to serve if he was lucky with parole. This is far more serious than the criticisms that are being made of the convictions.

All four who were found guilty were convicted on the main count, "maliciously conspiring... between January 1, 1968, and August 21, 1971, to cause explosions in the United Kingdom likely to endanger life or cause serious injury to property." There has been much criticism of conspiracy charges: that they are used when there is too little evidence to connect the defendants with the actual commission of a particular crime. A finding of guilt in a trial such as this does not show which of those convicted the jury thought was involved in which particular bombing attack. (There were also two specific charges against two defendants of attempting to cause explosions on particular dates, but the jury did not convict on either of them.) But it is not obvious that an overhaul of the law would abolish conspiracy charges altogether. They certainly seem to have been the appropriate indictment in this case.

The judge's comments on passing sentence were restrained, almost sympathetic: he "was sorry to see educated people in your situation. . . . Undoubtedly a warped understanding of sociology has brought you to the state in which you are. . . . I treat you all as persons of good character." But he still gave each of them a total sentence of 10 years, adding that he had reduced the total by five years because of the jury's recommendation that he should show mercy. Mr Justice James had also, incidentally, said that jurors had been sifted before they were empanelled: had they "prejudged" views about anarchists, were they members of the Conservative party (two of the targets had been Mr Robert Carr and Mr John Davies), had they

relatives serving in the army in Northern Ireland? He did not mean this to be a precedent, though it has already been quoted in other trials: will it become so, just the same?

Ulster

Task force

The Provisional IRA seems determined to prove that it can still do business with bombs and rockets in Ulster, however much some of its leaders may want another truce and however hard Mr Lynch cracks down on it in the south. But it is not the open confrontations between the army and the extremists in both communities which is worrying Mr Whitelaw quite so much now as the mounting toll of hideous, sectarian murders.

When Mr Whitelaw announced on Wednesday the creation of a new army-police task force specifically to hunt down these killers, the total of sectarian murders this year had reached 106. Seventy of the victims were Catholics and 36 Protestants; most had been murdered simply because of their religion and had been brutally tortured before being killed. As over a hundred detectives have been investigating these murders without success, the addition of uniformed military police to the task force can be of only limited value. As Mr Whitelaw said on Wednesday, the killers must be known or strongly suspected within their communities, and the real breakthrough must come from there.

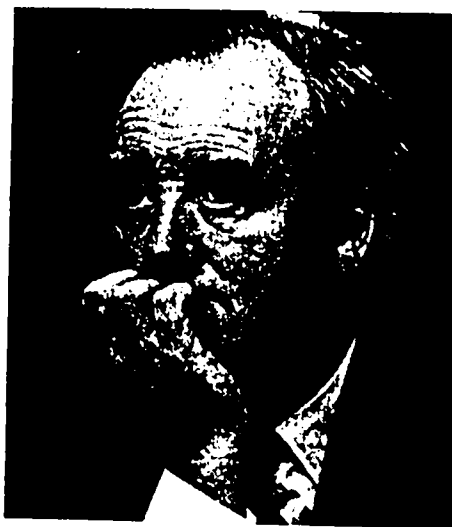
The worry among MPs at Westminster this week, however, has been the prospect that IRA men might take refuge in Britain from Mr Lynch's actions against them in the republic. The IRA is an illegal organisation in

both the Irish Republic and Northern Ireland, but it is not in England, Wales or Scotland. But there are no grounds yet for emergency legislation against it in Britain.

It is true that if any IRA man is found in Britain, the Irish police would be unable to lodge a case for his extradition from Britain on the ground that he belonged to an illegal organisation. Under the 1965 Backing of Warrants (Republic of Ireland) Act extradition between the republic and Britain can apply only to offences which are stipulated as criminal in both countries. But that should not prove much of a drawback. The republic's special court has sentenced 108 men under the Offences Against the State Act, but only two of them because they belonged to the IRA; the rest were jailed for criminal offences. It is quite probable that the Irish police could provide other grounds of a criminal nature, such as the possession of firearms, to convince a British court that it should agree to apply to the Home Office for an extradition order on the accused. In fact the main trouble lies in the other direction. The Royal Ulster Constabulary has made 47 extradition warrants to the republic over the past year on a range of criminal offences but only nine have proved successful.

The other means of dealing with IRA men coming to Britain is through deportation. Under the 1962 Commonwealth Immigration Act it was possible for an Irish citizen residing in Britain to be deported only on a court's recommendation. Under the 1971 Immigration Act which comes into force on January 1st the Home Secretary will also have the power to deport anybody he believes is behaving in any way which is not "conducive to the public good." If the Home Office decides the matter is "of a political nature," then the Irishman, like the alien, will have no right of appeal against that decision. This measure is not retrospective and it will not apply to any citizen of the Irish republic who has moved to Britain before the end of this year.

The Home Office also has substantial powers at present over refusal of entry. Any Irish citizen can be turned away from Britain at the point of entry or within 28 days of arrival. This provision will apply after January 1st if the Home Secretary decides that an arrival's presence in Britain is not conducive to the public good. Some IRA leaders have already experienced that particular measure.

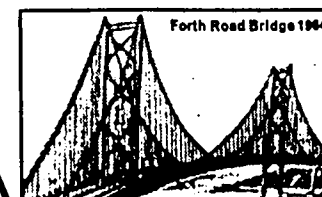


Whitelaw: moving against murders

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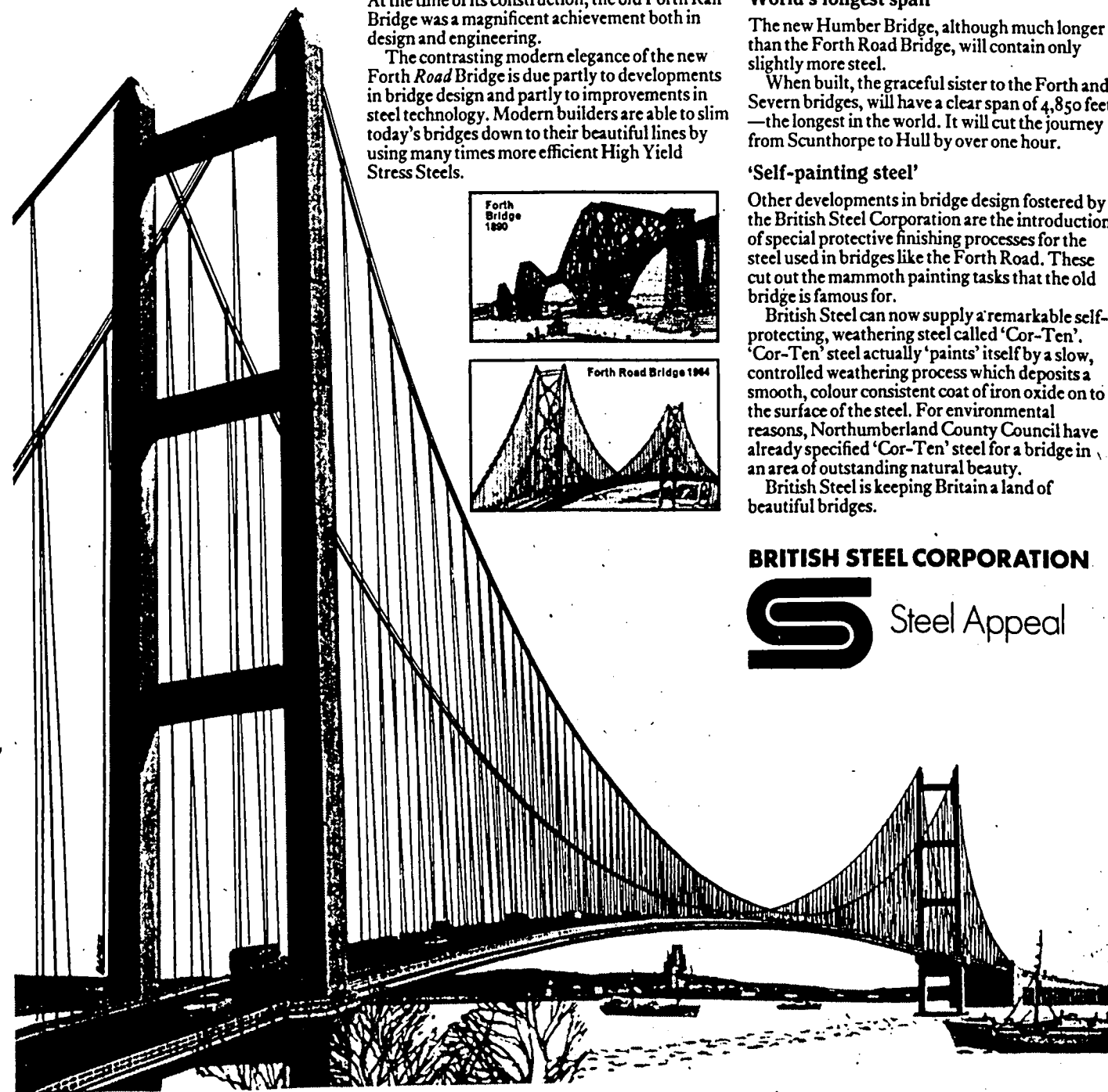
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Opposition spokesmen

A switch in time

It is always a pleasure to watch Mr Wilson at work making appointments to his front bench. He is highly dexterous, eager to be seen conciliating the various warring groups that make up the parliamentary Labour party. The appointments announced on Wednesday night will probably be Mr Wilson's last major reshuffle before the next general election. They represent some concessions to the moderate wing of the party which did so well in last month's shadow cabinet elections; but they were devised so neatly that they are unlikely to create any trouble from the left.

Mr Wilson's deputy, Mr Edward Short, replaces Mr Michael Foot as shadow leader of the House. Mr Short has been in charge of education for four years, for two years as secretary of state; he wanted a move because he believed he was in danger of becoming a one-subject man. His replacement, Mr Roy Hattersley, a pro-marketeer who stayed close to Mr Wilson when Mr Jenkins resigned, is not a member of the shadow cabinet, but he is a vigorous debater, and he has, in Labour party terms, the enviable task of shadowing Mrs Thatcher.

Mr Fred Peart is not regarded as a threat by anyone; either by the Government or in his own party, where he is one of the most passionate, and least effective, of the anti-marketeers on the front bench. He is, though, a fairly hardline right winger, which is presumably why he has been chosen as defence spokesman. This job will bring him into contact with some of his socialist ministerial colleagues in Nato, who will be able to give him a rough idea about the degree of enthusiasm with which the Labour party is regarded by its sister parties in Europe.

Mr John Silkin replaces Mrs Barbara Castle as the shadow secretary for health and social security. This is an important job, but for some odd reason it seems to go to those who lose their seats in the shadow cabinet. Last year Mrs Castle received the post after being defeated, this year it is Mr Silkin's turn. There is another similarity. Mr Silkin, an amiable former chief whip, is likely to be just as easy a pushover for Sir Keith Joseph as Mrs Castle was. Mr Silkin presumably gets preferment on the strength of his membership of the Tribune group.

One of Mr Wilson's mistakes is



Hattersley: new shadow for a lady

retaining Mr James Callaghan as shadow foreign secretary. This is not because Mr Callaghan has failed there but because this appointment has more prestige than political significance. It seems a mistake for the Opposition to allow him to waste his time in this political backwater when he is its best front bench debater. No doubt Mr Callaghan will do well if there is a party rough-house on Rhodesia, but there does not seem much sense in keeping him in this job when the Opposition is suffering from such a severe lack of cutting edge on the floor of the House of Commons.

Security

Off the rails

Mr Richard Hope, the editor of the Railway Gazette, must be a grateful man. Until last week he was simply running a specialised journal owned by the International Publishing Corporation. Now it appears that he stands a good chance of becoming a celebrated figure in what may turn out to be a fairly bitter dispute between the Government, the Opposition and some sections of the press.

Scotland Yard officers raided Mr Hope's offices last week on a warrant issued under section 26 of the 1968 Theft Act after they had been called in by the Director of Public Prosecutions, Sir Norman Skelhorn. They were attempting to find a missing Department of the Environment document arguing the case for massive cuts in the British rail network, which had been leaked to the Sunday Times in October by someone who did not much like its contents.

As a result of the leak the Minister for Transport Industries, Mr John

Peyton, had a fairly unpleasant few days; but he eventually succeeded in convincing many of his critics that the document was just one of a number that had been prepared so that a whole range of possibilities could be studied by ministers and officials. In those circumstances it is rather hard to understand why the authorities are quite so excited: raids on newspaper offices are, after all, a rather serious business. The trouble appears to be that, as a result of the outburst of indignation that followed the Sunday Times story, the Government ordered a searching inquiry in an endeavour to discover the identity of the leaker; and some officials took the whole thing a bit too seriously.

There is hardly anything particularly novel in any of this. Members of the last Labour government, its predecessor and the present Government have spent many blissful hours debating how leaks have taken place. Once, under Mr Wilson, the lord chancellor was asked to interview every member of the cabinet in order to track down a culprit (he failed, of course). But normally it is assumed by ministers, for all too obvious reasons, that officials are responsible. Then the investigation is carried out by departmental security officers, sometimes assisted by members of the security service.

The procedure is nothing if not simple. All officials who have seen the papers are sent a questionnaire. They are asked to say whether they know anyone on the newspaper carrying the leaked story (connoisseurs in the civil service believe that it is always desirable to claim a number of friends on the newspaper), whether they have discussed the confidential information with him or know how the leak occurred—this in case a kind friend is prepared to turn in a colleague. Not altogether surprisingly the answers to these last questions tend to be rather negative; except that on one notable occasion an official wrote on his form (accurately) that he had not the slightest doubt that the leak in question came from ministers.

Leak questionnaires are, in fact, regarded as little more than a tiresome joke by the civil service; the guilty men are not discovered, and the whole procedure wastes a great deal of the time and energy of senior officials. However, every now and then a leak inquiry gets out of hand, as the D-notice affair did during the lifetime of the Labour government. That episode did Mr Wilson a lot of damage,

to some extent unfairly. But it proved that it behoves ministers to handle these investigations—if they insist on having them—with caution, particularly if newspapers are involved. A concern for national security is no doubt praiseworthy, but not if it seems that it is being used as an excuse to spare politicians embarrassment.

Mr Wilson has obviously decided that he can make trouble for the Government on the Railway Gazette affair; thus his probing questions to Mr Heath last week and on Tuesday. The Government realises the potential difficulty of its situation and has been quick to indicate that Sir Norman is not investigating this leak as an alleged breach of the Official Secrets Act—which the Franks committee has recommended should be amended. But it is hard to see the Government emerging from this episode with its credit enhanced.

Football

Absentees

Football is far and away Britain's most popular sport, both for playing and watching. Yet it is so incredibly ineptly organised and administered that it goes through more recurring crises than even the British economy. The three which are exercising the football world and its attendant millions of readers and viewers now are, inevitably, Georgie Best, falling attendances and hooliganism.

But it is only Mr Best who makes the front, as opposed to the sports, pages (even in *The Times*). Mr Best has never been able to cope with the fame his immense talents have brought him, and as a result of his latest night club escapades and absenteeism his club, Manchester United, has finally decided that it cannot cope with him. Mr Best is now on the transfer list for anyone foolish enough to write a cheque for something approaching £300,000—news which caused consternation among the supporters of the half dozen or so clubs who could afford him, for few such fans are convinced that the foolishness of their clubs' directors knows any great bounds.

Mr Best is not the only one who is staying away from football. Attendances have been dropping through what has been a very mild autumn, and the winter is yet to come. The Daily Mail has added up the figures this week: attendances at football league matches are down by over 14m compared with the same period last

year, and the football authorities lament that if the slide continues on this scale many clubs in the bottom divisions will be forced to close. The only argument for keeping most of these clubs alive and struggling seems to be that if they were forced to close this might affect the football pools without whose money the third and fourth division clubs would have to close.

The attention being paid to declining attendances is as much part of football's campaign to escape value-added tax as anything. For the reasons put forward by most people in football for the decline are pretty nonsensical: it is either that there is too much televising of matches or that hooliganism is driving the decent spectator away, or both. In fact, as the Daily Mail's figures show, this cannot be so: television concentrates on the first division, as do the hooligans (the crowds are vastly bigger). Yet the decline in attendances is: first division, 197,417 (3 per cent of the aggregate); second division, 644,839 (23 per cent); third division, 503,701 (32 per cent), and fourth division, 172,806 (where attendances are, in any event, minuscule).

There is no evidence that hooliganism is increasing: indeed, it may well have passed its peak a year or so ago. It is also probably true to say that there is no ground in the English football league where hooliganism cannot be easily avoided. But the fact that there are thousands of youngsters anxious to go on the rampage across the country every Saturday afternoon is a serious social problem. It would also be a problem if television were shown to be producing an almost totally passive society. But the answer to the decline in attendances is more likely to be the simple one that if the football and the facilities provided are



Best: just one of a large crowd

not good enough people are not going to watch it outside the comfort of their own homes.

Scotland

Fife and muffled drums

Scottish affairs do not appear to arouse much passion even among Scottish MPs nowadays, to judge by Monday's mild-mannered debate on the second reading of the Government's Scottish Local Government Bill. True, Mr Willie Ross, Labour's frontbench spokesman, promised the measure would provoke many heated (and presumably verbose) hours during its passage through the Scottish Grand Committee, but even he could find no suitable reason to force a division. Certainly, plenty of local vested interests exist in Scotland which object to particular bits of the bill with its 231 clauses and 24 schedules, but the rows are over details, not principles. For instance, the ancient kingdom of Fife is not relishing the prospect of its imminent division between two separate regional authorities and wants to stay intact. A local Tory MP, Sir John Gilmour, has threatened to vote against the bill on its third reading next year if Fife does not get its way.

But the Government is going to have no real trouble in seeing this measure on to the statute book this session. The lack of controversy stems mainly from the Government's decision to formulate a bill to reform Scottish local government on the lines recommended by Lord Wheatley's royal commission in 1969. The present hotchpotch of counties burghs and districts is going to vanish in 1975, to be replaced by a two tier system of government with eight regions and 47 districts. The Shetlands, Orkneys and the Western Isles will become all-purpose authorities, much to the pleasure of Mr Jo Grimond.

Unlike the top tier authorities in England and Wales the Scottish regions are going to have substantial functions, from major planning services to education, social work, police, fire and consumer protection. The districts will have responsibilities for all housing matters, as well as that diverse range of subjects which come under the trendy heading of "environmental health." This useful and uncontroversial measure will equip Scotland with a more sensible local government system by 1975.



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THE WORLD

International Report

The bombs that blew Irish politics into a new shape

FROM OUR DUBLIN CORRESPONDENT

On Friday morning the votes started being counted in Ireland's double referendum. The voters had been asked to decide whether the voting age should be lowered from 21 to 18, and whether article 44, setting out the special position of the Roman Catholic church, should be deleted from the constitution. Since there is almost no opposition to lowering the voting age, this one was expected to be approved by a big majority. And since all the main political parties support the amendment about the church—the only organised opposition came from a small group of right-wing Catholics calling itself "Defend 44," and the church itself made no official pronouncement, except for Cardinal Conway's statement two years ago that the change would not make him shed a tear if it helped the reunification of Ireland—that should go through too.

But the referendum has been overshadowed by the dramatic political developments of last weekend. They go far beyond the immediate repercussions of the two bomb explosions in Dublin on December 1st, when two people died and more than 100 were injured. The blasts, heard clearly in the Dáil, resulted in the new anti-IRA bill being rushed through all its stages that night. A general election was thus averted. The prime minister, Mr Jack Lynch, broadcast a warning to the nation of a threat to its democratic institutions, and then held emergency talks with the acting chief of staff and the chief commissioner of police. One could have been forgiven for concluding that a coup d'état was being attempted.

The government is satisfied now that public support for the tough new measures has been fully demonstrated. The Provisional IRA has been effectively disowned by the Irish people, the

planned campaign of protest in support of Sean MacStiofain has apparently been called off, and Mr Lynch has a free hand to take whatever other action against it he considers necessary. Arrests of suspected IRA men are expected soon, if only to justify the dramatic rushing through of the new legislation at the weekend. Police leave has been curtailed and army units put on standby. Mr Lynch has denied suggestions that the government is waiting until the referendum is out of the way before swooping on the IRA: the matter of arrests is one for the police, he said on Tuesday.

On a broader front, the Irish government now believes it has made it possible for Mr Heath and Mr Whitelaw to crack down on the extremist Protestant organisations in Northern Ireland, as a preliminary to the publication of the British white paper in the new year. This is the course which Mr Lynch urged on Mr Heath at their meeting on November 24th.

The ruling Fianna Fáil party, which

would have welcomed a Dáil defeat on the IRA bill in the belief that it would gain five or six seats in the subsequent general election, is gearing itself for an election fairly soon anyway. The party has at last clearly come off the fence and purged itself of any lingering pro-IRA sympathy. All the backbenchers have aligned themselves with Mr Lynch's new-style republicanism—unity through reconciliation.

It is, however, in Fine Gael, the main opposition party, that recent developments will have the biggest effect. Before the bombs went off, the party was tearing itself apart in one of the periodic manifestations of its bitter leadership struggle. Against the strongest advice of its leader, Mr Liam Cosgrave, the party had decided to fight Mr Desmond O'Malley's anti-IRA bill.

As the debate on the second reading progressed and the voting line-up became clear, it looked certain that the government would be defeated. Mr Lynch's backbenchers, smelling a new lease of life in a successful "government versus IRA" election, were cockahoop. Recognising the risks, Mr Cosgrave threatened to vote with Fianna Fáil. Only seven of his colleagues are believed to have supported him. The rest of the party's 50 members of the Dáil were thus faced with splitting the



The echoes came through loud and clear in the Dáil

What they say

Two amendments to the 1937 constitution were put to the voters on Thursday. The first proposed to reduce the minimum voting age from 21 to 18. The second proposed to delete subsections two and three of article 44 of the constitution, which provided that:

A. The state recognises the special position of the Holy Catholic, Apostolic and Roman Church as the guardian of the faith professed by the great majority of the citizens; and

B. The state also recognises the Church of Ireland, the Presbyterian Church in Ireland, the Methodist Church in Ireland, the Religious Society of Friends in Ireland, as well as the Jewish Congregation and the other religious denominations existing in Ireland at the date of the coming into operation of this constitution.

The following views were expressed during the campaign. "The reason for the change is simple. To an outsider the reference to the special position of the Catholic church sometimes has sectarian undertones... Opponents of Irish unity are prepared to use any excuse to spread a false picture of church influence here"—Mr George Colley, minister of finance, and director of Fianna Fáil's referendum campaign.

"The present constitution introduced distinctions of a sectarian kind which

have bedevilled the development of better understanding between Irishmen of different creeds... They were introduced into the 1937 constitution for party political advantage and they should now be taken out by the majority will of the people in the national interest"—Mr Liam Cosgrave, leader of Fine Gael.

"The proposed amendment of article 44 is the first positive step in a process of reconciliation with our fellow countrymen in the north. At this time of national crisis the whole country needs a clear signal as to the way forward"—Mr Brendan Corish, leader of the Labour party.

But there were voices on the other side. "Secularist pressure groups are using the political situation to pave the way for a godless Ireland, their aims being to have divorce, abortion and voluntary euthanasia guaranteed as fundamental civic rights throughout Ireland"—Mr Sean Loftus, chairman of the Christian Democratic party of Ireland.

"If the lights of freedom go out in Ireland, the world will be dark... What is there left? There is only the appeal to public morality. But what standard of public morality do they mean—that of England, Sweden, America or perhaps Russia?"—Mr Desmond Broadberry, chairman of Defend 44.

party openly and going into the lobbies with Labour and the Fianna Fáil dissidents led by Mr Neil Blaney, who had boasted in the Dáil of having helped to start and encourage the IRA men of today.

The Fine Gael men leading the move to isolate Mr Cosgrave and so discredit his leadership were trapped. If they voted against the bill they would either precipitate a general election in which the party would be severely damaged or bring into the open a major internal split. The bombs saved them. Less than two hours later, the anti-Cosgrave brigade withdrew its opposition to the bill and Mr Cosgrave survived the most dangerous threat yet to his leadership.

But the split remains and is too deep to be papered over much longer. Front-bench men such as Mr Tom O'Higgins, second-in-command to Mr Cosgrave, and Mr Garret FitzGerald are in a hurry for power. They see their only chance of office through a firm pre-election coalition pact with Labour. Mr Cosgrave's unconcealed hostility to Labour, his strong personal commitment to tough action against the IRA and his determination to stay at the

head of the party which his father founded (as Cumann na nGaedheal) suggest that his opponents in the party face an impossible task in forming a coalition while he is leader.

The present Fine Gael policies are almost indistinguishable from those of Fianna Fáil. A breakaway left-leaning Fine Gael splinter group could be the nucleus for a new party of the centre-left which would attract recruits from the right wing of the Labour party and the left wing of Fianna Fáil, giving Irish politics the division it has lacked for so long. Last weekend's manoeuvres saved Fine Gael for the moment. But they may have only postponed an overdue development in Irish politics.

Mr Lynch, who has shown himself the shrewdest politician in Ireland, can read the signs better than anyone. It would surprise no one if he were to go to the country soon to get the overall majority he wants and to remove from the Dáil the four Fianna Fáil dissidents on whose unwelcome support he now depends. A general election next October was the best bet up to this week. Now the horizon has contracted and an election in the spring is on the cards.

Russia

Back to cursing the darkness

It looks as if even the faint flicker of ineffectual political opposition that has been visible in the Soviet Union in the past few years is doomed to burn still lower. On Tuesday the tiny handful of dissenters who, each year since 1965, have tried to assemble for a few minutes' silence in Moscow's Pushkin Square on Constitution Day were, as usual, bundled away by the police. And the near-desperate plight of the dissenting movement is illustrated by the reports from Moscow that Mr Pyotr Yakir, the 49-year-old historian who had long been regarded as the dissenters' unofficial leader and was arrested in June, is soon to be put on trial on charges of providing anti-Soviet information to foreigners.

The story is that Mr Yakir, who spent many years in labour camps as a boy, is now providing the police with the names of other dissenters and of their western contacts in Moscow. It may not be true; but certainly an intense war of nerves is now being waged by the KGB, Russia's secret police, against the authors and distributors of the various underground *samizdat* publications.

One of these, in particular, the *Chronicle of Current Events*, which has been appearing at regular two-monthly intervals since 1968, has infuriated the government by its detailed coverage of repression in the Soviet Union. The KGB may now have decided that the time has come for a final crackdown that will silence this embarrassing source of unfavourable publicity and at the same time deprive the dissidents inside Russia of their chief means of keeping in contact with each other.

The unofficial political opposition in Russia is plainly in a bad way. Imprisonment, exile to Siberia and confinement to psychiatric hospitals have reduced the dissenters' already thin ranks; they have probably never numbered more than a few thousand activists and sympathisers in a country of 240m people. General Grigorenko, Vladimir Bukovsky, Andrei Amalrik and a number of others have been put out of action in this way over the past few years.

Others, more recently, have been banished from the country, or allowed to leave in the hope that they will not return. One of the involuntary exiles



Yakir: part of the war of nerves

is Alexander Yesenin-Volpin, who is now teaching logic at an American university and, from the KGB's point of view, causing far less harm than when he was trying to stir things up in Russia. It was announced this week that Zhores Medvedev, who was briefly put in a psychiatric hospital in 1970 for his opposition activities, is to be allowed to come to Britain for a year. Valery Chalidze, a member of Professor Sakharov's gallant "committee for the protection of human rights" in the Soviet Union, is also now in the west.

It seems that the Soviet authorities are now treating these dissenters in the same way as the Jews who have been prominent in agitating for free emigration to Israel. The policy seems to be to let the most vocal and troublesome protesters go, in the hope that those who remain may prove more amenable. Will it work? That depends on how demoralised Russia's dissenters have become.

They have clearly been disheartened by the failure of their main hope—dating back to the years after Stalin's death in 1953—that the pursuit of greater economic rationality in the Soviet Union would bring liberal political reforms with it. According to Professor Sakharov, one of their veterans, they have also been demoralised by the Soviet leaders' recent success in getting economic help from the west without having to give more freedom to their own people. The fact that the west has never demanded some such return for the help it gives adds to the despair of the Russian dissenters. One test of how far their despair—and the KGB's success—have gone will be whether or not the *samizdat* publications, especially the *Chronicle of Current Events*, continue to appear in the future.

East Germany

Poles go home

Willy Brandt and the average Pole have at least one thing in common: both are equally unwelcome in east Germany at the moment. The west German chancellor's problem is that he is too popular with the people of east Germany. It is his popularity that has prompted the east German government to make it clear that it would not be pleased to see Herr Brandt in east Berlin for the signing of the inter-German treaty on December 21st. Herr Brandt has politely agreed to send Herr Egon Bahr, who did the negotiating, to do the job for him.

By contrast, it is the insatiability of the visitors from socialist Poland that is responsible for their frosty reception in east Germany. Since visas between Poland and east Germany were abolished in January, 9.3m Poles have poured across the frontier to raid their more prosperous neighbour. They have almost emptied many shops of everything from children's shoes to tin-openers. This gigantic shopping spree has strained east Germany's already over-stretched supply system and, in consequence, east German-Polish relations. What started as an attempt to dispel eastern Europe's claustrophobia has threatened to rekindle old hatreds.

Last week the two prime ministers met to tackle the problem. They decided that the answer lay in replacing individual foraging by organised group travel. To discourage the individual there is now to be a limit of just over £20 on the amount of east German currency a Pole may buy for trips lasting less than six days. The east German customs officials have already started searching returning Polish tourists and have been impounding any goods found on them over the value of the permitted £20. The threat of a huge pre-Christmas buying orgy by Poles in east Germany has been averted, but at the cost of making a lot of Poles very angry.

East-west

Talks about talks about what?

The talks between representatives of 34 countries that opened in Finland on November 22nd now look like running on for another week or so and then breaking off for a Christmas recess of three or four weeks. Down in

the forest at Dipoli, the craggy setting for these talks just outside Helsinki, nothing much has stirred. After a first week devoted to settling procedural questions, the assembled diplomats embarked on a series of somewhat predictable policy speeches which, since everybody had to have his say (and that included the spokesmen for San Marino and Liechtenstein, and the Vatican's man, Monsignor Zabkar), ran on until Tuesday. On Thursday discussion turned to the agenda for the conference on "European security and co-operation" which these talks about talks are about.

As was expected, the Russians' idea of an "agenda" turns out to be little more than eyewash. By their own account, "co-operation" would mean merely a continuation of the tightly controlled exchanges of delegations, ballet troupes and trade missions that are already a discouragingly prominent feature of the Soviet block's relations with the outside world. "Security" would mean merely the incantation of precepts about international relations; and even on this abstract plane the Russians flinch when Rumania calls for a pledge that the use or threat of force by one nation against another should be permitted "in no circumstances whatever, in no form and under no pretext." Mr Brezhnev's problem is that he wants to exchange vague promises of good behaviour with everybody else without prejudicing his right to roll his tank divisions across their frontiers if, as in Czechoslovakia in 1968, he feels a sudden urge to do so.

A conference limited to these Soviet suggestions would do nothing for European security or European co-operation; it might well impair both. No amount of evasion or stonewalling by the Russians in these talks should deter the representatives of democratic states—Nato members and non-members alike—from insisting that Europe will not feel secure, or even co-operative, until Europeans regain the kind of normal contact with each other that the communist governments now deny them. When the Russians declare that a general opening of frontiers is unthinkable, they should be urged to let other east European states participate in limited schemes from which a general opening up might in due time develop. It is lack of free contact that breeds fear, misunderstanding, suspicion and hence insecurity. A "security" conference that evaded this vital point would be a cruel mockery of Europe's hopes.

*Europe and America***The first shots**

So 1973 really is to be Europe year for Mr Nixon's second administration. The American Secretary of State, Mr William Rogers, used his speech to Nato in Brussels on Thursday to talk as much about what the United States wants from the common market as about Nato and the military alliance. His remarks were unusual fare for the ministerial meeting of what is after all a military alliance. Trade talks with Europe clearly mattered as much to Mr Rogers in this speech as his renewed reassurance that the United States means to keep its soldiers in Europe. But this should no longer cause surprise. In the American mind the two subjects, freer trade and continued military support, are increasingly linked to each other—as each is linked to monetary reform.

Before going to Nato Mr Rogers saw the outgoing Brussels commission of the common market on Wednesday afternoon. There too he went to some lengths to show his interest in the trade issues which it will be the new commission's job to handle on behalf of the Nine next year. There are two aims behind this American campaign to promote the common market, as one American puts it, "to the same political status as Nato itself." One is to prod the nine members of the European Economic Community into raising their own level of political debate on trade above the eternal dogfight about things like the reference price for oranges. The Americans think that the presidents and prime ministers of the Nine should give the Brussels commission more real room to negotiate on trade with the broader interests of the alliance firmly in mind; this in turn, they concede, will call for a commissioner in charge in Brussels (such as Sir Christopher Soames would like to be) who can talk in Washington and Tokyo at a more political level than before and then report his impressions back to the Nine.

Mr Nixon's second aim is to improve his own present less than equal chance of getting a decent trade negotiating mandate from Congress. This might be made easier by bringing the new EEC of Nine alive in the minds of Congressmen in Washington as a political creature on a par with Nato in the alliance. The Nine's summit in Paris in October, coming when the United States could think only of its

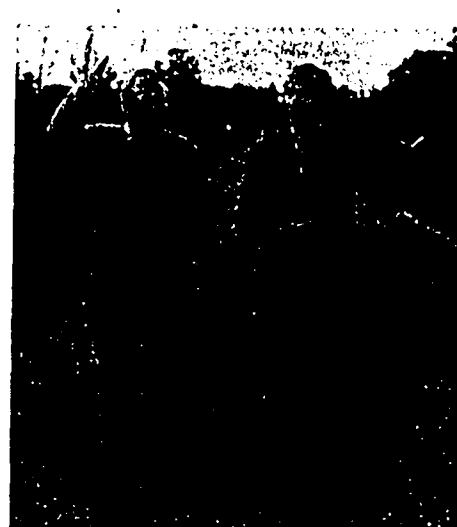
own election campaign, had little effect beyond the words of praise which Mr Nixon himself gave it at the time. So at Nato this week Mr Rogers listed the ingredients of an American trade bill—tariffs, farming, non-tariff barriers. He made particular play of the preferences which the Six have arranged for themselves in the Mediterranean and Africa, and he suggested that Europe's doors should open a little wider to imports from Japan.

But these familiar words, unfamiliar in Nato, were put forward in a notably unbelligerent way. Mr Nixon's approach to the economic bargaining of 1973 contrasts markedly with the sabre-rattling which the present EEC commissioner for trade, Professor Ralf Dahrendorf, has indulged in during recent weeks. The time will come late next year for fighting over details in Geneva and Brussels, and it will be quite a fight. What matters more now, according to Mr Nixon, is to give the larger Europe a chance to come good in the eyes of such men as Mr Wilbur Mills. If Europe can show promise of "fair play" (a favourite Nixonian phrase) on money and trade, then the Atlantic alliance is an asset and commitment which Congress should grab the chance, in its turn, to keep going. If not, then Mr Nixon will have to think again.

*Canada***Le fait anglais**

Mr Trudeau's weekend at Chequers with Mr Heath yielded, by the Canadian prime minister's own account, ample reassurances to Canada about the implications of Britain's entry into the common market, and a nice eye-catcher for the general public: the Queen's acceptance of an invitation to come to Canada next August, when the Commonwealth's prime ministers and presidents are due to meet in Ottawa. For Mr Trudeau, this is all very timely. After his Liberals' severe setbacks in the elections on October 30th, they were left looking painfully like a French Canadian party; half of all the seats they won were in Quebec, and in no other province did they win a majority of seats. Before facing parliament again on January 4th, he would presumably like to improve his government's image in the eyes of English-speaking Canadians.

In the sweeping cabinet changes that he announced on November 27th, it was particularly noticeable that Mr Jean Marchand and Mr Gérard Pel-

*Were they speaking French?*

letier, his two old fellow musketeers from Quebec, were switched to the relatively calm areas of transport and communications. Mr Donald Jamieson and Mr Hugh Faulkner took over their former posts, which respectively concerned regional economic expansion and the promotion of bilingualism. Mr Jean-Luc Pépin, who had lost his seat, was replaced as minister of trade and industry by Mr Alastair Gillespie. The only notable French Canadian advancement was the choice as minister for health and welfare of Mr Marc Lalonde, the prime minister's former principal secretary.

It is true that, in the elections, the Liberals got twice as many votes outside Quebec as they did inside it, and that their total vote of 3.68m was well ahead of the Conservatives' 3.36m. But the figures that must have burned themselves into Mr Trudeau's brain were those for votes cast outside Quebec: 2.9m for the Tories against only 2.4m for the Liberals. The cabinet reshuffle, the trip to Chequers and the invitation to the Queen all look like prudent responses to a backlash among Canada's "Anglos."

*Australia***What's a battalion between friends?**

FROM OUR CANBERRA CORRESPONDENT

Australia's preferential voting system means that it will not be until a week before Christmas that the exact size of the Labor party's majority is known. The party's rule that the ministry must be elected by the parliamentary party before the prime minister can allot

*Continued on page 41***Grand Marnier for Socialites**

Take a generous shot of Grand Marnier in a tall glass, swoosh in a bottle of tonic water, chunk in a couple of ice cubes, add a twist of lemon, *et voila*—the new mix that's sweeping South America (no, seriously).

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**-and for Conservatives**

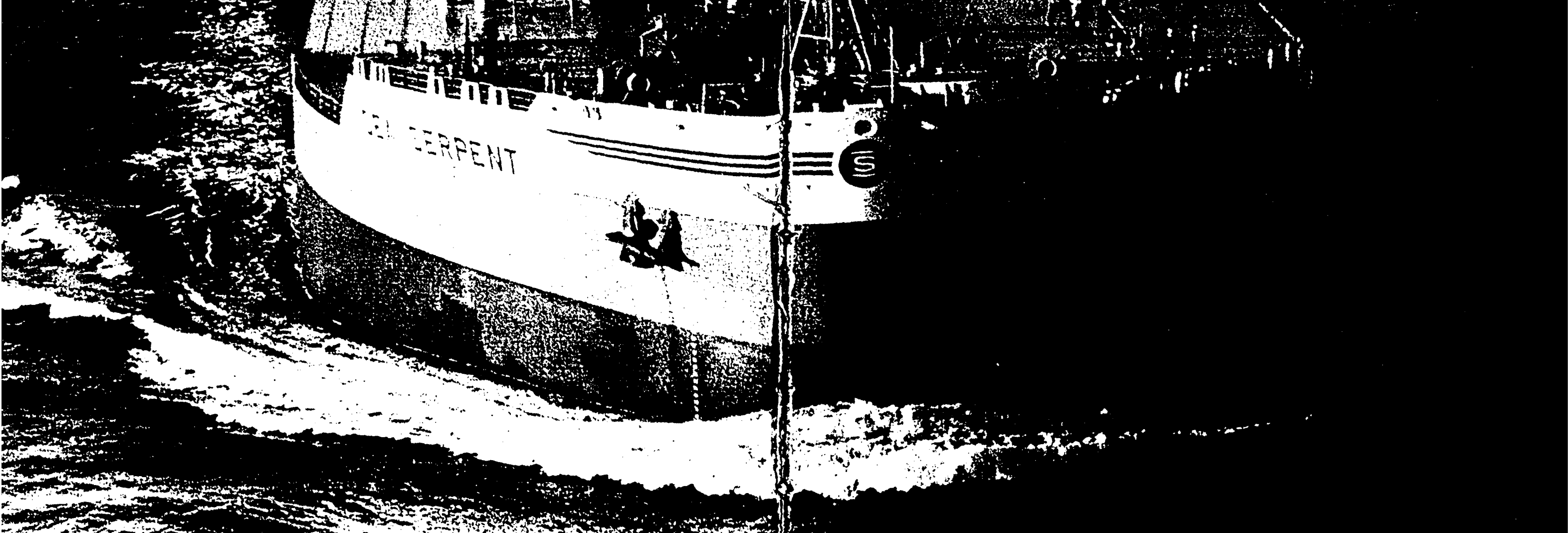
There is no cause for alarm. That seemingly sacrilegious offering over on the Left is merely a novel serving suggestion.

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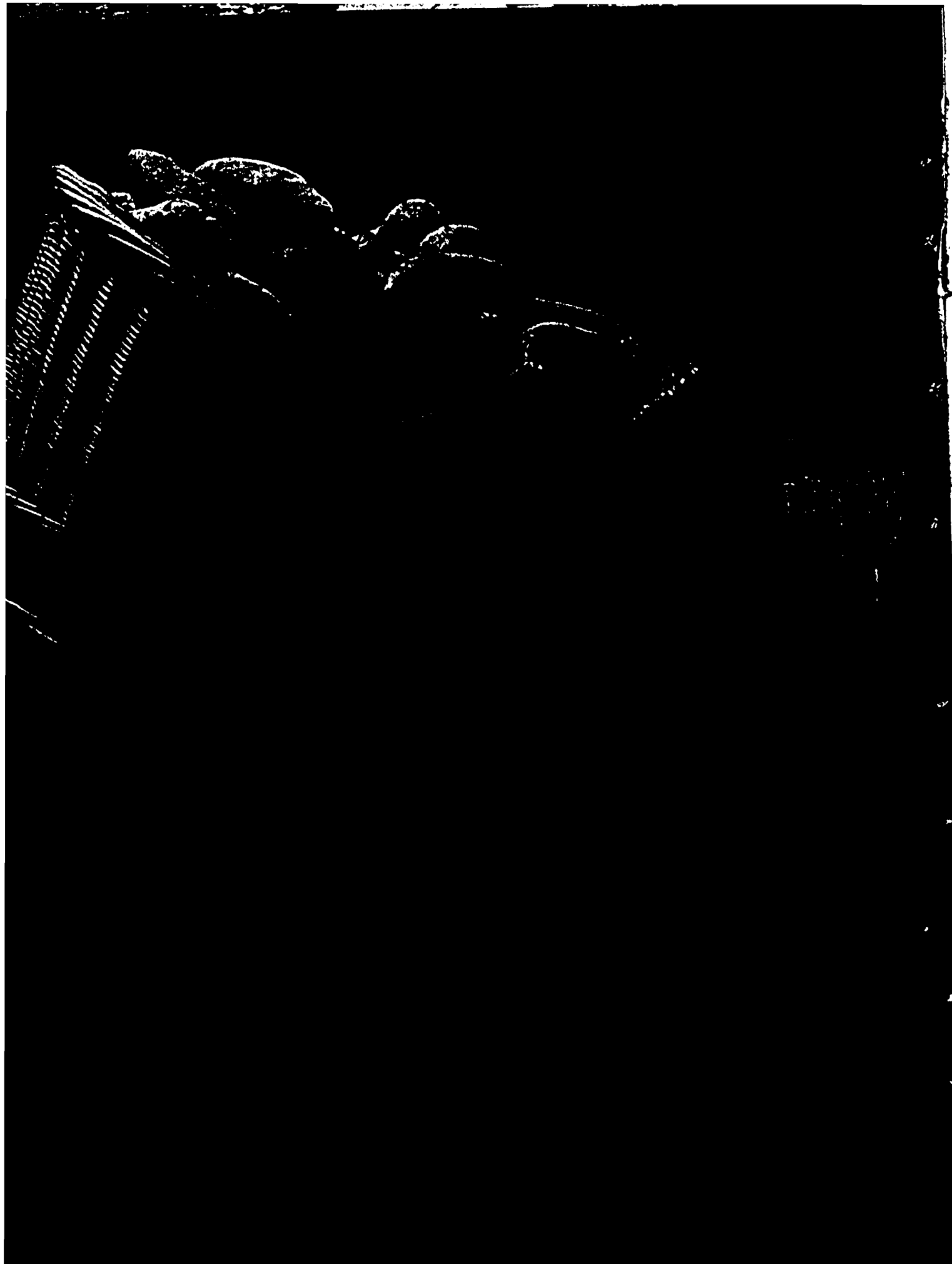
publication "Some Data about Sweden"? That will give you a lot of clues. Please write to Skandinaviska Enskilda Banken, S-106 40 Stockholm, Sweden.

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Whitlam isn't dropping Singapore flat

Continued from page 34

portfolios means that government posts cannot be filled until the full membership of the parliamentary party is known. So Mr Gough Whitlam has taken office as prime minister with only his deputy, Mr Lance Barnard, to help him.

Mr Whitlam is keeping fairly quiet about policy except in those areas which he and Mr Barnard are likely to control, especially foreign affairs and defence. In foreign affairs, Mr Whitlam has been redefining Australia's position at the United Nations and preparing the way for diplomatic relations with China. In matters of defence, conscription has been stopped and draft resisters are being let out of jail.

Mr Whitlam is taking his time before making any decisions about the five-power agreement with New Zealand, Britain, Singapore and Malaysia. The British defence minister, Lord Carrington, will be in Australia next month and the new Labor governments of Australia and New Zealand will discuss it with him then. In the meantime Mr Whitlam is reiterating what he and Mr Barnard—with whom, as he says, he has not had a difference of opinion in 18 years in parliament—said before the elections. The gist of this was that the Labor party agreed with the Malaysian idea of neutralisation in south-east Asia but that, pending neutralisation, it would honour the full terms of the five-power agreement under which Australia agreed to provide Malaysia and Singapore with training and equipment. Australia would seek similar arrangements with Indonesia, Papua New Guinea, New Zealand and Fiji. It would not, however, keep the Australian battalion in Singapore; the agreement did not require this.

Mr Barnard had anticipated some of these points in a speech in August. He was particularly critical of the outgoing government's policy of keeping a battalion in Singapore with wives and families. In his view this was being done because the army wanted to raise morale "by holding out the lure of Singapore." Instead a Labor government would, he said, send Australian troops to hold exercises in Malaysia or other countries for short periods of up to three months without their families. This would give more units a more spartan training. Mr Barnard accepted an interim obligation to help Malaysia with air defence, but thought that Malaysia's divergence from Australian air defence technology and the vulnerability of Australian aircraft exposed in the open, at the air base at Butterworth, to the possibility of terrorist attack were reasons for bringing air co-operation to an end before too long.

The Australian battalion is due to be relieved at the end of 1973; it will probably be kept in Singapore until then. How long the air force will stay in Malaysia is anyone's guess. The navy will presumably continue in its present role. The five-power arrangements can thus be spun out for quite some time, since the battalion is not essential to them. There is no indication at present that either Britain or Singapore is putting pressure on Mr Whitlam to change his mind. If they do they may be met with the obvious answer that the five-power arrangements are very vague and commit Australia to little but the equipment, training and consultation which the Labor party is willing to give. If the British do not like this they may be asked why they did not show more resolution when the arrangements were being negotiated. It is a bit late to start afresh and suggest some binding treaty, especially since Mr Kirk's government in New Zealand would probably agree with Mr Whitlam.

Victory in the south-east

FROM A CORRESPONDENT

Although 10 seats are still in doubt after last Saturday's Australian general election it seems certain that Mr Whitlam's final majority will lie between seven and 17. His Labor party fared well in the populous south-east corner of the country but disappointed itself elsewhere. On the likeliest assump-

tions it has gained five seats in Sydney, four in Melbourne and one in Hobart. It also seems to have captured two seats from the Country party in New South Wales. It has lost one seat in South Australia and two in Western Australia. Probably the only two changes in Queensland will be mutually cancelling switches between the Liberal and the Country parties.

Using very cautious assumptions, it seems that the distribution of seats in parliament will be as follows:

	Certain	Probable	Total	Old Parliament
Labor	66	3	69	59
Liberal	26	11	37	46
Country	18	1	19	20

The overall swing from the Liberal-Country coalition to Labor works out at a little under 3 per cent. There was a swing of around 4 per cent to Labor in Victoria, New South Wales and Tasmania. The change in Queensland and South Australia was negligible, and in Western Australia there was a 4 per cent swing in the coalition's favour. The results in South Australia, and still more in Western Australia, can be ascribed to the unpopularity of the state Labor governments there.

In Sydney the speaker, Sir William Aston, lost his seat, and Mr Bowen, the outgoing foreign minister, has probably been defeated at Parramatta in Melbourne. Three "safe" Liberal seats are in danger, including Henty, where Mr Fox, the Liberal whip, suffered an 11 per cent swing against him—the biggest in the election. One of the most notable features of the results was the decline of the breakaway Democratic Labor party. Although it fielded more candidates than in 1969 its overall vote fell from 6 per cent to 5 per cent. In many metropolitan areas the fledgling Australia party outpolled it.

Japan

The high price of power

The second most expensive election campaign in an election-ridden year will grind to an end in Japan on Sunday. Nowhere outside the United States do candidates spend so much in the effort to get themselves elected. Nowhere, perhaps, do hand-outs play so flagrant a part in a campaign.

The Japan Times has estimated that the elections will have cost more than £30m—about as much as both President Nixon and Mr McGovern spent in battling each other. About £13m of this will be paid out by the govern-

ment to cover the administrative costs of the election; £14m will be spent by the ruling Liberal Democratic party; some £1.5m by the Komei party, and a bit under £1m by the poor relations on the left, the Socialists, the Democratic Socialists and the Communists.

The opposition parties are putting up many fewer candidates for the 486 seats in the lower house than the Liberal Democrats, but this difference does not begin to account for the money gap. The Liberal Democrats, who have monopolised political power in Japan since the American occupation ended, also command the backing of Japan's business circles, whereas the Socialists and the Democratic Socialists have to depend on affiliated trade unions for their campaign funds. Komeito and the Communists rely on party contributions.

Each of the 336 Liberal Democratic candidates was given about £9,000 at the start of the campaign by party headquarters—half as a grant and half as a loan. Leaders of the factions within the party drummed up their own campaign funds as well, and doled out £14,000 or so to each of their protégés. Individual candidates naturally did their own fund-raising on top of all this. They had to. Japanese politicians claim that if a candidate has less than £100,000 to back him he is doomed to defeat. If Japanese elections are really rich men's elections, the opposition is in a sorry state, since most opposition candidates fall into the under-£100,000 category. The 161 Socialist candidates merely received a loan from their party enough to cover their deposits—£424 apiece. This is one-twentieth of what Liberal Democrat candidates got from their party. Komeito gave each of its 59 candidates about £700 although, like the Socialist party, it does offer additional loans when required.

Japan, like most countries, has its legal limits on campaign spending but, even more than in most countries, these are cheerfully ignored. It is calculated, for example, that a candidate must spend £140,000—or more than 20 times the prescribed limit—if he wants

to be certain of victory. Much of this goes in outright gifts. Trifles like umbrellas or packets of soap are distributed to the voters. But community opinion-formers are often given cash gifts of up to £1,400. This kind of largesse is, of course, strictly illegal and its distributors are liable to end up in jail; the party workers who do the job are dubbed kamikazes.

All this spending is expected to produce hardly any political change at all—not surprisingly, since the richest party is spending its millions to keep things as they are. The Liberal Democrats are said to be aiming at about 300 seats but will do well to hold their own; anyway, the real fight is within the party—between the factions led by the prime minister, Mr Tanaka, and his rival, Mr Fukuda. The Socialists are also warring among themselves and are not expected to recover many of the 50 seats they lost at the last election. The Communists may gain a little. But there are no prizes for guessing which party will win.

China

The 20,000 who have got away

FROM OUR HONGKONG CORRESPONDENT

Most international roads may now lead to Peking, with the local Kissingerettes expected hourly from Canberra and Wellington; but the flow of escapers from the people's paradise to Hongkong's hell continues to set new records, with embarrassment on both sides of the 22-mile border.

The colony triumphantly welcomed its millionth tourist of the year last week; it simultaneously reported less enthusiastically the detection of its 5,100th illegal entrant. Last year only 3,694 arrests were recorded. By official computer average, Hongkong reckons, conservatively, that it detects only one of every four "freedom-swimmers." The People's Liberation Army reckons, perhaps extravagantly, that it catches or kills five of every six attempting escapers. So the Year of the Rat, with still another month to go, has set a record, by Hongkong reckoning, of 20,000 successful escapers. The PLA reckoning in Canton is unknown but it should be equally formidable—as penalties for the arrested have recently become.

Here then is a potential problem of colonial coexistence which could become more urgent and which is receiving top-level attention in Hong-



One who died in the effort

kong—in furtive anticipation of Mr Heath's eventual first visit to Peking. The Chinese have remained encouragingly or deceptively silent, even after escapers hijacked a fishing junk in Chinese waters in September, forcing it to sail to Hongkong after picking up 18 more refugees on the Chinese mainland at gunpoint. This was the second hijacking this year; another 56 escapers hijacked a junk to Hongkong on July 20th, and although the junk with its crew of five was immediately and apologetically returned to Canton the hijackers, Cuba-fashion, were allowed to remain.

The Chinese government could have demanded the return of the September escapers under international law, but made no public protest. In the United Nations it has twice insisted that the rising flood of escapers are not refugees because "Hongkong is China." However, there has been no insistence—which the kowtowing Portuguese accepted after the Red Guard terrorism of 1966—that all these non-refugees must be arrested and returned.

Hongkong still remembers gratefully the infuriated aside by a party spokesman when Philippine students hijacked a plane to Canton not long ago: "Peking will never become another Cuba." The disillusioned Philippine students, by last report, are labouring, homesick, on a commune outside Peking—not "imprisoned," of course, but merely "learning to know the masses."

Jordan

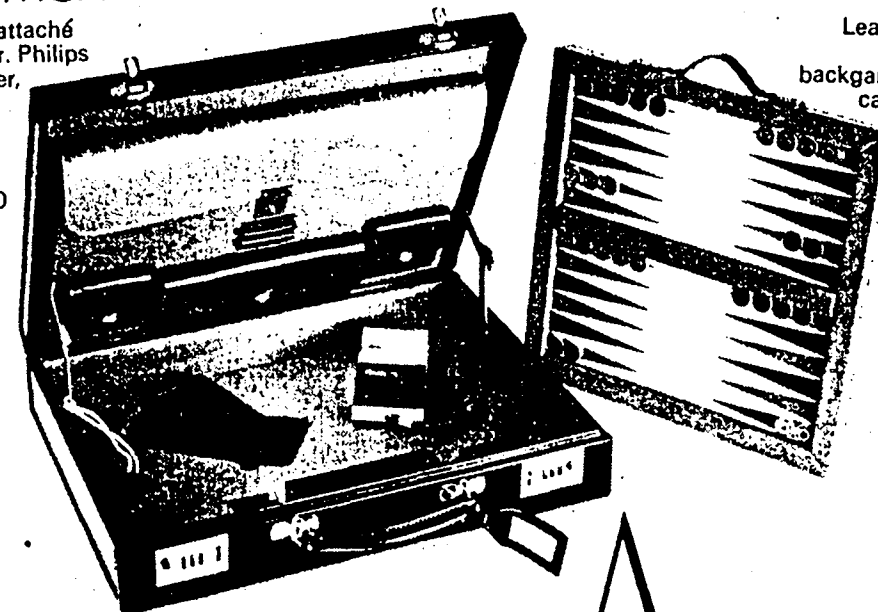
One bank only

FROM OUR SPECIAL CORRESPONDENT

Jordan's East Bank is gradually sliding out of its isolated Arab corner—partly at the expense of its Israeli-occupied West Bank. On December 1st the Syrians formally reopened their fron-

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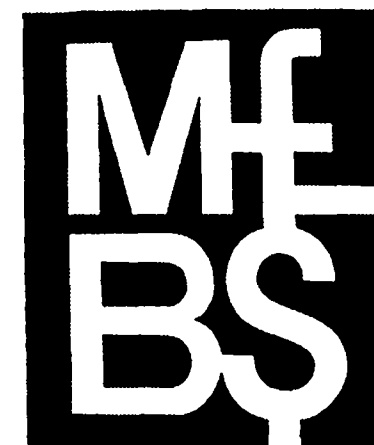
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The last two elections

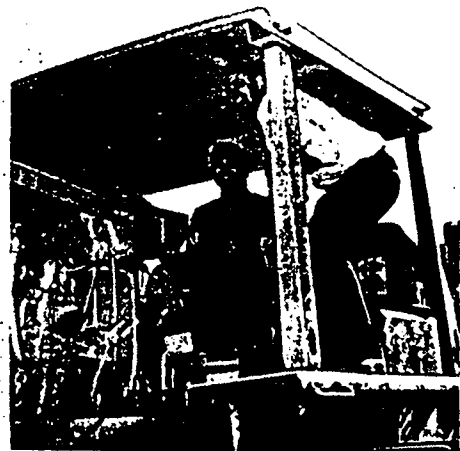
	Seats won	
	1969	1967
Liberal Democrats	288	277
Socialists	90	140
Komeito	47	25
Democratic Socialists	31	30
Communists	14	5
Independents	16	9

tier and their sky to Jordanian traffic; a couple of days earlier the Jordanians had announced new restrictions on people and goods crossing the bridges that link the two banks of the Jordan river. Goods are to be taxed and East Bankers will be able to visit their relatives on the West Bank for only two weeks every two years and may not take much money with them.

True, the Jordanian government, on the eve of its third attempt at a thundering great development plan, is undoubtedly concerned to protect both its currency (Jordan's dinar is stronger than Israel's pound, or Britain's for that matter, and is eagerly snatched up) and its own farmers in the eastern Jordan valley. But Jordan may be winning both ways by doing something that is financially convenient and, at the same time, bowing to Arab, including Syrian, pressures. Arabs have criticised the open bridges policy, partly because of their well-founded suspicion that Israeli produce slips across under a West Bank label and partly because of the collaboration with Israeli authorities that the policy entails.

The opening of the Syrian-Jordanian frontier, officially closed since July, 1971, is a bit of a fraud. Under various pressures, the Syrians have already been allowing many Jordanian exports through, including phosphates on their way to Europe. But it will cut down the cost of Jordan's imports, which at present mostly come the long way round through Aqaba, Jordan's port on the Red Sea. And the reopening of Syrian air space is an unmixed blessing to Jordan's airline and its passengers.

The next move, although there is no intimation when it will come, is presumably the resumption of some form of diplomatic relations with Syria and, more important for Jordan, with



Hassan takes the driving seat at home

Egypt. The theory in Amman is that this would give the green light to Kuwait to resume payment of the subsidy that it, together with Saudi Arabia and Libya, promised to pay to Jordan after the 1967 war but stopped when King Hussein forced the Palestinian commandos out of the country. The Saudi Arabian subsidy never stopped; the Libyan one is shrugged off.

Jordan has not suffered from the defection of Kuwait and Libya. Other countries have stepped generously in, notably the United States but also the Gulf states, including Oman and Abu Dhabi, in thanks, no doubt, for the military services Jordan is rendering them. At the grand, and on the whole very efficiently run, public relations fiesta held last month to present the 1973-75 development plan for the East Bank, the International Monetary Fund delegate was able to describe Jordan's balance of payments position as "generally strong." But more than half the country's public revenue (as compared with a quarter in 1956) comes in the form of foreign assistance. The planners assume that straight budgetary support will continue at its present rate of £48m a year for the three years encompassed by the plan. It is a fine way of making ends meet, if one can do it—and nobody even mentioned the substantial military assistance that Jordan also gets from America.

The plan, the first to be prepared by Jordanians themselves although with advice from the United Nations and World Bank thick on the ground, is the fine healthy infant (weighing 5lb 14oz) of Crown Prince Hassan, who at 25 has taken over most internal affairs from his brother. It aims at a growth rate of 8 per cent a year, and total spending of £215m, of which £120m will come from the public sector (£84m from foreign loans and technical assistance) and £96m from private investment. The bulk of the foreign loans have, in fact, already been pledged, including a whopping sum from west Germany for connecting the old Hejaz railway line to Aqaba, and thus enabling a faster flow of phosphates and other exports to eastern markets. The private investment, at present scarcely visible, may prove the more elusive.

Priority is given to the creation of 70,000 new jobs; the East Bank's present labour force is estimated at 340,000 and unemployment, excluding the enormous amount of underemployment, is around 8 per cent. The birth

rate is guessed to be 3.1 per cent. One of the quickest ways of easing this situation is to concentrate first on agricultural projects in the Jordan valley.

But where does this leave the competitive farmers on the West Bank? The basis of the plan is that Jordan cannot afford to stick around, cap in hand, until such time as the West Bank, "the dearest part of the Jordanian structure," is liberated. Fair enough. But the plan's preamble promises a section on West Bank development pointing the way to eventual economic integration. There is no such section. However theoretical such speculation would inevitably be, its absence, together with the small signal of new restrictions on traffic, underlines the divisive effect of Prince Hassan's regional realpolitik.

Zanzibar

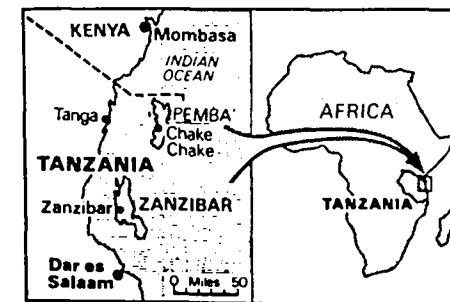
The windows open an inch

FROM OUR SPECIAL CORRESPONDENT

Zanzibar's ruling Afro-Shirazi party opened a week-long delegates' conference in the Fidel Castro secondary school at Chake Chake on Pemba island on December 1st. The conference was the first of its kind since before the revolution in 1964 when the former sultan's government was overthrown. And it was the first big Afro-Shirazi get-together since the assassination of Zanzibar's erstwhile ruler, Sheikh Karume, in April.

Whether or not the conference will achieve its stated long-term aims of socialism and of democratising government in the Zanzibar islands by transferring more power to the people through the party, its short-term consequence will almost certainly be a strengthening of the position of Mr Aboud Jumbe, the new party leader. Students of the party's new constitution, approved by the 900 delegates at Chake Chake, were arguing that it indicated a subtle shift of power away from the party's revolutionary council in the direction of its previously rather unimportant political committee. And they pointed out that responsibility for appointments to the political committee was placed firmly in Mr Jumbe's hands.

The conference, which was an attractive mixture of the technically high-powered (instantaneous translation of speeches into Kiswahili, French and English) and the homespun (delegates and guests after lunch sitting on the



ground under raffia awnings), was important for two reasons. First, it represents an important landmark on the road to normalisation and to the opening up of windows which Mr Jumbe clearly favours. The press was welcomed, and was able to see some of the features not usually associated with Zanzibar, from which it is clear that there is some of its record of which the Afro-Shirazi party can be proud. The typical Zanzibari peasant, with his three-acre plot, is certainly getting a fairer deal now than he was as an estate worker under the sultan's regime. And some of the economic achievements—flat-building by the east Germans and a tractor scheme run by the Chinese—look rather impressive.

Second, it can be assumed that by agreeing to attend the conference, and to speak after Mr Jumbe, President Nyerere of Tanzania was signifying his support of the new leadership. It is no secret that Sheikh Karume was more like a hornet than an agreeable bed-fellow in the rather anomalous union between mainland Tanzania and Zanzibar. President Nyerere is entitled to expect that the relationship will be much less difficult and much less embarrassing in the future.

Sudan

Don't be mean

Next Wednesday a biparty parliamentary delegation will ask Mr Richard Wood, the Minister for Overseas Development, why Britain is being so mean in its contribution to refugee relief in southern Sudan. Britain, which ruled Sudan for nearly 60 years, allowed the black southerners to believe that, come independence, they would not be abandoned to northern Arab domination: independence came, and so did northern domination. So the southerners fought a long, bloody civil war to win the substantial autonomy that was at last promised them in their peace agreement with President Numeiry last March.

In the process their country was devastated and some 800,000 south-

erners driven to exile or the bush. Now they are coming back, but if the peace agreement is to hold they must return to the minimum necessities of living—food, shelter, simple medical care, seed grains and hoes to prepare next year's harvest. Sudan by itself has not got the money to provide these things or, more important in a war-torn country, to get them to the right places. The UN High Commissioner for Refugees appealed for at least \$17.7m in immediate relief aid, and has so far obtained \$14.7m in cash, kind or pledges. In May (before the UN appeal) Britain promised emergency relief worth £200,000; of this, three-quarters has actually been donated in the form of trucks and Land-Rovers. But this, to date, is the sum of Britain's help to southern Sudan.

The MPs intend to ask Mr Wood for a substantial contribution to the UN appeal; this, it is believed, would carry the added bonus of encouraging France and west Germany to follow suit. They also stress that aid is now most needed in un-earmarked cash, rather than kind. The fear is that the ministry, which has already this year dug deep into its pockets for the much larger refugee crisis in Bangladesh and India, may respond with token relief—which might also be copied by France and Germany. Maybe for good reasons or maybe just to postpone the moment of payment, Britain is concerning itself more with the longer-term problems of reconstruction; a British economic planning team is now in Sudan studying the needs. Fine, but why, given the perils and hopes of Sudan's fragile peace, not both reconstruction and relief?

United Nations

It's still too much

The Americans look like getting their way over the reduction of their share of basic United Nations dues to 25 per cent. This will get Mr Nixon out of the difficulty created for him by Congress's demand for a 25 per cent ceiling. It may appease some of those Americans who, particularly since the assembly voted Taiwan out a year ago, have complained that the present assessment of 31.52 per cent is altogether too much. But the most relevant comment is that the other member states ought to be ashamed of having left it to the Americans to demand this change.

An organisation of 132 member states that depends on one member

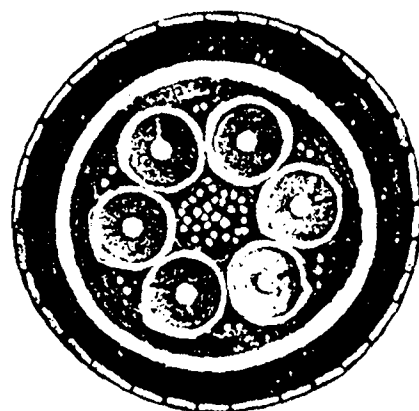
for nearly a third of its revenue, and on five others for nearly two-fifths, is not in a healthy state. The 126 members who between them provide only 30 per cent of the UN's basic budget are not all penurious micro-states; and the sums involved are so small that, if it were agreed that no one state should pay more than 5 per cent, the consequent increase in the others' shares would be imperceptible to their taxpayers. The Dutch and the Australians, for instance, now pay about 15 US cents per head per year, the Poles about 7c, the Spaniards 5c, the Mexicans 3c. If the dues of these and other countries above the poverty line were doubled, in order to free the UN from its financial dependence on a few major powers, the new burdens would be negligible, but the organisation would be in better shape.

The principle that there should be a ceiling of some kind was agreed upon 15 years ago. If it had not been, the Americans would now be assessed, by national income, at around 36 per cent. (Be it noted that they have been contributing more than 40 per cent of the UN's voluntary funds, which are much larger than its budget.) The admission of west and east Germany, and the raising of the Japanese and Chinese assessments, would anyway have brought the American share down by 4 or 5 per cent during the next assessment period. So it has been something of a sham fight in the budgetary committee. But the fact remains that 25 per cent is still too high a ceiling, and that somebody other than the Americans ought now to pursue this point.



The ceiling is still too high

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ACRECREST LIMITED- LONDON

A new name to watch out for in Europe.

Acrecrest Limited, the London-based property group, have recently acquired Comptoir Commercial du Caoutchouc, one of the largest and best known clothing stores in Paris. CCC stands directly opposite the also famous Galeries Lafayette and covers an area of 150,000 square feet.

Included in the acquisition (which was carried out in conjunction with the Phoenix Insurance Company) is CCC's wholly-owned subsidiary known as SEZA, a property holding company with assets of about £1,500,000.

Acrecrest have also received permission for the formation of a French company, Acrecrest S.A. with capital of 5,000,000F. Offices will be at 7 rue Caumartin and the chairman of the proposed company will be M. Bernard Mallet of the well-known French banking family.

As for the retail part of CCC, a new management team is being formed to improve profitability and to this end, M. Gerard Erstein, who has been with the company for the last six years, is named as chairman. He anticipates an annual turnover for the store of £5,000,000 sterling.

Acrecrest Limited, who are already involved in development and investment in Britain to the tune of some £17,000,000, are planning to expand their French and European operations even further. At the moment, they are negotiating the acquisition of property valued in the region of £25,000,000.

THE WORLD

American Survey

Government for a new phase

Washington, DC

Mr Nixon, when newly elected, unveiled his first cabinet in a body on television. This time it is different. Appointments to the second Nixon Administration are being let out in twos and threes and the press secretary does the announcing: though the words of praise are Mr Nixon's, the President himself is never there. Of that first cabinet only two will remain to start the second term, and only one, Mr William Rogers, the Secretary of State, will not have changed his job. The other sticker, Mr George Shultz, has risen steadily since, as Secretary of Labour, he won Mr Nixon's esteem by his judicious interventions in the Administration's internal arguments about social policy.

That was at a time, in 1969, when the whole social climate either was, or seemed to be, more threatening than it is now and when the Administration was more receptive to the idea of direct action to cope with social problems than the second Nixon Administration appears likely to be. There was also then, or at least there appeared to be, some money with which to attempt something. Thus the Nixon welfare reform was born, and Mr Shultz interceded in its favour, and the Nixon proposals were duly announced and went to Congress. But they are dead now and most of the men who worked on them have left Washington.

Mr Shultz, who was not involved in the failure, took over first the Budget Bureau and then the Treasury when Mr John Connally left. He is now to combine the position of Secretary of the Treasury with that of Assistant to the President and will preside over the Council on Economic Policy which Mr Nixon has decided to set up. This new body does not supersede the Council of Economic Advisers to the President, which will

be represented on it along with other agencies and departments.

Other bodies with not dissimilar names, including the Council on International Economic Policy, are also intended to be subordinated to Mr Shultz and his new council. When the press secretary, Mr Ziegler, said the words in Key Biscayne last weekend their meaning seemed almost plain:

Secretary Shultz will be the focal point and the overall co-ordinator of the entire economic policy decision-making process, both domestically and internationally.

Should that really happen, the responsibility would not be in bad hands. Thoughtful, sensible, thorough and sparing of words, Mr Shultz is a sound Chicago economist with a background in labour issues.

In foreign economic questions his predispositions are towards flexible exchange rates and free trade, but in fact he had never dealt much with any foreign subject until his arrival at the Treasury last spring. In getting the conduct of foreign economic policy into his hands he may face stiff competition from several sides of Mr Nixon's house. By giving him the twin hats of Secre-

tary of the Treasury and Assistant to the President Mr Nixon appears to have given him the necessary authority to enable him to hold his own, but what will really happen is not so certain. Mr Nixon relishes a bit of competition, even a bit of friction, among his servants and said so last month in discussing the relationship, which all but he consider a terrible thing, between Dr Kissinger's national security staff and the State Department.

Setting up a new council is often Mr Nixon's way of recognising that a subject is going to need handling: how it will be handled, and by whom, can remain veiled for a time. The reorganisation of the Administration, as it dribbles out bit by bit, contains many indications that Mr Nixon is preparing himself for a new phase of his foreign policy in which European relations and foreign economic policy (including trade negotiations and the reform of the international monetary system) will have a much bigger part than in the past. At the State Department, for instance, Mr William Casey is to take the new post of Under Secretary for Economic Affairs: Mr Casey, at present chairman of the Securities and Exchange Commission, is a strong appointment. The move of Mr Kenneth Rush from Deputy Secretary of Defence to Deputy Secretary of State also lends colour to the Administration's talk, usually belied in the past four years by its actions, of making serious use of the State Department



Coffee and economics for Shultz and Connally at Key Biscayne

and the foreign service.

Yet Mr Nixon, still deeply preoccupied with the search for a ceasefire in Indochina, is not quite ready for the new phase and his appointments for it are correspondingly incomplete. Mr Rogers has been confirmed in his tenure as Secretary of State, which has been principally made possible so far by his patience in subordinating himself and his department to the man on the flying trapeze, Dr Kissinger. Also confirmed in his tenure is Dr Kissinger, but that could be considered necessary to maintain his effectiveness as the negotiator for Vietnam. Here are two appointments better left alone until the Vietnam negotiations are concluded and the only way for Mr Nixon to leave them alone is to confirm them with all show of permanence.

Locked up in Paris, Dr Kissinger cannot have been participating fully in the aspects of Mr Nixon's shuffle that concern European and foreign economic policy. If he had, he might not have wanted the job of advising the President on foreign economic policy to be separated from that of forming foreign policy as a whole. He has experienced the effects once already, when Mr John Connally was riding herd on the foreign central bankers and trade ministers last year; then the political relations of the United States with western Europe, Japan and Canada were expected to take the strain. Not only Dr Kissinger but his deputy, General Alexander Haig, are wrapped up in the Vietnam question. General Haig, an intelligent, well-organised soldier who has risen rapidly in Dr Kissinger's and particularly in President Nixon's estimation, is to move to the Defence Department as vice chief of staff of the army as soon as the work on Vietnam permits. A reorganisation of Dr Kissinger's own staff, so far untouched by President Nixon's shuffle, cannot long be avoided.

One man who aspires to a distinct place in the making of foreign economic policy is the Secretary of Commerce, Mr Peter Peterson, but the outlook for his aspirations has become rather unpromising. Until February Mr Peterson was an assistant to Mr Nixon and chairman of the Council on International Economic Policy. He then became Secretary of Commerce when Mr Maurice Stans left the cabinet to raise the funds for the Nixon re-election campaign.

Why Mr Peterson should now have to leave his post at the Commerce Department is unexplained: the guess

The other White Houses

FROM CORRESPONDENTS WITH THE PRESIDENT

The one restaurant in Thurmont, Maryland, says it is the place where Winston Churchill once had a meal. This is one of the few visible indications that a seat of presidential power is nearby. Thurmont is, in effect, the post-office address for Camp David, seven miles away, the rustic retreat where President Nixon, as he has said, feels more at ease than in the formal splendour and inescapable visibility of the White House. Mr Nixon has also said that he intends to use the place more often in his second term. This is where he has been making most of the decisions involved in the reconstruction of his Administration. It was here that his new economic policy was secretly formulated in 1971. Since his re-election he has spent more time here than anywhere else and, as he told the newsmen in attendance at a recent brief talk, he intends to use it as a place to make "major decisions."

The camp is well hidden in the Catoctin mountains. "No stopping" signs meet the motorist as he approaches the formidable barrier of double steel cyclone fences, topped with barbed concertina wire, floodlit at night, that surrounds the enclave of 135 acres. Just inside the gate, where marines stand guard, is a caravan for the press; when a briefing occurs, buses take the reporters to a hangar fixed up for the purpose, and bring them back. Few of them have seen the grounds or the lodges where the President and his assistants are accommodated. They have no direct way of knowing who comes and goes, or when.

The camp was built during the depression of the 1930s to make work for the jobless. President Roosevelt chose it in 1941 as the site for a hide-away where he could relax and be free of the humid heat of the Washington summers before air conditioning. He sketched the plan for the presidential residence, now known as Aspen Lodge. FDR called it Shangri-La and he did indeed meet there with Churchill and other allied leaders during the

second world war, starting a tradition.

President Eisenhower renamed it Camp David after his grandson, who is now Mr Nixon's son-in-law. The short-lived "Spirit of Camp David" derived from Mr Eisenhower's meeting there with Mr Khrushchev.

The living quarters comprise two main lodges and 10 guest cabins. Relaxations are available, from swimming to pitching horseshoes. Stone fireplaces and exposed beams contribute to an atmosphere of rusticity. The presidential "cabin" cost \$60,000 to build; no information is available about the cost of subsequent changes or improvements either to the cabin or to the rest of the camp. Because the place was originally served by the crew of the presidential yacht, the staff at Camp David remains naval still. Seabees do the housekeeping.

At Key Biscayne in Florida, by contrast, President Nixon is on his own property and—for all that the key is an island reached by a causeway—in mid-suburbia. A 10-foot hedge of hibiscus hides an iron spike fence, beyond which is a small collection of one-storey villas of beige brick and stucco. Two buildings house military and other support facilities. A third houses Mr Charles (Bebe) Rebozo, the Florida land speculator who is probably the President's closest friend, from whom Mr Nixon bought the property in 1969.

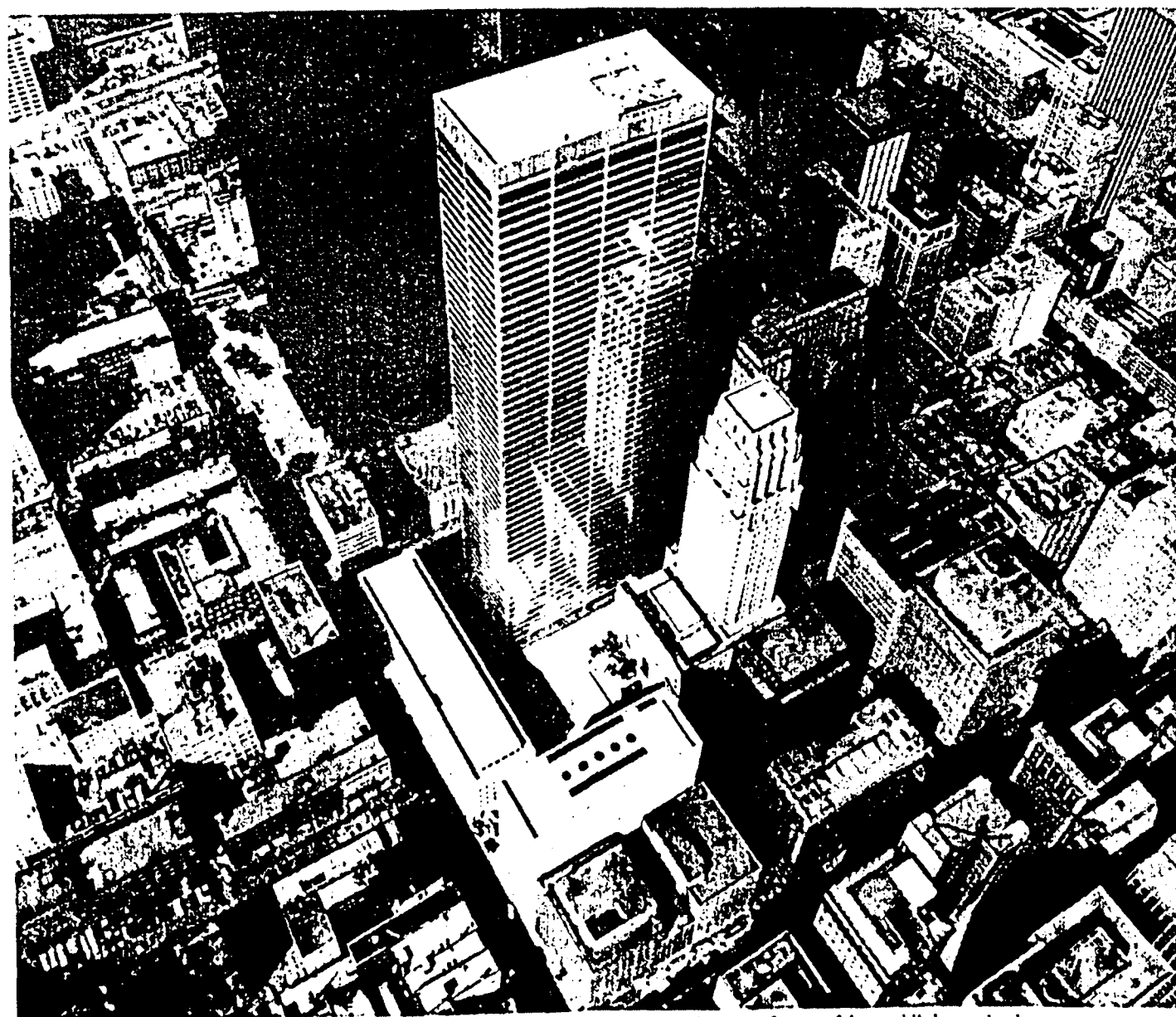
The two remaining villas are Mr Nixon's, smallish three-bedroom affairs bought at about \$125,000 apiece. No figures are available concerning the public cost of equipping the compound as a presidential residence. The President lives in one villa. The other is mostly kept for members of the family. Official visitors, of whom there are many when Mr Nixon has a working session, do not stay there and there is no record of one even being asked to dine. Local flora abound: hibiscus of watermelon pink, oleander, umbrella and eucalyptus trees, coconut palms and lawns of the unattractive wire-grass which is a Florida staple.

Inquisitive people approaching by sea are warned away from this piece of shoreline. Mr Nixon's appearances on the beach, however, are pretty well confined to his late afternoon walk. When he goes out for recreation it is more likely to be for a promenade on Mr Rebozo's houseboat or a helicopter ride over to the estate of his other Florida friend, Mr Robert Abplanalp, on Grand Cay.

Both retreats differ from the third one at San Clemente, in California, with its 14 rooms and the Pacific surf booming at Mr Nixon's door. Each place evidently fulfils a distinct and separate presidential need.



The press is kept in its place



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WESTERN MINING CORPORATION LIMITED

HIGHLIGHTS OF CHAIRMAN'S ADDRESS

The Annual Meeting of Western Mining Corporation Limited was held in Melbourne on Friday 17th November 1972. Highlights of the Address delivered by the Chairman, Sir Lindesay Clark, include the following:

FINANCIAL

The Company's profit was substantially lower than in the previous year, due to difficult conditions in the nickel market and the revaluation of the Australian dollar against the U.S. dollar. The Company's proportion of consolidated profit for 1971/72 was \$14,237,000 after deducting from the operating surplus of \$25,875,000 an amount of \$11,638,000 for depreciation, amortisation, exploration and other expenditure written off. Of the total funds generated, \$8,539,000 was appropriated for dividends to shareholders. \$3,145,000 was spent on exploration outside operating mines. \$8 million was used for repayment of the term loan and the balance \$34,361,000 was used for capital expenditure mainly in nickel operations.

NICKEL SALES

Sales of nickel in concentrates and as refined metal decreased by 10.6%, from 68.7 million pounds of nickel in 1970/71 to 61.4 million pounds in 1971/72. Stocks of finished product increased from a market value of \$8,855,000 to \$21,718,000 at June 30, 1972. Because depreciation, amortisation and other fixed expenses were charged in full against sales, the increase in stocks had an adverse effect on profit. The major nickel producers base their prices on the Canadian producer price, which is fixed in U.S. dollars. The Company therefore had to absorb the reduction in revenue due to the revaluation of the Australian dollar against the U.S. dollar to remain competitive in world markets and the profit in 1971/72 was thereby reduced by an estimated \$3,400,000. When continuing inflation causes costs in Australia to increase more rapidly than in other countries, the ability to compete internationally is lowered. Revaluation of the Australian dollar has the same effect. These conditions could eventually lead to a reduction of the Company's activities and a consequent loss of employment rather than the increase which could be expected under more favourable circumstances. All major nickel producers suffered a set back in 1971 because of reduction in consumption, currency charges and cost increases. The resulting economic pressures on producers forced the increase in nickel prices announced in September and October this year. Most of Western Mining's sales of nickel metal, matte or concentrate, were under term contracts which provided for price adjustment in the event of changes in world prices. When the new prices are fully effective the average price for WMC nickel products will increase by 15% which will approximately balance the loss due to revaluation and increasing costs. Sales of nickel throughout the world increased somewhat in 1972 as consumers built up stocks in anticipation of a price rise. As a consequence WMC's stocks of refined metal had been reduced since the

close of the financial year.

The Company is strengthening its sales efforts by establishing overseas offices in the major markets of Europe and USA. Competition remains keen but the Board believes that the basic position of WMC is strong.

NICKEL OPERATIONS

Kambalda Nickel Operations produced 33,000 tonnes of nickel in concentrate in 1971/72. Improvements in milling practice increased the grade of concentrate from 11.5% to 13% nickel and reduced magnesia content. These improvements would increase the efficiency of the Kalgoorlie Nickel Smelter. Detailed drilling was in progress to evaluate five new areas of mineralisation located during the year at Kambalda. Exploration had commenced under Lake Lefroy, between Kambalda and St. Ives and results to date suggested that the same structure which contained the nickel sulphide ore bodies at Kambalda and St. Ives underlies the lake. Exploration continued in the Paris-St. Ives reserve. The Kwinana Nickel Refinery operated with greatly improved efficiency during the year and reduced the effect of increases in the costs of wages and supplies. The capacity had been increased to 20,000 tonnes of refined nickel per annum. Initially the Kalgoorlie Nickel Smelter will have a capacity of 200,000 tonnes of concentrate feed per annum. This capacity could be increased by approximately 75% with the use of oxygen. Construction of the Smelter was on schedule and it should begin operation early in 1973. WMC and Sherritt Gordon Mines Limited of Canada will each purchase one half of the nickel concentrates to be produced by Poseidon Limited at Windarra, W.A. for a period of five years from late 1974. This concentrate would be treated in the Kalgoorlie Smelter.

URANIUM EXPLORATION

The Yeelirrie uranium deposits discovered by WMC during the year occur in sediments filling an ancient river bed. The mineralisation occurs in horizontal layers, mainly within 25 feet of the surface. Exploration had outlined an area of 28 miles long by 2 miles wide containing anomalous uranium values. A zone 6 miles long, had been tested by auger and rotary drilling and ore reserves in this area were estimated to be 32 million tonnes containing 0.15% uranium oxide (3.3 lbs. per long ton). This was equivalent to 46,000 tonnes of contained uranium oxide, of which 24,000 tonnes was contained in ore which averaged 0.36% uranium oxide (8 lbs. per long ton). Whilst metallurgical and feasibility studies were not yet completed, it was clear that an economic operation could be established at Yeelirrie. It was anticipated that with the rapid increase in demand for uranium for power generating purposes the supply-demand position would come into balance towards the end of the 1970's and prices would firm. In the 1980's there was expected to be a strong demand for uranium. Indications were that production at Yeelirrie was likely to begin late in the 1970's. The Company

currently held 280 square miles in Western Australia, either wholly or under joint venture, in which systematic exploration had just begun.

COAL

Studies of the feasibility of establishing mining operations at Hail Creek, inland from Mackay, Queensland, were completed during the year. Alternative plans had been prepared for a range of outputs up to 5 million tonnes of washed coking coal per year. Negotiations were begun with Queensland State Government Departments regarding provision of rail, port, housing, water supply and electric supply. The Joint Venturers were seeking long term contracts with Japanese Steel Mills, whilst European Steelmakers had also shown interest in this class of coking coal.

GOLD

Since the increase in the free market price of gold and the liberalisation of the Federal Government's Gold Subsidy scheme, both Gold Mines of Kalgoorlie (Aust.) Limited and Central Norseman Gold Corporation N.L. had resumed development.

ALUMINIUM

Alcoa of Australia Limited, which is 20% owned by WMC, earned a net profit of \$16.4 million in 1971. WMC received a dividend of \$800,000. The enlarged output which Alcoa had now attained was expected to result in increasing returns so that it should in due course become a much more significant contributor to WMC's income. In spite of difficult conditions in 1971/72 Alcoa continued to make significant progress. It was now the largest producer of alumina in Australia. With the completion of the first two units, Pinjarra Alumina Refinery had an annual capacity of 600,000 tonnes of alumina. Following the signing of a new long term contract with AMAX, starting in 1975, it had been decided to increase the capacity of the refinery to 800,000 tonnes of alumina per annum.

FUTURE DEVELOPMENT

Production of nickel from Kambalda in the last two years, including ore purchased from the Nepean mine, had been at a rate of about 33,000 tonnes of contained nickel per annum. It was expected that production this year would be approximately 36,000 tonnes of contained nickel, and that further gradual increases in output would take place in the next few years. With the completion of the Kalgoorlie Smelter, shipments of matte should commence early in 1973. Long term contracts were held with two Japanese nickel refining companies for the sale of high grade nickel matte. These sales will partially replace current shipments of nickel concentrates but will result in an overall increase in the quantity of nickel sold to Japan. Nickel sales for the first four months of this year were substantially higher than for the same period last year. With the higher price for nickel and improved sales, prospects for the current financial year were appreciably better than last year.

15/91

that many debts of honour to the business community were piled up in the spring and summer of political fundraising, and that Mr Peterson is not thought the best man to preside over the payment of such debts, can only be hazarded. At all events he is to go.

After a few months as travelling ambassador for the President, in preparation for the trade negotiations of Mr Nixon's second term, he is to return to private life and the Administration will have lost a valuable man. His replacement at the Commerce Department, Mr Frederick Dent, is a textile manufacturer from South Carolina who enjoys the recommendation of President Nixon's old ally in southern politics, Senator Strom Thurmond.

Mr Peterson's trouble may have been that of being brought by chance into too close contact with, but yet not belonging to, the little group of Mr Nixon's old campaign workers who still, under the President, run the White House. Mr Nixon and they have said that the swollen White House staff is to be cut severely. And so it will, for a time, especially among the multitude of thinly disguised political campaign operators whose services the President no longer requires. One of the more powerful of the inner group, Mr Charles Colson, is leaving to establish himself in a law practice close to the Administration. Mr Haldeman, Mr Ehrlichman, Mr Flanigan, Mr Ziegler and others long associated with Mr Nixon's fortunes are to stay, the true nucleus of the Nixon Administration.

Nixon disposes of waste

The President is heading for a showdown with his new Congress. Defying the wishes expressed by both congressional parties, he has ordered the Environmental Protection Agency to allot only \$2 billion this fiscal year and \$3 billion in the following year to clean up America's waterways. Before it adjourned in October Congress authorised \$11 billion for this same period. The President vetoed the bill on the grounds that it was "budget-wrecking," that it would be inflationary and that avoiding a tax increase was a much higher priority. But both houses of Congress stuck to their guns and over-rode the veto by repassing the bill by large majorities. President Nixon might have left it at that. Although under the terms of the bill he is required to allot the full



Ruckelshaus, man in the middle

authorisation made by Congress to the states, he was left enough power to turn down plans for sewage and waste disposal facilities when they are submitted to the EPA for approval. There is one snag to this approach. If the authorised money is not spent within the two years it can be used again at a later date. President Nixon therefore decided that he would slash the authorisations themselves. Even the head of the EPA, Mr William Ruckelshaus, questions whether the President has the power to limit funds in this way.

President Nixon is courting trouble not only from Congress but also from states and cities, which have to put up a quarter of the funds; the rest is supplied by the federal government. The move is also a blow to industries which were hoping to save money by renting the use of public waste disposal facilities rather than building their own. As public authorities are now forced to cut back their original plans, industry will have to shoulder a much heavier cost. The mayors of large cities have already made known their disapproval of the President's action and have said that there is now no hope of meeting the deadlines of clean water set under the act. Congress wants the first stage of the clean-up to be completed by 1977 and the second—an end to the discharge of all pollutants into navigable waterways—by 1985. Mr Ruckelshaus maintains that part one can be achieved by 1982, only one year later than he estimated was possible under Congress's bill.

Local governments are now likely to insist that if the money is put on ice then the penalties for not meeting the standards should also be put in cold storage. Some states may be more drastic in their reactions. Those, such as Florida and New York, which are already well ahead with their plans for sewage-treatment plants and have

been banking on federal money to pay most of the bills may decide to challenge President Nixon's action in court.

Goodbye Apollo

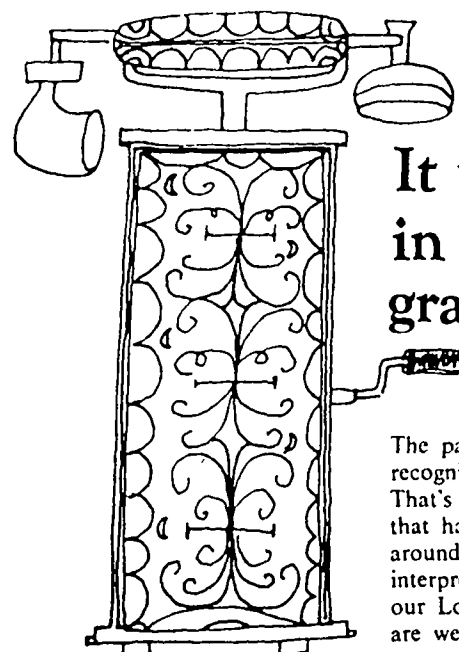
The last of the Apollos had an exciting send-off. Only 30 seconds before the launch the flight had to be delayed for almost three hours while the engineers hunted for a mysterious fault. The last days before the blast-off also had their troubles. A strike over pay was threatened by 59 artists and writers employed by the Boeing Company and there was a fear that other workers at Cape Kennedy would observe the picket lines and force the delay of Apollo 17 if the strike materialised. It never did. There was also a possibility that a strike by electricians against the Columbia Broadcasting System might jeopardise the television coverage not only of CBS but also of the two other commercial networks. Some of the National Aeronautics and Space Administration's employees belong to the same union that has struck CBS and they threatened to stop all television coverage in order to prevent the other two networks leaking film to CBS. In the end the blast-off went out to the world as usual.

There were about 500,000 spectators at Cape Kennedy for blast-off on Wednesday night, the largest crowd since Apollo 11 took the first men to the moon in 1969. Another 700m viewers in five different continents were expected to turn on their television sets to watch the last men for a generation set out for the moon.

The crew of Apollo 17, Captain Eugene Cernan, who went up in Apollo 10, Commander Ronald Evans and Dr Harrison Schmitt, the only scientist to go to the moon, was the first to take off in the dark; this was to give them the right conditions in which to work. The blaze left by the Saturn rocket could be seen from North Carolina to Havana.

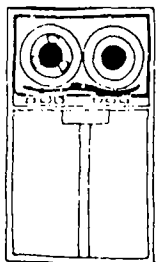
The days between take-off and touch-down—all being well Apollo 17 will splash into the Pacific on December 19th—have lost their excitement and fascination for television viewers. Almost 22 hours of colour transmissions are planned for Apollo 17 but probably not much of this will be broadcast unless something goes wrong with the mission. During the last flight the three commercial networks showed less than eight hours each of the 21 hours that were televised. This time CBS may be forced to show even less.

At one point it seemed possible that



It was all very well
in
grandpa's day

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225 public television stations might fill the gap. In November Nasa, which is unhappy about the public's declining interest in space, proposed that these stations should cover the whole mission. But apart from the problem of who would finance this massive operation—Nasa was not prepared to foot the bill and the public television service is chronically short of money—there were matters of principle at stake.

The Corporation for Public Broadcasting, the federal agency that channels funds into public television, by-passed the Public Broadcasting Service, which normally controls the programming and the distribution of material, and took Nasa's proposal straight to the stations. Both they and the PBS saw this as an effort by Mr Henry Loomis, the new president of CPB who is close to President Nixon, to gain a greater control over what is put out over public television. They also felt that letting a federal agency put its own packaged view of space on the public airwaves without any editing would be opening another door to governmental control.

Bart derailed?

FROM A CORRESPONDENT IN SAN FRANCISCO

The supremacy of the machine over man is being challenged in California, where the legislature, the state Public Utilities Commission and the national authorities are investigating the adequacy of the much touted electronic controls which operate San Francisco's new Bay Area Rapid

Transit (Bart). Riders on the 28-mile section of Bart which has been opened do not seem to have been put off by the accident in October, when a train crashed through a barrier and down an embankment, injuring five people. But it has been established that the signals warning an oncoming train of the presence of a train ahead of it do not always function. The signal is carried through the rails, picked up by the train's wheels and, in theory, transmitted to the operating controls which slow down or halt the following train. But sometimes the computer loses track of real trains or reports phantom ones.

This engineering problem is something which Bart's experts have been trying to solve and which they themselves disclosed to the legislative investigators, but its persistence has raised questions about the reliability of the whole computer-controlled system. At present the risk of electronic failure makes constant manual supervision necessary. The train has to keep in telephonic communication with stations ahead to make sure that no previous train has lost its power and come to a halt. Although human supervision ensures safety on the present run, which has no switch point, it would not do when service to San Francisco opens. Then trains from different parts of the system will converge on a single line; this flow of fast traffic (a train every 90 seconds) could not be controlled safely by time-consuming "calling-ahead." Critics also claim that Bart has no "back-

up" system, should its electrical plant fail; one state legislator compared it to a *Titanic* without lifeboats, built on the assumption of perfect performance.

This wave of serious criticism, accompanied by charges that Bart pays too high salaries and fails to supervise its contractors properly, is expected to result in an inquiry by a panel of independent experts. Bart supports this proposal. Its contract for automated control of trains was carried out by the Westinghouse Electric Corporation, which argues that the October accident was due to a "one in an umpteen million" failure. But the view among Californian officials appears to be that this much mechanical sophistication is not to be trusted; men are better.

Unfortunately, accidents can also happen with men at the controls. At the end of October 44 people were killed in Chicago and 320 injured when an Illinois commuter train, which was backing into a station that it had overshot, was run into and crushed by a following express. Last year 11 people were killed in a derailment, the result, it seems, of faulty maintenance. An all-round tightening up of safety rules, tests of rolling stock and standards for passenger carriages appears likely; Bart's officials will be gratified if it includes the wider use of automatic controls which stop a train if a crash seems imminent.

Uncle Sam's commonwealth

FROM A CORRESPONDENT IN SAN JUAN

Puerto Rico and the United States have a unique form of association: a peculiar blend of statehood, independence and colonial status. The Caribbean island, three and a half hours by jet aircraft from New York, has a population of 2.8m—not counting the more than 1m Puerto Ricans living in the United States. Puerto Rico is certainly a colony in some respects: for example, Puerto Ricans are conscripted in the American army but cannot vote in the presidential elections. In important areas such as fiscal policy the island is autonomous. Yet in other respects there is no difference between the status of Puerto Rico and that of, say, California: thus, Puerto Ricans carry American passports, and trade, migration and capital movements to and from the United States are free.

Last month the Puerto Ricans made it clear that they do not want any



Sophistication comes to a dead end

change in their present status that would link them more closely to the United States. In their elections for governor and the island legislature they voted decisively against the New Progressive party (PNP) and its candidates who are in favour of the island becoming the 51st state of the union. They ousted Sr Luis Ferré from the governorship and replaced him with the young and attractive Sr Hernandez Colón of the Popular Democratic party. The PDP brought about the present commonwealth status but it has been out of power for

four years after a long period in control. Last month in a surprising comeback the candidates of the PDP were returned to the legislature from all sections of the island except the two major cities. But Puerto Ricans have also indicated that they are not prepared for total independence. Three small parties advocated breaking away from America. The largest and most successful is the Puerto Rican Independence party which has a socialist platform. But it came in a weak third and failed to win a seat in the senate for its leader, Sr Ruben Berios.

The real contest was between the PNP and the PDP. The ideological shallowness of the campaign was to some extent due to a broad consensus that things had gone pretty well. Income a head is by far the highest in Latin America; income distribution is less unequal than in other Latin American countries.

Sr Colón has already said that he intends to do something about taxes in an attempt to narrow further the gap between rich and poor—though not by weakening the tax incentives by which the island attracts industry.

Shifts on the Hill

Already the jockeying for position in the new Congress has begun, with the leadership in both parties and both houses unusually unsettled. The most important job up for grabs is that of leader of the Democratic majority in the House of Representatives; this post was formerly held by Mr Hale Boggs of Louisiana who is now presumed killed in an air crash in Alaska in October. Well ahead of the field is Mr Thomas O'Neill of Massachusetts who was picked by Mr Boggs as the House majority whip—the usual stepping-stone to higher party office. The only other declared candidate is Mr Sam Gibbons of Florida who, like Mr O'Neill and despite his southern constituency, is a critic of the Vietnam war and a liberal in domestic politics.

The strong possibility that Mr O'Neill will go one higher has thrown his present post of party whip into the arena. The job is by custom in the majority leader's patronage and so the leading contenders are Mr John Brademas of Indiana and Mr John McFall of California; Mr O'Neill made them his chief assistants last year. Not surprisingly Mr O'Neill opposes the attempt by the liberal Democratic Study Group to make the post elective. The group argues that the post deserves such treatment because of the way that it has become a regular rung up the ladder towards majority leader and then Speaker of the House. As for the Republicans, there is a good chance that the conservatives may again challenge the present middle-of-the-road chairman of the party in the House, Mr John Anderson of Illinois.

What will have a greater effect on the actual workings of Congress is the unusually large number of new committee chairmen—six in the House and four in the Senate—because of retirements, defeats in primary elections and, in one case, death. One of the most dramatic changes will be in the House Rules Committee where, by the seniority tradition, Mr Ray Madden moves up to replace the retiring 82-year-old Mr William Colmer of Missis-

sippi. This liberal from Indiana will thereby break years of "Dixiecrat" sway over the Rules Committee.

By succeeding Mr Wayne Aspinall of Colorado in the chairmanship of the Interior Committee, Mr James Haley of Florida ends a long period of western predominance (the federal lands which the committee supervises are mainly in the west). More important, Mr Haley will probably show more sympathy for conservation interests than did Mr Aspinall, who was named by the League of Conservation Voters as one of their "Dirty Dozen." Mr Peter Rodino replaces the 84-year-old Mr Emmanuel Celler as chairman of the House Judiciary Committee. Oddly, the new younger chairman may well put much more emphasis on issues of law and order than did Mr Celler, whose great work was the passage of civil rights bills in the 1960s.

In the Senate important changes have already taken place, following the death last summer of the chairman of the Appropriations Committee, Senator Allen Ellender of Louisiana. Senator John McClellan of Arkansas took over that committee, moving from Government Operations, where he was succeeded by Senator Sam Ervin of North Carolina. Next

year the aggressive Senator McClellan is expected to scrutinise "waste" in the executive branch while Senator Ervin, a constitutional expert, is likely to concentrate on encroachments by the executive on the legislature.

How long the seniority system will last in its present automatic form, at least in the House, is in some doubt. In both the Senate and the House the Republicans—perhaps because, not having control of the committee chairmanships, they have fewer vested interests than the Democrats—have taken the lead in reform. At the start of the 92nd Congress they agreed in the Senate that a Republican could only be the top-ranking member of one committee at a time and in the House they actually agreed that every top-ranking Republican on each committee must be elected. The Democrats were not prepared to go nearly as far in 1971.

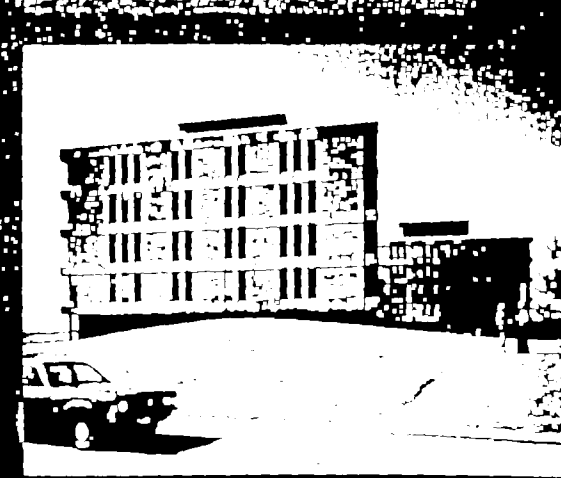
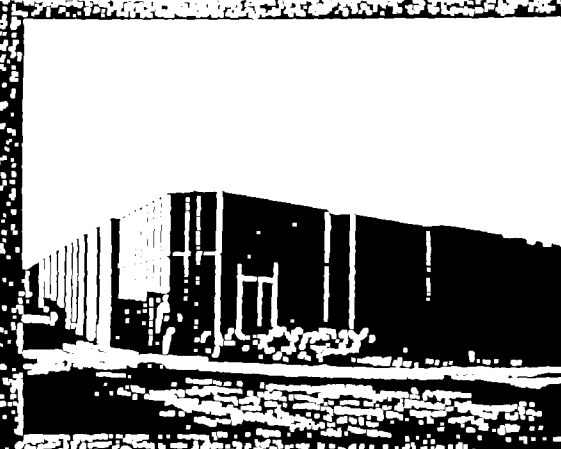
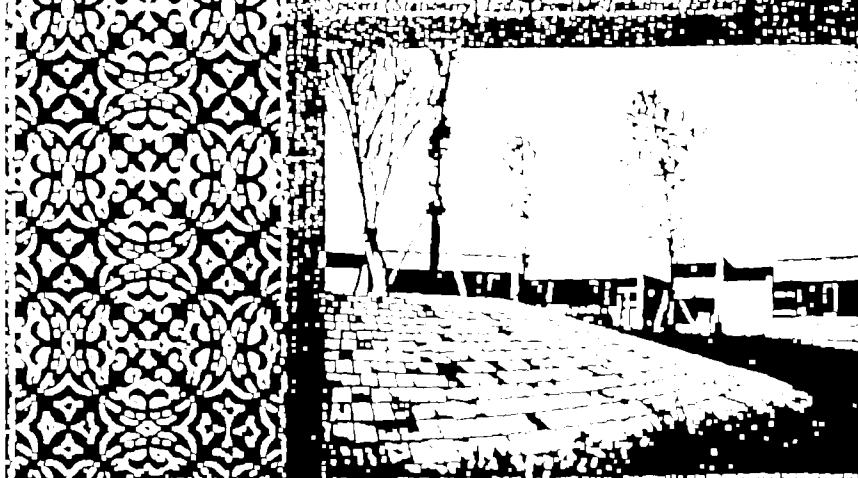
Today's mood may not be very much changed in the Senate—although a Republican, Senator Mathias, is again holding hearings, this time with a Democrat, Senator Stevenson, on the House there is growing support for evils of the seniority system. But in the some kind of reform. However, the system may prove easier to modify in theory than in practice.



Cram course for new members of Congress

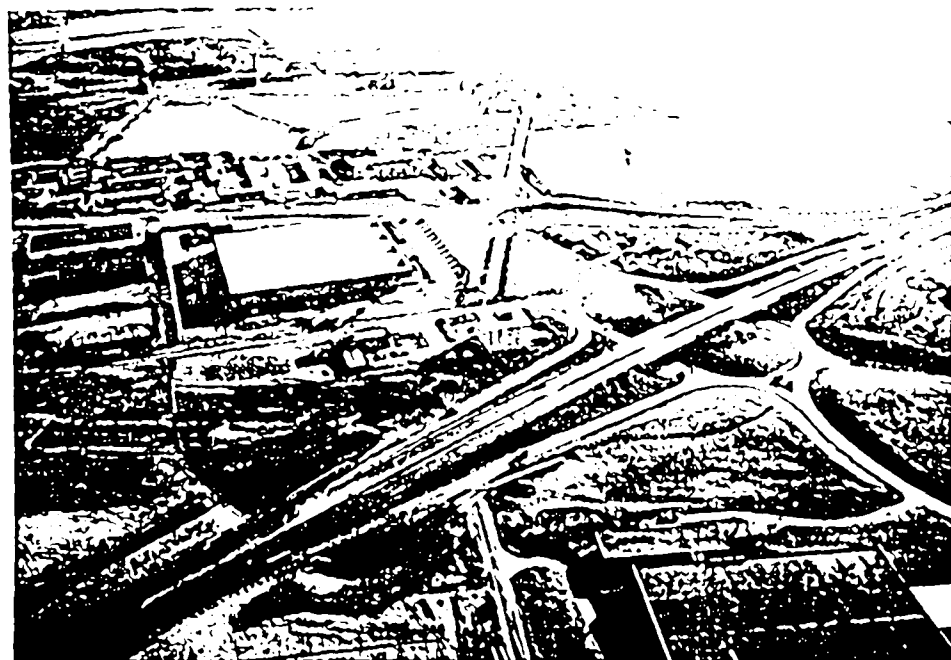
Once upon a time...

industry's solution to a bulging order book was to add an extra bay or two to their existing factory and put in a few more machines. Nowadays the solution is not quite that simple. Planning permission and Industrial Development



certificates, availability of labour with the necessary skills, land for extensions, communications, raw material and many other factors have to be considered.

The prudent industrialist's solution to the problem is to have a team of experts make an appraisal of the advantages and disadvantages of the plan; what possible extensions or establishing in other parts of the country. Not known with their concentrated development and specialised facilities with their own own facilities.



Aerial view of a section of the Washington Highway.

high on the list of alternatives. Washington (the one in County Durham) has both these advantages – it is a new town and it lies in a Special Development Area.

During the past 5 years (since the Master Plan was approved) more than 100 new companies have realised the benefits to be gained by moving to this new town in the North East. Many have expanded very quickly – some, such as Timex, fourfold within four years.



The Western Highway.

Although still a relatively 'young' new town, Washington has been widely acclaimed for its advanced planning concepts, architectural and environmental standards (11 design awards to date) and its social policies. Its road network compares favourably with the world's best and the town is generally recognised as being one of the most successful examples of regional planning in this century.

The new town offers a wide variety of well designed standard factories in various sizes and set in landscaped parkland. Alternatively we will build one 'tailor made' to your requirements or lease you land on a fully serviced site to build your own.

There is an abundant supply of skilled and semi-skilled labour available in the area.

The New Town road network is based on a mile grid of dual 'carnageway' roads built to motorway standards and linked to the adjoining regional and national motorway network. There is a freightliner depot and an airfield on the boundaries and the ports of the Tyne, Wear and Tees are but a short distance away.

Washington is a co-ordinated development. New factories, roads, houses, schools and all the amenities that modern society demands are provided at the right time.

Residential development is being provided in 18 villages, each with about 1300 houses and a population of around 4000. Each village has its own school, shops, pub or club and community hall.

A wide range of well designed houses in a variety of styles and sizes are available for sale or for rent.



Corporate housing for rent, Rye Hill Avenue, Harrison Village. This scheme has won 7 awards for good design in housing.



Housing for rent, Rye Hill Avenue, Harrison Village.



Housing for rent, Rye Hill Avenue, Harrison Village.

Books

Mr Gradgrind and the Cambridge pop group

POPULATION, ECONOMY AND SOCIETY IN PRE-INDUSTRIAL ENGLAND

By J. D. Chambers.
Oxford University Press. 176 pages.
£1.50 cloth, 75p paperbound.

NINETEENTH-CENTURY SOCIETY

Edited by E. A. Wrigley.
Cambridge University Press. 448 pages. £8.

HOUSEHOLD AND FAMILY IN PAST TIME

By Peter Laslett with Richard Wall.
Cambridge University Press. 635 pages. £12.

FAMILY STRUCTURE IN NINETEENTH-CENTURY LANCASHIRE

By Michael Anderson.
Cambridge University Press. 240 pages. £5.

The nineteenth century invented both sociology and statistical data. And Mr Gradgrind was among its archetypal figures: "A man of facts and calculations. . . . With a rule and a pair of scales, and the multiplication table always in his pocket," inhabiting his windowless observatory where "the most complicated social questions were cast up, got into exact tables, and finally settled." But Dickens's lampoon was unfair. The modern obsession with measurement is an indispensable route to an understanding of society and social change. And nowhere is this more true than in that half-charted area where the ideal of a quantitative sociology encounters the reality of demographic change. Behind Thomas Gradgrind loomed Thomas Malthus.

The statistical study of modern population is particularly favoured by that characteristic bit of Gradgrindery—the census. How much more difficult, then, to discuss the population problems of pre-modern, pre-census societies: a task undertaken with admirable judiciousness by the late Professor Chambers in his book on pre-industrial England. In some ways this is "old-fashioned" demographic history, appraising the patchy and ambiguous evidence of population change and exploring its relationships

with prices, production and economic performance. The questions, although not the answers, are Malthusian, for Chambers concluded that by and large demographic change was not a strict function of the availability of resources. Rather, in so far as mortality was a critical variable, it is to exogenous changes in the incidence of disease that we must look for our explanations. Above all, he claimed, it may be that industrialism could proceed unchecked by decimating death rates because of "the permissive role of the microbiological world . . . a fortuitous decision of nature": the disappearance of the black rat, the free-roaming flea, and the plague bacillus. In his discussion of this and other critical questions (notably the extraordinary increase in the age of marriage, which for girls roughly doubled between the late Roman empire and the eighteenth century in England and France), Chambers justified his view that "demographic studies, as an aid to historical interpretation, have arrived."

If Chambers's writings are among the latest in an old tradition in population studies, those edited by Dr Wrigley and Mr Laslett are at the beginning of a relatively new one. Indeed, within a decade their Cambridge Group for the History of Population and Social Structure has helped transform historical demography in this country. Its best-known form of research ("family reconstitution" on the basis of parish registers) is hardly at all represented here; and in any case it has not yet quite lived up to the portentous promises of Mr Laslett's "The World We Have Lost" (1965). Nevertheless, these two new books from Laslett and Wrigley amply indicate the group's academic potential: the painstaking collection and discovery of data, the application of computer techniques to transform the problems of calculation, the ingenious elaboration of new perspectives for social and economic history.

"Nineteenth-Century Society" is basically a handbook for researchers. Its various authors introduce the reader to the detailed problems of using census material for the study of population, migration, family structure and occupational distribution, as well as

explaining the mysteries of sampling techniques and offering quantitative case-studies of two social issues (crime and education). It is an accomplished work by obvious professionals. And although it is only likely to be read by those who wish to train themselves in the new techniques, for them it will be of enormous use—albeit also of enormous expense.

Mr Laslett's collection of papers on Europe, Japan and America is devoted to a topic—changes in the size and pattern of families and households—of considerable interest to sociologists as well as demographers. Apart from population measurement, two quite fundamental social questions are involved in this sort of work: first, the validity of the convention which treats the family as "the final unit of society, and the citadel of its values"; second, the credibility of the supposed long-run transition from extended to nuclear families. Both views are now under attack: the former by the alternative concept of the family as an instrumental institution, shaped by socio-economic pressures and needs; and the latter by the mounting and more concrete evidence (abundantly, and perhaps excessively, deployed in this book) that certainly for the past 400 years, and for all we know for much longer, the dominant family-household form has been simple, small and elementary rather than complex, large and extended.

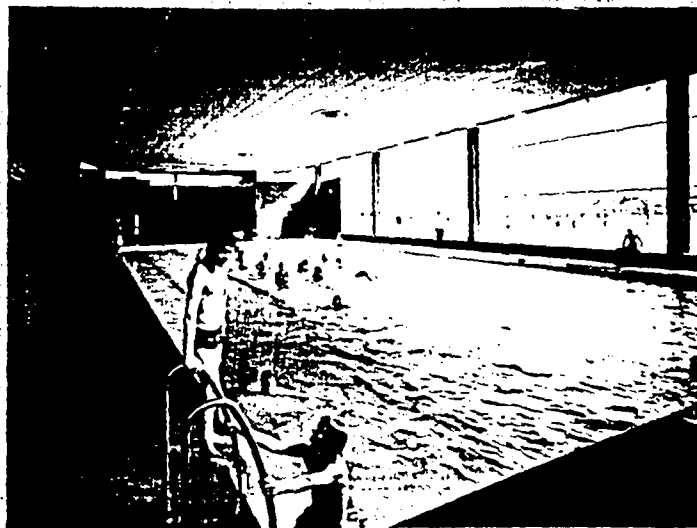
Thus "Household and Family in Past Time" successfully explodes "the myth of the extended family." It has somewhat less detail to offer on the presumed "myth" of the family as a basic social unit and cultural value. That view is much more strenuously challenged in Dr Anderson's "Family Structure in Nineteenth-century Lancashire," parts of which are also summarised in the former book. Dr Anderson shares a large and powerful battery of techniques with other modern demographic historians. But his main approach is also fairly distinctive in that his hypotheses and methodology derive from a somewhat formal sociology. As a result, he has produced a fascinating book, although its language and conceptual impersonality will not be to everyone's taste. His primary aim was to assess the familiar thesis that "industrialisation leads to disruption" of the family. His data were derived from a detailed examination of migration, family and co-residence patterns as revealed primarily in the 1851 census in Preston. His model assigns a "calculative" and "instrumental"



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role to the family such that its members will maintain their ties only so long as their personal goals can be satisfied by the short- or long-run exchange of "resources" through a kinship network. From this viewpoint, he argues, mid-nineteenth century kinship offered many solutions to personal problems (eg, those involved in migration or home-finding in early marriage). At the same time, however, the "exchange networks" which we call families were in some instances weakened by the provision of such alternative resources as independent wages for the young—which enabled them to discard the support, and therefore membership, of the family.

Much of this is persuasive, even if expressed in a forbidding way. Further, while substantiating the author's view that what he calls "middle-class familistic values" were not universal in expression or application, it can be accommodated in a tentative theory of working-class family history. On this view the pre-industrial family was nuclear, and the coresidence of parents and married children was rare, because the shortage of resources together with the presence of the old poor law encouraged "a short-run instrumental orientation to kin." During the early phases of industrialism kinship was strengthened under stress, but still vulnerable to the calculative independence of the young. By the late nineteenth or early twentieth centuries, however, a new affluence and increased welfare provision eased the cost of kinship and produced "a really strong affective and non-calculative commitment to the kinship net" (ie, the "traditional" working-class families and communities described by Hoggart in Yorkshire and by Young and Willmott in Bethnal Green). Since 1945, by contrast, the great reduction in critical life situations and the much increased supply of private resources and public welfare have led to a significant eclipse of conventional family ties: "relationships with kin can now and only now become a matter of choice within the working class."

Of course, such hypotheses are still very much guesswork. But they can never be more persuasive than Mr Anderson's arguments about Preston in the mid-nineteenth century. And in this respect, in spite of his formidable techniques, there are two principal reasons for remaining unconvinced. First, there is very little direct evidence that members of the family looked upon it as an exchange network of the sort described. Certainly the fact that

the young moved away from the household does not in itself indicate a "breaking away" from or "rejection" of the family. For that one has to use good, old-fashioned, fragmentary literary evidence—with which Dr Anderson is impressively familiar, but which is fairly inconclusive. Second, in emphasising calculation as the cement of the family, he largely ignores that aspect of "giving" which is only part of an exchange in so far as it is its own reward (for example, maternal affection). Such an instantaneous, and possibly unthinking, reciprocity can make a profound mess of any neat theory of exchange. And for both these reasons, while Dr Anderson has written a very important book, there is a danger that in lesser hands his methodology would not entirely escape the pitfalls which awaited Mr Gradgrind, who:

had no need to cast an eye upon the teeming myriads of human beings around him, but could settle all their destinies on a slate, and wipe out all their tears with one dirty little bit of sponge.

Tea and melon seeds

THE THEATRE IN ASIA

By A. C. Scott.

Weidenfeld and Nicolson. 289 pages. £6.50.

A treatise on the theatre embracing most of Asia might be expected to involve unwarranted generalisation; but this short survey, for the non-orientalist, avoids that pitfall. The author closely relates the development of the theatre, during the past 300 or 400 years, to the social history of each of the countries in turn: from Turkey and Egypt in the west to Japan in the east.

All the same, there have been striking similarities between one country and another. They range from trifles like the habit of theatregoers, in places as far apart as Turkey and China, of sipping tea and cracking melon seeds throughout the performance, to the almost universal recourse to a learned speech to mystify unlettered audiences and so, judges Mr Scott, confirm the political power of Asian social elites. Puppets and their "shadow" variant were common throughout most of Asia: and everywhere song and dance have been more prominent than dramatic construction. The Asian actor's concern, basically didactic, was with expression of emotion rather than exposition of character.

The social factor which did most to condition the organisation of the theatre in Asia, and the life of the actor, right through to the nineteenth



China: the impact of patronage

century, was the ever-deepening subjection of women. In the Hindu cultural area, including both the Buddhist and Moslem countries of south-east Asia, women had a monopoly of the court stage, lest men should threaten the person of the sovereign; the actresses invariably doubled as his concubines. But female subjection more often had the opposite effect, as for so long in Europe, of excluding women from the stage. Male specialisation in female roles then produced, in Moslem countries as well as in China and Japan, a class of catamites. When Chinese actresses returned to the stage, around 1900, they had to learn the conventional expressions of femininity their audiences had come to expect.

The vicissitudes of the Asian theatre in recent decades have included, universally, a keen interest in western drama, with many efforts to combine styles, and a whole series of crises over patronage. In India under the Raj, the native rulers used to pay for the theatrical troupes, lavishly; but independence turned the latter on the streets. The Communist party of India offered some of them a haven, but its ideological yoke proved intolerable, and most turned sooner or later to the cinema. The sole patron of the Chinese stage today is, of course, the Communist party of China. One must hope that the last of Mr Scott's score of photographs is not also the last word on patronage. It shows a political haridan in Bermuda shorts, poised with more force than beauty on Russian ballet points, six-shooter held skywards, in symbolic representation of the unique didactic message of actress Madame Mao's revolutionary culture.

Looking for lessons

THE ENIGMA OF ECONOMIC GROWTH

By David Horowitz.

Pall Mall. 174 pages. £5.75.

In the postwar world Israel ranks with Japan for a high and sustained growth rate. Between 1950 and 1970, gross national product per head trebled, while the population grew by nearly 6 per cent a year. A country without any natural resources to speak of, and living in a state of combat readiness, Israel's agricultural as well as industrial growth must, it would seem, have lessons for the second development decade. Mr David Horowitz, a distinguished economist and central banker, tries in this short monograph to tackle the causes of Israel's rapid economic growth and its relevance for the third world.

Mr Horowitz's discussion is put in the general context of what he calls the economics of population transplantation: the migration of large numbers of people and their transplantation from a relatively affluent European background to the barren wastes of Israel had interesting economic consequences. These people had a high degree of literacy and clerical, professional or commercial skills. They had to adapt to totally new activities such as farming and industrial work. The Israeli proletariat has lower middle class urban origins.

The migration of relatively skilled people was accompanied by massive imports of capital. In 1950-70, the total was \$10 billion. Despite the growing population, an increasing capital-labour ratio could be maintained in all industries. This is precisely the factor that renders Israel's experience irrelevant for countries of the third world. Population growth in these countries is internal, with consequent high demands on social capital until the newborn children reach working age; and there is no prospect of a massive flow of capital.

Mr Horowitz's book provides a valuable summary of Israel's growth experience. He does not neglect issues of social growth and of income distribution. But he does not fully discuss the prospects for the future, when the migration must dry up and the high savings rate sustained by the first generation of immigrants will become difficult to maintain as their children clamour for consumer goods. The problems of inflation and unemployment which have plagued the Israeli economy recently are only mentioned.

The Israeli economy has also pioneered much-discussed economic institutions. These are the collectives, kibbutzim, and co-operatives, moshavim, as well as the Histadrut, which owns and manages many economic activities. (Mr Horowitz discusses the activities of the Histadrut in some detail.) If Israel has lessons for other countries they are rather to be found here.

Down below

OUTLAWS OF AMERICA

By Roger Lewis.

Penguin/Henrich Hanau. 204 pages. £2.95 cloth, 40p paperbound.

There are at least 180 underground newspapers in America; in Europe there are another 50 or so. Of these, some 40, all of them in the United States, are the by-products of women's lib. There is also a vegetarian press, a black press, a religious press, a music press and a pot press. Then, of course, there is the peace press. In 1970, there were another 73 papers put out by servicemen on active duty, opposed to the war in Vietnam.

Mr Roger Lewis does his subject less than justice. Most of his energies are taken up with an explanation of what



Underground cover story

he calls the cultural revolution of the 1960s. This takes in the black power movement, the war in Vietnam, the craze for health food, homosexuality and much more besides, in about 200 pages. Mr Lewis repeats himself and he is inconsistent. On one page, he refers to the militant left-wing group as the Weathermen, changing this two



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lines further down to Weatherpeople, as a sop to women's lib, and then returning to his old male chauvinist ways only three lines later.

But there is interesting information here, for those who are prepared to hunt. For the most part the underground newspapers are produced and sold locally. They do not pretend to be objective; people turn to the underground paper because they think that the regular press misinterprets their views. The underground newspapers are sold on the street by the people who help to produce them. According to underground sources about 30m people read them, though Newsweek's more conservative estimate is about 2m. The underground has its own press service, performing a function similar to Reuter's service. Mr Lewis has some interesting notes on the graphics and art of the underground newspapers. And in a revealing aside he mentions that the underground pornographic press has managed to knock the profits out of the overground pornographic press by selling its material at a mere 25 or 50 cents a copy.

Unfortunately, Mr Lewis leaves a great many questions unanswered. He writes about underground newspapers, semi-overground journals and left-liberal news sheets. But when is an underground newspaper not an underground newspaper? Mr Lewis is short on definitions. He is also vague about the economics of the business—how much the papers sell for, how much they cost to produce, how the overheads are met. He gives one clue to their peculiar advantages en passant: while it is easy to start up an underground paper with a minimum of capital and manpower, it is just as easy to close one down when the money runs out and the willing helpers lose interest.

Pocket archaeology

MALTA

By D. H. Trump.
Faber. 171 pages. £2.50.

SOUTHERN ITALY

By Margaret Guido.
Faber. 222 pages. £4.

Given the growing public interest in antiquity, these small guides fit into an ecological niche. Dr Glyn Daniel, the general editor, is a guarantee that the standard of the series will be maintained and that the authors will be well chosen. These are strict guide-books, with all necessary details of how to get there, what to see, when the



Pompeii: guide to the maze

museum opens and what to concentrate on in each room: even, in the case of the less frequented sites, whom to ask for the key. They are confined to prehistoric and classical sites and objects. Maps, plans and illustrations are excellent.

Mrs Guido faces an almost impossible task of compression. Hers, therefore, is the purer guide-book of the two, with fewer frills. Every word counts: for each town, a brief ancient history and a guide; rightly, she gives proportionately more space to the lesser-known sites. Dr Trump's task is slightly easier. Malta, with Gozo, is more of a single entity, and needs more general explanation, since prehistoric relics of this particular kind are confined to the two islands. He therefore starts with a general account of them, to which he adds excellent and sometimes caustic comments on food, drink and so on. Neither book is intended to be read as literature; they are for reference. But Dr Trump has just enough space (as Mrs Guido has not) and quite enough humour to make his guide excellent reading for its own sake.

Mr Stanley, I presume

THE EMIN PASHA RELIEF EXPEDITION, 1886-90

By Iain R. Smith.
Clarendon Press: Oxford University Press. 355 pages. £6.50.

The German doctor and botanist, known as Emin Pasha, who served the Khedive of Egypt as governor of Equatoria (the southernmost province of Sudan), was cut off in the heart of Africa after Khartoum had fallen to the Mahdists. The expedition to relieve him was the last and most controver-

sial of H. M. Stanley's African exploits. For, the Mahdist threat having receded, Emin and his garrisons were getting along not too badly. All they needed, so they thought, was ammunition from Britain. The last thing that Emin wanted was to be "rescued" and marched to the coast. But that is what took place. The expedition was paid for by the Egyptian government and private British subscribers. But in deference to King Leopold of Belgium—who was technically Stanley's employer—the journey to Equatoria was taken by a way-out route through uncharted regions of the Congo.

In this hideously hostile terrain the toll of life was appalling. When at long last Stanley reached Emin it was Stanley who was in distress and Emin who succoured him. The expedition's real achievement was in its great geographical discoveries. There were also, as Emin realised, considerable political and commercial interests at stake. Dr Smith places the saga in its full historical perspective—the European scramble for Africa. His assembly of the facts is most skillful and he has done a first class research job on the copious documents available, among them Emin's own remarkable diaries.

Dons' delight

EZRA POUND

Edited by Eric Homberger.
520 pages. £6.50.

H. G. WELLS

Edited by Patrick Parrinder.
367 pages. £5.50.

DEFOE

Edited by Pat Rogers.
242 pages. £3.75.

MILTON, 1732-1801

Edited by John T. Shawcross.
452 pages. £6.

Routledge and Kegan Paul.

The volumes in this well-established series come off the assembly belt in profusion. As a whole, the Critical Heritage series (sometimes known as the Dons' Delight) does provide most useful books of reference. Of the latest batch, Mr Eric Homberger's collection of essays and reviews deserves special mention, for it was designed to be the first in the series to be devoted to a living author. Pound's literary career lasted so long, and his genius provoked such varied reactions, that it was possible not only to amass a great many articles, reviews and comments but also to chart a curve of his reputation even before his death, which has made the

publication of this volume timely. The period covered is not far short of 70 years. There are solid and judicious assessments of his work here, like the article by Richard Eberhart, dating from 1949; there are diatribes from various quarters; and there are flashes of brilliance, like J. B. Yeats's comment:

It is wonderful how people hate him. But hatred is the harvest he wants to gather—great sheaves of it, beneath a sky of disastrous moonlight. . . .

The H. G. Wells volume is a salvage effort. Like Shaw, Bennett and Galsworthy, Wells stands at an awkward distance from the present-day reader. His political enthusiasms, his emancipated social and moral ideas, even his brand of humour, have lost their pristine attraction and have not yet acquired a historical patina. As an originator of science fiction he still holds his own, and "Kipps" and "Mr Polly" are perennially regarded as suitable fare for candidates for CSE or GCE "O" levels. But it is salutary to be reminded that in his heyday H. G. Wells was regarded as an intensely modern and controversial writer. As Dr Parrinder remarks, he attempted to give a complete commentary on the world in which he lived. His very up-to-dateness has proved his undoing. If the intention of this series is to document authors of literary-historical significance, the inclusion of Wells required no apology. If sheer literary distinction were the criterion, he would scarcely make the grade.

With Defoe and Milton we are on uncontroversial territory. Anybody who consults these volumes does so because he is working on one of the authors concerned, or has a serious reason for wanting to know how they appeared to their contemporaries or near-posterity. This volume on Milton is in fact the second to appear in this series. It charts his reputation during a period when his position as a great English poet, the successor to Spenser and Shakespeare, had already been established, and when his works were being subjected to the same kind of scholarly scrutiny accorded to classical texts.

Soc-fi

TRIAGE

By Leonard C. Lewin.
Macdonald. 215 pages. £2.

Mining the same vein of fantasy and plausibility as he discovered in "Report from the Iron Mountain," Mr Lewin is out to shock us again. The minds in the think-tanks, previously concerned with military planning, overkill and

second-strike capability, are set loose to work in the same realm of the unthinkable but on the world's economic and social problems.

He starts in a small way with the disposal of a rich old man who is becoming difficult about giving his money to a poor college. Next, euthanasia is fostered to make hospital beds available for those who can be helped: the book's recondite title fits this piece. Untreatable drug addicts die in large numbers when purer heroin unexpectedly replaces their tainted supply, and mysterious fires occur in homes for the elderly and the "socially incompetent."

Soon, more ambitious projects with equally desirable social aims are tackled. Riots provoked in prisons kill worse-than-useless recidivists; dying industries are polished off together with their employees who, in the main, are unredeemable; a non-polluting car engine is introduced whose only vice is that if the driver is aggressive, impatient or incompetent—and therefore a public menace—it explodes and kills him.

But the author is not much interested in ingenuity or in technical detail. His thesis is that institutional morality does not exist and that institutional authority gives the individual a sense of moral immunity that is extraordinarily dangerous. He has a splendid command of the euphemisms that dehumanise bureaucratic man in committee (people are, for example, "scheduled for participation"). Those who do the killing belong, naturally, to the SS—the Special Services.

Does he really go too far? Nazi death camps may be a special case, but can we be too certain about what is happening in medical research? In one assault, at least, this piece of social fiction is wide of the mark. The medical profession and hospitals are now criticised for quite the reverse offence: for using medical technology to prolong the life of people in extreme old age and of spina bifida babies who can only look to an unhappy, burdensome existence. The campaign for euthanasia comes not from institutions, which resist it, but from individuals.

Sadly, Mr Lewin's technical skill as a writer does not match his ideas and his imagination. Much of his book is in the form of conversations between characters who are indistinct, talk alike and are all-too-obvious mouthpieces. Without looking back, it is often difficult to remember who is spouting. Swift, Samuel Butler and Orwell need not fear competition.

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Business Brief

More licence for liquor

There is no drinkers' charter in the report of Lord Erroll of Hale's committee on liquor licensing*, published on Tuesday after nearly two years' gestation. The tied-house system of pub ownership was specifically excluded from the committee's terms of reference, much to many people's disappointment. The committee, in any case, makes it clear that it does not consider the licensing laws are the right instrument for dealing with this sort of monopolistic restraint. It just wants to lift from the British drinker the tyranny of the hangover from Kaiser Wilhelm's war.

If its recommendations are adopted—by no means a certainty if the pigeon-holing of the 1969 Monopolies Commission report on the supply of beer is any guide—then by 1974 British drinks laws will shed some of their more blatant absurdities, after more than 50 years of restrictions. Although the laws on hours and drinking conditions were amended, and slightly liberalised, in 1961, in substance they have changed little since emergency measures were introduced to deal with drunkenness among munition workers during the first world

*Report of The Departmental Committee on Liquor Licensing. Cmd. 5154. HMSO. £1.90.



The shape of drinks to come?

war. The Erroll committee makes three main proposals to bring legislation up to date: changes that will give licensing judges less discretion to refuse applications; greater flexibility of opening hours; and more scope for allowing children under 14 into pubs. The biggest storm will no doubt be caused by the plans to change licensing hours. Opening times now are 11 am-3 pm; shut from 2 pm-5.30 pm; open again from 5.30 pm-10.30 or 11 pm—with shorter hours on Sundays and some religious holidays. The committee wants a 14-hour drinking day from 10 am-midnight. This would not place licensees under any legal obligation to keep open during the whole of the time, but simply allow them to choose which hours suited their trade best. If anyone wants to stay open for the entire 14 hours, he will presumably need extra staff. Many publicans will argue that longer hours are bound to increase overheads without necessarily improving turnover.

The young

The proposals about children are likely to be controversial too. Children under 14 are not now allowed into the bars of public houses. Unless the pub keeps a



British pub, anno 1972

special room for children, most of them are confined to the garden if there is one, the street, or the car outside the pub, with a bag of crisps to keep them quiet. The original object of excluding them from turn-of-the-century gin palaces and the sight of drunken parents was fair enough at the time. But by now the rule has become distinctly inconvenient, particularly for families on holiday with youngish children.

The Erroll committee knows better than to suggest throwing every bar open to a mob of howling toddlers; enough (mainly male) adults acknowledge that they go to the pub to get away from the family. But it does propose that landlords should be able to apply to the licensing justices for a certificate which will allow them to admit children, either in rooms specially set apart for them or throughout the whole pub. The old spit-and-sawdust sort of pub will therefore still be able to protect its hard-drinking customers from invasion by simply not applying for a

certificate. Pubs in holiday areas can count on a much-increased turnover of orange fizz. The other major proposal for young people is to lower the legal age for buying and consuming alcoholic drinks in pubs from 18 to 17, an admission that landlords nowadays have a lot of trouble guessing the age of teenagers. This new rule would simply mean the law is flouted less often. Boy scout and girl guide organisations apparently wanted 16 as the minimum age.

The committee's proposals for experimenting with continental-style café-pubs, selling both hard and soft drinks and food, are also aimed at the family market. They reflect the committee's view that the justices who dole out liquor licences have at present far too much discretion. The committee did look into the possibility of leaving the whole licensing business to the local authorities—who are already responsible for licences other than those to sell drinks—but concluded that the present system was working well enough and that a shift in

responsibilities would leave the local authorities with too much on their plate. What it does want to change is the way the licensing justices can refuse a licence on almost any grounds they like.

If the committee has its way, there will in future be two kinds of licences. One will be personal, and can only be refused if the applicant is not a fit and proper person to hold a licence. The other will cover the premises, and will need to take into account whether they are suitable, structurally sound, and comply with fire regulations, and that there are adequate safeguards against public nuisance from noise, unruly behaviour and the like. But the licensing justices will no longer be able to preserve the semi-monopoly of existing pubs by ruling that the area already has enough of them. If any new entrant thinks he can make a commercial go of a new pub, he may in future be allowed to try. The same logic will apply to off-licences.

This is an important provision, and could make more impact in the medium term than the more eye-catching proposals. Despite a steadily rising consumption of liquor of all sorts (but particularly wine), the number of pubs has been declining steadily since the early 1960s. Quite a few country pubs have been shut by the brewers, and not so many new ones opened up. Starting a new pub can cost as much as £100,000, and could be risky. But if the committee's proposals are accepted, there could be a much wider variety of places where drinks are sold. This represents a challenge to the brewers' hold on the drinking man's market and would go some way to

offset the effects of the growing concentration in the liquor business. It is not desirable that a few suppliers should have an ever increasing hold on the retail end of the trade.

Restaurants might have an easier time: if they can prove that their main concern is selling food, and they serve drinks merely to help this along, they may escape restrictions on their hours altogether. On the other hand, registered members' clubs, which now escape most of the rules, will be brought into the net, and might go into a decline. But most importantly, a new breed of café-pubs on the continental pattern might eventually emerge.

Nation of drinkers?

If opinion polls are to be believed, there is a pent-up demand for this kind of facility. Two years ago, the Office of Population Censuses and Surveys carried out a survey of public attitudes on the licensing law which suggested that two-thirds of the people questioned would like "somewhere where the whole family could be together." There was demand for places serving sandwiches and snacks, tea and coffee as well as drink; play gardens for children; and adequate lavatories. What the survey also demonstrated was how enormous the market for liquor is. Apparently, 92% of the population drinks at least occasionally, and some of the rest may still take a soft drink in a pub from time to time. Not far off half the adult population goes to a pub regularly (at least once a month). Among men, predictably, the proportion is higher: over two-thirds. Among young people (18-24), three-quarters are regular pub-

goers. One reason why the committee came up with the new opening hours was that half of the young people in the survey wanted later opening hours, against only 21% of all respondents (of whom 9% would actually prefer earlier closing than now). Taking a 20-year view ahead, the committee thought the younger people should have more emphasis.

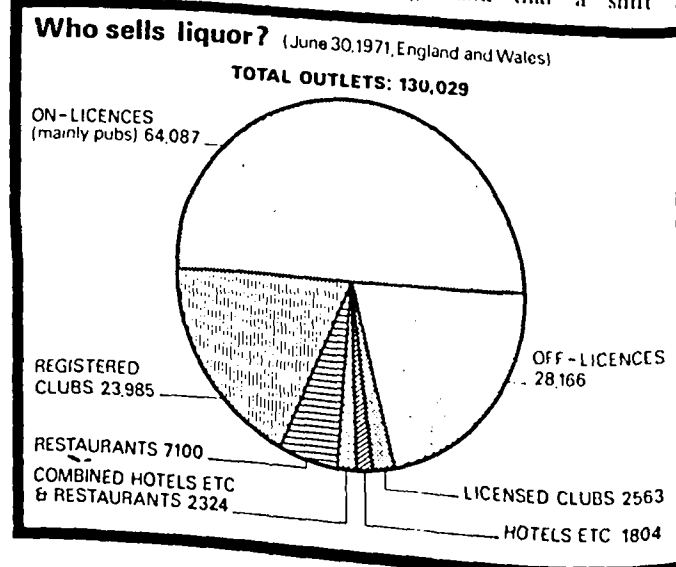
Will the new proposals lead to more public drunkenness, alcoholism, drink-and-drive offences and violence if they are enacted? There are an estimated 300,000 alcoholics in Britain already. Making drink more freely available is quite likely to increase their number; whether this is a reason for inconveniencing the rest of the community by making drinks harder to come by at certain times of the day is another question. Experience in other countries does not really provide much of a guide; it seems that both a liberal stance (France, Italy) and a restrictive policy (some of the Scandinavian countries) on the sale of alcohol can produce a drink problem. Nor is ready availability all: price can be equally important. The introduction of Vat, for instance, may bring down the prices of some drinks in the lower range and so encourage sales. All the same, the committee is right to criticise the lack of information about the impact of changes in the licensing laws on consumption—and indeed the paucity of drinks statistics generally. If the law is changed, it would be useful to set up, as the committee suggests, a monitoring body to gauge the effects on consumption.

The committee claims that even if there is a change in legislation, most pubs will at the beginning keep much the same hours as at present, until they have had time to see what their customers want. The brewers—who owned 52,600 of England and Wales' 64,700 pubs in 1971—have apparently given undertakings that they will not hold tenants to specific opening hours if the rules are liberalised. But once longer hours are available, it is hard to imagine that publicans will not want to use them if the market can bear it—particularly if the pub down the road opens earlier and shuts later. To judge from the crowds in many pubs at closing time, quite a few customers would stay longer if they could.

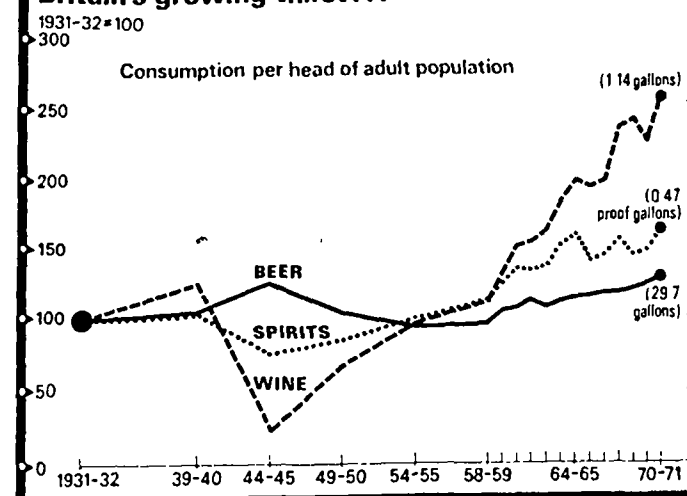
Their convenience apart, there could be other advantages from a spreading of hours—and the subsequent spreading of home-going pub traffic, particularly at night. Under the new rules, there would be no 10-minute drinking-up time; publicans could stop serving at 11.30 pm and give their customers a leisurely half-hour to drink up.

The brewers themselves seem pleased with the proposals, and reckon the general public will like them too. But they are probably not too worried whether the package is enacted or not.

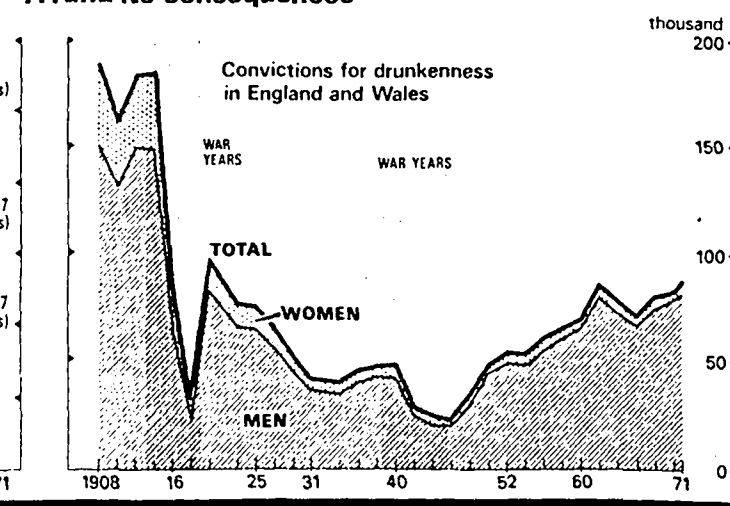
The worst that can happen to them is a proliferation of independent outlets for liquor under the new rules. But this is not going to happen overnight; nor is there anything to stop them from making a bid for any extra business themselves. Even if all the extra outlets are run by independents, the brewers will still sell much of their beer, wine and spirits to them.



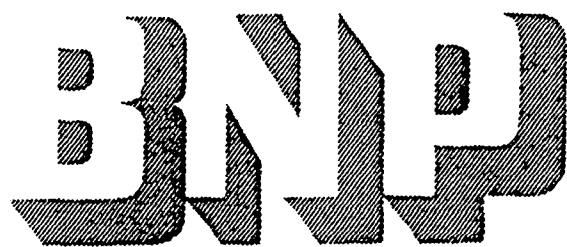
Britain's growing thirst...



...and its consequences



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BUSINESS

Iraq wants to deal

The long, bitter dispute between Iraq and the western-owned Iraq Petroleum Company is likely to be resolved within the next few weeks. For the first time both parties are negotiating seriously

The new talks began in Baghdad shortly after the arrival of the Iraq Petroleum Company's negotiators there on Wednesday, and they are the first really hopeful signs in a situation that has been stalemated since June 1st, when Iraq nationalised the rich Kirkuk oilfields belonging to IPC, which in turn is owned by British Petroleum, Royal Dutch/Shell, the Compagnie Française des Pétroles, the Standard Oil Company (New Jersey), Mobil and the Calouste Gulbenkian interests.

The talks have apparently been made possible by two favourable occurrences: the substantial acceptance by the other Arab oil-producing countries of participation agreements with western oil companies and the reasonableness of the terms offered to the Iraqis by IPC's negotiators on November 20th. Dr Saadoun Hammadi, the Iraqi oil minister, has indicated that he would want certain modifications but at the same time has expressed a sincere wish to negotiate—and quickly. The talks could fall through at any moment but observers think the odds favour a settlement.

What was offered on November 20th amounts to an umbrella deal that would cover not only the Kirkuk situation but also two other outstanding issues: the Iraqis' seizure of the North Rumaila field in 1961, for which IPC has never been compensated, and the future of two IPC affiliates, the Basra Petroleum Company and the Mosul Petroleum Company, which so far have been running normally, almost as if there were no dispute at all between Iraq and IPC. It is now thought that the package deal proposed by the IPC negotiators puts forth a figure for Kirkuk compensation, plus the terms on which the former owners will receive future oil, proposes conditions for the purchase of North Rumaila oil by IPC parent companies and opens the way for the Basra and Mosul companies to be gradually handed over to the Iraqis along the lines laid down by the participation agreement with other Arab countries. The idea is to avoid trying to achieve perfect justice on all matters provided a working formula can be found.

If an agreement does come in Iraq, it will not only end the drama there but conclude what is likely to be regarded as one of the most important chapters in the trials and tribulations of the international oil industry.

It revolves around the participation agreement and, as

this has yet to be formally accepted anywhere, the house of cards could collapse at a breath. However, this is unlikely. The agreement was negotiated with the western oil companies by Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, so it is presumably to Saudi Arabia's liking. Kuwait's negotiators have reportedly obtained the pricing arrangements they sought, although the deal must still be sold to Kuwait's national assembly. Qatar and Abu Dhabi both have minor points they want to argue but are expected to accept the agreement with little trouble.

The agreement will also affect oil-producing countries outside Sheikh Yamani's representation, such as Nigeria, which is expected to start its own negotiations in earnest next month but which is likely to settle on the lines defined by Mr Yamani. Iran used the pressure from the drive for participation to make its own highly attractive deal with the oil companies last summer. However, Sheikh Yamani managed even better terms so the Iranians are now demanding more for themselves. They will undoubtedly get more because there is little at issue between them and the oil companies. Libya, on the other hand, which of all the members of the Organisation of Petroleum Exporting Countries (Opec) has taken the hardest line against the oil companies, will probably not reach an agreement with the companies for some months, if then. Having failed to move the other oil producers to a more extreme position, the Libyans are unlikely to accept the Yamani formula until time and events have obscured the issues a little. In the meantime, they can be expected to continue their policy of harassing the weaker oil companies operating in their country with immediate demands for a 50 per cent participation stake, which compares with the 25 per cent accepted by Sheikh Yamani, rising by steps to 51 per cent in 1983. The Libyans cannot expect to budge the major oil companies with such tactics since the companies would put the whole, hard-won participation agreement in jeopardy if they agreed to give the Libyans more than the rest. They would sooner lose Libyan oil.

The participation agreement will not have much effect on the other three Opec members, Algeria, Venezuela and Indonesia, all of which have their individual approaches to these matters, but their absence is hardly

going to change the big picture for the oil companies once the participation agreement is signed all around. It is going to be different in major ways from the picture up till now but it may not be as different as many people think. Alongside the new pressures for change in the industry there will continue to exist many of the old stabilising forces.

On the face of things, the producer countries appear to have had largely their own way in the participation talks but the fact that they were negotiated peaceably indicates that most of the producer countries now accept that just as the oil companies need them, they need the oil companies to provide access to the world's major markets, without which the oil would be worth only what it could be bartered for with Russia and the other communist countries. As time goes by, the producer countries

will accumulate more and more control over the oil produced in their own fields and may well make direct deals with consumer countries, some of which, like Japan and west Germany, would leap at the opportunity. However, these deals are unlikely to amount to much unless the consumer countries can offer them more than the major oil companies, and in such a competition most of the advantages lie with the oil companies. The producer countries may also make good their expressed wish to invest in the downstream operations of the oil industry, taking an interest in tankers, refineries and even service stations, but there is great doubt about whether they have the technical and managerial resources to do this on their own. Their likeliest partners in such ventures would be the oil companies, so how much control would the oil companies lose?

If you stop the roar of London's traffic . . .

The traffic round Oxford Street is giving way to instant trees, and the surrounding streets to instant chaos

Step by step the Greater London Council has been converting Oxford Street and some of its adjoining streets into pedestrian and bus malls. On the first few days this week after Oxford Street was shut from 11 a.m. onwards to ordinary traffic, driving rain kept a lot of shoppers and motorists at home, but the sun brought them out on Thursday, with a foretaste of trouble to come. While the jay-walkers could hardly believe their luck as they wandered across Oxford Street, the load of traffic that Oxford Street used to carry diverted itself to Wigmore Street and residential by-ways and slowed to the familiar crawl. This is an area already overloaded by lorries trying to reach the rail terminals. It carried 50 times the national average of traffic before taking Oxford Street's load as well. The GLC has made no provision for where all this is to go.

Several Dutch, German and Scandinavian cities have already banned cars from parts of the city centre—though none of them is as big as London—and Hamburg is so delighted that it is going to ban buses too. In Gothenburg, in Sweden, car traffic has been cut by 70 per cent with a one-way system that forces motorists on to a ring road around the entire city centre if they only want to get into the next street. Pavements are centrally heated and some streets are being covered over. In Britain, Leeds has successfully removed cars from the city centre and even Glasgow's Buchanan Street has potted plants in the roadway. These experiments in banning the car have nearly all been acclaimed a success. Pedestrians are delighted, the shopkeepers often find that turnover rises, and the motorists' wails die away. But can it be done in London?

The Oxford Street scheme is just a beginning—paradoxically, this is partly because of the mess it is creating. Inside London Transport this is taken to mean that bus lanes will have to be established in the approach

streets, too, because much of what the buses are gaining in Oxford Street they are losing on the approaches. There are fears that that could spread traffic jams back into the approaches to the approaches; until the private car and, presumably, the milkman, the wine merchant, the plumber and even the irate Prime Minister himself are choked out of central London. There are those who would like that to happen.

But there is at present no attractive alternative to the car, and London is too big for pedestrians. People who surrender their cars tend not to entrust themselves to public transport; they cut their travel down by more than half, making only essential journeys, and the city suffers. At present buses and cars endure the same congestion together, but cars get through it three times faster, even after excluding bus queuing time. One reason why the bus is slow is that its size prevents it from negotiating the little streets.

There certainly ought to be a way of making public transport as attractive as the private car in central London, especially since the car is going to be handicapped by a growing number of controls. In the far future we may have such things as "people-movers" (see *The Economist*, May 27th), operated from a central computer. But for the 1970s we have to improve either the bus or the underground. A host of proposals have been put forward, from tube investment, on which London Transport is to spend £380m, to free fares, but none of them gets over the biggest disadvantage of public transport compared with the car: its lack of flexibility. How do you get the bus or the underground to wait while you pick up the laundry, collect the children from school, buy their supper, look at that wallpaper you saw in a window yesterday? Nothing, except the car, can do all that, but public transport as we know it is not geared to flexibility. Nor will it be while it remains a monopoly.

Competition is the unspeakable in public transport out-

side the successful road haulage industry, and even that is tainted by monopoly tendencies in some countries. In the United States truckers argue that the whole industry would collapse if its price-fixing cartels were abandoned, oblivious of the fact that British and Canadian road hauliers have cut-throat price competition and thrive on it. It is just the sort of argument used to justify bus monopolies: allow competition, says the monopolist, and services will fold up one by one.

Running buses and running lorries ought to be much the same. There is no reason why the techniques of profitable road hauliers should not be applied to the dismally unsuccessful bus industry. There are no economies of scale in road haulage, as was discovered by the Committee of Inquiry into Small Firms, which also found that one-vehicle operators still account for half the total in the business. The few large haulage companies try to organise their lorries into small, independent profit centres. The Transport Development Group, for example, is split into quite separate, and competing, subsidiaries of 100 vehicles each. In this way they can each identify, and respond quickly to, small changes in demand, where it takes the railways three months to change a freight schedule and by that time the business may be lost for good.

Fragmentation would benefit public transport in several ways. Someone who drives a delivery van the rest of the day might run an express minibus service for commuters during the rush hour—when his van is best off the road. He would thereby avoid the crippling financial burden that London Transport suffers of having to hire two shifts of staff to satisfy a peak demand of little more than two hours a day. Another idea could be borrowed from the Philippines, where six- and 10-seat "jeepneys" travel the main routes, and stop whenever they are flagged down, offering almost door-to-door service at a tenth of a taxi fare. What we should be aiming at is 57 varieties of bus, ranging from a shared taxi to a double-decker.

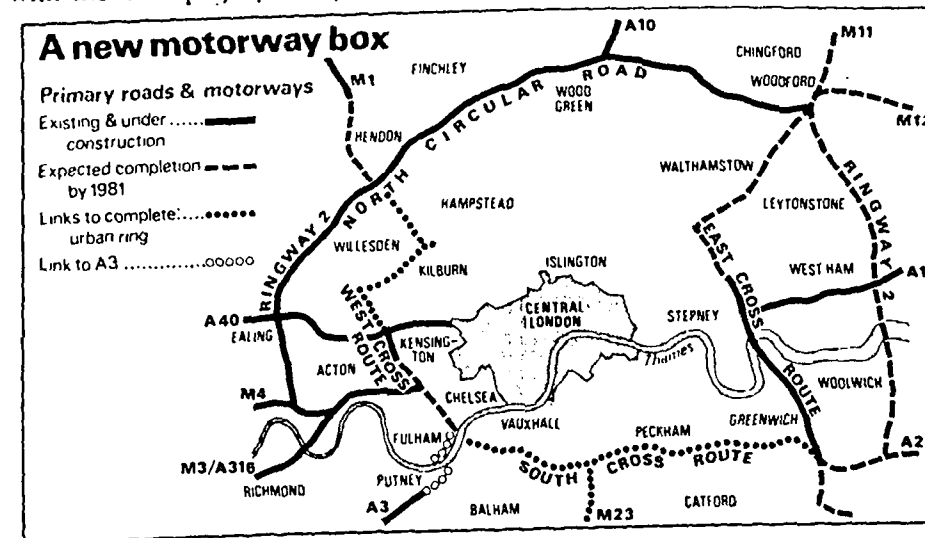
The traditional public transport answer to this is that services would be here today, gone tomorrow, whereas with the monopoly system your great-grandmother could

rise from the grave and find something like the same service that she used in the horse-drawn era. Public transport is inhibited from trying to cater for changing demands for fear that new services will take business away from great-grannie's bus. Also, being a monopoly (and a loss-making one at that), it is subject to political interference if it tries to cut out redundant services. London Transport is running a small experiment with minibuses which is losing money, but pressure from local councils makes it impossible to discontinue the trial. The experience does not actually encourage other experiments.

The public has a choice between keeping the services it has although the traffic has steadily fallen (which suggests that the buses are less and less in tune with what the public wants), or letting anyone who can prove he employs a safe driver and safe vehicle try to find what services people do want.

The trend towards banning more cars from existing streets makes it all the more important to have roads where the longer-distance traffic can move without causing so much noise, pollution, congestion and danger to lives. The Greater London Council's long-term strategy has for many years revolved rather too exclusively round such a system. The pressure groups against it have now triumphed; the GLC has had to abandon its proposal to build two ringways, in favour of one composite motorway (the Government is still expected to build another, outer ring).

Whatever movement by road is to be allowed in London, it makes sense to have it on a segregated track, where it interferes as little as possible with houses and pedestrians. The trouble is that soaring property prices are knocking the economics of London road-building for six. But what about the many hundreds of acres of railway land in London, much of which is under-utilised, and none of which carries more traffic than a road system could handle in the same space, at the same speed and at half the cost? The railways once again want a massive financial reconstruction. In return they should relinquish much of the land they hold, at no rent, while road users, through road taxation, more than twice cover the cost of the facilities they use.



Instant trees; instant torrents

MEPC

Profits before taxation reach a new record

Highlights from the statement by the Chairman of Metropolitan Estate and Property Corporation, Sir Henry Johnson, KBE



Sir Henry Johnson, KBE,
Chairman



Peter Anker, FRICS, FRI,
Managing Director

PROFITS

For the year to 30th September 1972, the profits before taxation were £13,578,000 compared with £10,431,000. This increase was due to the benefit of reversions, continual growth in our overseas subsidiaries, the acquisition of new investments, and the re-investment of funds released by the sale of most of our residential properties.

FINANCE

MEPC has continually maintained a policy of making adequate arrangements for finance before embarking on major development or investment programmes. There is considerable scope to raise additional funds whenever required.

VALUATION

Last year the Board planned to revalue the Group's properties. Subsequently, they felt that it would be of more help if a partial revaluation were to be carried out each year involving one-third of the United Kingdom properties and one overseas subsidiary, so that the entire investment portfolio is revalued over a three-year period. Developments will not be included in the revaluation until completed.

The first partial revaluation shows that approximately one-third of the Group's properties in the UK and all of the Australian properties have been revalued at £119,000,000, a surplus of £48.7 million.

PROPERTY DEVELOPMENT AND INVESTMENT

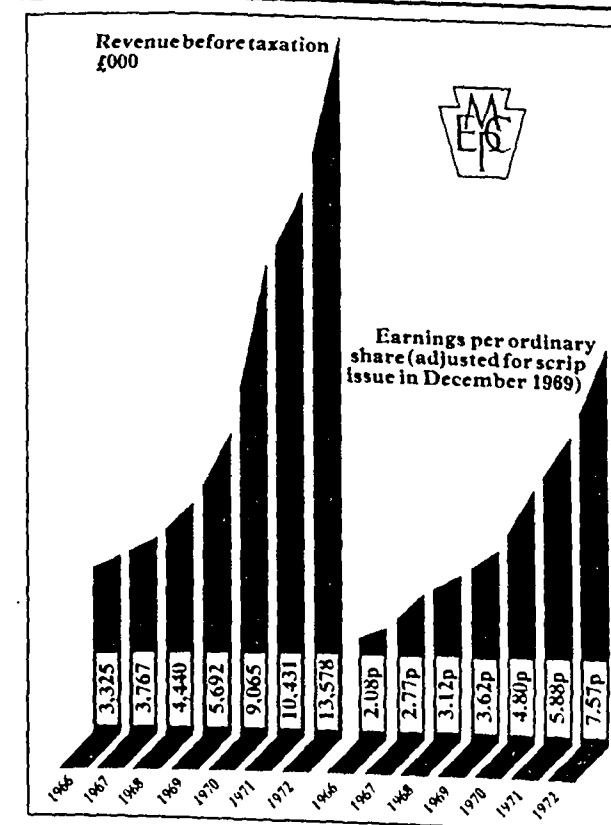
The total cost of our development programme is over £300 million, including two very major schemes in London.

THE FUTURE

Sound investment, exciting prospects for developments and a good team of men are the right ingredients for the successful future of any property company and the Board is confident that these ingredients are contained within MEPC.

PROFIT AND DIVIDEND GROWTH

Year ending 30th September	1970 £000	1971 £000	1972 £000
Total share capital and reserves	110,874	119,402	181,326
Gross revenue	25,496	27,028	30,383
Revenue before taxation	9,065	10,431	13,578
Revenue available for ordinary dividends and reserves	4,896	5,973	7,734
Ordinary dividends	4,115	5,092	5,354
Rate of ordinary dividends	17.0%	21.0%	22.0%



Copies of the Report and Accounts can be obtained from The Secretary, Metropolitan Estate and Property Corporation Limited, Brook House, 113 Park Lane, London, W1Y 4AY

Ask us about revaluation after the weekend

Japan goes to the polls on Sunday, after which the government will have to face the economic issues swept under the carpet in the run-up to the election. Our special correspondent reports on what may happen

Tokyo

Most of Tokyo's business community expects an early upvaluation of the yen after this weekend's general election. When, and by how much? Opinion is bunched in favour of this month and 10 per cent, but with respectable minorities arguing that action could be delayed until March or April and/or that a float may precede the final decision about a new exchange rate.

The official government line, right up to the election, has been that another upvaluation will be avoided by a combination of direct controls (supposedly temporary), the quickening tempo of domestic economic growth, and a liberalisation of imports and capital exports. A package of five main measures, collectively known as the Third Yen Defence Programme, was unveiled on October 20th; it was said to be capable of spectacularly reducing the balance of payments surplus by over \$2 billion a year. The flanking "temporary" measures included a ban on net new portfolio investment in Japanese securities by overseas investors, and other attempts to strengthen exchange controls over incoming funds.

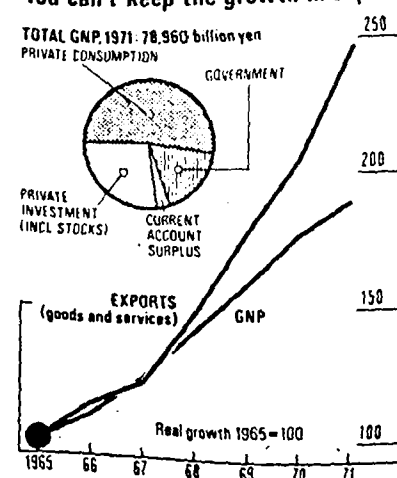
Government spokesmen pound out three other arguments: that the full impact on the balance of payments of last December's 16.9 per cent revaluation has still to be felt; that this, and the unwinding of leads and lags which are directly attributable to renewed fears of revaluation, would eventually reveal something much closer to an underlying equilibrium than the speculators now imagine, and that, apart from these speculators, there has been no international pressure to revalue the yen to compare with last year's. It is, however, asking a bit much to put the "speculators" on one side. They are pouring money into Tokyo. In October alone, even the published reserve figures rose by \$1.3 billion, to push the total to \$17.8 billion; they have gone on rising since,

adding a further \$616m in November and are apparently heading for even more again this month. This indicates a certain amount of international pressure, even if this year Tokyo has no Mr John Connally shouting at it.

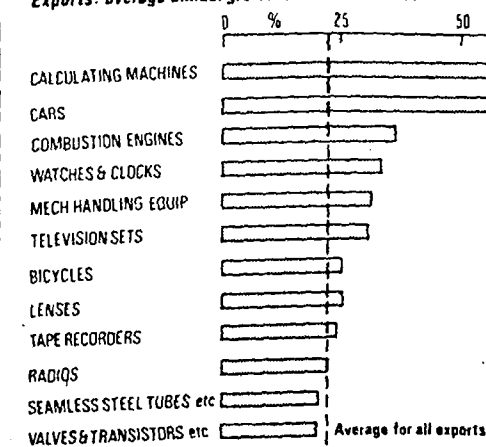
What the spokesmen do not add is that on Japan's side there is appreciably less resistance now to revaluation than there was in 1971. Then the prospect was treated like a threat of the end of the world. It proved not to be, even though it came at a time of recession (in Japanese terms, that means during a year of real growth of gnp of under 6 per cent). Now most ministers and officials regard it as not much more than a serious political inconvenience. The exceptions are those in the Ministry of International Trade and Industry (Miti), who have to face across the table the relatively few trades, like the shoe industry, that were stricken by the last realignment, and the much larger number who wail that they will be hurt by the next one. There is no doubt that Miti will oppose upvaluation to the last.

The prime minister, Mr Kakuei Tanaka, who seems certain to be re-elected on Sunday, has a clear internal economic policy, even if a fuzzy international economic one. His internal policy is to pile massive reflation on top of already massive economic recovery. After being presented in October with forecasts showing that the planning agency then expected real gnp to grow by 9.5 per cent in the year to next March (a forecast now revised up to 13.4 per cent), the cabinet gaily went ahead with an expansionary supplementary budget and greatly increased capital spending in the public sector. Approved before the Diet's dissolution last month, the supplementary proposals of the finance minister, Mr Koshiro Ueki, have added 5.7 per cent (more than \$2 billion) to current public expenditures. Capital spending under the state's auspices (including utilities) is now slated to exceed previous estimates by

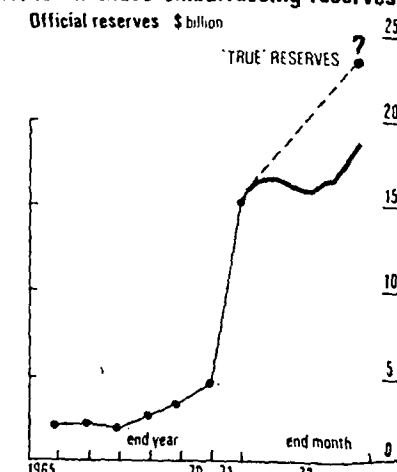
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Exports: average annual growth in value 1967-71



...nor in those embarrassing reserves





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8.5 per cent or \$1.7 billion.

Even more noteworthy, considering the normally heavy reliance on monetary policy in Japan's economic management, has been the government's insistence on a continuation of the easy money which was most appropriate to the reflationary requirements of a year ago, but for which the Bank of Japan may be presumed to have less enthusiasm now. The governor, Mr Tadashi Sasaki, is on record that a slight seasonal hardening of interest rates does not mean the bank is beginning to tighten credit, much as it might like to. Mr Sasaki admitted he did not like the look of the wholesale price index, up markedly since July; however, hardening interest rates abroad may now give him more room for manoeuvre.

Officialdom stubbornly adheres to its original forecast that consumer prices will rise just 5.3 per cent in the 12 months of this fiscal year, despite the unpalatable fact that August's figure was already up 5.6 per cent.

Is Mr Tanaka trying to reflate himself out of the need to revalue? There is no doubt that the Japanese

are, by their own past standards, running dangerous risks of economic overheating and inflation. What they may wittingly be doing is to build up a good head of economic steam to take care of the deflationary impact that would follow another upvaluation. The goodies (higher public expenditure) would then have come before the elections. The less popular step (an upvaluation) would come after it. The upvaluation could (and should) be accompanied by a lifting of the seemingly drastic ban on security purchases and the surely unworkable exercise in export restraint. This assumption that a revaluation may be around the election corner would also explain certain other recent oddities, such as that some companies in vulnerable industries (notably shipping) have been getting the nod to raise or recycle non-yen loans. These add to the foreign exchange reserves, and will do the borrowers no earthly good unless there is an upvaluation before the loans have to be repaid. In that case, of course, there will, in yen, be less to be stumped up, so they will score handsomely.

We know only one way to go

Miti insists that in Japan, even more than in other countries, the short run effect of a revaluation is to increase the trade surplus, and not to reduce it. Its argument runs as follows: an overwhelming preponderance (87 per cent by value) of Japan's overseas purchases are raw materials, foodstuffs or capital goods, the intake of which is governed less by price than by the economic tempo in Japan. Volume will therefore stay much the same even if prices (in yen) fall, in which case the value of imports could actually fall. As for exports, the argument is the familiar one that when a Japanese manufacturer is pinched (as it is to be believed he would be in the aftermath of revaluation) his reflex action is to pump out more exports, and the tighter the home market the more frantic his efforts. There is another, more credible view that some industries—those for which imported raw materials are a substantial cost item—can afford to use their windfall on imports to absorb part of revaluation's potential impact on export prices. That, too, would tend to sustain exports at a high level. There are also a number of export lines in which the Japanese have a virtual monopoly—desk calculators for one—and for which foreign demand is not particularly price sensitive.

No wonder Japanese manufacturers are gloomily asking themselves whether the yen has been launched into an orbit in which the thrust is all one way

—up and up. For they know only too well in present conditions that the export effort is by no means yet at full throttle. The time when exports really hum is when money is tight, and when the only way to get your hands on ready cash at a reasonable price is to have export paper which the banks will discount. Money has been far from tight throughout the past year. But there will come a time (or so every manufacturer must tell himself) when a credit squeeze will again be ordered to restrain price pressures. What then?

This question has begun to arise. There is no reason to suppose that it would be finally disposed of by a second revaluation, even if it can be argued that the deflationary impact of the revaluation would temporarily compensate for any deliberate withholding of the usual monetary discipline earlier on (ie, now). Revaluation in conditions of expanding business activity at home could have more acceptable results (as well as being less fearsome to contemplate) than changes made, as last year's had to be, in the trough of a recession. But that does not necessarily mean that it would have the desired effect of greatly reducing the trade surplus. Nobody seriously argues that a second revaluation will solve everything, on its own. What it can do is buy time—and short-circuit protectionist lobbies abroad—while supplementary policies are pursued.

How the situation develops must depend on the adaptability of Japan's economy. The least hopeful view here does not give Japan many marks for flexibility. Pessimists say that it is liable to be leaden-footed if nudged in any but its "natural" direction of export-led growth. The Liberal-Democratic party (which appears certain to be returned for yet another term), the bureaucracy, the decision-making processes in industry, the emphasis on consensus, the employment system and the peculiar dependence of companies on their bankers—all are said to militate against rapid and abrupt change. Those who see it this way consider Japan's export machine a relentless steamroller, moving largely under its own impetus, which does not lend itself to any other purpose. And



The luxury of betting

God help Japan should it stop.

Japan's admirers see a very different picture; one of probably the world's most responsive economic organisation. They recall past adjustments to changed circumstances and opportunities, including the wholesale scrapping of outmoded industries (such as coal) and the efficient concentration of research, capital and effort into new generations of more promising growth leaders. They see a wise bureaucracy and an unusual alliance of political and industrial decision-makers who have always been quick to detect and respond to a change in the wind.

On this view, Japan in the 1970s will start to be transformed into the welfare-leaning, construction-orientated and home-market-led economy which Mr Tanaka's outgoing cabinet has been talking about with growing insistence and conviction. The five-day week will become a reality. The five-year plan to extend waterborne sewerage from 23 per cent to 38 per cent of the urban areas will be implemented. There will be a much-needed drive for cleaner air and water. The construction ministry's proposed \$155 billion expenditure over five years on public housing and other amenities will roll on to more than double the spending of the past five years. It will cease to be the most remarkable feature of the annual transport white paper that, as recently reported by the Tokyo press, it deals with transport and traffic problems . . . from the standpoint of promoting the welfare of the Japanese people; in past years it dealt with the problems chiefly from the industrial viewpoint.

Prime minister Tanaka may have his way in launching an ambitious decentralisation programme, pushing people out of the overcrowded south.

The export-led miracle economy of the past two decades could then turn into a welfare-led miracle economy of the next two. But the mind still boggles a bit at the gap to be leaped.

Devil take the hindmost

Part of Japan's success as a growth economy has been its singleminded concentration on excellence. The best performers have always had first call on whatever support and encouragement might be going, and small or weak companies disappear in droves in the course of any one of the Bank of Japan's periodic credit squeezes. Dead-end exports have at times been actively

helped on their way to oblivion to protect the prospects of promising new ones.

Now, however, the world must wonder whether all has changed. The 18 products which have been caught in the net of the export control ordinance are precisely the star performers. They are the ones whose increased shipments in January-July this year accounted for more than 1 per cent of the total increase in Japanese exports during the period over the same months of 1971; whose export

growth rate over the same six months exceeded 20 per cent; and which contributed at least \$100m to export revenue in the 12 months ended July 31st.

Articles falling under the bane of the export control ordinance include everything from bicycles (January-July exports up 150 per cent) to cars which just scraped in, producing exports 942,757 vehicles in January-June, volume rise of 18.8 per cent. Excluded among admittedly likely-looking

Continued on page

Nibbling at the surplus

Where last May's measures were mainly successful in what the Japanese call the creation of second-line reserves and the rest of us would call window-dressing, the new third yen defence programme is supposed to make a real difference to Japan's balance of payments. Officials are guarded about the short-term impact, but estimate the effects in a full year, as compared with the October forecasts for the current fiscal year which put the likely current account surplus at \$5½ billion, as follows:

● **20 per cent tariff cuts:** Applies to 1,863 items, namely 85 per cent of dutiable items (examples: dishwashers, ceramics—down from 7.5 per cent to 6 per cent; motor cars—down from 8 per cent to 6.4 per cent). Main exclusions are primary agricultural products and revenue-raising duties but also selected industrial goods, including computers and other electronic items, and some products of small industries. Already implemented. Expected impact: \$200m to \$300m.

● **Increased import quotas:** Increases of 30 per cent upwards, but only 33 items, accounting for under 5 per cent of imports, are subject to any quota restrictions. Expected impact: \$200m.

● **Other import-promotion measures:** Export-Import Bank credit made available for an expanded range of goods and interest rates on import finance cut 1 per cent to 5.5 per cent. Import procedures to be simplified and private gold purchases permitted. Department store chains are making inroads into Japan's constricting sole agency and tortuous distribution systems, by importing direct. Expected impact (counting in the expected effect on exports of a 1 per cent increase in the cost of Ex-Im bank credit): \$450m to \$600m.

● **Export control:** Due to be applied to the 18 most sizzling performers, for six or 12 months. Miti insists there is a fund of exporter goodwill for this

exercise, reflecting a widespread desire to ward off revaluation. However, the original plans for mainly voluntary restraint were modified on November 10th to provide for quarterly export quotas, which will limit export growth for each industry in the 12 months ending next September to a set proportion of the percentage annual rate of growth achieved in January-July this year. Within industry ceilings, exports will also be redirected, for example, to ensure a decline of shipments of ball bearings to Britain. Other goods subject to control include tape recorders, cars, bicycles, home appliances, seamless steel tubes, heavy electric machinery and communications equipment. Hoped-for result: \$500m to \$1 billion.

● **Expansion of the domestic market:** Supplementary budget designed to accent welfare spending and whittle back the balance of payments surplus; likewise capital expenditure programmes, previously beefed up in August. Counting earlier addition, increased spending of nearly \$5 billion. Net expected payments effect: £300m to \$500m in the current fiscal year.

These measures, according to Miti, "are the paratroops." The full defence capability will not be seen for "about a year." It will consist of a high level of economic activity, underpinned by another expansionary budget, combined with progressive reorientation of the economy along the lines of the October 20th cabinet communiqué. That enumerated

the extension of social overhead capital, the improvement of social security, the expansion of environmental preservation measures, the promotion of a five-day working week, and the encouragement of the shift to a welfare-orientated type of economy.

The weapons still in reserve do not, says Miti, include resort to an export surcharge. But on that it is in disagreement with both the Ministry of Finance and the Bank of Japan, both of which would have been happy to have seen a surcharge in action already.

How a Pan Am pilot tells the time in New York in New Delhi.

Imagine you're a Pan Am pilot, and you've just landed a giant 747 on the steamy tarmac of New Delhi airport.

Your three hundred and sixty two passengers have alighted, and you're beginning to relax.

You start wondering what your family's doing right now, back home in New York. You look at your watch. It's a Rolex GMT-Master, showing local time correct to the nearest second. So you turn the revolving outer bezel, and it tells you the time back home in New York and will keep telling you New York time as long as you wish.

This unique feature obviously has many uses, both professional and otherwise.

But it's by no means the only reason why Pan Am chose the GMT-Master to be their official timepiece.

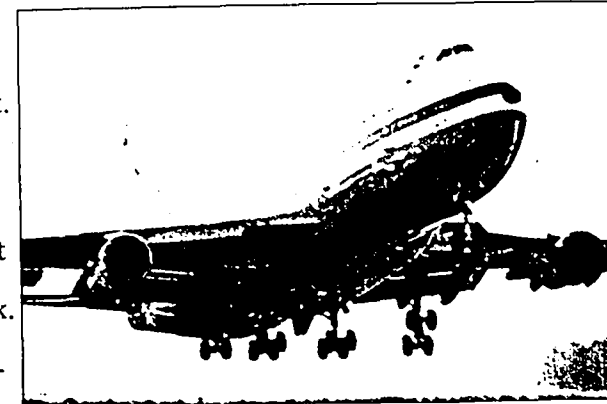
The main reason was that the GMT-Master is a Rolex Oyster.

And Rolex Oysters are built with care and patience by the most experienced craftsmen in the world.

They work on each watch for over twelve months. The final result is not a watch at all, but a 'chronometer': a fact we signify with the Rolex red seal, which you can see below.

'Chronometer' is one of the most sought-after titles in Switzerland. And it can only be bestowed by one of the Swiss Institutes for Official Chronometer Tests after they've tested the movement's accuracy over a gruelling two weeks.

Our rotor self-winding 'Perpetual' movement has won us nearly half the chronometer certificates ever awarded—although the time it takes to make each



Rolex means we're responsible for only a fraction of the annual production of Swiss watches.

But accuracy alone is not enough. To keep their precision timing, movements have to be protected from dust, dirt and water.

The protection we give our 'Perpetual' movement is the Rolex Oyster case. Each one is carved out of a solid block of surgical stainless steel or 18ct. gold. Our craftsmen perform 162 separate operations to turn this chunk of metal into the toughest watch case in the world. Then they carry out a further 38 operations making and fitting the Twinlock Winding Crown, which actually screws down onto the case, rather like a submarine hatch.

You'll get some idea of how well the 'Perpetual' movement is protected by reading this extract from one of the many letters which we keep (rather proudly) in Geneva:

"Two of us spent ten days climbing in the Ruwenzoris in Western Uganda. On the third

day we reached a hut at 13,000 ft., after a tiring march; it was in the evening and very cold with rain, sleet and snow falling. During a brief break I went to a stream nearby for a quick wash, and as I was taking off the Rolex it slipped through my numb fingers into the stream. A foot downstream from where it had fallen, the stream dropped into a five-foot hole and continued its course for the next twenty

yards underground. It being nearly dark and cold I was unable to see the watch and offered a reward to anyone who could return it to me next day.

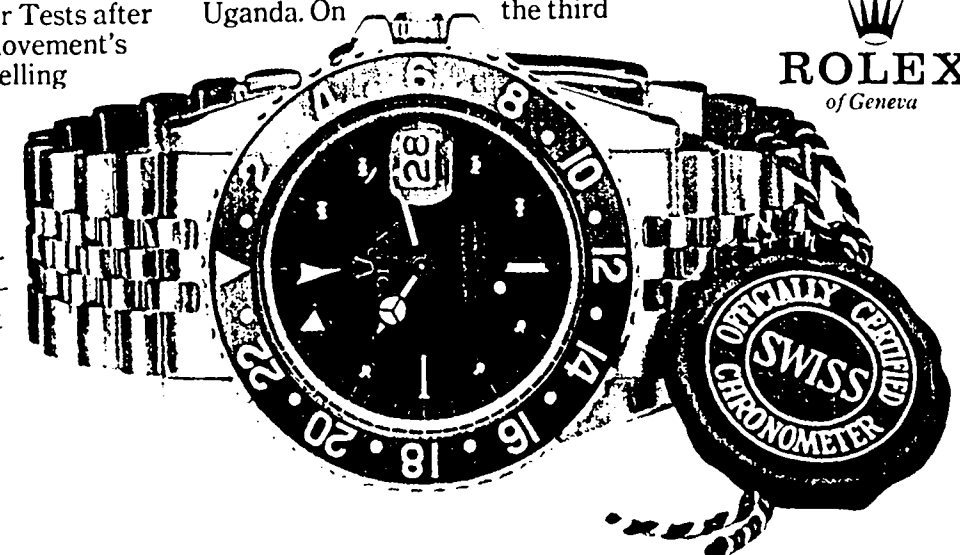
"The stream was almost freezing having come from a glacier a mile higher up, nevertheless next morning the porters were in the stream and after half an hour found the watch caught by its strap in the fast-flowing water and still working . . . The watch has continued to keep perfect time ever since, without even a cleaning."

This was sent to us by an Englishman living in East Africa. Obviously, owning a Rolex gives him a great deal of satisfaction.

Almost as much as it gives our craftsmen, who spend their lives making sure that each Rolex they make is a superb example of their craft.

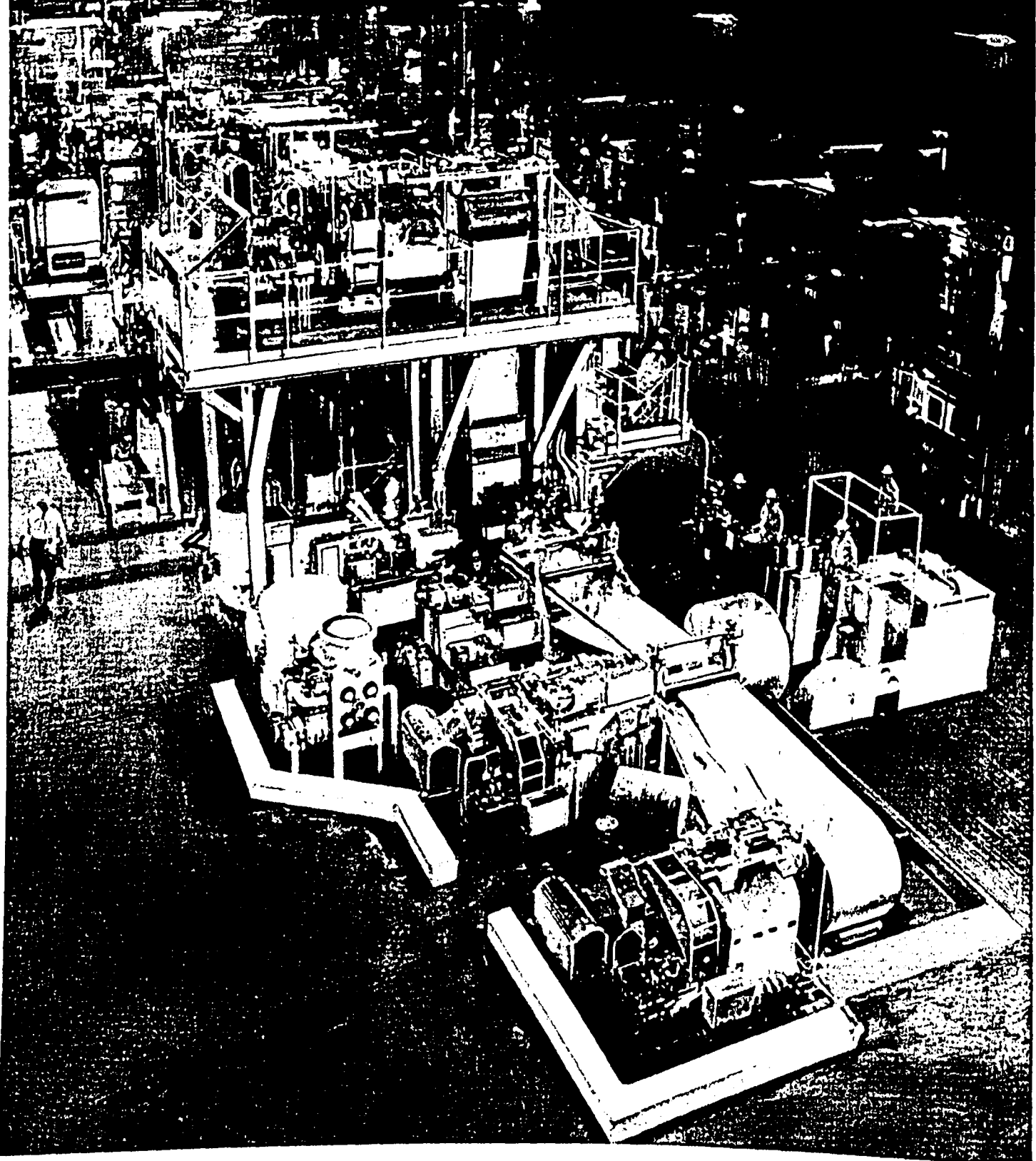
Owning one is almost as satisfying as making one.

ROLEX
of Geneva



Pictured: The Rolex GMT-Master. Available in 18ct. gold, stainless steel or steel and gold combination. All with matching bracelets.

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IBERIA INTERNATIONAL AIRLINES OF SPAIN 234 OFFICES IN 50 COUNTRIES

Continued from page 76

ports in foreign eyes, are colour television sets (up 12.7 per cent to 1.4m units in the nine months January to September), desk-top calculators (up 96 per cent to 1.2m units in January-July, by volume, but up only 1 per cent to \$137m by value), and electronic and computer equipment in general.

Steel products have also escaped the axe, with the exception of seamless tubes, and exports of these will be permitted an 18.5 per cent rise to \$340m in the 12 months to August 31st next.

Officials and industry spokesmen all insist the emergency has dictated interference with exports that have lots of life in them yet. That is enough to make others doubt that it is seriously intended, especially when they remember the messy business of curtailing textile shipments to the United States last year. The operation has public relations overtones, designed to create a big effect with a minimum of action. A special effort is being made to curb exports to the United States (which is still where most of the screams are coming from). Miti is believed to want to reduce Japan's surplus with the United States by \$500m. There is the attentive regard for other specific irritants, notably ball bearings.

On almost any view these export controls are part of an essentially short-term strategy. It is hoped that they will take the edge off international carping, and persuade Japan's customers to abandon such unnatural practices as the persistent prepayments which have been artificially boosting this year's trade surplus. That is the basis on which the policy has been sold to the Keidanren (Japan's equivalent of the Confederation of British Industry). However, if Japan really hopes to achieve these objectives it had better think twice about, for example, pushing its exports to other destinations where they apparently do not hurt so much. Others will remember that trade is multilateral.

Two export destinations that spring to mind are Brazil, recently host to a high-powered trade mission, and China. Probably nobody yet knows what the Chinese market is going to mean, but there is no doubt that Japan's businessmen are excited by its possibilities. It is pretty certain what everyone else will make of recent decisions to provide export finance to



How we want it

China at rates 1 per cent cheaper than the October-raised norm and to give the go-ahead to the Export-Import Bank's planned \$30 billion quota for credits to China in the 12 months starting next April. Still, the Japanese are probably right in thinking that aggressive competition in such third markets will cause fewer howls than a concerted drive into Europe.

Come in, Cosmo

The Economic Planning Agency's economic research institute wrestled long and arduously with the notion of net national welfare (NNW), trying to formulate the concept in a useful way, and thereby, as one baffled statistician put it, "to satisfy the many politicians who thought gnp was old hat and it was now the age of NNW." Alas, it could not be done, so that in Japan, at least, forward planning remains firmly based on guesses about demand and gross national product. However, say the planners, "we must hope for peaceful coexistence" between gnp and NNW.

What that may hold for the future is anybody's guess. It is on the cards that, on the government's instructions, the next medium-term plan will be coloured by welfare to an unprecedented degree. It depends on how well Cosmo can cope. Cosmo is the computerised economic model which throws out gnp and other forecasts to two or three decimal places. In Japan such models have for long been standard aids to management, though usually greeted with suspicion if not hilarity by the average European. The signifi-

cance of Cosmo, now in the process of being introduced to the Japanese public by the planning agency, is that it is the latest and most sophisticated of its kind, so that its programming is capable of throwing out hints of changes to come.

The most striking innovation is that Cosmo for the first time calls for data about anti-pollution investment, a type of expenditure unheard of a few years ago. Cosmo has yet to be harnessed to a five- or 10-year plan (one or the other is due to be commissioned soon), but a preliminary print-out shows the effect of anti-pollution investment by industry rising to as much as 15 per cent of private fixed investment. What it has suggested by way of a trial run, and compared with real gnp growth of more than 11 per cent in 1970 (and 13.4 per cent expected this year), are figures tapering off by 1990 to a maximum 9.6 per cent growth and a minimum of just 4.2 per cent, for Japan, an almost inconceivable low.

If this is how the Japanese want it, and growth becomes the unmentionable concept, the result by the end of the century would threaten to be a gnp at 1970 prices of not much more than \$1,500 billion. That would disappoint Professor Herman Kahn, on whose projections Japan could end the century with the world's biggest gnp of up to \$4,500 billion, or something like \$34,000 per capita (1970 prices again). Still, the \$1,500 billion would bring \$11,000 per head, twice what it is today in the United States. Not bad? Cosmo volunteers no opinion. Those who could don't either: as a topic it is simply no longer on the agenda.

This special report
was written
by Peter Duminy

THOS. W. WARD LIMITED



Profits increased to £5.7m

Mr. Arnold Carr reports a year of great activity

Mr. Arnold Carr presided at the annual general meeting on 1st December, 1972 and in the course of his review, said:

It is a pleasure again to report further progress and increased profit. The Group trading profit is £5.7 million which is an increase of more than £1 million over the previous year and your Directors are recommending an increase in dividend.

TRADING

The year has been one of great activity. We have supported the C.B.I. efforts to restrict price increases and used every endeavour to offset escalating costs by greater efficiency. There are companies within the Group where results have not been commensurate with the efforts made, but better results must eventually accrue because of those efforts.

Substantial acquisitions have been made which we expect to serve us well in the future. Certain under-utilised assets have been sold and some activities curtailed or discontinued.

Demand for cement and quarry products was well maintained, enabling record tonnages to be delivered. Due to the low level of activity in the steel industry the Iron and Steel Division experienced very difficult trading conditions but we are hopeful that the now improved position will continue. The companies within the Engineering Division had mixed experiences but are well equipped to respond to demand as capital investment is increased, as it surely must at some stage. The companies within the Industrial Services Division performed well and profits were substantially increased. We have reason to be confident in the future progress of this division.

ACQUISITIONS

On 15th February, 1972 the Group acquired John Lee & Son (Grantham) Ltd., together with its subsidiary and associated companies. A. D. Crompton Ltd., which was acquired in May 1972, manufactures protective clothing and is a leader in the direct application of retro-reflective material to a variety of products. On 20th June, 1972 we announced our intention to bid for The Skipper Group Ltd., and on 2nd August our offer became unconditional.

EXPORTS

The value of goods exported from the United Kingdom during the year amounted to £11,254,000 (£8,511,000).

PROSPECTS FOR 1972-73

We shall undoubtedly benefit from the increasing activity in the steel industry, by concentrating our engineering on fewer sites and by increasing merchanting activities. We expect to make progress towards more acceptable results and are confident that our recent acquisitions will perform as expected. There is much industrial unrest but if our own efforts are not frustrated by events over which we have no control we can look forward to further improvements in our overall profit.

SALIENT FIGURES FOR THE LAST 5 YEARS

	1972	1971	1970	1969	1968
	(to nearest £000)				
Group Turnover	86,617	77,800	68,643	62,219	56,840
Group Profit before Tax	5,563	4,552	3,380	2,839	3,123
Group Profit after Tax	3,277	2,707	1,910	1,640	1,951
Group Profit relating to Thos. W. Ward Limited	2,867	2,488	1,870	1,540	1,773
Dividends paid	1,803	1,379	1,225	1,110	1,101
% Profit distributed	62.89	57.15	65.51	72.08	82.10
% Profit retained	37.11	42.85	34.49	27.92	17.90



THOS. W. WARD LTD HEAD OFFICE: ALBION WORKS, SHEFFIELD

BUSINESS

Britain

Fair's fair up to the time that I say that it isn't

The Government's plans for curbing monopolies and protecting consumers got a tepid reception when they were published last Friday because they were not at all what had been expected. Most people had a mental picture of some watchdog organisation designed to stop exploitation and fraud before they happened. That is not going to be possible as long as there are mugs about and knaves to take advantage of them. All that the Government has attempted is to cut down the time-lag between recognising that there are abuses and doing something about them.

Even that is a more ambitious target than it sounds. The exploiters inevitably have better lawyers and shrewder advisers than the exploited. Mergers and takeover bids have been scrutinised for some years now by the Department of Trade and Industry—but by civil servants who were not in any sense experts and were liable to be moved on to other departments as they became more experienced. References to the Monopolies Commission have been like dipping into a bran-

tub, the tone of the final report being decided by which of the available part-time members happened to be free at the time the reference was made. Investigations could be and were strung out for several years. Nimble traders have also had time on their side. Consumer legislation is always messy: the present bill has 121 pages, 123 clauses and 13 schedules. It is child's play to find loopholes but almost impossible to find the necessary parliamentary time to close them, and, in the interval, the unscrupulous flourish mightily.

The ways to close this gap are necessarily rough and ready. The proposed Director of Fair Trading and his staff of 175 are going to be professionals on a par with the men they are dealing with and possessing considerable powers of delegated legislation. In some ways this breaks dangerous new ground. But it recognises that technology is changing the face of industry so rapidly that laws which protect in today's circumstances may be wholly inadequate tomorrow, and the only way to catch up is to give the director power to change the rules as he considers neces-

sary. In practice, it means that new offences are going to be added to the law all the time, carrying quite severe criminal penalties, on the Director of Fair Trading's say-so. And there will be no ducking these offences by pleading that you are no longer connected with the company; the Government has decided that a man will not be able to go on side-stepping his legal responsibilities merely by changing his hat. This cannot quite have sunk in, or the bill would not have been received so placidly.

There are no guidelines for industry to indicate how the director might react to size or the concentration of power in conglomerate hands; that is being left to his judgment. In practice, that will probably mean a black mark against a successful takeover bidder who shut factories after he had assured the director before the bid that they would be left open, or otherwise switched policy after a deal had been approved. Future takeovers or mergers put forward by that management would in all likelihood be blocked. If the success of Sir Rupert Sich as Registrar of Restrictive Practices is any guide, this informal approach could turn out to be very successful.

The consumer part of the job is bound to be tougher. Since Victorian times, the law has favoured shoppers and come down heavily against shopkeepers, but to this day people remain reluctant to claim their rights to re-



If it doesn't work as it should, weigh as it should, taste as it should, or there's no beach, the law helps

dress. It does not seem worth suing a shop over a saucepan when to lose carries the risk of paying the shop's large legal costs. Enforcing some consumer laws calls for greater expertise than even Weights and Measures inspectors possess. If the director of fair trading does not do it in future, a lot of it is still not going to be done at all.

This is going to apply particularly to important test cases over services, which are being specifically brought into the net for the first time.

Industrial court

Here we go again

The second round in the battle between the National Industrial Relations Court and the Amalgamated Union of Engineering Workers is turning out rougher than the first. On Thursday, the engineers at the CAV plant in Suffolk threatened to strike if Mr James Goad was not sacked. The CAV branch of the engineers had refused to admit Mr Goad, despite an order from Nirc. The management promptly sent Mr Goad home, but it has not agreed to sack him.

A week ago, Mr Goad was once again refused admission to the fortnightly meeting of his branch, even though the AUEW had been fined £5,000 in the meantime. So Mr Goad, with admirable perseverance, has decided to return to the Nirc yet again. His contempt plea will be heard on Friday, and could lead to a fine of around £50,000 on the union.

The union is still livid that the first fine got paid. Officials had claimed that its bank accounts were all overdrawn, but the four sequestrators found sufficient at the merchant bankers, Hill Samuel, to meet the bill. Mr Scanlon immediately sacked Hill Samuel, but he will be lucky to find any bank prepared to defy court orders.

It is hard to see how rounds three and four can be avoided. Mr Goad and the engineers are equally determined not to give way, and there looks no way for the Official Solicitor to intervene this time. If the engineers decided to attend the Nirc they might persuade the court that Mr Goad did not deserve union membership. But the union has said it never will. If sequestrators are called in again, they will find it harder to put their hands on the union's money. The AUEW could quickly find itself bankrupt, and Mr Scanlon knows the TUC voted specifically in September not to set up a fund to help unions that run into trouble with Nirc.

Smithfield

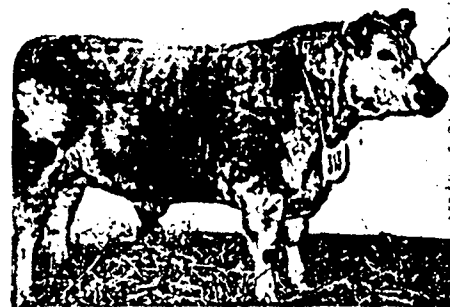
Happy on the hoof

The Government's decision not to curb meat exports gave a lift to the Smithfield Show which opened at Earls Court on Monday. The Minister of Agriculture, Mr Joseph Godber, explained that reimposing restrictions would dampen the enthusiasm of British farmers in building up their breeding herds. But the decision must raise retail prices. Meat prices are explicitly excluded from the freeze and have risen in line with increasing exports to Europe. Prices for beef cattle have risen by more than 20 per cent since EEC import duties were halved in November.

The show remains an excuse for farmers to come to London and for their wives to do their Christmas shopping. There was a slight and welcome change in judging standards. This year's top beast was traditional enough: a three-quarters Angus/one-quarter Shorthorn. But among the runners-up were several Charollais crosses reflecting the judge's interest in meat (he is the Scottish buyer for FMC, Britain's largest meat organisation) rather than appearance. But farmers still prefer a judge who goes by what an animal looks like on the hoof; it is so much easier for them to know what to aim for in a champion. Any idea of using modern and proved techniques for judging its edibility, like the ultra-sonic measurement of fat, would be laughed



Wacko won on form



but part-Charollais Paul came close

out of the judging ring.

The machinery makers who do the show's serious business are set fair for a record year for exports, with sales topping £275m. There has also been a sharp upturn in the British tractor market. Firms like Massey Ferguson report a 50 per cent increase in demand, although imports have doubled over the past year and now take around 10 per cent of the £100m market. The main change has been the move to ever-larger tractors with 100 hp engines; of the five now on the market three are imported from the United States and two built in Britain.

Cars

Staying put

Fears, most of them groundless, are reviving that Detroit is secretly spiriting away its British assets to the continent. The latest arise from the news that the Chrysler Corporation plans to buy the remaining 6 per cent of shares in Chrysler UK, coming on top of Ford's interest in Spain. The Chrysler deal, officially approved on Wednesday, is puzzling, as it is accompanied by a statement that shareholders will not receive a dividend for years. But this is because of the complex arrangements made when Chrysler originally gained control in 1967, and the ordinary shareholders agreed to accept all the losses for the first two years, and only half the profits after that. In the event Chrysler UK lost £16m in those two years, so £32m of profit has to be made before shareholders can expect a dividend.

The new capital structure will ease that problem, and also make it easier for Chrysler to increase the capital of the British company. This it badly needs to do if it is to wipe out its disadvantage in fixed assets per worker, a meagre £2,880 a head, compared with Ford of Britain's £5,220, and probably about £8,000 in Ford of Germany. British Leyland is even worse off than Chrysler with assets of £2,530 a man.

Part of the British industry's disadvantage lies in the stagnant home market it had until last year. The common market tariff explains why French Chrysler exports 212,000 cars a year within the community and British Chrysler only 5,000. Ford UK sold 14,000 to the community during last year's strikes, compared with 224,000 by Ford of Germany. Vauxhall sold 13,000, compared with 180,000

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7th December, 1972

by Opel, the General Motors' subsidiary in Germany.

Productivity has been improving rapidly on the continent. Opel has raised the value of its output by half since 1965, and the number of cars produced by over a quarter, with only a 10 per cent increase in workers. Rapid changing of models, encouraged by a rapid growth in demand, has helped the introduction of new technology. In 1965 a car door was made up of several sub-assemblies, but today it requires just one stamping. By contrast, Vauxhall produced slightly fewer cars last year with slightly more men.

Understandably, these trends are accompanied by a weakening in the market position of British firms where they ought to be strong. In the first six months of 1972 Chrysler France's sales to Britain increased by slightly more units than Chrysler UK's. In Efta, where it ought to have a tariff disadvantage, Opel's exports are six times those of Vauxhall.

It only takes a container leaving Dagenham destined for Germany to suggest that Mr Henry Ford II is putting his threats about British workers into practice. But this year the output of Escorts in Britain has risen 50 per cent, and in Germany has fallen by a fifth, again reflecting market trends. This year production of Fords in Britain is likely to overtake production in Germany, and the balance of trade on Ford parts between Britain and Germany is heavily in Britain's favour. The tariff reductions on Britain's entry to the common market should make the agents of Ford, Chrysler and Vauxhall in Europe a little more willing to take British products. The worst is probably over.

Handicapped workers**Charity begins . . .**

The Spastics Society has been so aggressively successful, having shot its income up from zero to £2.3m in 20 years, that it may not be exactly everyone's favourite charity. But it deserves great credit for the way that it is switching its attack and its substantial resources to the painful issue of jobs for the handicapped, spastic or not. The society has had so little success in getting jobs for its own members that it has now decided it might be better tactics not to differentiate between spastics and other handicapped workers, but to treat them as a common problem. So it is offering to pay for, and advise upon, modifying factories, buildings



Surprising what can be done

and individual machines to enable the limbless, the paralysed and the uncoordinated to use and operate them. It is also offering to pay the wages of a welfare officer, for transport to and from work, and for housing.

There are an estimated 65,000 handicapped people out of work, and the law which says that companies are obliged to give 3 per cent of their jobs to them is a farce. Managements comb their staff lists for enough workers with very minor physical defects to fulfil their quota. Government departments are not above offering members of their staff with a slight limp such inducements as free parking (on double yellow lines) and part-payment of car licences if they will register as disabled persons. The prejudice against the genuinely handicapped is huge.

It is too early to say whether the cash offer to employers will break it down. In the few weeks since the shift in policy, two companies have made tentative inquiries and by coincidence both were rubber manufacturers. The society badly needs advice from senior managers in industry on what sort of openings could be found for the handicapped if a determined effort were made. Its own leanings are for more desk jobs that make use of their undamaged minds, rather than their flawed bodies; some spastics at training centres have IQs upwards of 130. One of the City's property developers has recently offered the society the air space above his next development, which is to be a five-storey office block in Liverpool Street. On top of it the society plans another five storeys of flats for the handicapped, which will cost it £500,000 and could form the basis for what it describes as an "intellectual workshop" for com-

puter programmers, translators and other jobs requiring high intelligence but low mobility.

Housing has up to now been the society's strong point, and it has made most headway with new town authorities and their architects, both in putting up its own flats and in advising them on the minor changes to layouts which have to be made to public buildings under the Chronically Sick and Disabled Persons Act, 1970. But the pressure is still to put the handicapped away where the rest of society does not see them. Planning permission for a £100,000 hostel in the Midlands was forcefully opposed by, of all people, the chairman of the hospital management committee whose house was on the next site; other neighbours sent the society the bill for planting screens of trees to shut out their view of the hostel. This is why the society has decided that all but 17 of the 58 flats in one of its recent developments in Haringey were to be offered for rent to normal tenants, and that less than one-third would be reserved for the handicapped, in the hope that this might break down the ghetto outlook.

Employee share schemes**Shop floor shares**

Legislation on share incentive schemes and stock options is causing a lot of headaches. Mr Patrick Jenkin, Chief Secretary to the Treasury, promised amendments on October 15th but nothing has happened yet.

Retail Business

Issue No. 178—December 1972

contains the following Special Reports:

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The 1972 Finance Act made some stock option profits liable to capital gains tax, instead of income tax and surtax. Whatever the exercise price, an option always has a value since it does not have to be exercised if the market price has not reached that price. The warrant market shows how to value long-term options. So the granting of an option involves an element of remuneration, which should properly be liable to income tax and surtax. And some of the snags in the share scheme legislation have driven many companies into options when they might have been liable to income tax and surtax. The Government has implicitly admitted the element of remuneration by saying that new option and share schemes may not be introduced during the freeze.

To counter this, share schemes are being designed that reach right down to the shop floor, thus extending the benefits to all employees. Lowndes Management Incentives has devised an ingenious scheme for Schreiber Wood Industries, linking a share scheme to SAYE, although it has been held up by the freeze. Each employee is allotted a given value of shares in the company and takes out an SAYE contract designed to produce that sum at the end of five years. Meanwhile he is sold the shares by the scheme's trustees, with an interest-free loan from them, and he gets the dividends.

Value-added tax

Vat a performance

The Chancellor of the Exchequer leapt so aggressively to the defence of value-added tax in the Commons on Tuesday that not only was the Opposition's motion to postpone it for a

year defeated, but the threatened Tory revolt fizzled out into a mere four abstentions from the most dyed-in-the-wool anti-marketeers. But there was a rather more serious note to some of the Opposition's complaints. For months Labour spokesmen have been drumming up sympathy for the little old ladies who own corner shops and will soon have to face the administrative horrors of Vat (which are in fact far less formidable than the income tax returns she has battled with all her trading life). Belatedly, they have realised that the real danger—and the worthwhile target—is not what Vat is going to do to retailers, but what retailers are going to ascribe to Vat when they realise the opportunities that it could offer for them to make a killing.

As Mr Barber pointed out, the more wolf cried over the effect of Vat on prices, the more unscrupulous traders are going to use it as an excuse for raising them. Signs have already appeared in some electrical shops on the lines of "buy now and beat Vat"—although these are the very goods whose prices should drop as soon as Vat is introduced. The Government promised, rather vaguely, new controls to see that the full benefits of the end of both purchase tax and selective employment tax were passed on in prices. The threat has come none too soon. Hotels and boarding houses in the west country are already blaming Vat for rises of 20-30 per cent in next season's rates and the English tourist board is rightly worried. It would be no bad thing to insist that Vat was for a time shown separately from the price, as purchase tax used to be when it was first introduced.

Steel

BSC rebels

The British Steel Corporation took everyone by surprise on Wednesday by, in effect, brushing aside the findings of Lord Hirschfield's report that it had been unfairly manipulating certain prices: that is, over-charging private buyers and under-charging its own plants. It was the opposite of what what had been expected and of what the Minister for Industry, Mr Tom Boardman, seemed to have announced to the Commons. The private steel industry, which had been complaining about BSC's unfairness, asked the Brussels commission on Thursday what to do. Mr Boardman asked Lord Melchett for an explanation.

The Government had been under the impression that at the end of the freeze the BSC was going to amend the prices of three products (reinforcing bar, soft wire rod and hot re-rolled bar and section) so that there was an adequate margin between the price of the starting billet and the end-product rolled from it. The private sector was more than happy to wait for what amounts to a relatively short time for its just deserts. But now the issue is back in the melting pot.

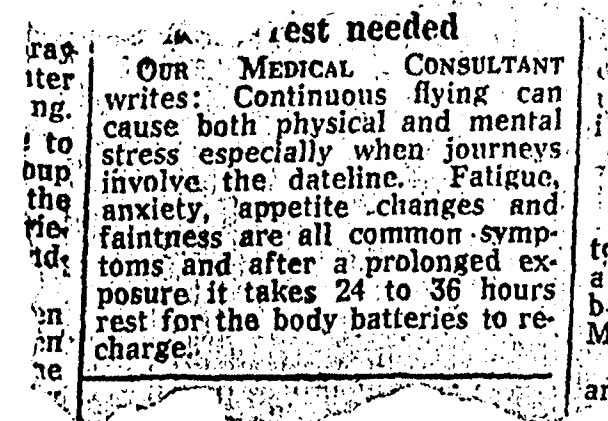
This may prove to have been a hollow gesture for the corporation to have made, even if the European commission does not direct it to modify its price. The BSC needs the Government to approve its major investment plans quickly. Capital spending is already slowing down to pre-nationalisation levels. This roughshod riding can only make enemies in Whitehall.

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"The Daily Telegraph", Oct. 6th, 1971

Key indicators: British economy

Capital spending
Down again in the third quarter, with manufacturers' spending on plant and machinery falling most sharply. Some investment could be being delayed deliberately until the more favourable tax year 1973-74.

Stocks
Reduced further in the third quarter. Ratio of stocks to output at new low of 82.8 (end-1962=100).

Retailing
Strong again in October.

Official reserves
In a quieter month for sterling, reserves rose \$36m.

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Industrial production*	September	130.3	+0.2		
employment*	September	88.3	-0.3	+0.3	+3.8
productivity*	September	147.6	+0.5	-0.5	-3.3
				+0.8	+7.3
Export trade*‡	October	171	+9		
Retail trade*	October	118.8	+1.3	+19	+14
Unemployment*	November	150.5	-1.3	-0.1	+5.7
				-6.3	-9.8
Average earnings*	September	214.6	+3.2		
Retail prices	October	162.8	+1.4	+5.1	+13.9
Export prices	September	154	-1	+2.7	+7.9
Import prices	September	141	nil	+2	+6
				+3	+5

Export trade, retail trade: in volume terms (value at constant prices).
Unemployment: wholly unemployed excluding school-leavers; latest rate 3.3 per cent. *Seasonally adjusted. †Provisional

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BUSINESS

International

How Euro are the Eurocrats?

Brussels

Civil servants do not yet go on strike in Britain, but things are different in Europe. The EEC commission struck for one and a half days at the end of last week, with a threat of more to come if the French and Germans refuse to stick to the procedure for revising staff salaries agreed last March, also after a series of warning strikes.

The strike was also used to air other grievances: over the arrival of 500 new officials from Britain, Ireland and Denmark next year. The British quota of commission jobs is to be filled by the end of 1973. Britain has insisted from the start on its fair share of the top jobs: director-general, director and head of division. The commission and the staff unions have bowed to this as a political necessity. However, the Italians, now under-represented in the commission, want their quota to be brought up to full strength. So the commission will be recruiting an extra 20 Italians next year, at a time when it will be getting rid of up to 300 established civil servants from the Six to make way for incomers from the three new members. The staff was angry—the more so as the decision about who goes will now be made at least partly on national lines. If national quotas came to be rigidly enforced at each grade, this could make it hard in future to replace a retiring senior official of one nationality by someone of another. A rational career structure would become impossible.

The commission has tried to allay fears by emphasising that any arrangements made with the British are merely transitional, but the staff unions are worried about London's long-term intentions. Whitehall is suspected of looking on Brussels as a place where young men are sent for a few years' tour of duty before recall to London and promotion. The French have

always been keen on the idea of rotating civil servants between home and the EEC. If the practice became general it would undermine the principle of a European civil service.

The suspicion is probably unfounded and unfair. The few technical experts apart, British civil servants are being recruited for the EEC with the idea of making a career in Brussels, and their right to return to London at the same rank will expire after four years. Unless they could keep their option open at least for a while, it would be hard to get enough volunteers for

Brussels. Past experience shows that even Frenchmen do stay on there, and become completely Europeanised. Many senior officials have worked their way up through the commission. But it is still a toss-up.

Even after 15 years of the common market there is still ambiguity about the proper relationship between the EEC and the national civil services. The Dutch and the Belgians are the most European: a Dutch civil servant who goes to Brussels gives up all rights in the Dutch civil service. French civil servants not only keep their rights, but get automatic promotion while they are with the EEC. Given the role played by French officials in Brussels and the fact that far more of them tend to go into the civil service, those who want a genuine European civil service naturally tend to twitch when they look across the Channel.

Musical chairs in the Berlaymont

The 13 members of the new EEC commission will take up their portfolios in the first week of January. The decisions on who will land which job are being settled by a game of musical chairs.

1.—Germany is eligible for the economics portfolio, a senior job. After a great deal of arm-twisting from the re-elected government in Bonn the senior German commissioner, Herr Wilhelm Haferkamp, a social democrat, has put in for it.

2.—Up to this week he has resisted this, preferring his present job (harmonisation of laws, energy), almost anything except economics. It was therefore expected that Baron Snoy et d'Oppuers (the former Belgian finance minister) would be drafted by Belgium for the economics job.

3.—For this to happen the Dutch (whose commissioner is informally supposed to provide political balance to the Belgian commissioner) would have needed to draft a socialist, as the baron is Catholic and moderately right wing. Given the swing to the left in the Dutch elections, this looked easy. But forming coalition governments in Holland is so subtle a process that the

Dutch might yet have to give a job at the commission to a Catholic (or other non-socialist) as a trade-off.

4.—Now that Herr Haferkamp has put in his bid, Germany's junior commissioner, Professor Ralf Dahrendorf, cannot also have a top job. He is now likely to have to give up his present one of external relations and trade.

5.—This is the job Sir Christopher Soames is bidding for. He had begun to look nervy when Herr Haferkamp seemed set on staying put in a relatively modest seat. But now it is Herr Dahrendorf who is on the defensive. So Herr Dahrendorf is campaigning to have external relations split into three:

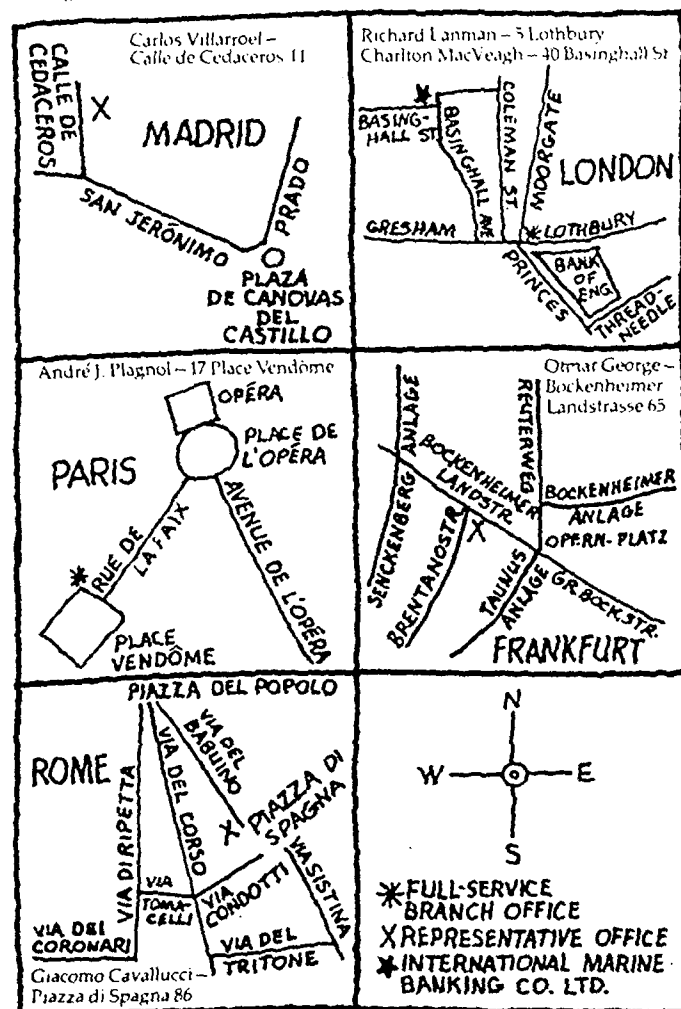
- (a) Gatt, trade negotiations, America, etc (Sir Christopher Soames);
- (b) Aid, all poor countries (M. Jean-François Deniau, France's junior commissioner, who already handles the African associates);
- (c) Efta and the rest of Europe including the east (Herr Dahrendorf himself).

6.—Sir Christopher Soames would be happy to work in harness with M. Deniau. But he does not want a troika with Herr Dahrendorf.

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Giscard pulls out the same stops

France

Eating cake

Paris

The finance minister, M. Valéry Giscard d'Estaing, gave Frenchmen a popular anti-inflationary pre-Christmas package on Thursday. He "cordially invited" industry not paying value added tax to introduce a three-month price freeze, while the rest of industry gets a six-month Vat cut where the top rates come down from 23 per cent to 20 per cent and the bottom ones from 7½ per cent to 7 per cent. Patisserie gets a special Vat reduction all of its own, down from 17 per cent to 7 per cent, and Vat comes off beef altogether. The government is going to lose around £600m a year from the concessions. At the same time, some of the huge official stockpile of butter is to be released on to the market at prices 15 per cent below the current levels. The average Frenchman is at present understandably obsessed with his cost of living. France's official price index rose in October by nearly 1 per cent, with food prices far outpacing the general rise.

But the cost of credit, particularly for housing, will go up. In an attempt to garner private funds, interest rates on long-term savings will be raised. In the past few weeks, the price and volume of trading in gold napoleons and the 1952 government loan, the Rente Pinay, both traditional havens for French capital, have risen sharply. Now the government has chosen once again to launch a £420m, 15-year public loan, with interest tax-free and exchange rate guaranteed; it is intended to compensate for what it will lose in Vat, and to bring in some of the "mattress money." Another loan is scheduled for 1974. The government is also promising to cut the present 20 per cent a year growth

in money supply to around 15-16 per cent.

There is no wage freeze as such. But wages are to be linked to prices in a sliding scale system similar to the one in the public sector in an attempt to hold the rise in wages throughout 1973 to 6 per cent, provided that inflation is kept to within 4 per cent. The unions do not like it, but there seems little bite in the policy.

For the past 20 years, from M. Pinay to M. Valéry Giscard d'Estaing, the same stops on the organ have been pulled out: tightening of credit, encouragement of savings, tampering with prices. In this pre-electoral period the main point is to please as many voting interests as possible.

Challenger

On our way, just

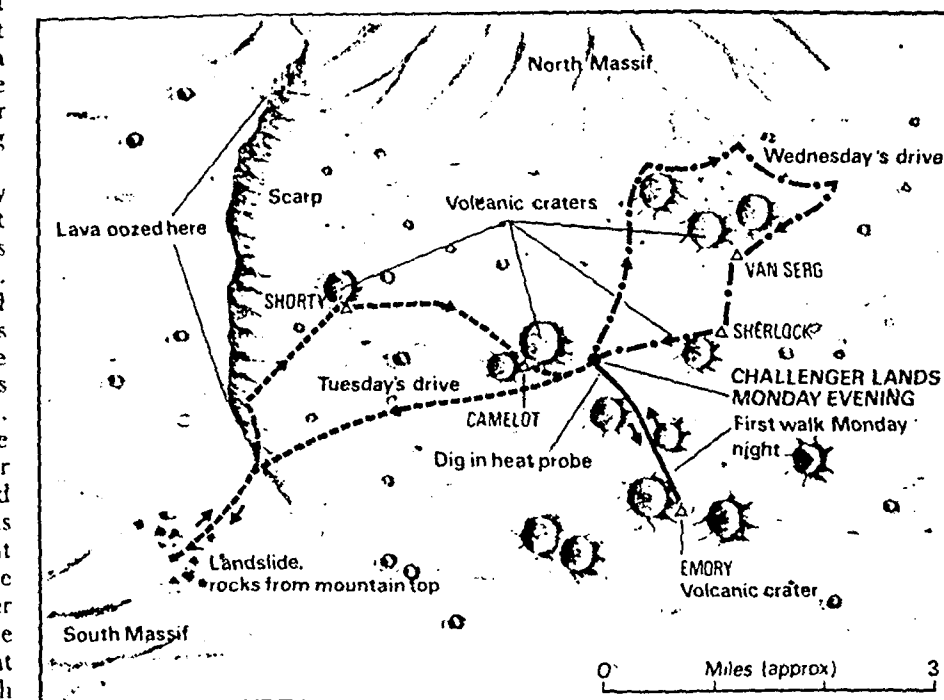
The launch of Apollo 17 early on Thursday morning will go down as the most nerve-racking yet, with a fault 30 seconds before lift-off and a run of further faults and computer trouble for the next 2½ hours until the launch crews had almost run out of time.

This is going to be the longest moon mission yet, as well as the last: a total of 21 hours on the surface, covering more than 20 miles on the lunar rover. But, ironically enough, what scientists really want to know about the site will be discovered within minutes of landing. The six-mile wide valley between mile-high mountains is covered with a black soil that looks from photo-

graphs like the volcanic cinders found on earth. If it is, the two astronauts will know as soon as they set foot outside Challenger. The rest of the mission will be concerned largely with filling in the details.

Where, for example, did the volcanic cinders come from? Both the astronauts and the scientists on the ground will be surprised if, when they get to the sharp-edged, black-rimmed craters that are scattered round the valley, these do not turn out once to have been the little vents through which rumbling volcanoes relieve their internal pressures. Some of them may still occasionally puff out gas. Alternatively, the long scarp edging one side of the valley may be a fault through which lava has oozed and flowed across the valley bed. Both are plausible explanations for how the valley acquired its black floor, but not for why it should be so utterly different from any of the six other sites on which men have landed before.

These sites all show signs of violent upheavals that have churned up the moon's original mountains and sent torrents of lava flowing to form great plains around them. But other things can turn rock into lava besides volcanoes—internal radioactivity, for example, or the impact of meteors. All the previous Apollo sites have been within the ambit of whatever cataclysm gouged out the Copernicus crater. That is partly why scientists were so anxious to get away to the Taurus mountains, and a site obviously different from the others.



Volcanos mean steam, and steam means water. Almost no trace of water has yet been found on the moon. Some of the most interesting scientific experiments next Monday night, after Challenger lands and the instruments are set, will be looking for vestigial traces of it; they will, in particular, be trying to get a measure of the moon's internal temperature. The heat probe set up by Apollo 15 astronauts worked only partially and the power feed to Apollo 16's was broken before it was ever set in position. This is the last chance. The seismographs left in position after other moon missions have recorded shocks which suggest that the moon still has a liquid core, even if a very small one. Scientists now expect to be able to measure quite significant flows of heat.

Because there have been landslides in the Taurus mountains, the astronauts should be able to collect rock that has fallen from the mountain tops. This rock should be indisputably the oldest thing on the moon, just as the soil in the valley ought to be the newest, separated by a gap in time measured in billions of years. The scientists hope that there will be enough moon rock accumulated on earth by the end of this mission to keep the laboratories busy at least until 1978. If Carmen, Shorty and the rest turn out not to be volcano cones, but something completely different, there are going to be a lot of red faces.

Germany

Tighter money

Germany's Bardepot legislation—designed to stop currency inflows by making it twice as expensive for companies to borrow abroad as at home—will be more difficult to evade after January 1st. On Wednesday the German cabinet plugged a sizeable loophole by announcing a lower threshold for the "Bardepot," from about £66,000 to only one-tenth that amount. The "Bardepot" rule (introduced last January) requires companies to deposit with the Bundesbank interest-free, DM50 out of every DM100 they borrow abroad. A lot of business was being transacted just below the former limit, and banks suspected that bigger deals were being parcelled up to avoid the regulations. With the new limit so small, parcels of £6,600 will be needed.

Despite the cheating, the Germans are well pleased with the way their controls have worked. The large inflows of foreign currency, which earlier this year threatened to cause upvaluation of the D-mark, have stopped. Some money has actually flowed out recently as companies repatriated funds that had become too expensive. This is why the Bundesbank last week was able to raise the discount rate by $\frac{1}{2}$ per cent for the third time in

two months, to 4 $\frac{1}{2}$ per cent. It also cut the banks' rediscount facilities by 10 per cent as from February 1st, taking some £200m of liquidity out of the system.

This should please the government's council of five economic experts, who this week delivered their statutory annual report on the state of the economy—and called for urgent action to stop Germany's annual rate of price inflation from going well above 5 per cent. They want credit to be tightened, taxes to be raised, and public spending to be cut.

Air crashes

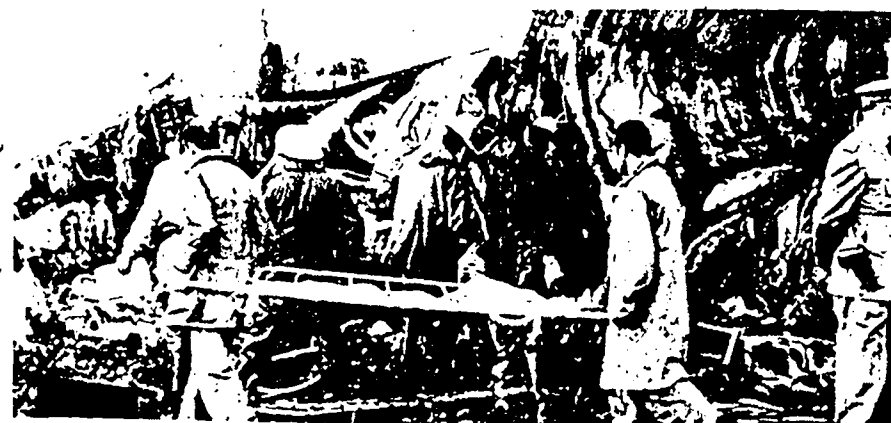
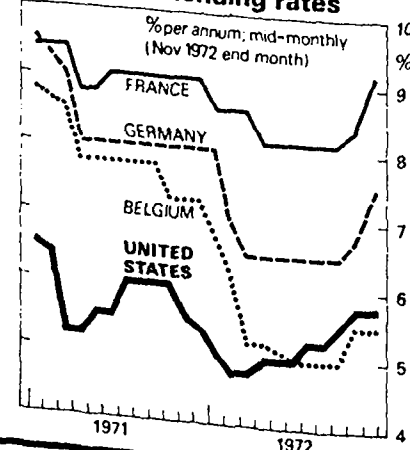
Disastrous year

With three weeks still to go, this year's toll in air crashes is close on 1,860, nearly 50 per cent up on last year's 1,262. The crash of a chartered Spanish airliner last Sunday is the ninth this year in which more than 100 people died. In chronological order, these major disasters were:

Crash	Aircraft	Airline	Dead
Ibiza	Caravelle	Iberia	104
Arabia	Caravelle	Sterling	112
Palermo	DC 8	Alitalia	115
Kharkov	Antonov 10	Aeroflot	108
Heathrow	Trident	BEA	118
Berlin	Il 62	Interflug	156
Moscow	Il 18	Aeroflot	100
Moscow	Il 62	Aeroflot	176
Tenerife	Convair	Spantax	115

major European countries—Britain, France, Germany, Belgium, Holland, Switzerland and Austria to combat domestic inflation, and in Italy to help counter a new wave of speculative pressure against the lira. Suddenly, the Americans look the odd men out, although their Treasury bill rates have continued to climb. But Dr Burns is not unaware of the limits to his policy. He is quite capable of talking out of the other side of his mouth next week.

Bank prime lending rates



The end of their holiday

A rough count suggests that there may have been fewer actual accidents than in either of the two previous years, possibly no more than 31 compared with 44-45. But in only three crashes last year did more than 100 die. The airlines have yet to face the public reaction when one of the wide-bodied jets crashes with upwards of 300 people on board, as one of them is bound to do one day.

Although old aircraft still occasionally break up in mid-air, continuous structural testing usually picks up the weak points in the newer jets in time. There is surprise among engineers at Thursday's news that the landing gear of a Boeing 727 had collapsed without, apparently, the warning tell-tale cracks being detected. Half the 727s now flying are going in for test.

What is common to this year's major disasters is that, although they are evenly divided between holiday and regular scheduled traffic, they tend to take place at take-off or landing. Sunday's crash looks as if it could be attributable to engine trouble, but in a number of the others blame attached to the way that the airports were run. It does not have to be anything so obvious as the iron hook that caused a VC 10 to crash and kill 40 at

Addis Ababa, or the flooded runway that miraculously killed only one passenger on a British Caledonian One Eleven at Corfu. The public inquiry being held into the crash of BEA's Trident has been told that the third pilot on board might have been able to prevent the tragedy if he had not been wholly preoccupied with air traffic control procedures at a critical stage of take-off. Moscow has been unusually accident-prone this year with three known crashes, the last of which took place little more than a week ago when 63 people died in a Japanese DC8.

Such a run of take-off and landing accidents must be more than a coincidence. The consequences of a major crash are now so appalling that airport authorities must look at their procedures and their equipment again to make doubly certain that they are not contributing even a minor element of unnecessary risk.

Mexico

Left turn

Mexico City

The Mexican government announced a rather socialist programme this week—including a 40-hour week and a more

centrally-planned economy—one week after the visit of President Salvador Allende of Chile. Apart from Brazil, Mexico is the largest and most rapidly expanding economy in Latin America, and has welcomed American capital with fairly open arms. But in the past six months President Luis Echeverria has moved distinctly to the (nationalist) left, seeking higher taxation and a loosening of trade dependence on America (which takes 70 per cent of Mexico's exports). With \$3.5 billion of investment in the country the United States has begun to be perturbed. Last week the governor of California, Mr Ronald Reagan, went to Mexico City, three days before President Allende's arrival, to warn President Echeverria against threatening American capital. Nationalism has grown against a background of economic success. Despite a trade deficit at annual rates of around \$1 billion, foreign reserves have risen by 70 per cent in two years. Inflation is low; and the peso, which has not been devalued in 18 years, remains strong. After a slack period during the recession in the United States, Mexico's economy is now back on a 6 per cent real growth rate. But many of the 50m Mexicans are still outside the cash economy altogether; half those who are in it still earn under \$500 a year. Too much of the country's wealth is funnelled into the hands of a few families who have traditionally controlled the government machine. Mexicans also say that too much goes back to the United States. Last year \$400m was sent north in profits.

President Echeverria is reviewing the conditions for foreign investment. He recently completed a programme which gave Mexico a 51 per cent stake in all its mineral industries. But his repeated attempts to increase taxes have been defeated by business interests as effectively as those of his predecessors were before him. This week's new programme will certainly require more government spending.

There is little alternative to trade with America. Mexico has recently got large loans from Japan, and is encouraging Japanese industry to use the country as a springboard to the American market. If America introduces generalised preferences soon, allowing industrial goods from developing countries to be imported at lower tariffs, Mexico will probably be the main beneficiary—and will be tied even closer to the American economy. Its greatest asset is that it is the last pool of cheap labour that the Americans have within reach.

Key indicators: world commodity prices

Grain gains

Grain prices moved up again this week after rumours of more Chinese buying of maize. Bad weather is delaying harvesting in America. There have been crop failures in Brazil, India and Mexico. Russian demands continue high, and stocks are dwindling; the International Wheat Council's estimate for 1972/73 closing stocks (of wheat) is the lowest for 20 years.

	Index 1963=100		Percentage change on	
	Nov 29	Dec 6	one month	one year
All items	158.9	161.7*	+ 4.6	+37.3
Food	173.6	184.3*	+ 9.6	+42.1
Fibres	144.0	144.1*	+ 4.6	+62.8
Metals	185.0	186.8	+ 0.2	+ 7.9
Misc	148.6	152.5*	+ 6.0	+51.7

*provisional

Burns bucks the tide

New York

Whatever happened to that clever idea of a floating prime rate, introduced a little over a year ago by the giant First National City Bank of New York and adopted by half-a-dozen other major American banks? In mid-November New York's Bankers' Trust announced that it was temporarily abandoning its use of the floating rate. A few days later Pittsburgh's Mellon National followed suit. Now Citibank has beached its own brainchild.

It is a sad little story. The appeal to politically sensitive bankers of allowing their prime (or minimum) lending charge to float automatically in line with changes in short-term money costs was that market-orientated fluctuations are fractional—and thus seemed less likely to be noticed by government officials than the rarer but more patently administered prime rate changes of the past. During the 57 weeks that Citibank operated its floating, the rate changed no less than 32 times (15 increases and 17 decreases). But lately the increases have predomin-

ated, and the politics of the scheme have backfired.

As interest rates have edged upward in the past month in line with accelerating economic activity and loan demand, the Nixon Administration's committee on interest and dividends, headed by the Federal Reserve System's chairman, Dr Arthur Burns, has been exhorting the banks not to let their rates go above their present 5 $\frac{1}{2}$ -5 $\frac{3}{4}$ per cent range. He apparently warned that the banks could face official controls on interest rates if they returned the prime rate to above 6 per cent (where it stood when President Nixon proclaimed his new economic policy in August, 1971). So Citibank has temporarily modified its formula in order to leave the rate at 5 $\frac{1}{2}$ per cent, $\frac{1}{4}$ point below what it would otherwise have been. Now that Dr Burns has landed the big fish, the others are expected to swim in after.

Will America really buck the world-wide tide? Interest rates have been raised and credit restrictions tightened during recent weeks in virtually all

Wallace Brothers Sassoon Bank Limited

Mr. Desmond FitzGerald reviews a year of change and rapid expansion.

Since 31st December, 1970 a number of important changes have taken place in the capital and composition of the Bank.

Change of Name

The name of the Bank has been changed to Wallace Brothers Sassoon Bank Limited, reflecting the event which took place on 23rd March 1972, whereby the whole of the issued share capital of E. D. Sassoon Banking Company Limited was acquired by Wallace Brothers & Co. (Holdings) Limited.

Increase of Share Capital

As a result of the subsequent integration of Wallace Brothers & Co. Limited, the merchant banking subsidiary in the Wallace Brothers Group, with this Bank, the issued share capital of Wallace Brothers Sassoon Bank has been increased from £2 million to £5 million and the balance sheet demonstrates the substantial increases in assets and liabilities consequential upon this integration.

Following this integration we were in a position to dispose of Wallace Brothers & Co. Limited, and on 3rd November 1972 we completed the sale for cash of the whole of the issued share capital of that company to Drakes Limited. Wallace Brothers & Co. Limited has now been renamed Drakes Trust Limited and no longer forms part of our group.

A number of changes have also taken place at Board level, including the resignation of the majority of the directors and the appointment to the Board of the former directors of Wallace Brothers & Co. Limited, with the exception of Mr. A. L. P. F. Wallace, who, as Chairman of Wallace Brothers & Co. (Holdings) Limited, resigned from the Board of Wallace Brothers & Co. Limited to devote himself full time to the Group's long-term policy. It is my own great pleasure to advise all our friends at home and abroad that the integration of the two banking companies has progressed smoothly and efficiently to the considerable benefit of the combined Bank's results.

Copies of the Annual Report and full Chairman's Statement are available from the Company Secretary.

Commercial Banking • Company Finance • Investment Management

HEAD OFFICE

Winchester House, 100 Old Broad Street, London EC2N 1BN.

Expansion—Home

It has been a period of considerable expansion in all the departments of the composite Bank, and several interesting developments have taken place, both at home and abroad. The Bank has acquired a 50 per cent interest in Hermes Securities Limited, the parent company of Hermes Credit Corporation Limited, a company of growing importance in the corporate finance and investment field. The Bank also owns a 40 per cent interest in Western Industrial Leasing Co. Limited, operating in the general equipment leasing field. Other significant interests were acquired in Bear Securities Limited, a retail banking operation, subsequently merged with the Bristol Merchant Group Limited; and Chapel Land Company (London) Limited, a fast-growing property investment and development company.

Expansion—Overseas

On the international side, we have established (in conjunction with the Crown Agents for Oversea Governments and Administrations) a new banking company in Nassau, Bahamas, E. D. Sassoon Bank and Trust International Limited, to take over the existing business of our own wholly-owned

subsidiary, E. D. Sassoon Banking International Limited. This will enable us (during the course of the current financial year) to repatriate the capital and reserves of our subsidiary, leaving ourselves with a 25 per cent interest in the capital of the new banking company.

Since the end of our financial year we have completed the capitalisation of a new wholly-owned banking subsidiary in Jersey—Wallace Brothers Sassoon Bank (Jersey) Limited.

Our wholly-owned Australian subsidiary, Wallace Brothers Sassoon Limited, has continued to make sound progress, and during the early part of 1972 was responsible for the establishment of Wallace Brothers Finance (Australia) Limited (in conjunction with The National Bank of Commerce of Seattle and the Bank of Queensland), to operate comprehensively in money market and banking activities in Australia.

It will be seen that growth has taken place in every section of our operation and we can look forward during the course of our first year as Wallace Brothers Sassoon Bank Limited to a continuing demand for our services and a further increase in the overall level of our activities and profitability.

Consolidated Financial Statement as at 31st July, 1972

	31 December 1970	
Cash at banks, bullion, cash at call and short notice	11,375,278	6,824,125
Certificates of deposit and bills discounted	14,953,543	1,320,401
Quoted investments	852,573	184,293
Term loans to banks, discount houses and local authorities	5,820,296	8,091,623
Loans and advances and other accounts	25,923,305	13,879,504
Amounts due by group companies	512,008	—
Unquoted investments	512,593	454,779
Liability of customers for acceptances	8,664,014	2,074,858
Associated companies and other long term investments	939,527	156,406
Fixed assets	2,236,188	610,722
	<u>£71,789,325</u>	<u>£33,596,711</u>
Deposit, current and other accounts	56,952,226	29,302,148
Amounts due to group companies	469,584	—
Acceptances on behalf of customers	8,664,014	2,074,858
Paid up capital and reserves	5,703,501	2,219,705
	<u>£71,789,325</u>	<u>£33,596,711</u>

BUSINESS

Investment

Must interest rates go on rising?

The Bank of England wants to bring the annual rate of increase in Britain's money supply down to about the neutral 10% implicit in Mr Heath's target of 5% real economic growth plus 5% inflation. How goes the battle, and with which weapons? Fairly brisk sales of gilts in late September and October gave a push in the right direction: the annual rate of growth of money supply eased back to 17% in the three months to October, just about half the tearaway rates of 30-35% earlier in the year. But there is still a gap to be closed.

Is the gap going to be closed by pushing short-term interest rates, including bank lending rates, still higher? In the past month it has looked as if these are the Bank of England's tactics. It first made a call for special deposits and then three times forced several discount houses to borrow seven-day money at its new penal minimum lending rate. To be sure, the call for special deposits was tailored to offset the bulge in bank reserve assets expected as the Government's borrowing requirements moved

to a seasonal peak and as large bank holdings of government stock became reserve assets by having less than a year to maturity. Similarly, the first use of the penal lending rate was designed to do no more than halt an earlier slide in short-term interest rates. But last week's decision to force the discount houses once again into the Bank, repeated this Thursday, was widely read as a signal that the Old Lady wanted to encourage short-term rates to rise.

Discount houses dutifully took the point and refrained from bidding aggressively at the last week's tender. Accordingly, both Treasury bill rates and the Bank of England's minimum lending rate pegged to them rose smartly, the latter to 7½%. It seemed only a matter of time before the banks pushed up their base lending rates as well, from 7 to 7½%. The cost of key marginal money has gone up a ½ point since the last adjustment in base rates in July, and the clearers have a considerable overhang of credit lines committed but still much under-utilised. That none had yet moved its base rate by Thursday may have reflected no more than an understandable reluctance to stand out as a wicked price-raising moneylender in the present political climate of the freeze.

There are two arguments that could still save interest rates from going up. Obviously, the first is if one gives credence to the Government's prices and incomes package. A 9½% long-term interest rate on gilts did not look at all attractive at the end of October, when price inflation in the year ahead was still expected to rip ahead into double figures. But it does now promise a positive real yield if price rises are expected to come down to next to nothing during the freeze and to, say, 5% or 6% in phase two.

The second argument is more technical, and more dubious. But there is a school of thought in the City which says that the Bank could sell more gilts if it edged short-term money rates down a bit, rather than up a bit still more. With Treasury bills at 7.15%, 1974-dated gilts at 7½-8%, and six-month certificates of deposit nearing 9%, the temptation for investors to stay short is large: these yields will even support the 7½% obligations of insurance companies. Our chart shows how the yield differentials have narrowed over the year. One market operator, with his tongue protruding only slightly into his cheek, was suggesting this week that the Bank should have used £50m of its £250m in special deposits to support the money market. He thought this would have led to £400m of sales of longer-term gilts.

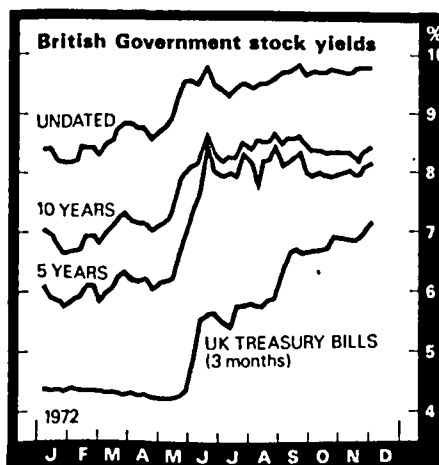
Not many people will buy that argument whole. But there may be some truth in the view that the Bank of England should not strive officiously in the next few weeks to give the impression that it wants to be pushing gilt-edged prices ever lower; otherwise the institutions will hold off from buying them. The Bank's best tactics may be to disguise very thoroughly what it is trying to do; it is usually rather good at such disguising, unfortunately especially from itself. The economic test of its efficiency this winter will not be what happens to gilt-edged or any other interest rates. The absolute test will be whether it at last manages to slow the growth in money supply to about 10%.

Wall Street

Even glammers go

New York

Little daunted by several recent sessions of profit-taking, Wall Street's protracted rally in expectation of a Vietnam settlement has been remarkably strong. The Dow Jones industrial average struck still another peak in active trading at mid-week, closing on Wednesday



Sources: To August, Bank of England Quarterly Bulletin, from September, Pender & Boyle

at 1027.54. And the index of stocks traded in the more speculative over-the-counter market similarly edged into new higher ground.

The contagion has spread even to many of the glamour growth stocks that had gone into eclipse lately. On Wednesday, for example, Polaroid gained \$1½ to \$121½, Eastman Kodak \$2½ to \$142½ and Honeywell \$4 to \$129, while Avon Products advanced \$3 to \$133. At the same time, among the Dow's 30 blue chips, Chrysler rose \$½ to \$41½ and Du Pont \$1 to \$174½.

Worries that interest rates might yet shoot upward in line with rising economic activity, and that retention of price and wage controls beyond their scheduled expiration next April might prove a deterrent to corporate earnings in 1973, have been pushed into the background—for the present at any rate. The market seemed cheered by indications that the Federal Reserve is pumping into the banking system enough reserves to head off any immediate increases in bank lending charges.

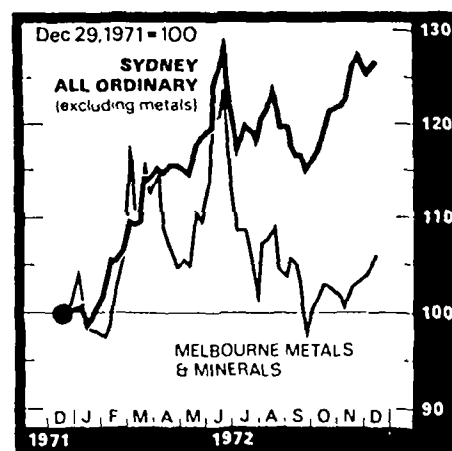
Australian market

New men, old doubts

Sydney

The Australian Labor party's return to power after 23 years made no impression whatsoever on share prices at first. Then they did move up, but not exactly cheerfully. At 522.37 on Wednesday, the Sydney index of all shares (other than metals) was within 3% of June's all-time peak, but it had been higher during the previous fortnight. Mining stocks have had a bumpier ride all year, so that while the Melbourne metals and minerals index reached an 11-week high at 526.65 on Tuesday, that was some way from June's 621 and a lot farther from the boomtime peak of 1,231 reached in January, 1970.

So the bulls and bears still eye one another warily, as they have been doing ever since British participation in the Australian stock markets was left in doubt by the sterling measures of June 24th. Those who were running scared find nothing reassuring in Mr Gough Whitlam's victory, noting that the government will set up a "prices justification" tribunal at an early date as well as crack down on restrictive trade practices. There are also those noises Mr Whitlam made in favour of



possible upvaluation while in opposition, echoing the central bank. Moreover, the bears see equities too close to untrodden ground for safety, with the risks greatly increased by the prospects some see of upturning interest rates or other anti-inflation moves.

Yet the bulls may have more going for them. Instead of deflation they see the reduction of unemployment as the new government's overriding priority, which does seem more likely in view of the crop of school-leavers and the thousands opting out of the now-volunteer armed services who are about to go on the labour market. They argue, too, that there is unlikely to be upward pressure on interest rates, unless the government actively wants there to be; there is as much liquidity as ever despite the last administration's attempts to strengthen exchange controls.

Then, again, if the market looks high it is only so by comparison with itself: Tokyo and Wall Street are both in dizzier realms. Australia's reverse dividend yield gap is less than 1% and the average p/e is under 13. Finally, even if a revaluation is more likely than not in the next 12 months the bulls see this as assuring a continued net capital inflow in the meantime and with market implications only against some mining companies. Most mining share prices probably already discount the sort of modest upvaluation that Australia would contemplate. Such heavies as Colonial Sugar Refining and Western Mining have been, and may remain, among price leaders, along with retailers and (curiously) the over-liquid banks.

Broken Hill Proprietary may be a soft spot, affected by both currency fears and the need it will undoubtedly feel to justify its steel price increases to the prices tribunal. But it gets marks from some brokers for its latest

venture: the development of the revolutionary Sarich engine (named after its designer, the Perth engineer, Mr Ralph Sarich), an investment of possibly up to \$A50m.

One other consideration is what the Labor government will do about foreign investment, particularly investment in land and mineral resources. There is no doubt that opportunities for foreign ownership will be hedged in, but the government has yet to think out its election promise to retrieve some assets from overseas control. If this leaves a question mark over leading stocks—apart from such obvious targets as Outfits, in which there is no local participation—they would have to be the likes of Conzinc Riotinto of Australia.

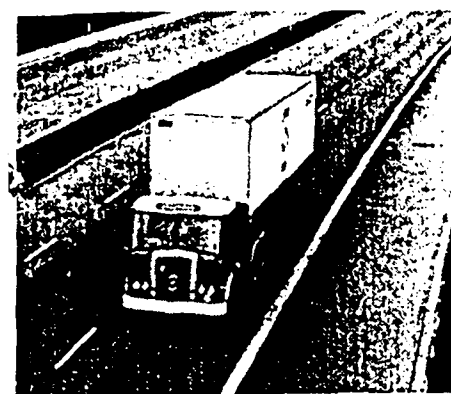
SECTOR ANALYSIS

Juggernauts' joy

The consumer boom is having some playback on the lorry business at last. After experiencing the worst recession since the war, specialist manufacturers of commercial vehicles like Seddon Diesel, ERF Holdings and Fodens are heaving sighs of relief.

They have all produced very depressing figures in 1972. Seddon even managed a loss of £124,000, after a profit of over £1m in 1971. Consumers always tend to trade down in a period of low demand; they find they can manage with a 24-ton truck in place of a 32-tonner, or a 12-tonner in place of a 16-tonner. In the heavier end (14-ton plus) the specialists are particularly vulnerable. Then the commercial sector—and again the heavy end in particular—was hit harder during the recession than the motor industry as a whole. Suppliers to commercial manufacturers were more easily able to raise prices, which could be neither absorbed nor passed on. Margins were cut. And then the new regulations announced in June—eight-wheel rigid (as opposed to articulated) trucks can now carry 30 tons against 24 tons before—were widely anticipated and orders fell off as consumers waited for their introduction. All in all, it was a nasty experience.

But all the growth of the past decade, which disappeared at a stroke during 1970 and 1971, could be made up over the next two years. Demand is running "at least" 25% up on last year: Seddon, which concentrates



Catching up can be fun

on trucks around 20 tons, has found demand particularly buoyant. It was this weight that suffered most in the recession; its production fell by 50%, compared with 20% for the heavy end. Fodens, too, is optimistic. It survived a little better than Seddon because it buys in only about 10% of its components; as a consequence, it is finding it difficult to keep abreast of demand and aims to have a new assembly plant on stream in about six months, with a 50% increase in production planned over the next few years. Fodens is more of a specialist in the heavy rigid trucks and is therefore benefiting more than most from the recent regulation changes.

A growing concentration on the rigid market is also taking place at ERF. Its output has been boosted from 44 to 50 vehicles a week, with emphasis on the rigid variety, even though at present 65% of its production is of articulated trucks.

Competition is pretty severe in the heavy end of the commercial market. British Leyland alone, under the AEC, Guy and Scammell labels, probably accounts for about 40% of total sales in the 24-ton-and-above bracket. Then come the independent specialists with about 35%, followed by the internationals (Ford and Chrysler's Bedford) with about 25%. The independents should be able to maintain their market share; their quality product gives users the reliability they require.

But a real threat is coming from abroad. A few years ago it used to be said that the more expensive trucks from ERF, Fodens, Atkinson and Seddon can run rings round the less high-quality vehicles on grounds of operating economy, but that they fall down on comfort. The Swedish Volvos and Scania are both efficient and comfortable.

Common market entry should be a gain to the industry. The big articulated lorries, in particular, will

be in demand and ERF will benefit here. Its prospective p/e of around 10 is not demanding, and for those who like a yield while they wait the loan stock has an 8% coupon (compared with 3.4% on the ordinary) and sells at a 13% discount. Conversion, however, is not until 1975. But Fodens looks a better bet. The yield is a healthy 4% and the slightly higher p/e of 11 is not too high a premium for a company concentrated more on the fast-growing rigid truck market. Also the new models the company has up its sleeve look more than just interesting.

Stock exchange

Another quaint device

The London stock exchange is following the example of Paris and Frankfurt and is installing a computer system manufactured by International Business Machines. Although the mechanics of trading on the three exchanges differ widely, London's decision brings that much closer the day when deals and settlements can be done automatically via linked computer systems throughout Europe and, eventually, America.

The London system goes live early next year on matching and checking all deals done between brokers and jobbers. Other jobs will follow over a four-year period, and will include a market accounting service for London firms and the later extension of both the checking and accounting services to cover the whole of Britain. The final phase will be the establishment of a pool of stocks dealt in by jobbers to enable bargains to be settled as dealt.

The system will cost £8m, with the computer itself accounting for about

£3m of this, and will include computer terminals in brokers' offices. At present the operations of the London exchange require about 7,000 clerical staff, costing in 1970 at between £20m and £25m. The computerised system is expected to produce savings of at least £4m on that cost. The Stock Exchange Council could then start rethinking the scale of commissions to be charged by brokers and jobbers.

A large institution can pay out as much as £1m a year in brokerage fees, and it was for this reason that the Accepting Houses Committee set up its own independent trading system outside the exchange. Large equity transactions can take place between subscribers to the system without paying brokerage fees. And the Ariel service is now starting to be marketed. It is not slow to expand if the opportunity arises. Approached by a number of discount houses, Ariel is now to add the Government's 20 stocks to the list it now trades. The idea is that if trading on the exchange gets difficult the market can be kept moving by deals done anonymously through Ariel.

Ariel is already helping to make the council of the London exchange think about supplying other goodies. It is considering setting up a company information service using its new computer and based on the service currently provided by the brokers Hoare and Company, Govett. This service would be made available to all members of the exchange. Such a system is already in operation in Frankfurt and will start next year in Paris as part of its portfolio valuation services. It is also likely that the London exchange will offer a service similar to New York's Block Automation System (BAS) which, after a shaky start, is now beginning to blossom, with over 100 brokers and about 120 institutions signed up.

Key indicators: world bourses

	Stock price indices			Percentage change on				
	Dec 6	1972 high	1972 low	one week	one month	one year	record high	
Wall Street still gaining and taking the Canadian market with it. London quietly firm.	London	506.9	543.6	461.6	- 0.7	+ 4.9	+15.3	- 6.8
	New York	1027.5	1027.5	889.2	+ 0.9	+ 4.5	+20.0	-
	Canada	238.5	238.5	187.5	+ 1.3	+ 4.1	+34.8	-
	Australia	612.5	639.8	490.1	+ 2.7	+ 3.7	+40.3	- 7.7
	Japan	372.0	372.9	199.9	- 0.2	+10.4	+100.9	- 0.2
	Hongkong	681.4	759.4	324.0	+ 3.0	- 2.6	+136.0	-10.3
	Belgium	118.1	120.8	96.9	+ 1.3	+ 0.8	+24.4	- 2.3
	France	79.0	89.3	67.6	- 1.4	- 6.5	+16.2	-16.9
	Germany	109.3	121.3	97.1	- 2.0	- 2.5	+16.5	-27.7
	Holland	149.2	155.3	105.4	- 0.3	+ 0.1	+50.3	- 3.9
	Italy	54.7	56.9	43.9	- 0.4	+ 7.5	+20.5	-53.1
	Sweden	360.9	368.1	308.7	- 1.0	+ 2.3	+18.1	- 3.9

Stock prices and yields are on pages 113 and 114

CHAIRMAN'S STATEMENT

The South British Insurance Company Limited

Highlights from the Review of the Centennial Year by the Chairman—Mr. Kenneth B. Myers, M.B.E.

A Hundred Years of Progress

Most appropriately our Centennial Year has been marked by a record consolidated Group Net Profit, after provision for depreciation and deduction of minority interests, of NZ\$ 5,573,000, being an improvement of NZ\$ 850,000 on last year's figures. Final Dividend for the year is 12½ NZ Cents making 20 NZ Cents for the year (20 NZ Cents) and the Board can only express its disappointment that the plans for payment of a special additional Centenary Cash Dividend of 5% and a 1-for-3 Bonus Share Issue have had to be postponed until the restrictions imposed by the Companies (Limitations of Distributions) Regulations 1972 are lifted, which it is hoped will be early in 1973. Fire, Accident and Marine Premiums expanded by NZ\$ 10,785,000 to NZ\$ 71,508,000 and the Underwriting Surplus at NZ\$ 2,155,000 is an increase of NZ\$ 634,000 on 1971. Investment income, after tax, rose to NZ\$ 4,352,000. Life Assurance premiums brought to account amounted to NZ\$ 4,503,000 and a credit of NZ\$ 6,000 was transferred to Profit and Loss account (against deficit of NZ\$ 28,000 in 1971). Total number of life policies in force at the end of the financial year was 61,245 with total sums insured after reinsurance NZ\$ 157,413,000. Underwriting policy has resulted in a healthy and continuing expansion of Fire business with satisfactory results notwithstanding substantial claims arising from cyclone 'Althea' and a sharp increase in statutory levies imposed for the maintenance of fire brigades in New Zealand. Accident Department premiums expanded but inflationary pressures continued to add to the cost of claims. Marine business continues to reflect further improvement with a modest expansion of premiums. Once again, Cargo business, the bulk of the account, was satisfactory but Hull business is still marginal. The Company thus enters its second century fully confident that its progress will surpass the very creditable performance of the first 100 years.

Summary of Results (NZ\$)

	1972	1971
Group Net Profit	5,573,000	4,723,000
Dividend	2,910,000	2,910,000
Shareholders' Funds	53,084,000	47,482,000
Total Assets	153,553,000	135,502,000

Head Office: Auckland, New Zealand.
Principal Office for the United Kingdom:
4 Fenchurch Avenue, London, EC3M 5JX.
Branches and Agencies throughout the world.



APPOINTMENTS

University of
London

School Examinations
Department General
Certificate of Education
Economics
Geography

Applications are invited for the post of Subject Officer for a group of subjects including Geography and Economics.

Applicants should have a degree in Geography and/or Economics. Teaching or administrative experience and an interest in multiple-choice objective tests are desirable.

The Subject Officer will be responsible to the Assistant Secretary for the administration and co-ordination of the GCE Examinations in the relevant subjects and will be expected to contribute to the development of the examinations.

The School Examinations Department conducts the GCE Examination of the University for approximately 350,000 candidates annually at over 3,000 home and overseas centres.

Initial salary, according to qualifications and experience, will be on the scale £2238 x £159 to £3310 plus £162 London Allowance. There are prospects of promotion to the scale £3192 to £4299. Membership of FSSU; 6 weeks' leave.

Further particulars and application forms are available from Michael Root Personnel Officer, University of London, Senate House, WC1E 7HU. (E83)

Closing date for applications is 22 December 1972.

For further
announcements see pages
5, 7, 104 to 109

CITY OF
LONDON
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This full time degree course gives a thorough academic education in the mainstream of modern Economics. The course includes related disciplines in which there is an element of choice. By appropriate selection those wishing to do so may prepare for careers as professional economists.

Further details may be obtained from The Registrar (EC), City of London Polytechnic, School of Business Studies, 84 Moor-gate, London EC2M 6SQ. Telephone 01-283 1030.

APPOINTMENTS

INVESTMENT ANALYST

A medium sized stockbroking firm wishes to recruit a first-class experienced analyst to work within a small team specialising in the financial area with particular reference to the shares of clearing banks, hire purchase companies, merchant banks and finance houses. The successful applicant will probably have had at least five years' analytical experience, preferably with a leading firm of research-orientated stockbrokers or with a merchant bank's research team. He should be accustomed to conducting interviews with top level management. Above all he should be capable of original thought and of taking the lead in the generation of business.

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Please write, with full particulars, in strict confidence, to: Box TE/154 c/o Hanway House, Clark's Place, London, EC2N 4BJ.

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* The directors had recommended a dividend for the year of 6%; the declaration has had to be postponed until the end of the statutory standstill of wages, prices and dividends. This will be the first dividend declared by the Company and is an important milestone in its history. The Board has also decided to make a rights issue of ordinary shares.



Copies of the Report and Accounts and of Mr. A. C. Grover's statement to the shareholders may be obtained from:

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CENTRE FOR
TRANSPORT STUDIES

There are a number of vacancies in this expanding Centre for which we are seeking suitable staff. Specifically we require:

A Lecturer with a special interest in transport economics. He will take part in the M.Sc. teaching and in regular short-courses, as well as assist in supervising the large research activities of the Centre. The position is tenable from July; salary will be in the range £1764-£4143 (with FSSU) according to ability.

Six research officers to work on the development of improved transport assessment methodology and to apply this to a varied research programme, including studies of V/STOL aircraft, airports, the future of cars, a river ferry service and automatic vehicle system. There is a multi-disciplinary approach to these studies, and suitable applicants might have backgrounds in economics, sociology, psychology, marketing, urban planning, mathematics, the pure or applied sciences, or other relevant fields. Appointments in the salary range £1764-£2866 (with FSSU) would be for initial periods of one to two years. Full details and application forms may be obtained from: The Assistant Registrar (ref. 110) Cranfield Institute of Technology, Cranfield, Bedford; telephone Bedford (0234) 51551.

Rhodes
University
GRAHAMSTOWN,
SOUTH AFRICA

Junior Lecturer/
Lecturer in Economics

Applications are invited for the above-mentioned post with effect from 1 February 1973 or as soon as possible thereafter. The salary scales are:—
JUNIOR LECTURER: R3,600 x 150-4,500 per annum.
LECTURER: R4,800 x 300-6,900 per annum.

A candidate with broad, rather than highly specialised interests, will be preferred. Consideration will also be given to appropriate teaching and research experience. A Junior Lecturer is appointed for a maximum period of three years with the possibility of promotion to a permanent post of Lecturer thereafter. The initial salary in either grade will be determined according to qualifications and experience. The person appointed to a permanent post of Lecturer will become a member of the University's pension and medical aid schemes.

Further particulars and application forms may be obtained from the Secretary-General, Association of Commonwealth Universities (Acps), 38 Gordon Square, London WC1H 0PF, or the Registrar of the University. Applications close on 31 December 1972.

Department of Trade and Industry

Research Officers £2,597-£3,313

1 post in Manchester as a member of a team providing economic research support for the Regional Office's operations in the field of industrial development chiefly in the administration of Section 7 of the Industry Act, 1972. Duties will also include participation in the work of the regional economic planning board, strategic and structure planning.

1 post in Glasgow organising and undertaking research projects on industrial growth and decline in Scotland and monitoring the success of government policy. The work will also include interdepartmental economic studies and the organisation of a wide range of records in the fields of employment and industrial development.

Candidates, normally aged at least 28, should have a degree in economics. Relevant practical or research experience is also required.

Starting salary may be above the minimum of the quoted scale. Non-contributory pension scheme. Promotion prospects.

For full details and an application form (to be returned by 29 December, 1972), write to the Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB, or telephone Basingstoke 29222 ext 500. Please quote A(E)/640.

APPOINTMENTS

Research Posts in Government

There are vacancies for Assistant Research Officers (normally under 28 years of age) in the following departments:

MINISTRY OF DEFENCE—8 posts (London). The work, under the Defence Intelligence Staff, concerns the interpretation of economic, topographical, and scientific information about certain foreign countries. It includes studies of economic organisation, finance, trade, civil and defence industries, raw materials, agriculture and labour. Some travel involved, including visits overseas.

SCOTTISH DEVELOPMENT DEPARTMENT—1 post (Edinburgh). The work, in the Central Planning Research Unit, is concerned with research in the fields of employment and industrial studies. Responsibilities include demographic and employment forecasting, labour supply and demand analysis, and labour catchment area analysis.

QUALIFICATIONS: Normally a degree with 1st or 2nd class honours, or post-graduate degree, in an appropriate subject. Relevant experience would be an advantage.

Salary scale £1530-£2476 (£175 less in Edinburgh). Starting salary may be above the minimum. Promotion prospects. Non-contributory pension scheme.

Other vacancies may arise in these and other departments.

For full details and an application form (to be returned by 29 December, 1972), write to Civil Service Commission, Alencon Link, Basingstoke, Hants., RG21 1JB, or telephone BASINGSTOKE 29222 ext 500. Please quote A(4)/013.

Paisley College of Technology

DEPARTMENT OF SOCIAL STUDIES

Lecturer in Economics

Applications are invited for the above post within a rapidly expanding Department. Salary £1,608-£3,638 with placing according to qualifications and experience.

Further particulars and application forms from The Establishment Section, Paisley College of Technology, High Street, Paisley PA1 2BE, Renfrewshire (Tel. 041887 1241). Closing date January 3rd 1973.

University of Edinburgh

The Centre of European Governmental Studies

Applications are invited for a post of LECTURER in European Law, tenable from 1st October 1973, or such earlier date as may be arranged.

Salary scale: — £1764-£4299.

Applications, by letter (three copies) together with the names of two referees, should be sent to the Secretary to the University, Old College, South Bridge, Edinburgh, EH8 9YL, from whom further particulars may also be obtained. The closing date for applications is 10th February 1973. Please quote reference 1078.

ZAMBIA

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statistician

A degree in Statistics or related subject and experience in Government Statistics Office or Statistical Division of large industrial organisation necessary.

Duties: Work in one of the following fields: National Accounts and input/output analysis, Balance of Payments statistics, Industrial or Labour or Prices statistics.

economists

Trade & Industry — Candidates should have an Honours Degree in Economics with some practical experience in trade imports and exports promotion.

Duties: To advise the Ministry on sources of supply for imports and to study export possibilities.

Development & Planning — Candidates should have a degree in Economics or equivalent with post graduate experience as an Economist.

Duties: To assist in formulation of National Development Plan in the macro-economic sphere, particularly financial projects and input/output tables.

If the successful candidates are British they may be eligible for an additional inducement allowance payable by the British Government.



Please apply by sending full personal and professional details to: Appointments Officer (N), Zambia High Commission, 7-11 Cavendish Place, London W1.

National Economic Development Office

Adviser to the Director General on Industrial Policy

Applications are invited for the post of Adviser on industrial policy to the Director General of the National Economic Development Office.

The Office is concerned with general questions relating to the management and growth of the economy, with the contribution made to economic growth by specific sectors of industry, and with the implications for industry of economic policy. It is a Government-financed but independent body which serves the National Economic Development Council and the Economic Development Committees on which the Government and both sides of industry are represented, and its work is based on the principle of tripartite consultation.

The person appointed to this senior post will advise the Director General on industry matters and will be responsible for the overall direction and coordination of the work of those sections of the Office which serve the Economic Development Committees and other special industrial working groups.

The person appointed will have made his mark as a senior executive and will preferably have had some boardroom experience possibly at the divisional or subsidiary operating company level. He will also have had some experience with the corporate strategy or financial side of company activity. He should be used to dealing with trade bodies and trades unions and should have the capacity to develop influential contacts in management, trades unions and government departments.

Appointment will be for two years in the first instance and the salary will be negotiable around £10,000 per annum.

Applications, giving details of age, qualifications and experience, including the names of two referees, should be sent not later than 1st January 1973 to:

M. P. N. Odell, National Economic Development Office, Millbank Tower, Millbank, London, SW1P 4QX



APPOINTMENTS

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Applications, which will be treated in strict confidence, should be addressed personally to:-

Lewis Lee, General Manager, Co-operative Bank Ltd., New Century House, Manchester M60 4EP.

University of Canterbury

CHRISTCHURCH, NEW ZEALAND

Senior Lecturer or Lecturer in Business Administration

Applications are invited for the above-mentioned position. Applicants should have qualifications and experience in the functional area of marketing.

The salary for Lecturers is on a scale from \$NZ\$589 to \$7149 per annum, and for Senior Lecturers \$NZ\$7276 to \$8579 (bar) \$8839 to \$9358 per annum.

Particulars, including information on travel and removal allowances, study leave, housing and superannuation, may be obtained from the Association of Commonwealth Universities (Appts), 38 Gordon Square, London WC1H 0PF (Tel: 01-357 8572).

Applications close on 31 January 1973.

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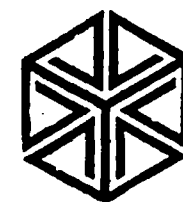
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These scholarships are open to Foreign applicants as well as Iranians residing overseas who are fluent in English and who meet the high entry requirements of the Program which is based upon the teaching methods and curriculum of the Harvard Business School.

For further information apply:

Admissions Board,
Iran Center for Management Studies,
P.O. Box 11-1573, Tehran, Iran.

FELLOWSHIP

University of Oxford

ST ANTONY'S COLLEGE

Research Fellowships

If suitable candidates present themselves, the College proposes to elect to one or more Research Fellowships, tenable for up to two years. Applications are invited from men and women with successful postgraduate or other relevant (not necessarily academic) experience, who wish to engage in a clearly defined piece of research or writing, in any of the subjects in which the College is active.

Studentships

Applications are invited from men and women graduates, and from undergraduates in their final year, who wish to work for higher degrees in nineteenth and twentieth century history and in social studies. The College is ready to consider candidates whose first degree is in another discipline (e.g. languages, literature, geography), and who now wish to undertake historical, social, political or economic studies. The College has a particular interest in the following areas: Europe, Russia, the Middle East, the Far East, Latin America and Africa.

The College may also admit a few students in the history and sociology of literature, in the history of science, of philosophy, of art and of music, in the social anthropology of complex societies, particularly in Southern and South-Eastern Europe, and in other subjects relevant to an understanding of modern society.

Further particulars and application forms may be obtained from the College Secretary, St. Antony's College, Oxford. The closing date for applications is 1st January, 1973.

PUBLICATIONS

SOVIET STRATEGY—SOVIET FOREIGN POLICY

by C. G. JACOBSEN, Senior Fellow of Columbia University's Russian Institute.

FIRST EDITION DECEMBER 1972. ISBN 09502034 2 4.

— Traces the Soviet development of strategic concepts and capabilities.

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There are vacancies for Statisticians and for at least one Economist or Econometrician. Candidates should preferably be honours graduates and should have some 5 or more years' relevant experience; e.g.:-

Statistician - preferably with experience of one or more of large scale sampling design, multivariate analysis, stochastic processes, scientific analysis of business systems and operations, statistical type operational research, statistical modelling.

Econometrician - with experience of econometric model building and forecasting.

Economist - knowledge of the theory and practice of mathematical economics, econometrics and an interest in solving business problems is essential.

The starting salary will be determined by qualifications within the range £4095 to £5240. Benefits include 5 weeks' holiday rising to 6 weeks' after 10 years' service.

ASSISTANT STATISTICIANS

There are also vacancies for Assistant Statisticians. Candidates should possess at least a good honours degree or post-graduate qualification in statistics or other subject with a high content of mathematical statistics. They are normally appointed within a salary range of £1650 to £2690 and after 2 years' satisfactory service move into the range £2760 to £3260. Benefits include over 4 weeks' holiday.

For further details and an application form please write to:-

A. J. Hann, Post Office Appointments Centre (Ref. S.634), Euston Tower, 286 Euston Road, LONDON, NW1 3DD.

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APPOINTMENT

University of
Bristol

Research Assistant
in Economics

The Department of Economics invites applications for an Assistantship in research in ocean shipping conducted by Professor E. Bennathan. Candidates should be graduates with training in economics and/or statistics and preferably experienced in simple computer programming and computer use. The position is vacant from 1st January, 1973. Salary within the scales £1350-£1476-£1599-£1722 or £1764-£1923-£2079 according to qualifications. Further particulars may be obtained from the Registrar, University Senate House, Bristol BS8 1TH, to whom applications should be sent by 5th January, 1973. (Please quote reference EB).

EDUCATION

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1973

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For full details write to:
The Registrar (Short Courses),
Cranfield Institute of Technology,
Cranfield, Bedford (or
Telephone Bedford 0-234 91151,
extension 284).

TENDER

BRITISH AIRPORTS AUTHORITY PROVISION OF ADDITIONAL BANKING FACILITY - GATWICK AIRPORT - LONDON

Enquiries are invited from banks interested in operating, possibly on a joint basis, a single Bureau de Change and a Deposits/Withdrawals service in the new Arrivals Building at Gatwick Airport—London due to open in Spring 1974.

The new Arrivals Building is part of a £32m development programme required to meet the Airport's continuing traffic growth. The number of passengers through the Airport in the past five years has increased from 2m to more than 5m. More than 80% of these passengers are on world-wide international large-jet charter and scheduled flights.

The British Airports Authority hopes to establish a facility that will ensure speedy and efficient service at peak periods. For this reason it is quite possible that in place of an arrangement with a single bank consideration may be given to the award of a concession contract for a joint operation by a consortium of, say, four banks of which two must be British and the others European and/or North American.

Enquiries and suggestions which it is hoped will assist the Authority finalise its policy and define the terms of an invitation to Tender and Form of Contract before 28 February, 1973, should be addressed to:

Mr David Livingston, General Manager,
British Airports Authority, Gatwick Airport—London,
Horley, Surrey RH6 0VP.

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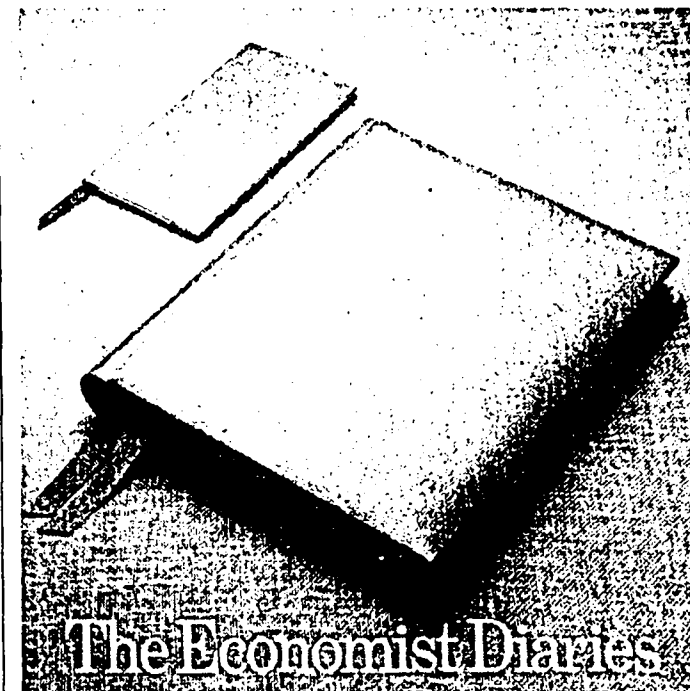
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Condensed Statement of Assets and Liabilities as at October 31, 1972

Assets	1972	1971
Cash resources	\$ 3,688,244,241	\$ 3,003,367,661
Government and other securities	2,296,048,338	2,258,855,005
Loans, including mortgages	8,111,052,808	6,973,913,913
Bank premises	119,920,428	117,345,659
Liabilities of customers under acceptances, guarantees and letters of credit	446,155,557	480,482,940
Other assets	106,094,644	119,612,920
	<u>\$14,767,516,016</u>	<u>\$12,953,578,098</u>
Liabilities		
Deposits	\$13,537,381,590	\$11,772,301,195
Acceptances, guarantees and letters of credit	446,155,557	480,482,940
Other liabilities	50,829,231	31,757,181
Accumulated appropriations for losses	215,840,146	186,193,176
Debentures issued and outstanding	75,000,000	75,000,000
Capital, rest account and undivided profits	442,309,492	407,843,606
	<u>\$14,767,516,016</u>	<u>\$12,953,578,098</u>

(All figures are in Canadian dollars)



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155th Condensed Statement of Assets and Liabilities

October 31, 1972

Assets	1972	1971
Cash and due from banks	\$ 1,899,403,632	\$ 2,048,565,548
Cheques and other items in transit, net	19,744,509	19,473,676
Total cash resources	1,919,148,141	2,068,039,224
Securities issued or guaranteed by Canada, or by provinces, at amortized value	1,539,187,756	1,602,802,507
Other securities, not exceeding market value	389,299,778	259,720,592
Total securities	1,928,487,534	1,862,523,099
Call loans	361,433,124	402,263,994
Commercial and other loans	6,620,120,350	5,464,585,199
Total loans	6,981,553,474	5,866,849,193
Bank premises	99,570,593	99,216,564
Customers' liability under acceptances, guarantees and letters of credit, as per contra	373,278,441	250,836,442
Other assets	21,350,563	17,932,403
	<u>\$11,323,388,746</u>	<u>\$10,165,396,925</u>
Liabilities		
Deposits	\$10,356,738,884	\$ 9,450,160,806
Acceptances, guarantees and letters of credit	373,278,441	250,836,442
Other liabilities	35,546,281	29,439,121
Accumulated appropriations for losses	103,345,932	119,934,410
Debentures issued and outstanding	90,000,000	—
Capital stock — authorized 50,000,000 shares of \$2 each	68,343,750	68,343,750
Capital paid-up	296,000,000	246,500,000
Rest account	135,458	182,396
Undivided profits	364,479,208	315,026,146
Shareholders' equity	<u>\$11,323,388,746</u>	<u>\$10,165,396,925</u>

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The Annual General Meeting of Société Internationale Pirelli S.A. was held in Bâle on October 23rd, 1972 and the following are the main points from the Directors' report to the Shareholders:

For the first time the published report and accounts included the participation in Dunlop, following the implementation of the Pirelli/Dunlop Union on January 1st, 1971. The consolidated sales of Pirelli/Dunlop show a modest increase to Sw Fr. 9,700m in 1971. During the year under review, the Pirelli/Dunlop Group invested approximately Sw Fr. 920m in fixed assets.

The sales of Société Internationale Pirelli's subsidiaries were slightly down at Sw Fr. 2,450m in 1971, compared to the 1970 figure at Sw Fr. 2,500m. The short fall was mainly due however to the devaluation of the Swiss franc; in real terms, the sales figure is slightly higher than last year.

Pirelli limited in the U.K. developed favourably during the year and closed with a small profit which was retained. The present situation shows encouraging progress. The results for Pirelli General Cable Works Limited in 1971 were very favourable and higher than in the previous year. Pirelli General took over the cable manufacturing company Aberdare Cables Limited. The sales of Productos Pirelli S.A. in Spain were approximately as in 1970, and the company was able to distribute a dividend of the same amount. Also the two other Spanish companies of the Group, Compañia de Inversiones S.A. and Comercial Pirelli S.A., distributed a dividend. The Greek company, Pirelli Hellas S.A., improved considerably and distributed a gross dividend of 10%. The results of Turk-Pirelli Lastikleri A.S. were in part affected by the difficult economic situation in Turkey, but the company was able to distribute a dividend of 12%. The results of the American companies (Canada, Mexico, Brazil, Argentina and Peru) were satisfactory and particularly the Brazilian affiliate shows very good results. Pirelli S.p.A. was affected to some extent by the difficult conditions of the Italian economy and distributed a dividend of Lit. 50 per share as against Lit. 110 in the previous year.

The balance sheet of Société Internationale Pirelli, closed at June 30th, 1972, shows a net profit of Sw Fr. 28,117,322 as against 26,621,788 for the financial year 1970/71. The gross dividend was increased from Sw Fr. 12 to Sw Fr. 13 per share.

Group indices (Base 1962 = 100)

	1967	1968	1969	1970	1971
Total sales	172	188	229	241	240*
Cables	169	183	224	246	220
Tyres	201	231	282	307	330
Various	115	121	148	134	142
Annual rate of investment	97	188	207	123	134
Capital employed	137	157	189	185	190
Labour force (number)	106	114	122	130	129

* Taking into account the revaluation of the Swiss franc

STOCK PRICES AND YIELDS

Prices, 1972					Prices, 1972					Prices, 1972					Prices, 1972				
British funds					Eurobonds					Last week's prices					This week's prices				
High	Low		Price, Dec. 6, 1972	Change on week	Yield Dec. 6	High	Low	Price, Dec. 6, 1972	Change on week	Yield Dec. 6	High	Low	Price, Dec. 6, 1972	Change on week	Yield Dec. 6	High	Low	Yield Dec. 6	
98 1/2	97 1/2	British Electric 3%	1968-73	98 1/2	98 1/2	4.385	7.310	1			Anglo-American 7 1/2%	1987	99 1/2-100 1/2	98 1/2-9 1/2	7.42				
89 1/2	75 1/2	British Electric 3 1/2%	1976-79	76 1/2	76 1/2	6.395	8.050	1			Amoco (L) 8%	1987	94-5	93-4	8.55				
109 1/2	96 1/2	Treasury 8 1/2%	1980-82	100 1/2	100 1/2	5.330	8.085	1			General American Trans. 8 1/2%	1987	103-4	102 1/2-3 1/2	7.70				
108 1/2	94 1/2	Treasury 8 1/2%	1984-86	98 1/2	94*	5.695	9.190	1			General Cable 8 1/2%	1987	103-4	103-4	7.67				
96 1/2	80 1/2	Funding 6 1/2%	1985-87	80 1/2	80 1/2	5.980	9.030	1			International Utilities 8 1/2%	1987	102-3	102-3	7.78				
86 1/2	54 1/2	British Transport 3%	1978-88	54 1/2	54*	6.530	8.075	1			Kleinwort Benson 8 1/2%	1987	103-4	104-4	7.56				
111 1/2	93 1/2	Funding 6%	1993	71 1/2	71 1/2	6.095	9.245	1			Motorola 8%	1987	104-5	103 1/2-4	7.41				
58 1/2	46 1/2	Treasury 9%	1994	94 1/2	94 1/2	5.875	9.665	1			N. American Rockwell 8 1/2%	1987	103 1/2-4	103 1/2-4	7.67				
89 1/2	73 1/2	British Gas 3%	1990-95	46 1/2	46 1/2	6.275	8.305	1			Pennwalt 8%	1987	103-4	103-4	7.55				
73 1/2	54 1/2	Treasury 6 1/2%	1995-98	74 1/2	74 1/2	6.075	9.515	1			Queensland Alumina 8 1/2%	1987	103-4	103 1/2-4	7.64				
43 1/2	35 1/2	Treasury 5 1/2%	2008-12	60 1/2	60 1/2	5.970	9.408	1			Wellcome 8 1/2%	1987	102 1/2-3 1/2	103 1/2-4	7.64				
30 1/2	25 1/2	War Loan 3 1/2%	after 1952	26 1/2	25*	5.840	9.740	1			Williams and Glynn 8 1/2%	1987	97-8	97-8	6.97				
		Consols 2 1/2%		26 1/2	25*	5.825	9.685	1			Inter-American Devel. Bank (DM) 6 1/2%	1987	97-8	97-8	7.22				
											Slater Walker (L) 7 1/2%	1987	97 1/2-8 1/2	97 1/2-8 1/2	7.42				
Prices, 1972					Prices, 1972					Prices, 1972					Prices, 1972				
Ordinary stocks					Ordinary stocks					Ordinary stocks					Ordinary stocks				
High	Low		Price, Dec. 6, 1972	Change on week	Yield Dec. 6	High	Low	Price, Dec. 6, 1972	Change on week	Yield Dec. 6	High	Low	Price, Dec. 6, 1972	Change on week	Yield Dec. 6	High	Low	Yield Dec. 6	
383 1/2	268	Banks, other financial				118	89	Breweries, etc.			74.9	58.7	Hoesch	DM 59.8	+0.6	5.0			
84	57.8	Algemeine Bank	Fl 335	-4	5.1	69	55	Allied Breweries	111p	-1 1/2	3.1	81 1/2	60.9	Hoogoven	Fl 81 1/2	+1.6	4.9		
410	257	Amsterdam-Rot	Fl 71	-1.8	4.8	148	148	Anheuser-Busch	\$ 59 1/2	+ 1/2	0.9	220.3	145 1/2	Mannesmann	DM 195 1/2	- 1/2	5.1		
50 1/2	37 1/2	Aust & NZ Bank	402p	+2	2.6	194	148	Bass, Charrington	181 1/2	+ 5	2.8	104.8	65.2	Nippon Steel	DM 78.2	-12	3.5		
500	370	Bank of America	\$47 1/2	- 1/2	2.4	165	132.8	Bols NV	Fl 141 1/2	+5.2	2.6	85.8	67 1/2	Rhein Stahl	DM 67.7	+0.1	4.7		
11 1/2	8 1/2	B of Ireland	465p	- 1/2	3.3	212	153	Distillers	164p	- 1	4.1	34 1/2	27 1/2	Thyssen Hütte	\$ 33 1/2	- 1/2	4.7		
116 1/2	84	B of Montreal	Fl 1 1/2	+ 1/2	2.8	44	33 1/2	Distill Seagrams	\$44 1/2	+ 1/2	1.6	117.1	85.9	US Steel	Fl 98	+0.8	9.2		
620	298	B of Mexico	P 94 1/2	+ 1/2	2.2	470	390	Dortmund Union	DM 406	-6	2.5	52.2	36.2	Usinor	Fr 36.2	-3.9	13.5		
765	525	B of NS Wales	620p	+20	2.2	244	182	Guinness	200p	-3	3.6			Wendel-Sidlor					
3040	2310	B of Scotland	765p	+15	2.6	349.9	238 1/2	Heineken	Fl 316.2	-5.8	1.1								
238.6	183.3	B Bruxelles	Fr 8.2995	-4.2	4.2	376	234	Kirin Brewery	Y 360	-16	2.1								
492	298	B de Paris Pays Bas	Fr 217	+2	5.2	20 1/2	15 1/2	Nat Distillers	\$16 1/2	- 1/2	5.5								
18 1/2	11 1/2	Bankers Trust	\$65 1/2	- 1/2	4.4	145	88 1/2	Scottish & Newc	125p	-2	2.6								
122	78	Barclays	473p	-2	2.0	103 1/2	70	Sch African Br	95p	+ 1/2	3.6								
66	52	Can Imp Com	Fl 6 1/2	-2 1/2	1.7	114 1/2	84 1/2	Whitbread 'A'	109p	...	3.3								
257	221	Charterhouse Group	121p	-1	3.4														
182	148	Chase Manhattan	\$56 1/2	- 1/2	3.5														
450	370	Chemical Bank NY	\$52 1/2	- 1/2	3.5														
4550	3695	Commerzbank	DM 208	-8	4.1	346 1/2	205	Building, building materials											
350	309	Credit Commercial	Fr 167 1/2	- 1/2	4.9	246	148	Assoc Portland	227p	+7	4.1								
289	245	Credit Foncier	Fr 400	-8	5.6	20 1/2	15 1/2	BPB Industries	185p	+9	3.8								
75 1/2	43 1/2	Credit Suisse	Fr 5.4025	-65	2.0	514	252	Boise Cascade	\$11 1/2	+ 1/2	2.2								
700	355	Deutsche Bank	DM 309	-12	2.9	195	137	Bovis Ltd	371p	-26	1.6								
490	335	Dresdner Bank	DM 245	-8	3.7	2795	2100	Ciments Lafarge	Fr 219.9	-4.1	6.4								
208	142	First Nat City	\$70 1/2	- 1/2	1.9	329	155 1/2	Cimenteries Briq	Fr 2.515	-25	5.1								
17	13 1/2	Fuji	Y 700	+1 1/2	0.9	143	105	Costain	320p	-9	2.3								
209	130	Hambros	480p	+10	1.8	28100	19050	Eng China Clays	L 26750	-700	1.9								
7900	5830	Hill, Samuel	186p	+6	2.4	191 1/2	145	Italcementi	163p	+3	1.5								
410	330	IOS Mnt	...	...	...	74	London Brick	95p	-3	3.5									
2500	1840	Hongkong & Sh	Cl 26 1/2	+1	1.3	139	95	Marley	117p	...	3.7								
457	320	Kleinwort Benson	174p	- 1/2	2.1	375	303	Pilkington Bros	362p	+18	2.9								
850	601	Kreditbank	Fr 8.7900	+10	2.5	170	99	Redland	130p	-4	3.1								
39	30	Kundenkredit	DM 410	+3	2.4	182	119 1/2	Rugby Portland	119p	-3	3.2								
88850	62670	Lambert Lind	Fr 8.2475	+15	3.4	174	133	Steelley	144p	+1	3.7								
146 1/2	99	LBI	400p	-5	2.5	310	242	Tarmac	266p	-1	3.4								
256	164	Lloyds	726p	-4	2.2	360	253	Taylor Woodrow	277p	+3	2.1								
330 1/2	202	Manuf's Hanover Trst	\$38 1/2	+ 1/2	4.1	137 1/2	105 1/2	Wimpey	115p	-5	1.1								
440	327	Mercantile Credit	L 83400	-600	1.3														
327	205	Midland	108p	-1	1.6	157	122	Catering, hotels, entertainment											
113 1/2	71 1/2	Mitsui	Y 425	-15	1.2	62 1/2	45 1/2	ATV 'A'	134p	-2	5.1								
150	89	Montagu Trust	294p	+18	1.7	280	202 1/2	CBS	\$51 1/2	...	2.6								
4.30	2.80	Morgan J P	\$102 1/2	+ 1/2	2.7	275	199	Granada 'A'	260p	+8	2.4								
250	176	Nat & Grindlays	148p	+4	2.8	55 1/2	39 1/2	Grand Metropolitan	234p	+2	2.4								
152 1/2	120	Nat Australasia	\$A3.93	-0.04	2.3	476	362 1/2	Holiday Inns	\$45 1/2	+ 1/2	0.6								
309	229	Nat Com Grp	218p	-2	2.3	246	167	Lyons 'A'	476p	+6	2.1								
152 1/2	120	Nat West	460p	-3	2.0			Trust Houses-Forte	246p	+4	4.1								
301 1/2	13 1/2	Norsk Creditbank	\$214 1/2	- 1/2	6.3														
915	608	Royal Canada	Cl 20 1/2	+ 1/2	1.8														
329 1/2	229	Schroders	840p	+60	1.2	79.2	62.8	Chemicals	Fl 72 1/2	+0.3	5.0	237	155	Engineering, shipbuilding					
3295	2910	Slater Walker Secs	261p	+8	3.2	845	520	AKZO	L 800	...	...	245	214	Acrow 'A'	158p	-14	3.2		
2935	2640	Soc Gen de Banque	Fr 8.3190	+15	4.4	40 1/2	32 1/2	ANIC	\$33 1/2	- 1/2	...	94	24	Atlas Copco	Kr 222	-5	2.3		
560	328	Soc Gen de Banque	Fr 8.2800	+0	1.8	183.3	137	Amer Cyanamid	DM 159.2	-4.7	4.7	67 1/2	94 1/2	BSA	22 1/2	-2	...		
399	280	Standard & Chart	535p	-23	5.0	152	123	BASF	DM 159.2	-4.7	4.7	187	129	Babcock & Wilcox	92p	+2 1/2	...		
702	362	Suez	Fr 358	-14	5.2	2990	2240	Bayer	Fr 3.5190	+50	0.9	1460	1150	John Brown	157p	-2	2.6		
4440	3670	Sumitomo	Y 700	-12	0.9	105 1/2	78	CIBA-GEIGY	\$101 1/2	-3	1.7	100 1/2	64	Brown Boveri 'A'	\$1160	+5	4.3		
4805	3885	Swiss Bank Corp	Fr 5.3850	+40	2.1	183 1/2	144 1/2	Dow	\$174 1/2	-3	2.8	71	49 1/2	Cohen 600	74p	+1	5.1		
637	430	Union Bank Swiss	Fr 5.4290	+70	2.3	439	327	Dupont	428p	-10	2.7	236 1/2	167	Davy Ashmore	DM 193	-1 1/2	3.1		
158 1/2	107	Union Discount	46p	+15	4.9	30 1/2	24 1/2	Fisons	\$28 1/2	- 1/2	5.2	60	36	Demag	55p	+6	4.1		
		United Dom Tat	135p	-7	3.1	176.9	146	Y&R Grace	DM 148 1/2	- 1/2	5.0	425	342	DK 193	347p	-11	3.1		
						312	238	Hoechst	293p	+3	4.7	186	141	GKN	DM 141	-11	5.0		
						101	80	ICI	94p	-1	4.0	72	21 1/2	Head Hoffmanns	42p	-1	...		
						56 1/2	46	Laporte	\$51 1/2	- 1/2	3.5	147	317	Harland & Wolff	66 1/2	+1	...		
						751	426	Monsanto	L502 1/2	- 1/2	...	82	62 1/2	Hawker Siddely	435p	-10	3.3		
						380	272	Montecatini-Edison	Kr 357 1/2	+12 1/2	1.0	71	31	Head Wrightson	66 1/2	+1	4.6		
						156	156	Norsk Hydro	Fr 173	-3.2	6.9	125	171	Alfred Brown	44p	+8	...		
						3025	2370	Rhone Poulenc	Fr 2910	-30	5.3	152	104	Int Combstn	Y 175	-23	3.4		
						136	136	Solvay 'A'	Fr 173 1/2	+8 1/2	5.4	108	42 1/2	Inter Combstn	20 1/2	+1 1/2	...		
						50 1/2	41 1/2	Takeda Chemical	Y 305	-21	2.9	108	42 1/2	Inter Combstn	132p	+1	2.6		
								Union Carbide	\$50 1/2	+ 1/2									

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December 16, 1972

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Stock Prices and Yields

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Jeremy's bubbles

Mr Jeremy Thorpe is jubilant about his Liberal party's successes in the by-elections. But the idea of a Liberal revival, like the hankering for a third great, moderate party, is a bubble which should burst, page 11. The Liberals back out of Lincoln, page 25. The dangers and deficiencies of opinion polls, pages 13 and 25.

Cover: adapted from Millais and Pears Soap.



From Santiago to Paris

If the rise of Georges Marchais's Communist party in this week's French opinion poll means anything, the Chile problem could come to France, and maybe Italy too, in the 1970s, page 13.

Out of their hair

The last McGovernite has been swept out of national party office. And her successor is a Conservative-Democrat from Texas, page 47. The Republicans, too, have turned to Texas for their new chairman, page 48.

That mechanical heart

The Midlands: a special survey, after page 62.

How's your inflation?

The sooner the Heath Government announces its phase two policy and makes it a near-freeze the better, page 81. The immediate concern is strikes, token ones in engineering but potentially serious in gas, page 91. The Irish have a cure of their own and so have the French, pages 85 and 98.



No Tanaka Shokku

Japan's radical new prime minister did just about as expected in Sunday's election—but that's good news for Japan's trading partners, see page 14.



They struck water

On their last moon flight the Apollo astronauts found the one thing that might have saved the American space programme: a trace of water on the moon, page 16.

The voice of Palestine

Our special correspondent describes the widening gap between Yasser Arafat's guerrilla movement and the Palestinians who live in Palestine, page 44.

Letters

By-elections

SIR—You state (December 9th): "At Sutton and Cheam [the effect of attracting more support by convincing the electorate that the Liberals have a chance] was achieved by leaking partial and misleading bits of a private opinion poll."

This implies, whether intentionally or not, that the poll was deliberately used to create a picture more favourable to the Liberals than was the case.

As the editor of the magazine which commissioned the poll, let me put the record straight.

The fact that there was an NOP was first discovered by a reporter in Sutton, almost certainly from one of those interviewed. After it became obvious that there was a poll and failure to publish it might cause misunderstanding a statement was issued as to the main findings. The reason that the whole poll was not issued was that it was (and is) intended for publication in New Outlook in March.

When the statement was misunderstood by one or two papers (notably in The Times which interpreted it to be worse for the Liberals than it was) NOP, who are rightly concerned that the findings of their polls should not be manipulated, after consulting me immediately wrote a letter of correction.

Lastly, I know that the Liberal party was considerably embarrassed by the publication of the poll since it was far less favourable than that of the Sutton and Cheam Advertiser which, while open to objection on methodological grounds, nevertheless had gained wide currency in the constituency itself.—Yours faithfully,

TIM BEAUMONT
Editor, New Outlook

SIR—Your analysis of the voting results in the Sutton and Cheam and Uxbridge by-elections (December 9th) is incorrect in attributing the poor Liberal vote in the latter constituency to the "likely explanation . . . that the voters of Uxbridge take their national politics rather more seriously." The difference in performance can be attributed to the fact that, whereas Graham Tope had nearly six months at Sutton and Cheam in which to campaign, Ian Stuart, the Liberal at Uxbridge, was only adopted just prior to the writ being called. It was impossible for him to develop a "community-politics" campaign in that short time. Given a little longer, he would have produced a much higher Liberal vote.—Yours faithfully, JACK BARNETT
London, NW6

Heavy lorries

SIR—Your comment on heavy lorries (December 2nd) misses what most of their critics would regard as the main point. It is alleged that such lorries cause damage, out of all proportion to their weight, to the roads and bridges over which they travel, to the buildings which they pass, and to any vehicles or buildings with which they may happen to collide, as they occasionally will. The length of the lorries is a relatively minor issue.

You tell us that "less than 10 per cent of Britain's lorries are over eight tons." In that case, if each existing lorry were replaced by two lorries of half its weight, the total number of lorries would increase by a good deal less than 10 per cent, while the number of those over 16 tons would fall by 100 per cent. Many people would regard this as an excellent bargain.

The main advantage that lorries have over rail freight is that goods can be carried anywhere from door to door without trans-shipment. If heavy lorries were to be restricted to certain routes, then this advantage would be lost. You point out that "the average freight haul is 25 miles in Britain, and neither begins nor ends near a rail terminal." As the motorway network still has a length of only about 10 per cent that of the remaining railway network, the average freight haul is even less likely to begin or end near a motorway access point. Even if the motorway system were doubled, this situation would not be changed much.

You tell us too that "the Six are trying to . . . create a common market in lorries by standardising their dimensions." Why? This desire for standardisation cannot be justified on the orthodox theory of comparative economic advantage. If the people of one region are more willing than their neighbours to accept lower environmental standards in exchange for a higher monetary income, then that region will tend to gain a comparative advantage in environmentally-damaging industries. A willingness to accept lower environmental standards may be a scarce and localised resource, just as much as a coalfield is.

The mystique of integration apart, why should the French have to accept a limit of 11 tons on their axle loads when they prefer 13; and why should the British have to accept lorries of 40 tons on their roads, when they are plainly unhappy about lorries of 32? Not the least of the faults of the EEC is its policy of imposing standardisation on all member countries, regardless of different conditions in each. The result is that the EEC serves, not to resolve conflicts between its members, but to create new ones.—Yours faithfully, JOHN KISSIN
London, NW5

SIR—If on the subject of lorries (December 2nd) you want to discuss it as an economic subject, why stop at 40 tons. It would be more economical to move 50-ton loads, and even more so with 60-ton loads; and the economies of scale from 100-ton lorries are simply breathtaking! And what

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is a mere extra nine inches. Don't be penny-pinching. Advocate an extra nine feet! What do the people matter, or the environment, or any other decent value, on the sacred altar of economics.

Your argument on distance against British Rail destroys your whole rationale (is that what it is?) on lorries. If the average freight haul is only 25 miles, then nothing in creation can demand lorries larger in size than around 5-10 tons.—Yours faithfully, H. GRAYSON
London, E11

Vat

SIR—Your expectations (December 2nd) that prices in service industries would go up by less than the standard rate of Vat, due to the abolition of other taxes, does not apply to Post Office telecommunications.

These services pay very little Set and are not liable to purchase tax. Standard rate Vat will, for example, have to be collected on telephone and telex connection charges, rentals and call charges, and also telegrams.—Yours faithfully,

W. O. RICH
Deputy Director (Central) Public Relations,
London, W1 Post Office

Eurocrats

SIR—Your headline (December 9th) asked "How Euro are the Eurocrats?" This is a relevant question. But an equally relevant one would be: "How Whitehall will be Britain's Eurocrats?"

All the signs are that the businessmen have been pushed off the list and that Whitehall has merely put forward Civil Service nominees. Fortunately this has not been automatically accepted by the commissioners.

The next two years will be vital for Britain, and it is imperative that our nominees to Brussels should not merely be Whitehall men.—Yours faithfully, J. LEROY
London, NW3

Professional promotion

SIR—Your comment (November 25th), "Private argument, public interest," dealing with the General Medical Council's disciplinary action against a woman doctor for advertising, in a sense misses the issue. Her defence that she was not promoting herself may have been accepted by the disciplinary committee but it presupposes that there was any virtue in the charge in the first place.

The doctors' and senior professions' rear-guard action against all forms of marketing has never been justified by the doctors except in terms of professional pride (or is it arrogance?) which is not the same as pride in their profession. Public interest has never been served in any industry or profession by keeping from the public information which will enable them to make better decisions in regard to the product or services they wish to purchase.

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The argument advanced by the Law Society to the Monopolies Commission, for example, that if advertising were allowed business would go to the partnership with the longest purse and least scruples, not the greatest ability, is, at its kindest just nonsense. If this were true it would apply across the economy as a whole and large organisations which do advertise might be presumed to be less competent and less scrupulous than those that do not. This is the logic of the professions' response.

It is surely time the Government acted on the recommendations of the Monopolies Commission, which to a very large measure came down against all forms of restraint in marketing and pricing in the professions. The old arguments which were current before resale price maintenance was made illegal will certainly be trotted out, but history is against the professions, senior and junior. Public interest must come first even at the expense of doctors, lawyers, accountants and architects having to go into the market place against all their professional instincts.—Yours faithfully,
London, SW1 AUBREY WILSON

Immigrants

SIR—Mr Duncan refers to the language problem in connection with the integration of immigrants in this country (Letters, November 18th). Not all adult immigrants can afford the time (or the fees) to attend classes where English is taught as a second language, if such classes are available at all, and there is thus scope for an army of volunteer tutors to teach individuals in their own homes. In London, anyway, there is no shortage of pupils, whether they be Asian or Cypriot, east European or West Indian, Chinese or Latin American. A number of local authority community relations offices organise tuition schemes. Previous teaching experience or knowledge of the immigrant's own language is not necessary: the direct, situational method is adopted, encouraging the pupil to speak meaningful language from the outset. (How I wish I had been taught French and German during my schooldays in this way!) Those who are concerned to see good race relations in this country would do well to support or initiate such voluntary tuition schemes in their neighbourhood.—Yours faithfully, M. B. CORRAL
London, W8

SIR—I was greatly upset by Mr G. J. A. Stern's views (Letters, December 2nd) on immigration. I would remind him that the free movement of labour applies only in the EEC and it is ridiculous to talk about the market and then give examples concerning the rest of the world.

Even in his example, he implies that the immigrants from the poorer countries are layabouts. I would point out that the majority of these people contribute enormously to this country by way of intelligence (I support this by the fact that the former controller of London Transport is an intelligent Asian).

He talks utter nonsense by referring to

the emigrants as "better workers" because they earn more. This is due to the higher standard of living in those countries where these British emigrants may be doing the "menial" jobs, that he mentions, for example, the Americans reject. May I also remind Mr Stern that Turkey is not a member of the EEC and thus it is in his imagination that millions will be flooding from there as free movement of labour in the EEC.—Yours faithfully, J. SMITH
London, SW16

Chile

SIR—In your article "The army waits" (October 7th) you say that Patria y Libertad is a right-wing extremist group. This is false.

Patria y Libertad celebrated when the bill giving control of firearms to the army was approved some weeks ago. That bill was approved because the government vetoed it incorrectly and did not send it back to congress within the statutory 30-day period. The bill then became law. It was a great conquest for the democratic people of Chile.

Do not compare the Movement of the Revolutionary Left (Mir) and Patria y Libertad, because the Mir acts illegally and Patria y Libertad always respects the constitution and the law.

The Mir has killed a lot of innocent people, has robbed banks, and committed other crimes. It is just a group of delinquents, and Dr Allende's government does nothing against them.

Patria y Libertad has been accused of a lot of things, but no allegations against it have been proved in court.—Yours faithfully, MARIO ACUÑA BRAVO
Santiago

Holland

SIR—In your article (November 25th) you rightly make the point that Holland's great weakness is to produce shaky coalition governments and face them with serious economic problems. However, the solution is by no means obvious, and in my opinion the Dutch experience does not, as you suggest, demonstrate a system of proportional representation pushed too far.

In the first place it is easy to give examples of countries where far fewer parties have produced weak governments—west Germany before the recent elections, and Canada now, for instance. Secondly, the proliferation of parties in Holland is an expression of part of the Dutch character. Holland has expended a great deal of effort in protecting democracy and freedom of speech, and one of the ways in which it demonstrates its belief in these ideals is its willingness to form political parties to represent minorities. It would be a hard thing for the Dutch to abandon this practice.

Nor would it make any practical difference to the situation if the smaller parties were excluded from the parliament, by introducing, for instance, Germany's

5 per cent limit. In the last Dutch parliament there were seven parties with more than 5 per cent of the vote and between them they held over 80 per cent of the seats in parliament. It is between these seven that the traditional search for a workable coalition takes place.

The real irony of the present situation is that little is likely to change. In all probability the only parties capable of forming a government will be the three main confessional parties joined by the liberals. DS-70, which back in July caused the cabinet to fall by its resignation, may once again join forces with them to provide a majority in parliament. Holland would then have been through two general elections to produce the same result twice—and it may well ask itself whether a coalition which has already fallen once can survive a second term of office. Whatever the outcome, Holland will be lucky to produce a government capable of dealing with its economic difficulties, and it will be even luckier to discover a way of avoiding this state of affairs.—Yours faithfully, M. J. C. G. CARLISLE
Rotterdam

English language

SIR—I am a student of Esperanto, and I agree with Mr Meulen (Letters, October 28th) that it is but a brave attempt.

In the Encyclopaedia Britannica (1912 [?] edition) I came across the following specimen of an auxiliary language, which was published by the ex-Volapük Academy:

Idiom Neutral es usabl no sole pro skribasion, mu et pro perlasion; sikaue in kongres sekuant internasional de medisnisti mi av intension usar ist idiom pro mie raport di maladitet "lupus," e mi esper esar komprended per omni medisnisti present.

This I feel shows some promise.

I have also dabbled in reformed orthographies, and produced one which bears a resemblance to that of Mr Smith (Letters, November 25th):

An amser for bowth foñiners and aur own cildren is ei simpoul orthografy tou serv az an opshonal orlternativ tou aur kweint heñitij.

However, I finally discarded this idea as impracticable. Mr Tallack's idea (Letters, December 2nd) though original is, I feel, more impracticable than that of a reformed orthography; it would be almost impossible to change the pronunciation of the few hundred millions who use English as a first or second language, much harder than trying to change the present "kweint" orthography to a simple logical one, based, perhaps only vaguely, on the sounds of the language.

I can, at the moment, see no alternative but to encourage the growth of English as it is as the world's most important language, a position which it to some extent already holds.—Yours faithfully, JULIAN PARDOE
Ottershaw, Surrey

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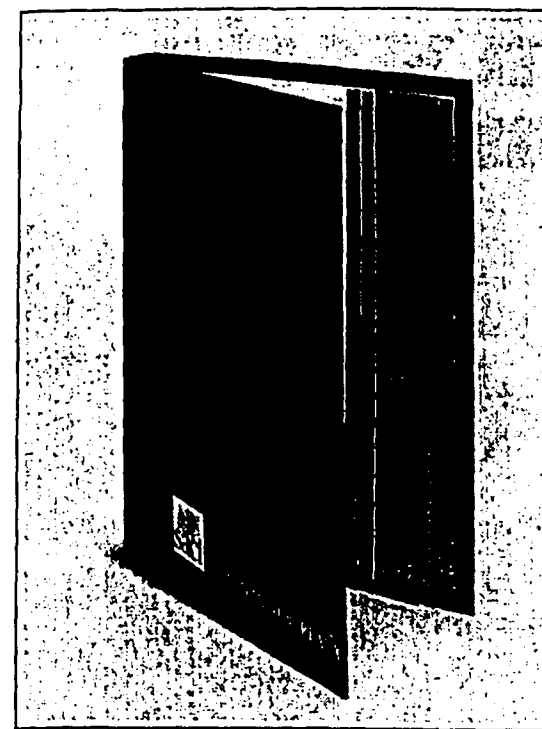
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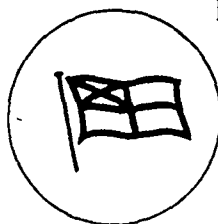
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The Economist

December 16, 1972



Blowing bubbles

Party politics has few friends and even fewer admirers in Britain today. Nothing, therefore, has given more people more widespread, simple pleasure for a long time than the bloody noses dished out to the Tories and Labour in last week's by-elections. Neither party can be surprised at its unpopularity, for it is not undeserved. But there is nothing particularly amusing in the fact that neither of the major parties is greatly admired or respected, for the conflicts and complexities of modern society, plus its sheer vulnerability to militant challenge by small groups, raise too many doubts about how really governable Britain is without that. But while it is widely recognised that the need for at least one majority party which can command public respect has never been greater, there is a growing body of opinion which does not believe that either the Tory or the Labour party can fulfil that role, except possibly for very short periods. Such people—and they are generally among the most politically literate—hanker for a third party of the committed centre, and they welcome any sign of a possible Liberal revival as a step towards its creation. Yet it is doubtful whether they, like the Liberals' jubilant leader, Mr Jeremy Thorpe, are doing much more than merely blowing political bubbles in the air.

A familiar pattern

No one should get too excited about the present Liberal revival, least of all the Liberal party. It is true that whereas the Liberals normally win only one by-election in a whole Parliament, they have now won two seats within two months: Rochdale from Labour and Sutton and Cheam from the Tories. Yet the fact is that both those victories are in the depressingly familiar pattern of earlier Liberal revivals. It is, for example, not quite as inexplicable as it seems that on the same night the Liberals can put on 12,000 votes at Sutton and Cheam and drop votes a few miles away at Uxbridge (although there was a tiny increase in the Liberals' share of the poll there). And it has nothing very much to do with organisation or community politics or candidates or Liberal policies.

It is simply that disgruntled Tory or Labour voters are prepared to vote Liberal only when they know there is no chance of letting in their main enemy if they do so.

The only seats Liberals have shown they can win are those where there is either such a massive Tory majority that there is no prospect of Labour succeeding (Sutton and Cheam), or where there is such a large, existing Liberal bridgehead that both Tory and Labour voters are convinced that the Liberal can win and ditch the other side (Rochdale). The Liberals have yet to prove that they can win seats like Uxbridge, where Labour and Tory voters believe that if they switch to the Liberals they would let the true enemy in. Unless they can win their Uxbridges, too, the Liberals' present bubble will burst just as surely as it did in previous parliaments. Of course, if similar situations to Sutton and Cheam and Rochdale arise, the Liberals may pick up a few more seats before the bubble does burst and they may also expect to see their fortunes rise in the opinion polls, despite Thursday's Gallup poll in the Daily Telegraph which showed a 2½ per cent drop in their national support. But it will be no more than that.

For the Liberal party's unresolvable dilemma is that the more it closes the gap between itself and the two major parties in the opinion polls as a result of by-election successes, so the wider and more apparent becomes the credibility gap between it and the electorate. The Liberal party still does not possess the political manpower to convince the country that it can become a major parliamentary force, let alone a governing party. The electorate is far from stupid, particularly when it is acting nationally. And however disenchanted it may be with the Tory and Labour parties, when it is forced to look at the Liberal party closely, it is sensibly unable to take the Liberals' claim to parity with any seriousness. The idea, therefore, that a reviving Liberal party can form the nucleus of a powerful, moderate party is a chimera, and not a very helpful one at that.

For what are the splits in the two major parties that are conceivable in the foreseeable future? There are only

two: Mr Jenkins and his closest friends might hive, or be hived, off from the Labour party, and the same might happen between Mr Powell and the Tories. If Mr Powell did break with the Tories and formed his own party it could well become a considerable, if baneful, force; certainly it would not lack funds or militant members.

It is a prospect which has been known to haunt the thoughts of some Tory leaders, and they can only rely on Mr Powell's fastidiousness about the company he keeps to prevent it. But there would be nothing in such a split for the Liberals, and to do men like Mr Thorpe and Mr David Steel justice they would not want it. But what it would mean is that in those ultra-safe Tory seats which the Liberals might otherwise occasionally win the whole of the disgruntled Tory vote would go to the official Powellite party candidate. And the Liberals could not expect to gain very much from a Jenkinsite split in the Labour party either, for if that ever occurred the men of consequence would be more likely to leave politics altogether than go in with the Liberals. Indeed, if the split were that big and important, the ex-Labour men would expect Liberals to come in with them. But apart from a few hotheads on the extreme left, no one in the Labour party really expects such a break-up; certainly it is only the unthinking militants who want it.

Why kick Ted?

There is reason for hoping as well as believing that there will be no such massive realignment of party politics which would leave this country with one moderate party opposed in Parliament by minority parties of the extreme left and right. For if that happened the alternative government would be so intolerable that the governing moderates

would be in power so long that they would succumb, in the end, only to discredit and decay. And there is almost as good a reason for hoping as well as believing that the Liberal revival will not go very much further. The idea that there is no harm in a Tory government's supporters giving their chaps an occasional kick in the pants is attractive in theory, but may not work out quite so well in practice. One wonders, for example, which of the Heath Government's actions since the by-election at Kingston in May have caused 25 per cent of the Tory vote in neighbouring Sutton and Cheam to want to give their own leaders a kick. Was it Mr Heath's move from confrontation to attempted conciliation with the trade unions? Or perhaps his belated conversion to a prices and incomes policy? Or did those Tories cross over to the Liberals because Mr Thorpe's welcome to the Ugandan Asians was a shade more enthusiastic than Mr Heath's? It seems inherently unlikely that those Tories were taking even half a step to the left.

On the contrary, if there are more Liberal victories in safe Tory seats it is going to make it more difficult for Mr Heath and his colleagues to hold to sensible economic policies and humane immigration gestures. However, if Sutton and Cheam is not repeated the Tory desertion there will be rightly seen as a protest not so much against the new course of Mr Heath's politics as against the number of political U-turns he has made since arriving at No. 10. But such an argument will not be tenable if the Tories are still losing such seats in five or six months' time. The outlook for party politics in this country would then be gloomier than ever—except, of course, to those who want the Tory party to go more Powellite.

The politics of suburbia

Britain is fast becoming a suburban society: its Parliament, however belatedly, reflects this. The south-east, outside London, gains 18 parliamentary seats in the redistribution that takes effect at the next general election, while London loses seven. And that was based on 1965 populations. Constituencies like Sutton and Cheam and Uxbridge, on the farthest fringe of big cities, neither wholly urban nor wholly rural, confuse the simple distinction between borough and county seats and return an ever-growing slice of Parliament.

The 1971 census showed how fast the fullest and emptiest parts of Britain were both being vacated in favour of the semi-rural, suburban in-between. City life—at a density, in inner London, of 37 people to the acre—and rural life—at a density, in Cumberland or Northumberland or mid-Wales, of about one person to every six acres—are both becoming minority existences. If the population of Britain, including all its city-dwellers, were spread evenly over its surface, there would be about one person to every acre. With the single exception of

Oxford, every single "rural" county of south-east England now has a density well above that figure.

There is a wide belt of land around Greater London, known as the Outer Metropolitan Area, making up 8 per cent of England's land surface and cutting through the 11 counties of south-east England, whose population has grown from just under 3½m in 1951 to rather under 5½m in 1971, with a population density twice the national average. The pattern is repeated round all major cities.

Sutton and Cheam and Uxbridge are superficially very similar constituencies, both on the extreme edge of the Greater London area. While inner London's population has been declining, and the Outer Metropolitan Area filling up, the populations of the outer boroughs have remained pretty static. The population of Hillingdon (containing Uxbridge) rose very slightly; that of Sutton (containing Sutton and Cheam) fell very slightly. But they make up, in fact, quite different sorts of electorates.

The population of Sutton is markedly older than the population of Hilling-

don. Hillingdon is emptier, with half as many people to the acre as Sutton, which is nearer the average for the outer London boroughs. More women work in Hillingdon than in Sutton.

Detailed figures from the 1966 census, calculated for individual constituencies, show up greater differences: Sutton and Cheam's relative prosperity, for example, is made plain. Some 80 per cent of dwellings were owner-occupied, as compared with a bare 50 per cent in Uxbridge. Nearly 30 per cent of the men in Sutton and Cheam were professional people, employers or managers, as compared with under 20 per cent in Uxbridge. Sutton constituents were archetypal commuters: an exceptionally high proportion of them (three times as many as in Uxbridge) travelled to work by train and tube.

What does all that mean, politically? Nothing much, perhaps—except, maybe, that Sutton's constituents are fed up with rail strikes, or that discussion of the abolition of tax allowances for mortgages might be quite enough to bring Sutton's voters sharply back to Tory allegiance at the next general election.

And the effects on the Labour party of further Liberal advances may not really be any more encouraging. Certainly, if Labour loses many more by-elections, or fails to win those that it should, Mr Wilson's leadership will become even shakier. But even those Labour MPs who were quite bucked by their party's failure to win Uxbridge have no confidence that the loss of a few more by-elections will actually bring Mr Wilson down. And in electoral terms there is no percentage in a party continuing to heap insults and wounds on its leader if it is not going to get rid of him. The Labour party will solve its intense internal problems, and regain some large measure of respect in the country, only when its moderate majority rediscovers the will to lead the party; and it is arguable, to say the least, whether further evidence that Labour is unlikely to win the next general election will encourage the moderates to find that will. Of course, if it did, the Liberal revival, however shortlived, would have served its most useful purpose.

That leaked opinion poll

But whatever the Liberal victory at Sutton and Cheam might portend there is one aspect of the campaign in that by-election which should cause concern among all three parties. Lord Beaumont, a former president of the Liberal party, explains in a rather cautious letter to *The Economist* (see page 4) how bits of a reputable opinion poll on the constituency, which he had commissioned privately, apparently for publication three months hence, came to be published in several variations during the campaign. No doubt the leaking of some of the findings of that poll did not, in the end, fundamentally affect the result,

although Labour might not have thrown in its hand quite so early and so readily if it had known that a quarter of the electorate's original voting intention was to stick by Mr Wilson. But it ought to be recognised that a potentially very dangerous element was introduced into British elections.

How dangerous can be shown by considering what could happen in the forthcoming by-election at Lincoln—where the Liberals have sensibly decided not to stand (see page 25)—if someone wanted to be tricky. A private poll by a reputable organisation would probably find, in answer to the straight question on voting intentions, that Mr Taverne had a clear lead over both the official Labour and Tory candidates (as the Tory had in answer to the same question in Sutton and Cheam). It does not take much ingenuity to frame subsequent questions in that poll which would produce authoritative-sounding leaks that a substantial number of Labour or Tory voters, or both, who were intending to vote for Mr Taverne had changed their minds because of the danger that they would let the other party in if they did so. Nothing could be more damaging to Mr Taverne or more calculated to distort the real wishes of the electorate. Yet the door was opened, however unwittingly, in Sutton and Cheam and it needs to be slammed shut. The best, and quickest, way to do that would be for the opinion polls to insist that they will publish all the findings if any part of a privately-commissioned poll on political or public issues is leaked, and for the newspapers themselves to follow the American practice of refusing to publish any part of such a poll if all the information is not available to them. The electorate does not like being gulled.



The wind behind Marchais

The leader of France's Communist party is doing well enough for 1973 to be quite a year in Paris

There are a lot of people in Europe who will not like to be told that events in far-off Chile hold a lesson for them. But they do for France, on this week's evidence of what Frenchmen are thinking about politics; and they could for Italy too. One of the problems of the 1970s is going to be how liberals deal with marxist parties, or alliances that include marxist parties, which come to power in free elections. Those who believe that the relationship between government and the governed has to include some fairly regular and fairly precise test of the popular will cannot complain when marxist parties win one of those tests. They can and should take care to observe how those parties use the power this gives them; and in particular whether they leave it open for the test to be repeated when opinion turns against them. That is why since 1970 Chile, governed by a coalition that includes the Communist party, has been a test-tube experiment of the phenomenon of elected marxism; and why western Europe, as it prepares to go into a conference with the Russians in which it will tacitly recognise the

permanence of communism in eastern Europe but the Russians will not recognise the permanence of a non-communist western Europe, should be applying the lessons of Chile to France and Italy.

For the first time since 1945, it has now ceased to be an entirely academic question whether the next ministry in France might be organised by an alliance of Communists and Socialists. The French will go to the polls to elect a new parliament some time between February 4th and March 25th; President Pompidou has still to name the day. In the latest opinion poll, published in *Figaro* this week, 45 per cent of those interviewed said they would vote for the Union of the Left composed of Communists, Socialists and left-wing Radicals. Only 38 per cent planned to back M. Pompidou's gaullist party and its allies, who have enjoyed a huge majority in the national assembly for the past four years. Another 15 per cent said that they would support the Reformist Movement of M. Servan-Schreiber and M. Lecanuet. The gaullists suffered the indignity of discovering that, according to the same

poll, the Communists, favoured by 22 per cent of the voters, have now usurped their former place as the strongest single party in France.

Of course, French opinion polls may be no more reliable now than British opinion polls proved to be in the weeks before the 1970 election. The latest poll may reflect a passing mood of alarm about rising prices, disgust with the recent series of scandals involving government deputies, and sheer boredom with General de Gaulle's untheatrical successors that will dissolve as the new anti-inflationary measures start to take effect and M. Pompidou throws himself into the campaign and goes looking for left-wing Frenchmen's votes by holidaying with Mr Brezhnev in Byelorussia. Even if his supporters fail to get a majority in the assembly, they might persuade the Reformists to form a centre-right coalition that would turn a responsive ear to M. Faure's ideas on social reform and M. Servan-Schreiber's rather more suspect yearning for decentralisation.

The fight for the prime minister

But it has become necessary to think about how things would develop if the Union of the Left did win a parliamentary majority. The first problem would be the selection of a prime minister. M. Pompidou's choice would presumably be unacceptable to the new majority. The majority's preference—probably M. Mitterrand, the Socialist leader—might be equally unacceptable to him. M. Pompidou would then have the option of dissolving parliament and holding new elections. But that is a weapon that he is entitled to use only once every 12 months; and he would run the risk that the Union of the Left would re-emerge with its majority intact.

He might then have to choose between invoking the emergency powers that the president is allowed under the controversial article 16 of the constitution, which have not been exercised since the Algerian crisis, and resigning. The only alternative would be to use his wide-ranging executive powers to keep a left-wing prime minister on a very tight leash. But that would mean that France would become a country with a left-wing cabinet (with the Communists in three or four key ministries, though not, presumably, in defence or the ministry of the interior) and a shrewd, conservative president deftly sabotaging its more radical initiatives. It is hard to imagine a better prescription for stalemate and its probable consequences: political strikes, demonstrations on the streets, and a re-run of 1968.

It is true that in the past few years the French Communists have watered down their programme and laboured hard to make themselves look like a democratic party. The joint programme adopted by the Communist and Socialist parties earlier this year is a considerably tamer document than the text put out by the Communists at the end of 1971. It has dropped the tired polemics against the EEC ("that common market of cosmopolitan trusts") and Nato (that "instrument of American domination"). But some of the key points are still there, couched in politer language. The Communists and Socialists plan to nationalise all private banks and insurance firms, as well as "strategic sectors" of the economy

such as the petrochemical, pharmaceutical and aerospace industries and most of the big chemical and electronics companies. They also propose to press for the break-up of "military blocks" in Europe and to "democratise" the EEC through the setting-up of workers' committees that would debate commission proposals; and to halt France's nuclear programme. It is not hard to imagine what most other west Europeans think of all that.

But the emergence of a popular front majority with that sort of programme in France's parliament would certainly have an effect in Italy. A substantial part of the Socialist party there, together with the left-wing fringe of the Christian Democrats, has been looking for some time at the attractions of a working arrangement with Italy's much more open-minded Communist party. It is hard to imagine that they would not make a serious attempt to imitate the French example if it were shown that an alliance with communism was a recipe for electoral success in Europe as well as Latin America. And the Italian constitution does not provide Italy's president with powers to fight even a half-effective, delaying action against the parliamentary majority.

It is conceivable, if not more than that, that the next decade in Europe will see the creation of Chile-style coalitions in France and Italy. It becomes more conceivable as the western communist parties continue to assert the claim that they have lately developed a new affection for the system of parliaments and elections. The French communist leader, M. Georges Marchais, made that the theme of this week's party congress at Saint-Ouen: "we are not the party of the raised fist." Certainly, the western communist parties have held themselves aloof from the guerrillas and student rioters of the new left who terrify most voters. The question remains whether this is tactical opportunism or a fundamental change of goals.

The necessary conditions of being able to choose

What has happened in Chile since 1970 is relevant. The Chilean Communists have worked from the assumption that political pluralism depends on a modicum of economic pluralism: take over industry, the credit system and the big farms and squeeze the advertising of the opposition press, and you take away the economic resources that support opposition parties and the independent media. The opposition in Chile is still there, and fighting, but it feels the steadily increasing pressure on its life-support system. You can hope to get what amounts to a one-party system, it seems, without actually banning the other parties by law. It is at least plausible to assume that the strategy may be the same in Europe. The "changes in the system of production," as they are euphemistically called, are meant to be irreversible and to bring about the concentration of political as well as economic power in the hands of the government. There is almost certainly a substantial majority of votes against Dr Allende's government in Chile at the moment. It has still to be seen whether that majority will be given a chance to express itself. That is why it must still be asked whether a coalition containing Communists that came to power in France or Italy would not try to create the conditions that would prevent it being voted out again.



Good luck, Kakusan

The world's central bankers, as well as a lot of Japanese living in cities, will be glad Kakuei Tanaka did reasonably well in Japan's election

The Tanaka bumu (Japlish for boom) has at last been measured; and it isn't all that big. Japan's go-getting new prime minister rushed to the polls on Sunday, five months after his election as party leader, to capitalise on the popularity of his recognition of China and his own unorthodox personality. He also hoped to win a mandate for an ambitious programme of economic decentralisation and social reform. What he got, when the votes were in, was a stamp of qualified approval: to the Japanese he is only the best of the bunch in a Liberal Democratic party they are still increasingly doubtful about.

Nothing short of an earthquake could have dislodged Mr Tanaka's Liberal Democratic party from its overwhelming majority in the lower house, and there was no such act of god or man in Japan on Sunday. But this majority is now at a new low, with the Liberal Democrats down from the 288 seats they won in 1969 to 271 (by a curious Japanese tradition, a group of conservative independents, 11 this time, 13 the time before, always jump on the LDP bandwagon the morning after, bringing the party's real total now to 282). Mr Tanaka did not manage to stem the gradual decline in the LDP's share of the popular vote; it slipped again this time, though only slightly, from 47.6 per cent to 46.9. And he did not pull enough allies along on his coat-tails to make his own faction the largest in the party. The Tanaka faction grew from 42 to 49 members but it remains in second place after the 55 members (down from 65) led by Mr Tanaka's rival, the former foreign minister, Mr Fukuda.

The main beneficiary of the election was the Communist party, which exceeded all predictions, including its own, by shooting up from 14 seats to 38. This makes the Communists the third largest party in the Diet and gives them a new credibility plus the bargaining power that comes with membership of the Diet's steering committee. The main opposition party is still the Socialists, who recovered somewhat from their bad battering in 1969 by winning 118 seats. But this is still a far cry from their former strength of 140 or more and was largely the result of correcting their costly error of running too many candidates last time. In fact, the combined vote for the Socialists and Communists this year was only a handful higher than the average vote for the two parties in the 1960s before the Socialist debacle of 1969; the only change was that the balance within the left shifted towards the Communists.

The left-wing vote in general and the Communist vote in particular have always been largely protest votes against the ruling conservatives. But the Communists did a good deal to earn their share of it this time by building up a strong grassroots organisation, by putting up younger, more attractive candidates and by plugging popular issues such as higher pensions, better transport and less pollution. They also profited mightily from the

collapse of the smaller parties. Komeito, that curiously aimless party of discontented ex-peasants having a hard time in the cities, which was rated as a potential ruling party during its meteoric rise a few years ago, dropped from 47 seats to 29, just above where it was in 1969. The Democratic Socialists, an idealistic, welfare-minded party that has always impressed western liberals more than Japanese voters, kept its former share of the popular vote but under the country's multi-member constituency system many of its candidates were outdistanced by Communist competitors and its number of seats in the Diet fell from 31 to 19.

But Japan's elections are rarely plebiscites on policy questions, and this one was no exception. Mr Tanaka was openly disappointed at the absence of a resounding vote of confidence. But the minor decline in LDP support should certainly not be read as a vote against his reform proposals. After years of cheerfully accepting the official policy of putting growth, and especially export growth, above everything else, Japanese voters are in a new mood now; and virtually all the parties reflected it by speaking the fashionable new language of welfare spending and pollution control. Mr Tanaka gave it as much substance as anyone. In his bestselling book, "A Plan for Remodelling the Japanese Archipelago," he called for the creation of 25 new towns to draw industry and people away from the Tokyo-Osaka axis. To encourage movement to development areas he would build 6,000 miles of new railway lines and 32 expressways and provide tax incentives and government subsidies. He would also spend a lot more on welfare and anti-pollution programmes.

The benefit for the outsiders

There could well be an advantage in this for the countries suffering from Japan's monstrous export surplus. Mr Tanaka's ideas are not shared by the more conservative elements in his party. They oppose the massive reallocation of resources that would be involved—a transfer of up to 10 per cent of Japan's sky-rocketing gross national product out of investment into personal consumption and government expenditure—and they say his policy would cause an inflation which would among other things raise the prices and cut the volume of Japanese exports. This is the best hope in the long run of bringing Japan's apparently uncontrollable export surplus back into balance. Neither export controls nor more devaluations, not even a whole succession of them, will do the job unless the whole structure of the economy is changed. Less investment in the export industries, and a rate of inflation that began to bring export prices up towards those of Japan's competitors, would be such a change. So the governments of Japan's trading partners, as well as the inhabitants of its jam-packed cities, have cause to wish Mr Tanaka well.



They struck water

Cernan and Schmitt, the crew of Challenger, found on Tuesday night what men have previously only dreamed they would find on the moon: traces of water

After the brightest moment for man's hopes in space, the Challenger lifted off the moon on Thursday evening, and seemed to end the vision of a generation. After six attempts, the astronauts had found signs of water on the moon. What this means to scientists is that the moon is a living, pulsating thing, not the dead lump of stone that older men had so confidently forecast—and that it could respond to human treatment and human habitation and blossom as many a desert has blossomed before it.

Water does not have to flow in streams before this can happen. As long as it is present, locked up in minerals or sublimated in rocks, men can tap it if they have the will, and that is the sort of water that the astronauts found. It started off as an ordinary enough sort of moon-day. They had spent Monday setting up instruments, a tough and boring job made tougher by the fact that they tended to hit bedrock on the floor of the valley whenever they tried to dig down into it. Commander Eugene Cernan bored a 9ft core and had great trouble getting it out, but he got a sample that goes right through from the grey dust that covers everything in the valley and the black, cinder-like deposit to the mare crust beneath and through that to the bedrock below. It was hard going.

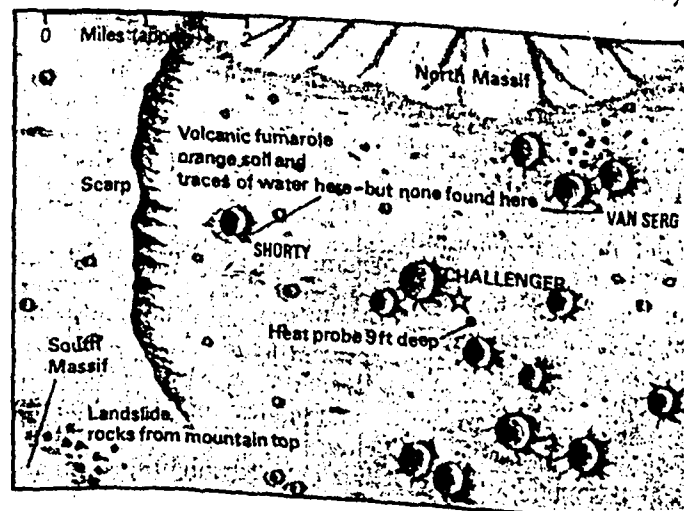
The next day they drove off as instructed to the south massif, where a landslide had brought down boulders from the mountain tops a mile above, probably the oldest samples of the moon that men will bring back with them. And it was on their way back to Challenger that they passed what had looked in the photographs taken before the mission like an odd-shaped crater, where the material thrown up had not spattered out around the plain as it normally does, but had fallen back in again. It was covered by the same uniform grey dust that covered everything, but when Commander Cernan disturbed it, he saw orange colouring beneath. All round and inside that crater the soil was orange, yellow and red, where water had at some time contaminated it and left rusty traces behind. The astronauts bored a core nearly 5ft long, red and orange all the way down until it faded into what looked like black lava at the end. And they knew that they had struck the sort of fracture made by volcanoes when they relieve internal pressure by belching out gases and juices without actually erupting. It was a mirror image of the fumaroles found round volcanoes on earth.

Although it was what the astronauts had expected to find—for it was precisely why Apollo 17 was sent to the Littrow-Taurus area—the sheer excitement of the discovery sent life surging through the dying hours of the space programme and made the controllers on the ground take risks that they would never have contemplated before. The astronauts worked at Shorty crater for so long, and were encouraged from the ground to do so, that they tore up that part of the safety code which says that,

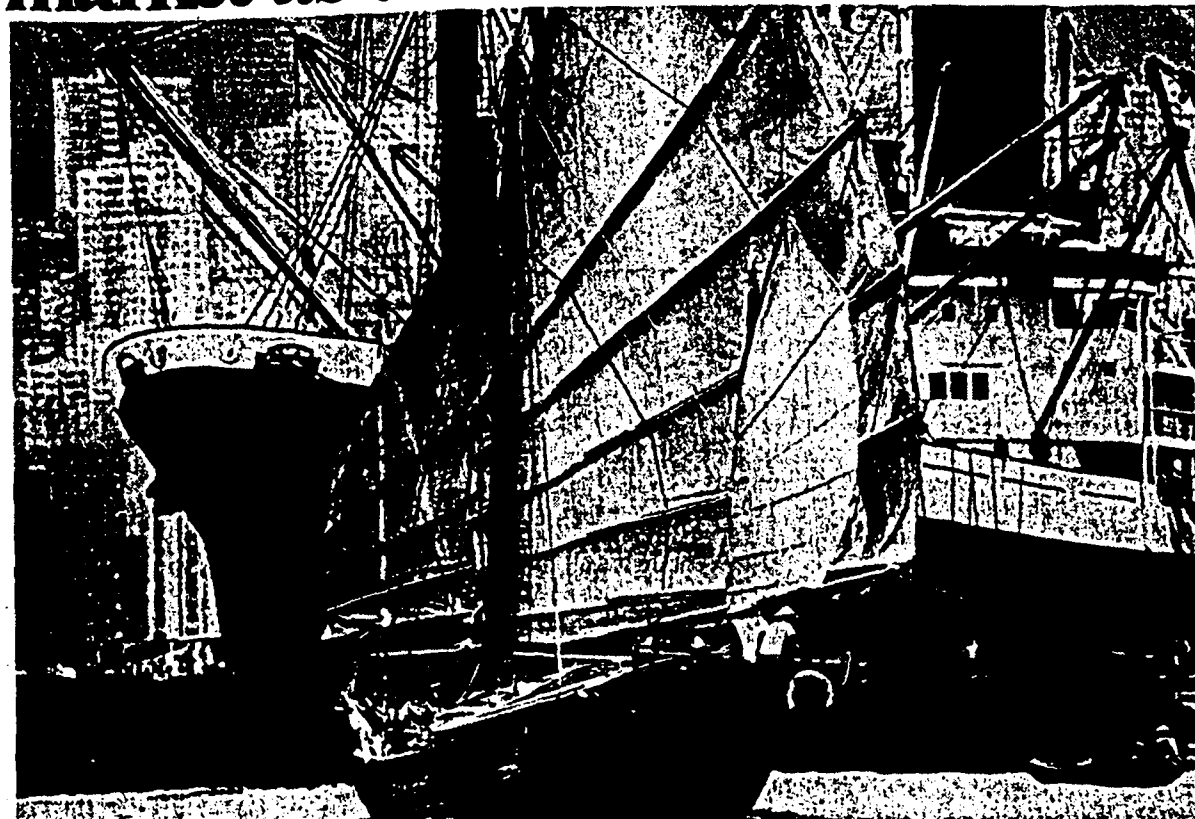
because their lunar rover might break down, the astronauts must keep enough oxygen in reserve to get back to the lunar module on foot. They worked at Shorty well beyond that safety limit, and had the rover refused to start when they asked it to, both would be dead now.

Up to this point in the space programme there have still been scientists ready to argue that there is nothing that astronauts have done which cannot be done more easily, more cheaply and at less human risk by instruments; the most valuable scientific work to date has come less from the astronauts than from the small robot research stations that they have set up on the moon. But no robot can tear up its instructions as the astronauts have done because they have found something more interesting to do. In the last hours of the Apollo 17 mission human initiative took over in response to the challenge of the unexpected. They found no more water traces the next day, though, when Van Serg turned out to be just a typical impact crater. But the real point had been made: there have not been enough Apollo landings in enough interesting areas to let man know what the moon is capable of.

The Americans have decided that they will not face this challenge on the moon again in this century. They have grown middle-aged and lost the edge of their once-fabulous enterprise. A nation that trekked across wildernesses after the merest whiff of gold, or in search simply of room to breathe and space to rear its children, has lost its taste for new frontiers. The moon turned out to be a less dangerous place than man expected, and more adaptable. With this new confirmation of water locked in it (some scientists had predicted it would be there from their first glimpse of the Apollo 11 samples four years ago), the last major barrier that it seemed to hold out against man has proved as much a chimera as the rest. But who are we in Europe to criticise the Americans? They went to the moon. We did not even try.



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BRITAIN

See Brussels and die

The Labour party has succeeded in making itself look even sillier over Europe. On Wednesday, when Mr Heath was announcing the names of the Tory delegation to the European parliament and the Liberals were asking for their representation to be increased, the parliamentary Labour party finally came out against sending its MPs to Strasbourg. That had been expected; what had not been was the passion of Mr Harold Wilson's criticisms of the British press and of those among his colleagues who had declined to run away from the pro-European policies of the last Labour government.

It was a remarkable performance. Speaking to a meeting of over 220 of his MPs, Mr Wilson announced that the issue before them was a minor matter, a procedural question. And then he got going. The leakers and briefers—familiar figures from the days when he was prime minister—had once again been doing their best to damage the party. The Evening Standard had been handed a message from the French socialists indicating their anxiety about the line they feared the Labour party was about to take. "If they have a message to address to us," said Mr Wilson, "the address is the Labour party, not the Labour Committee for Europe, copy to the Evening Standard. There is one Labour party and this is it."

Then there was the case of Herr Willy Brandt's letter. In this, the German chancellor urged the Labour party to participate in the European parliament; it was handed over to Mr Wilson last Friday by a German member of a socialist delegation from the European parliament which had come to appeal to him to change his line on Labour representation. "This," said Mr Wilson, "found its way into the press—not from Bonn."

After a few more swipes at the Tory press and, as an afterthought, one at Mr Heath, Mr Wilson turned with evident pleasure to Labour's pro-Europeans. He had, he said, praised the sincerity of those who had taken a different view from him about Mr Heath's terms for entry into Europe. But there were times when he wished that those tributes had been reciprocated, that "just once in a while that some of our own colleagues might have perhaps dissociated themselves from the press and the Tory smear campaign."

The pro-Europeans, who had consistently urged that the party should accept Mr Heath's terms, should, he said, admit that everyone else in the party had been equally consistent. He had been consistent, so had the party, so had the conference—right from the time of the document accepted by the 1962 Labour party conference after Mr Gaitskell's speech. Mr Wilson, the man who launched the great European initiative as prime minister, got away with this without the derisive laughter it deserved. "From today," said Mr Wilson, "I for one will have no patience whatever with anyone who rocks the boat."

The debate was rather confused, largely because so many amendments had been tabled to the shadow cabinet's recommendation. Mr George Cunningham, an intelligent moderate who is an anti-marketeer, moved the first—which was the one the marketeers had decided to throw their main support behind. This was a straightforward demand that the party should send its men to Strasbourg. Mr Cunningham, a former member of the international department at Transport House, spoke well. He must have known that the prospects for success were pretty slim, but the vote went

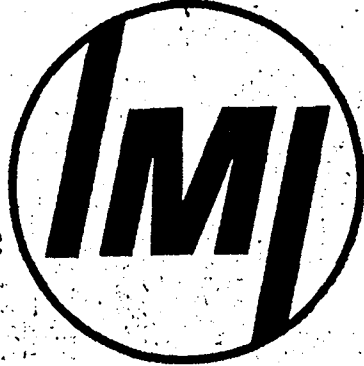
against him by only 134 to 88. There were several rather poorish speeches from the hard-line anti-marketeers, but Mr Ian Mikardo was direct. He attacked the pro-marketeers and the self-appointed, self-chosen individual pundits who professed to speak for the socialist parties of Europe—and who had come down against Labour boycotting the European parliament.

This, said Mr Roy Jenkins, when he came to speak from the body of the hall, seemed a rather curious way in which to describe Chancellor Willy Brandt. Mr Jenkins said that if Labour boycotted the parliament it would be staying away from an institution that included everyone from the Italian communists to the Danish social democrats. And what about the party's demand that the terms of entry into the EEC should be renegotiated by the next Labour government? That could only be done if the party received the goodwill of the progressive forces within the community—precisely the people who would be dismayed, mystified and ultimately disillusioned if Labour were to boycott the European parliament. And then, after a majestic tirade from Mr Michael Foot, Mr Wilson secured his majority. This meeting, Mr Wilson had said earlier, was the end of a chapter, not the beginning. Mr Wilson is deluding himself—but not his party.



Jenkins: boatrock-in-chief?



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Swann: map-reading

BBC

Back to the old ways

The many speculations about Mr Heath's search for a successor to Lord Hill as chairman of the BBC's board of governors ended on Thursday morning with the announcement that Sir Michael Swann would take over from January 1st. It had been obvious since the Minister of Posts and Telecommunications, Sir John Eden, had announced that the new chairman's salary would be frozen at £6,000 a year that the Government had abandoned any thoughts others might have had for it that the BBC was due for a radical restructuring at the top. Sir Michael's appointment is in the old tradition of BBC chairmen: a respected public official or administrator backstopping part-time for the BBC's professionals.

Sir Michael Swann, who is 52, is a distinguished scientist and university administrator; he has been principal and vice-chancellor of Edinburgh University since 1965. In government circles he has the reputation of being a good committee man: that talent will come in useful in his relations with the top echelon at the BBC, as will his experience with militant students when it comes to his relations with some of the younger BBC current affairs producers. It was with that in mind, perhaps, that Sir Michael said he did not think there was a great difference between running a university and the BBC.

If Sir Michael plays his role according to the script worked out by the BBC's professionals—past and present—much more authority will now flow back to the director-general, Mr

Charles Curran. Sir Michael used a motor car analogy when he gave a press conference on Thursday. He said the director-general would be driving and the chairman would be sitting next to him—map-reading. In a real sense, the new chairman's appointment is as much a test for Mr Curran as it is for Sir Michael. Mr Curran is not without his critics, either within the BBC or among politicians, and Mr Heath is, perhaps, giving the BBC a last chance to prove that the old system works. It is worth noting, for example, that although the chairman is normally appointed for five years, Sir Michael's term runs only to July 31, 1976, when the current BBC charter expires. Mr Heath has left himself with plenty of room for manoeuvre if it seems necessary to restructure the corporation then.

Homelessness

There is an emergency

No one knows how many people, or families, are homeless in the literal sense of having no house at all to live in, but even without the latest Shelter report* on the subject it was becoming obvious that the problem was increasing—often in places well outside the big cities where the authorities have little experience or will to cope with it. There are families with several children who live in cars; there are parents sleeping in railway stations while their children are in local authority homes; there are more and more London boroughs which adopt the desperate expedient of putting homeless families into boarding houses where they are turned out between breakfast and tea each day.

The best measure that exists, and it is a poor one, is the numbers of families recorded as applying to local authorities for temporary accommodation. They rose from 21,678 in 1969 to 24,691 in 1971, an increase of nearly 15 per cent, and a sharper rise is expected to show this year. Only a minority of these families—5,630 in 1971—were actually admitted. The Shelter report looks at this gap, which contains very painful stories. It does not, incidentally, cover lone individuals or childless couples because these are never eligible for this type of help—although they fall between so many other stools that there is reason to believe their plight may have become relatively even worse.

*The Grief Report. Shelter. 25p.

The causes, usually a mixture of economic pressure and personal crisis or inadequacy, have changed little since they were analysed in two reports (one by Professor John Greve) commissioned by the Government and published in May last year. But some pressures have intensified as property values rocket by about 20 per cent annually and lead landlords to sell off houses as fast as they can get rid of their furnished tenants. The turnover in the property and investment market also affects tenants of tied accommodation, who appear in many of the Shelter case histories. And such is the cost of housing in some areas now that it is possible for a man earning £40 a week to find himself in a homeless hostel. The plight of a homeless family in a prosperous part of the home counties may indeed be more hopeless than in London, where though pressures are fiercer the problem at least is recognised. But Buckinghamshire, for example, has only just begun for the first time to provide temporary accommodation.

The Shelter report argues that local authorities have a much more definite legal obligation than they admit to look after homeless families on the street for whatever cause—not just an "unforeseeable" one. But if the law is ambiguous, it should be amended. Far more important is the need to overcome the "sturdy beggars" attitude of so many authorities, which use administrative means to pass on responsibility to some other authority or to define their rules so narrowly as to exclude almost everybody.

A start has been made in London, where a working party followed up the Greve report on homelessness there and has at any rate got the boroughs to work a bit more uniformly and co-operatively. Most inner boroughs have accepted the recommendation that the housing department, rather than the welfare department, should be responsible for homeless people, and this is encouraging the adoption of homeless families as full council tenants along with people in other sorts of acute need. (This method should be encouraged, and as a measure of good intentions makes Shelter's use of hostel accommodation look rather old-fashioned.) Outside London, after the reorganisation of local government, there will be more areas where housing and welfare will be at completely separate levels of government. This makes it increasingly unlikely that homeless people will easily get permanent council housing, even

where it exists to spare, and likely that families will continue to be made homeless by eviction by councils.

Another possible outcome of the Greve report is the development of an early warning system whereby courts warn councils when eviction orders are about to be served on tenants; the Lord Chancellor's approval is still awaited. For years furnished tenants have been recognised as the most vulnerable sector and for the first time since 1965 a step has been taken in their favour this week with the publication of proposed amendments to the law which would bring them within the scope of the new rent allowances for private tenants. It should help about half the 600,000 furnished tenants—and incidentally help to sort out people who are homeless because they cannot pay the rent from those who cannot help not paying the rent. There is a lot more to homelessness than anyone would guess from reading the Shelter report but there is also good reason for the indignation of its authors and others who have made the cause of the homeless their own. It is just a pity when tactics are sometimes self-defeating, as when Shelter-backed squatters occupy houses belonging to Shelter-backed housing associations.

†Cmdnd 5183. HMSO. 13p.

Nursing

Away from home

The complaints of doctors from overseas working in the hospital service have been widely publicised in recent years. Now it is the turn of the nurses. PEP has published the report* of a survey of nurses from developing countries that was undertaken for the benefit of the Briggs committee on nursing. Briefly, it finds that these nurses are chosen haphazardly in their own country and given by the hospital recruiting them a letter of acceptance to satisfy the immigration authorities, but are neither properly assessed to see what type of nursing they are suitable for nor consulted on which form of training they should undertake.

The inquiry found that overseas nurses are as well-qualified educationally as British-born nurses, but they tend to be found disproportionately in the least popular type of hospitals—mental illness or geriatric—and in training for the state enrolled nurse qualification, which has less prestige than the state registered nurse one and

*Overseas Nurses in Britain. PEP. £1.



Overseas nurses: vulnerable

may be valueless in her own country. Often, too, an overseas nurse finds herself arriving to nurse in a psychiatric hospital, when she thought she had been accepted by a general hospital.

Yet only a third of nurses training in a psychiatric hospital said they would have preferred general nursing, so perhaps this criticism of the way nurses are recruited is not so valid as is made out in the report. And though it found that a "substantial minority" of overseas nurses were not happy in their first weeks, this is not really surprising. Au pair girls—whether Italians in England or British girls in France—have similar feelings of unhappiness, as indeed have any young people who leave their own homes and countries for the first time. But this does not, of course, excuse the hospitals for their haphazard methods of recruitment and for the lack of advice and guidance that the overseas nurses receive. It is high time that the senior officers responsible for recruiting and training realised that these "pairs of hands" are particularly vulnerable.

Ulster

Talking again

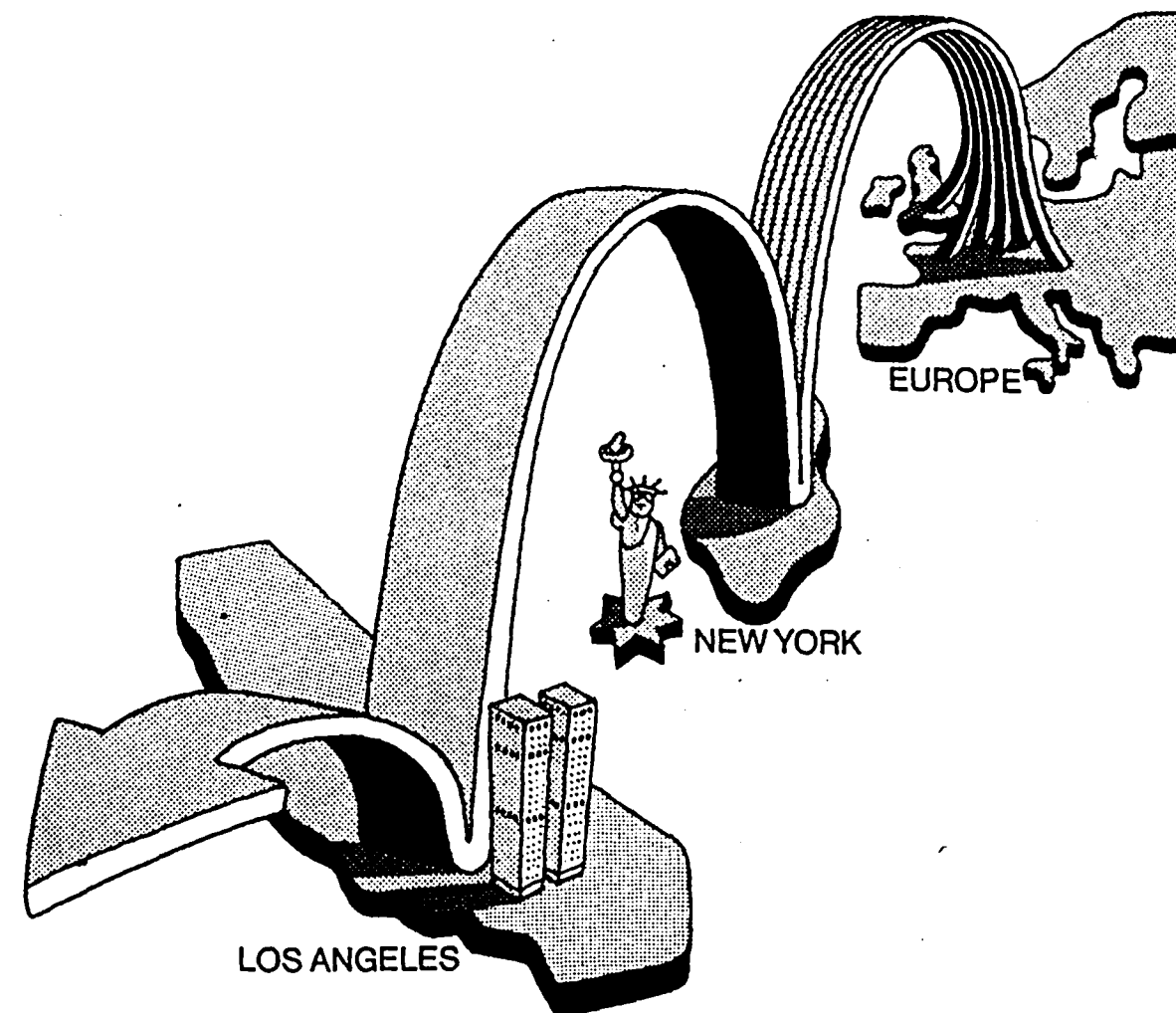
Mr Willie Whitelaw's latest round of separate discussions with Ulster's political parties should be completed before Christmas. This week the Secretary of State saw the six MPs from the main Roman Catholic opposition, the Social Democratic and Labour party. This was an event in itself, for since the SDLP walked out of Stormont in July, 1971, it has kept up an obdurate refusal to talk with the British Government until all internees are released. That the SDLP is now

prepared to talk about its proposal for condominium in Ulster, a joint sharing of sovereignty between the Irish Republic and Britain prior to a reunification of the whole country, is another sign that the Provisional IRA is on the run. But it is not a proposal likely to find favour with Mr Whitelaw; it even has few backers in Dublin nowadays.

Mr Whitelaw is finding the Protestant community as divided, confused and angry as ever, particularly in Belfast. Without power or patronage, and precious little influence over Government policy, the Unionist party has been steadily deteriorating since direct rule. Mr Brian Faulkner is still the party leader, but his leadership is increasingly questioned. He still believes Protestant unity is essential, but the balancing act of keeping the extremists within the party while retaining credibility with his own moderates and the British Government is taking its toll. At the meeting of the Unionist party's standing committee on Monday he blocked the attempt by two moderates, Mr Stratton Mills, Westminster MP for North Belfast, and the former Stormont community relations minister, Mr Basil McIver, to make the ultra Protestant Vanguard movement a proscribed organisation. It has not endeared him to the moderates in either community.

But both Mr Whitelaw and Mr Faulkner know that the dangers of a violent Protestant reaction to the Government's proposals on the future of Ulster are still very real. The plebiscite on the border will now be held on March 8th—the earliest date possible after the electoral registers come into force in February. And the promise of an increase in the size of the Ulster contingent at Westminster would help to dilute anger at the prospect of a regional administration without the trappings of a separate government. The suggestion that Ulster's 12 MPs might be strengthened by the addition of a further four or five on a strict population basis has support in the Tory party, including the former home secretary, Mr Reggie Maudling; but it will not go down well with Labour.

One former Stormont minister has begun to think about the province's troubles in a wider context. In a Chatham House paper on Wednesday, Mr Robin Bailie suggested that the proposed Council of Ireland might devote its energies to the development of a common regional policy across the Irish border, under the umbrella of



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Baillie: thinking about the future

the EEC commission in Brussels. Joint co-operation for the economic recovery of the impoverished north-west in counties Donegal and Londonderry might reduce the political divisions. But Mr Baillie appreciates that such a project could not be imposed on the people of Northern Ireland, for that would merely intensify what he calls the "colonial neurosis" in Ulster. The political will and the recognition of mutual self-interest may not yet be strong enough to get the idea off the ground, but it is time Ireland's political leaders started thinking of these matters.

Liberals

After the ball was over

Public celebrations by the Liberals of their by-election victory at Sutton and Cheam lasted several days—starting with the party's annual ball at which Mr Thorpe was able to give the first news of Mr Tope's success. But within hours of that success they were faced with a dilemma familiar to those who had known earlier revivals. Should the Liberals fight on a broad front or a narrow one?

There was immediate pressure to put up candidates in every future by-election, although experience has shown the wisdom of being selective and concentrating all possible organisational and canvassing effort in particularly favourable seats. Mr Thorpe was understandably anxious to capitalise upon the Rochdale and Sutton and Cheam victories by calling for an all-out fund-raising campaign, accompanied as usual by a mass rally of the faithful in somewhere like the Albert Hall in London, with an ultimate

target of £250,000. The justification for such an appeal is to allow the Liberals to carry the fight more effectively to their two major opponents; but that does not mean that Mr Thorpe, skilful tactician that he is, wants to see his troops offer themselves as cannon-fodder in hopeless battles.

After Mr Tope's achievement there were immediate calls for the party to reverse its decision not to fight the Lincoln by-election. The parliamentary party stepped in quickly to stifle that notion before it took on the guise of a crusade and on Wednesday evening proclaimed its view that the Liberals should stay out of the Lincoln fight and give their support to Mr Dick Taverne. The fact that the Labour party so obviously hoped the Liberals would stand—and hence indirectly help the Labour official candidate against Mr Taverne—may well have influenced that decision. The last cause the Liberals want to help at the moment is that of the Labour party.

The Lincoln decision was a sensible one on many counts, not least because a Liberal candidate standing in such a curious by-election would poll humiliatingly. But two other by-elections lie ahead, both of them, like Lincoln, in Labour seats, and they may well come before Lincoln. Neither, to say the least, looks a likely gain for the Liberals, although they could hardly fail to get a respectable second in the solid mining constituency of Chester-le-Street. The Scottish Liberals are trying to put over a positive middle line about north sea oil, agreeing that Scotland ought to derive some direct revenue from it while condemning the Scottish Nationalists' claim to the lot. But it would need a bottle of that celebration spirit to imagine that Dundee, East could bring much joy to the Liberals.



Taverne: no Liberal opponent

Polls

Election recount

There have already been several post-mortems on the dismal predictive failure of the public opinion polls (except for the very last estimate by Opinion Research Centre) to pick the winning party before the 1970 general election. They have had to face a disheartening truth. The pollsters could partially cover themselves against failure by shouting (rather louder than they did in 1970) about the limitations of sample surveys. Sampling theory decrees that, given the size of their samples, the figures the pollsters come up with for the gap between the parties merely indicate a 12 per cent range within which the true values lie.

But that would mean they can pick a winner only when one party is at least 6 per cent ahead of the other—which was true in just two postwar elections, 1945 and 1966. (Even then, sampling theory dictates that they would be only 95 per cent certain of the winner.) And that is not the whole story. Marplan's final estimate before the 1970 election was for an 8.7 per cent Labour lead, Gallup's was for a 7.0 per cent Labour lead and National Opinion Polls' was for a 4.1 per cent Labour lead, which were all more than 6 per cent from the final result (a 2.3 per cent Tory lead). Apart from ORC, only the Louis Harris organisation could argue that its final estimate—for a 2 per cent Labour lead—covered the actual result. Something, plainly, had gone badly wrong.

A report* published on Wednesday by the Market Research Society, contains both a particularly thorough attempt, by a committee of market researchers and statisticians, to assess the polls' performance and some recommendations for the future. Inevitable sampling errors can be so large that the committee found it difficult to apportion blame for the rest of the discrepancy between such obvious sources of error as sampling practice, non-response, bias in the interview techniques, differential turnout and, of course, late swing. It found that the sampling technique and response rate achieved by those using random samples were "normally" successful, but the evidence that there was no difference between the voting intentions of the 10-15 per cent of the sample the interviewers failed to contact and those of the rest was

*Public Opinion Polling on the 1970 Election. Market Research Society. £1.25.

inconclusive.

As for bias and differential turnout, there certainly is evidence that the polls have consistently overestimated the Labour vote; Gallup and NOP, the only two polling organisations to have covered every election since 1964, both overestimated the Labour vote each time. Pollsters do ask questions on the respondent's likelihood to vote, but the answers are obviously difficult to interpret. (They may, of course, simply be untruthful.) The possibility of a late swing will always remain the pollsters' let-out, though the committee does recommend the experiment of sample surveys right up to and on polling day. It is perfectly possible to attribute the apparent trend to Labour in the polls during the 1970 campaign to sampling error, but their consistency does suggest some movement in opinion.

The committee is rather more precise in its recommendations for future practice. It is possible, but difficult, to reduce the standard error of the result very much by increasing the size of the sample: it would have to be increased by the square of the required reduction in the error—for example, 16 times to reduce the error to a quarter of its present size. And the potential error in the estimate of one party's lead over the other—which is what everyone is interested in—must always be double the error inherent in estimating one party's share of the vote. Estimates of changes in inter-party gaps are susceptible to errors twice as large again, but the committee recommends the use of linked samples, which can reduce this error by as much as two-thirds. The danger is of conditioning respondents or reducing their response rate.

The committee believes that only random samples should be used (ironically, the only one to pick the winner, ORC, used a quota sample) because then, at least, genuine estimates of possible sampling error can be made. It sensibly suggests that polling should be concentrated in "unsafe" seats (defined more widely than marginals, to include about 150), arguing that it is pointless estimating swing in constituencies which are not going to determine the outcome of the election. There is also a discussion of the framing of sample questionnaires. The key factor is the build-up of questions to the crucial one on voting intention: ORC achieved a particularly high rate of response to this question.

The committee finally recommends the creation of an independent com-

mittee to comment on the meaning and accuracy of poll results as they are published during the campaign. There is an appendix containing the code of practice that the five polling organisations under review laid down for themselves and their publishers in May, 1970, designed to eliminate the main pitfalls of interpretation—insisting, for example, that major changes in the numbers saying they would not vote or they were undecided should always be published; that pollsters should make available information on sample questionnaires and methods; and that (where they retain the copyright) they should be ready to make available any findings not published by their newspaper clients. This report argues that not enough use was made of the data in 1970: a committee, perhaps, could make sure that it was, and not only at general elections. There are worse dangers inherent in political opinion polls than making their organisers look foolish.

Hospitals

Fire risks

No hospital can be completely free from risk of fire, any more than any other public building. Even if the premises are up to fire authority standards (in 1971 it was estimated that to ensure such standards throughout the country would cost nearly £6m) the human element remains. All that can reasonably be done by hospital authorities is to eliminate unacceptable fire hazards in their buildings, determine to eliminate remoter ones when budgets allow them and see that their drill for dealing with a fire, should one break out, conforms to the regulations.

The committee of inquiry into the terrible fire at Coldharbour hospital in Dorset in July, in which 30 mentally

handicapped patients died, found* that the authorities there had accepted too great a risk in their laudable attempts to make the villa concerned more homely. The difference between a long barrack-like dormitory, with rows of beds almost touching, and the same dormitory broken up by partitions giving the patients some sense of privacy and domesticity, is striking. In carrying out this form of upgrading the hospital authorities at Coldharbour were aware that it would involve fire risks; the question was, were they acceptable in the light of what they were trying to do? The committee thinks that these risks were not acceptable and that all partitions and furniture should be made of, if not non-combustible, at least highly flame-resistant materials.

The fire spread rapidly at Coldharbour because of the materials used for the furniture and bedding. Once alerted to the outbreak the staff acted promptly and in some cases with gallantry, and though the committee makes a recommendation to improve the fire drill, it did not find the hospital's fire prevention arrangements seriously at fault. The fire started because a patient somehow or other lit a flame, and he did so when the night nursing assistant was absent from the dormitory and was talking with the charge nurse in the kitchen.

The committee accepts that the assistant could not be expected to remain in the dormitory all the time and if he had been absent for only five minutes the fire could still have broken out. But an absence of half an hour was unacceptable and ought not to have been allowed by the charge nurse.

The Coldharbour tragedy was the result of a human failure in a progressive and humane hospital.

*Cmdnd 5170. HMSO. 314p.



Coldharbour: unacceptable risks and human error



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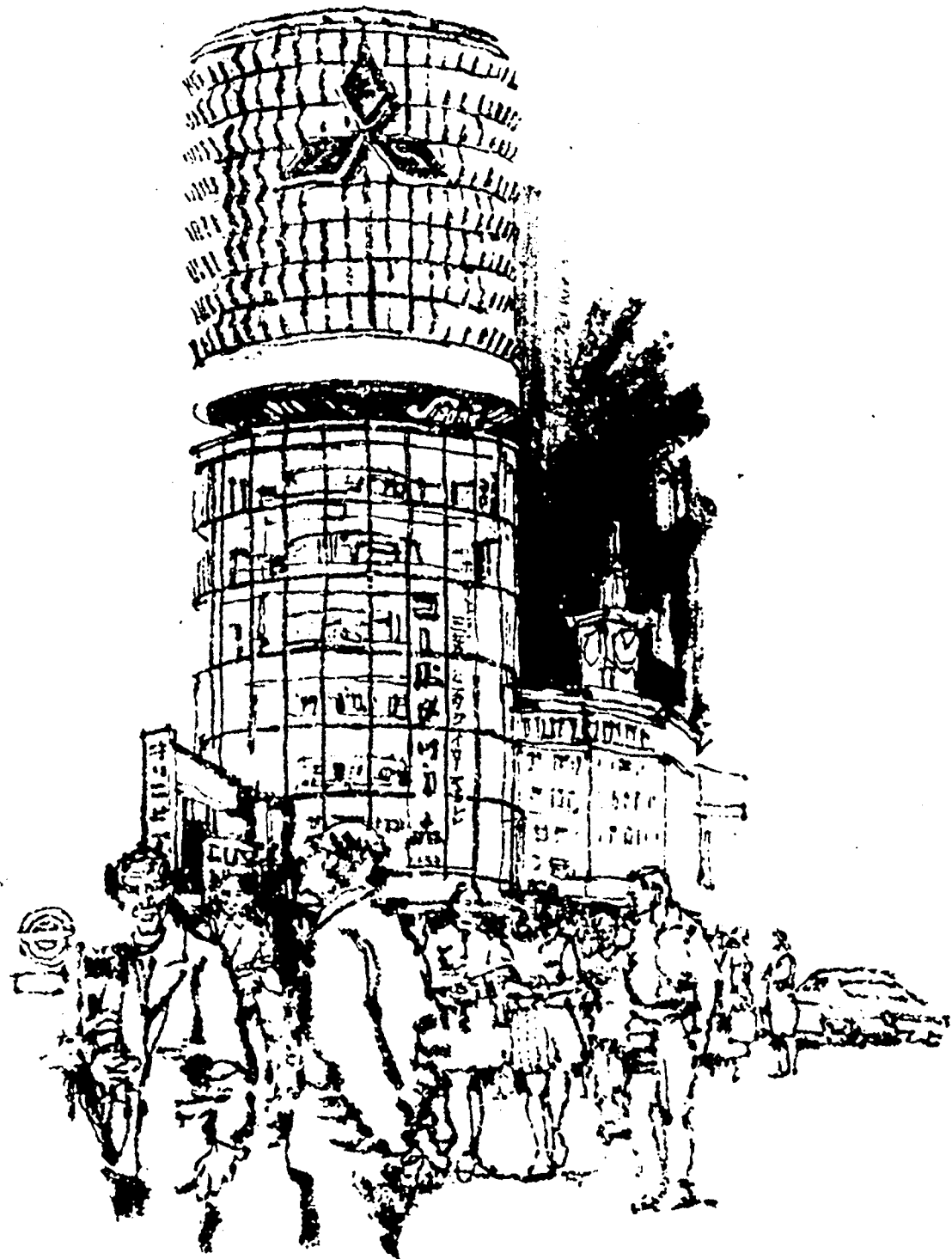
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THE WORLD

International Report

Little, very little, from Erich

Next Thursday's ceremony in east Berlin for the signing of the general treaty between east and west Germany is likely to be regarded differently by the east German leaders and by most of their people. For Erich Honecker and his colleagues, this treaty does more than just normalise relations with west Germany. It signifies the removal of the last obstacle to east Germany's full international recognition. Once the west German envoy has taken up residence in east Berlin, some time next year, even the Nato governments, which have looked down their noses for years at east Germany, will have to follow suit.

But the treaty is a great deal less exciting for many east Germans, especially those with relatives in west Germany, because it has brought with it new worries. The main anxiety is about the new east German regulations which seek to discourage almost all east Germans from closer contact with their relations and friends in the west. The people in question are the "official secret-holders," who apparently include not only senior party and government officials and army and police officers but anybody, even a teacher, who works for the government.

All these "secret-holders" have been asked to fill in forms giving details of relatives in the west and their own contacts with them. They have also had to sign an undertaking that they will not pass on to visitors from non-communist states any information that could be used against east Germany. In some factories and offices employees have been "persuaded" to abandon their arrangements to visit relatives in the west on approved urgent family business like funerals or weddings. This may explain why visitors from the west have recently been finding that even their relations have been reluctant to

see them or talk to them.

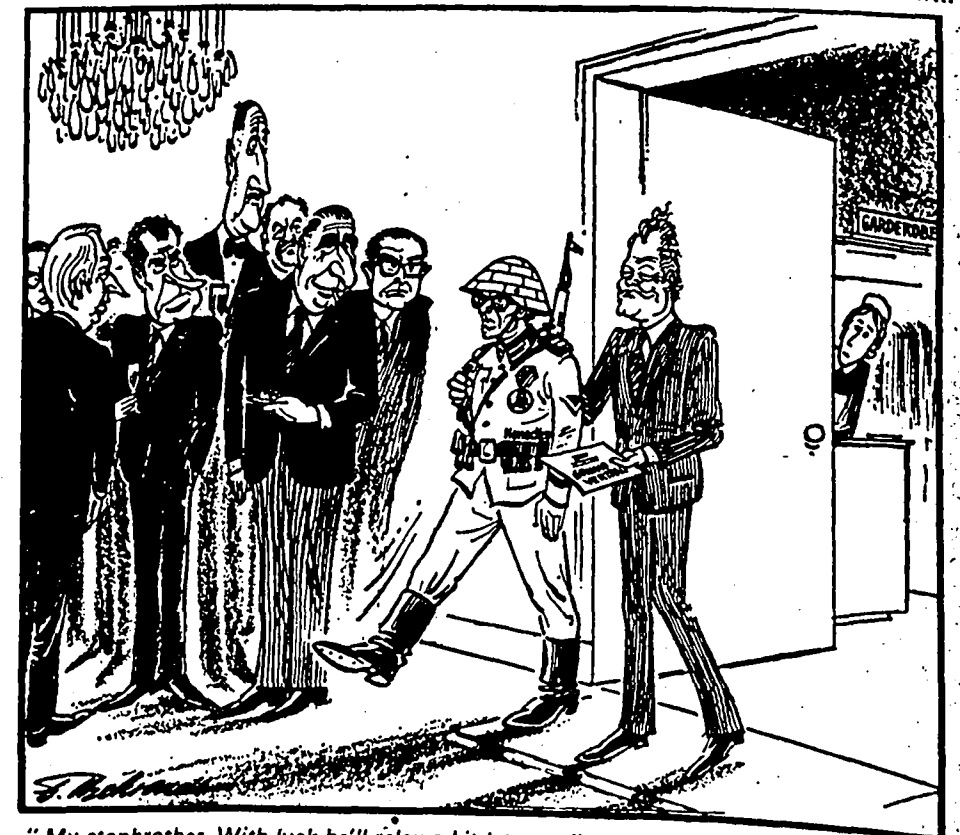
The growing evidence that the east Germans are clamping down on human contacts has clearly disturbed the west German government. The subject was raised on Tuesday when Herr Egon Bahr, who negotiated the general treaty for Herr Brandt, met his opposite number, Herr Michael Kohl, in Bonn. But there is little that the west Germans can do unless the east Germans can be shown to be flagrantly disregarding the letter of the various agreements, even though they may ignore the intention behind them and much of the finer print too.

With no incentives to make further

concessions, the east Germans must now be tempted to whittle down the relatively few they have granted in order to ensure that the eastern treaties would be ratified by the Bundestag and Herr Brandt re-elected. With all that in the bag and international recognition assured, the east German leaders can sit back and hope that economic incentives will keep their people from dangerous thoughts.

Last week the party's central committee resolved to improve domestic production of shoes, textiles, furniture, television sets and other consumer goods. The output of the consumer sector is to grow slightly faster next year than that of the rest of industry. The ministers in charge of light industry and domestic trade were sacked a few weeks ago and replaced by younger, more dynamic men.

But Herr Honecker may face one disappointment. At west Germany's request, most western countries will



"My stepbrother. With luck he'll relax a bit later on"

Frankfurter Allgemeine Zeitung

probably refrain from declaring any outright recognition of east Germany, even though they will quietly establish diplomatic relations. This will underline the theory that the normalisation of relations between east and west Germany does not mean that the German problem has been solved. But this gesture is unlikely to worry the east German leaders too much. Nor are they likely to worry about disclaimers that the sending of western ambassadors to east Berlin recognises east Germany's legal title to their half of the city. The reality of recognition is what matters to Herr Honecker, and that is what he will be getting next Thursday.

Old, familiar faces

FROM OUR BONN CORRESPONDENT

Willy Brandt was duly re-elected west Germany's chancellor for the next four years by the new, seventh, Bundestag when it met on Thursday morning. The size of his majority—there were 269 votes in his favour compared with 223 against—was the exact measure of the extra margin of security he won in last month's election, allowing for the two members on each side who did not vote. It was a comforting moment for the chancellor as he sets out into the uncharted waters ahead. And in choosing his cabinet, due to be sworn in on Friday morning, the chancellor has evidently been guided by the old political maxim of not changing a winning team. Almost all the old faces will be there.

Herr Scheel, the leader of the Free Democrats, remains vice-chancellor and foreign minister. Herr Genscher, his Free Democrat colleague, stays at the interior ministry, having resisted an attempt to move him to the ministry of economics. The economic and finance ministries, which were merged under Herr Schiller, will again be split. Herr Schmidt retains the finance ministry, as he wished. Also as he wished, he will keep for himself some of the more important functions of the now downgraded economics ministry, which goes to a Free Democrat. It seems that the Free Democrats will have five ministers in the new administration, compared with three in the old—a generous repayment for their 11 extra seats.

The horse-trading between the Social Democrats and the Free Democrats about people, posts and policies went on until the last minute. There is reason to believe that if Herr Brandt had not been laid up with throat

trouble during much of this period the cabinet might have had a slightly different look. It is strongly rumoured that the chancellor wanted Herr Genscher to take the economics ministry to counterbalance the powerful Herr Schmidt, but that on his return from hospital he found the two ministers had worked out the new division of labour for themselves. Faced with this fait accompli, Herr Brandt quickly gave notice that he may reshuffle the government in two years' time.

During these two years the chancellor will have to face some political home-truths. He is already trying to tackle them head on. First, he has had to warn both right and left in the party to show a little solidarity. The left must not allow the freedom of an unexpectedly large majority to go to its head. Herr Brandt has also wagged a finger at certain ambitious figures on the right who have been hinting that the chancellor or the government may run out of steam in mid-term.

Second, the chancellor has condemned talk of a split between the Social and the Free Democrats at the next election. The Social Democrats do not have an overall majority and such talk, to put it mildly, is politically premature. But differences remain between the two coalition parties on a whole range of domestic issues, notably that of management-sharing between employer and employee in industry. So compromises will have to be reached as the new Bundestag gets into legislative gear in the new year.

When the new Bundestag met on Wednesday it was a former Christian Democrat chancellor, Herr Ludwig Erhard—now, at 75, the father of the house—who called the deputies to order. A mere 30 were women but one,



Frau Renger, the new speakeress

Frau Annemarie Renger, was chosen to be the new speaker. Frau Renger, a Bundestag veteran, has been described as "liked, but not well-liked."

The house has 149 newcomers, 193 members entitled to call themselves "Doctor," and an average age of 46½. Many old and respected faces are missing. One of them is Herr Walter Hallstein, who in the Adenauer days gave his name to the doctrine which barred west Germany from having relations with any country which recognised east Germany. He will be spared witnessing the final burying of the Hallstein doctrine when the Bundestag ratifies the inter-German treaty in a few months' time.

Ireland

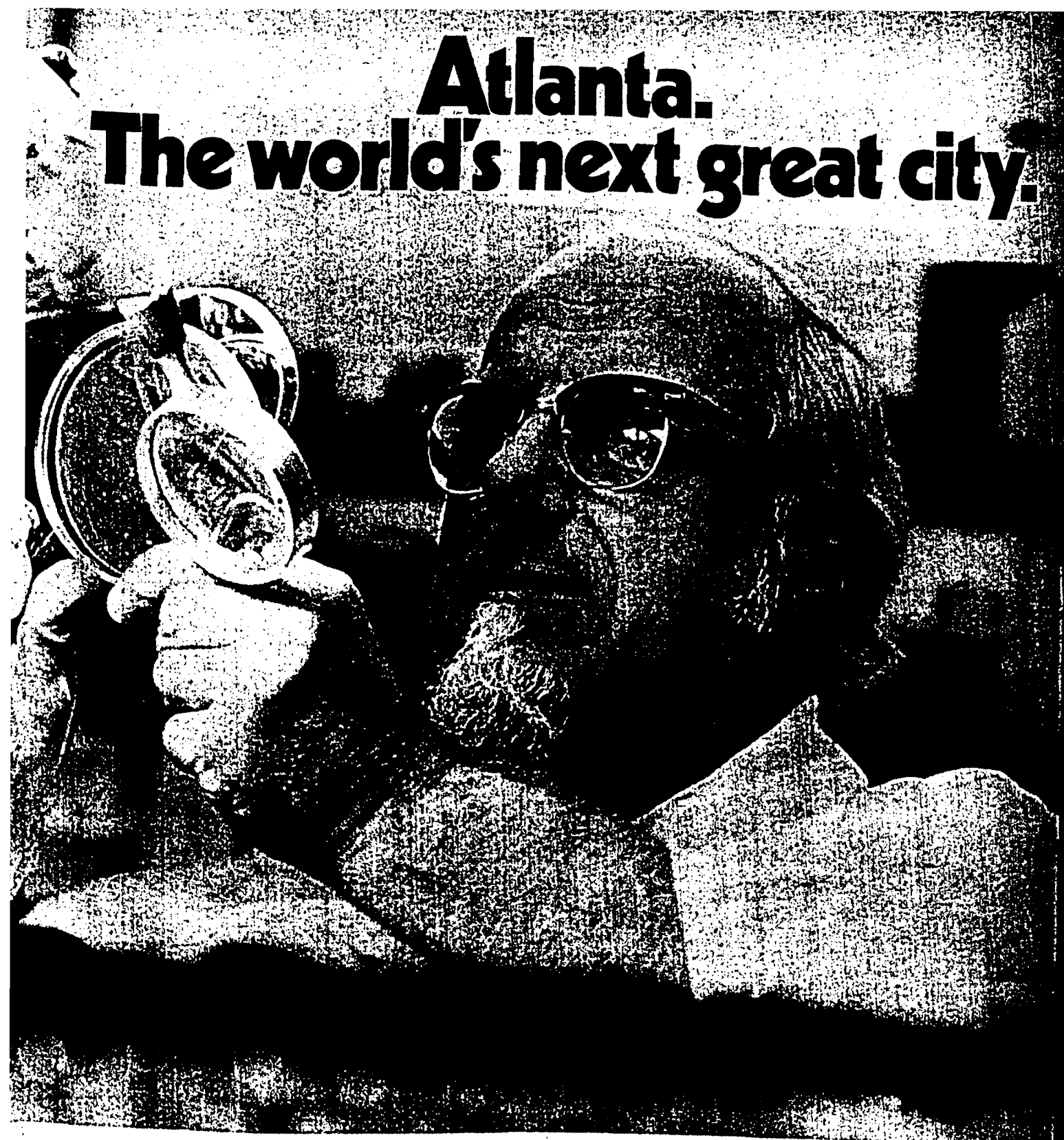
Canny Jack

FROM OUR DUBLIN CORRESPONDENT

After all the recent excitements, both inside and outside the Dáil, life in the Irish republic now seems to go on much as before. So far the authorities have hardly used the wide powers conferred on them by the anti-IRA act passed on December 1st, and have thus stung the Labour politician, Mr Conor Cruise O'Brien, into declaring the legislation "window-dressing." Two reasons are given for this. The prime minister, Mr Lynch, a master of timing, is believed to be waiting for another occasion, such as further bomb blasts, before encouraging the police to round up suspected members of the IRA. Alternatively, he may be holding the new powers in reserve until Mr Heath moves against the Protestant extremists in Northern Ireland.

His other worry has been to put the best possible face on the results of the double referendum of December 7th. They seemed conclusive enough—an 85 per cent majority in favour of lowering the voting age to 18 and an 84 per cent majority for deleting from the constitution the recognition of the special position of the Roman Catholic church. But on a deeper examination they are less satisfactory. Only 51 per cent of the electorate voted and of these about 5 per cent spoiled their votes. Only some 43 per cent of the total electorate gave its approval to the church measure.

The reason for the lowest poll in any referendum since 1937 may have been the absence of any real campaign, since all the parties were agreed on the proposed changes. And the bombs that went off in Dublin the previous weekend had monopolised



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exchange parities and trade, and one has all the ingredients of panic.

It was not Mr Sonnenfeldt's intention to foster such panic, and Mr Rogers, speaking a few days before him, was specifically authorised by the White House to link the numbers of American soldiers in Europe with trade concessions from the EEC only in the most indirect and friendly way. Indeed, Mr Sonnenfeldt said that the Administration looks for partnership and sounds tough and "imperious" only when it is under pressure from Congress and the lobbies. It is the familiar cry, maybe, of an American administration looking for an excuse to twist arms, but it happens to be true this time. The trade quarrels next year in Geneva and the disputes about monetary reform in the Committee of Twenty will not be pretty. But Mr Nixon's men are asking for political co-operation and a fair deal from the European allies before those quarrels about detail are allowed to go too far. Europe is being warned, not sand-bagged.

Russia and China

The paper war

It may not be true, but if it isn't it would be interesting to know why it was invented. On Tuesday the Chinese foreign ministry formally denied that there had been a fight between Chinese and Russian troops on the Kazakhstan border in November. A Soviet foreign ministry spokesman said the same day that he knew nothing about it, which, Soviet foreign ministry spokesmen being what they are, is not quite the same as saying it didn't happen. For all that, it does seem that a document describing an alleged fight on the border in which five Soviet soldiers were killed came into the possession of a number of Russian journalists in late November, presumably by permission of the Soviet authorities, and that one of the Russian journalists let somebody from the west see it.

There are two possible explanations of this. The first is that, whether or not this particular skirmish took place, the Soviet government is genuinely worried about the situation on its China border, and wants to keep its public opinion worried about it too. This is the explanation that most people in the west would like to be true. It is not in the west's interest that there should be a war between China and Russia; but it is a western interest that they should remain so preoccupied with

one another, short of war, that they are willing to be reasonable about their other border areas—the Soviet Union about eastern Europe, China about its relations with the small countries of south-east Asia. This is the basis of the Nixon and Brandt foreign policies. The only trouble with this theory is that the document in question does not actually seem to have been read by any significant number of Russians.

The other explanation is that the document was designed, from the start, for western consumption. Its aim would then have been quite different. It would have been to persuade western governments that, with a crisis simmering along the Chinese-Soviet border, it would be impolitic to press the Russians hard about the liberalisation of eastern Europe—in particular, about freer movement of people and ideas between the two parts of Europe. This is precisely what the Russians want to avoid being nagged about at the coming conference on "security and co-operation" in Europe. In the mind-bending world of counter-intelligence and disinformation the true explanation of things like this mysterious document is generally the most complicated one. The second theory could be the better bet.

Holland and Belgium

Tale of two cities

Both Holland and Belgium are now in dutch, politically. The search for a viable coalition government goes on in both capitals—without much hope. The Belgians are starting to think of holding fresh elections in the hope of shaking their kaleidoscope into a more manageable pattern, whereas the Dutch have just held elections—for the second time in only 20 months—and found themselves in as big a mess as before.

The new Dutch lower house contains 14 parties, like the old one. Labour has gained ground again, but it and its allies hold only 56 out of 150 seats. The chances of reviving a Labour-Catholic coalition have been diminished by the Catholic party's continued loss of support. Until last year it was the largest party, with 42 seats; now it has only 27, and its members are visibly divided about the best choice of partners. Mr Andriessen, its parliamentary leader, has proposed the installing of a temporary government on a non-party basis. Meanwhile Labour's leader, Mr Joop den Uyl, has declared himself ready to form a



Eyskens has had enough

minority government; but it is widely expected that the haggling will go on for months.

On the surface, the Belgians' situation seems far simpler. In a 212-seat lower house, 128 seats were won in the elections of November, 1971, by the Social Christian (67) and Socialist (61) parties, the partners in the coalition headed by Mr Gaston Eyskens. On paper, this comfortable majority still exists. But Mr Eyskens has resigned (and, indeed, has announced that at the age of 67 he has had enough of Belgian politics), and the new crisis in Brussels may last as long as the one in The Hague.

Constitutional reforms providing for regional decentralisation have not relieved Belgium of the strains and stresses of the antagonism between Flemings and Walloons. Ironically, it was Mr Wilfried Maertens, chairman of the Social Christians' Flemish wing, to which Mr Eyskens himself belongs, who brought the government down by insisting that one of the last of the decentralisation measures must be approved by a two-thirds majority. It is feared that the holding of fresh elections against this background would benefit only the overtly communal Flemish and Walloon parties, whose recent electoral gains have already heightened the communal tensions within the older parties.

The idea of building up a two-thirds majority by bringing the (conservative) Liberals into a larger coalition has been flatly opposed by the trade union leadership. On Tuesday Mr Josef de Saeger, a prominent Flemish Social Christian, abandoned the search for a new coalition formula which he had undertaken, at King Baudouin's request, on November 25th, three days after Mr Eyskens had resigned. On Wednesday the king asked Mr Edmond Leburton, a Walloon Socialist, to try to form a government. His chances were not rated high.

The Edwardian Christmas Dinner.

A gourmet's guide.



To begin. A dish of finest caviar. The addition of chopped onion and lemon juice is to be discouraged. Serve simply with thin slices of buttered rye bread and a glass of well-chilled champagne.

After the caviar a tureen of game soup. To complement the flavour of partridge or hen pheasant a glass or two of Madeira.



Onwards. To poached fillets of Brill, coated in a delicate shrimp sauce garnished with shrimp tails and sent to the table with melted butter. With this—a deliciously crisp Chassagne Montrachet.

Oysters. Served in the English manner with the juice of fresh lemons and, perhaps, a dash of cayenne pepper. After this a dish of mutton cutlets, grilled and placed on a dish around a mound of mashed potatoes and garnished with parsley.



Having thoroughly whetted the appetite we come to the zenith of the festive feast. A roast turkey. Garnished with bacon and sausages and served with bread sauce, or chestnut sauce or a good rich gravy. To drink? Claret.

To accompany the beautiful bird—a tureen of plain, boiled potatoes and a pyramid of buttered Brussels sprouts. Then to lighten the senses what better than a dish of Russian salad? Not of the tinned and turgid variety



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A short respite and on to holly-decked plum pudding, with brandy sauce or brandy butter whichever you prefer. For those with lesser appetites an alternative of maraschino jelly. For all, the luscious and incomparable Château Yquem.

To end. No bits of this and that. No meagre pots of cheese. An English Stilton. Ripe and round. With bread or biscuits. And celery—taken with a little salt.

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Vietnam

The question of Thieu's signature

President Thieu has still not made it clear whether or not he will sign a peace agreement between the United States and North Vietnam—assuming, that is, that Henry Kissinger and Le Duc Tho eventually work one out. Mr Kissinger flew back to Washington from Paris on Wednesday night, still with nothing signed, and the almost daily alternation of elation and despair in the newspaper headlines duly switched from A to B. But an agreement remains the probability. "You can bank on it," Mr Nixon said last month, and he has apparently made his proposed trip to Europe in 1973 conditional on a Vietnam settlement.

The first reports of President Thieu's speech to South Vietnam's parliament on Tuesday made it sound as if he was rejecting out of hand any terms on which the agreement is likely to be signed. He was not: like most statements by this very Vietnamese politician, this one had many layers.

The first layer was a tough-sounding restatement of what he dislikes about the original draft agreement Mr Kissinger and Le Duc Tho drew up in October. He said that he wanted North Vietnam's troops to get out of South Vietnam (although he may have been hinting that some of them could stay for a time when he said that "there cannot be a political solution" in the south so long as they are there). He repeated his objection to a National Council of Reconciliation and Concord if it amounted to a coalition government—which it will not if his representatives on it have a veto—and he called once again for the re-establishment of the demilitarised zone between the two Vietnams.

But underneath this was another layer, with quite a bit of elastic in it. Mr Thieu suggested a truce for Christmas, which would be extended into the new year, and might even go on being prolonged after that. On the first day of the truce he would set free 1,015 sick and wounded North Vietnamese prisoners of war, and all his other captured North Vietnamese later if North Vietnam released its American prisoners. The truce could also see the start of negotiations between the Saigon government and the National Liberation Front.

The importance of this extendable truce is that, if Mr Thieu decided not

to sign the document that emerges from the Paris talks, the truce would make it possible for him to slot his own actions into the coming into force of an American-North Vietnamese ceasefire. South Vietnam's army would stop firing too, provided the Vietcong did; the talks about the future political structure of South Vietnam could get under way, as the Kissinger-Le Duc Tho draft agreement says they should; and the argument about those North Vietnamese divisions in the south, and the functions of the National Council, could roll on while the guns fell silent. If the other side agrees, that is. Mr Thieu has kept all his possibilities open. If Mr Kissinger gets enough concessions from Le Duc Tho to satisfy him, he can sign the ceasefire deal. If not, not—but he can more or less go along with it.

The main advantage to Mr Thieu of not signing the ceasefire agreement is that this would leave South Vietnam's army free to deal with the campaign of "tyrant elimination, abduction and assassination" the communists have told their men to carry out in the post-ceasefire period. He would also be relieved of the obligation, set down in the October draft agreement, to "do his utmost" to reach a political settlement with the communists within three months of the ceasefire. The main argument for signing, on the other hand, is that he would then be in a stronger position to call on the Americans for help if the North Vietnamese or the Vietcong violated their side of the deal. No doubt Mr Thieu is waiting to see what the Paris negotiations produce in the end. He is making the most of such room for manoeuvre as is left to him; and his record since he was first elected in 1967 shows that there are few politicians who are better at it.

Philippines

Tough but popular

FROM A SPECIAL CORRESPONDENT

Manila

The sick but plausible jest in Manila is that, if the local still-suppressed press had remained "free," the stabbing attack on Mrs Marcos on December 7th would have been front-paged in many public prints as a cunning political plot by President Marcos—with or without his wife's sanction. The serious point is that many people in Manila believe that, Mr Marcos being Mr Marcos, pressure from abroad will delay and not hasten



Wife damaged, policy intact

a relaxation of restrictions on the press and the continued release of political prisoners. President Marcos will politely receive foreign emissaries, but his long-range martial law plans will only be hardened by threats from, say, the current chairman of the International Press Institute. Mr Marcos reacts as General Chiang Kai-shek did to the IPI ultimatum over those earlier Marcos victims, the Yuyitung brothers, both of whom would have been released by now if there had been less thunder from Zürich and Helsinki.

Mr Marcos, all objective authorities here agree, still enjoys overwhelming popular support for his martial law restrictions as his early reforms begin to operate—especially the restoration of land to the farmers. The plebiscite on the proposed new constitution is set for January 15th. Martial law is almost certain to prevail until the constitution is approved.

The test or showdown will come then. If the reforms do not continue, and particularly if the fundamental changes in university education do not register, the new Marcos policy, discredited, will restore old problems with sharper teeth. Mr Marcos, of course, was far more disturbed about disaffection in the universities than maoist revolution in the barrios. The new educational programme, modelled on Lee Kuan Yew's Singapore lines, sets more importance on training urgently needed technicians than on awarding empty degrees to surplus lawyers, doctors and clerks.

India and Pakistan

Tit for Thako

FROM OUR INDIA CORRESPONDENT

The Indian-Pakistani tangle finally began to be unravelled this week just in time for the first anniversary of the ending of the war for Bangladesh. On Monday commanders from the two sides put their signatures on a series of maps demarcating a new "line of control" between the Indian and Pakistani-held parts of Kashmir. The line, which follows roughly the position of the two armies on December 17, 1971, was immediately ratified by the two governments. Now that India's principal precondition has been met, the long-delayed troop withdrawals can get under way. The armies in Kashmir will move to the new line by Sunday and withdrawals to the international borders in Punjab and Sind are expected to be completed before Christmas.

The new line gives India 341 square miles out of Pakistan's part of Kashmir whereas Pakistan gains 65 from India. But more important than any exchange of real estate is the accompanying agreement that the line of control will be respected by both sides until the Kashmir issue is settled for good and all. Since this may never happen the line is effectively a permanent partition—which is why both sides bargained so long and so hard over every inch.

At first Pakistan resisted the concept of a new line because it was anxious to retain the United Nations' supervision associated with the 1949 ceasefire arrangements. But President Bhutto gave in on this in August. Then negotiations got stalled again at the end of October when Pakistan demanded Thako Chak, a tiny patch of ground it had occupied in Indian Jammu, which was not part of the disputed ceasefire zone. India's counter-arguments were legally feeble but this did not stop it from digging in its heels to make the debating point that the border between Pakistan and Kashmir is an international frontier—unlike that between the two parts of Kashmir.

Mr Bhutto also made his stand on "principles," although he said he would be willing to trade one patch for another. So a compromise was possible. But Pakistan held off until last month's UN General Assembly debate on the admission of Bangladesh was out of the way. This was necessary because Pakistan was argu-

ing that Bangladesh's entry into the UN should wait until the consequences of last year's war were undone, and it did not want that to happen too quickly. After the Pakistanis won the round in the UN, a compromise on the Kashmir line was arrived at, with India giving up two villages in return for the troublesome Thako Chak.

Uganda

Giving the country a black face

FROM OUR UGANDA CORRESPONDENT

As December 18th approaches, Uganda's British community of 3,000 or so people feels the breath of General Amin blowing now hot then cold down its neck. So many contradictory statements have been made in the past 10 days that it is well-nigh impossible to predict what the general will say when he meets representatives of the community on Monday, the 82nd anniversary of the raising of the British flag in Uganda. Despite an official assurance that the British are welcome to stay, it is hard to believe that General Amin has abandoned his plans to Africanise British-owned tea estates and commercial and industrial undertakings, which employ perhaps 30 per cent of the Britons working here. Africanisation is less than expulsion, but there is little difference in the effect.

Anyway, some 800 British teachers and doctors, who make up with their dependants half the British community, will leave within the next two years after Britain's decision to stop topping up their salaries with supplementary payments. So even if the "drastic decision" that General Amin has promised fails to materialise on



Amin waits for Monday's inspiration

Monday, the ceremony at which the raising of the British flag is re-enacted still looks like symbolising the end of Britain's Ugandan role. Whether with a bang or a whimper, it will come to the same thing.

The difficulties being encountered in the Ugandanisation of Asian-owned businesses might have been expected to persuade President Amin to lay off for a while from his grand design of making Uganda the world's first "genuinely black African state." Instead he has forged ahead into new fields, promising to Africanise the churches because "the imperialists may try to come back through religion," and laying down new ground rules for technical aid. In future Uganda's experts will be recruited wherever possible from other African states, and if they must be white, their contracts will be short ones.

Zambia and Malawi

Whose Witnesses?

FROM A CORRESPONDENT

Lusaka

Zambia is now the reluctant host to some 19,000 "visitors," to use the word of Mr Lewis Changufu, the minister of home affairs. According to the minister, the visitors are not going to be given refugee status and must therefore return to Malawi, from where they fled. But at the moment there are no signs of their going.

The visitors are terrified Jehovah's Witnesses, members of the Watchtower Sect which was banned in Malawi in 1967. In September, during the annual convention of the ruling Malawi Congress party, the sect was denounced and a resolution passed condemning its activities. This was followed by wholesale persecution of the estimated 25,000-30,000 Jehovah's Witnesses in Malawi; there were reports of burning of houses, looting, savage assaults and deaths—although the official clampdown on news meant that few details were confirmed.

Most of the reports came from the refugees who began streaming into Zambia's Eastern Province and also into Mozambique in late September. When their plight became known during October the United Nations provided £18,000 for their relief. But conditions in their temporary camp near Chipata in eastern Zambia are appalling, with few amenities, sanitary or otherwise. Some 265 people have already died in the camp; yet, despite starvation and suffering, more are still arriving, declaring that they would

rather die there than remain in Malawi.

The Zambian government is supported by the UN High Commission for Refugees and says it now awaits a written assurance from the Malawian authorities of the safety of the sect's members before repatriation begins. Negotiations for their repatriation started towards the end of October and Mr Changufu has since said that the visitors must return because they have nothing to fear. But in spite of such open declarations there are many contradictions, such as unconfirmed reports that another camp near Petauke, which is also in eastern Zambia, is being made ready for the Witnesses. If true, these reports suggest that the government intends to remove the refugees from the border; this would be in keeping with a resolution passed at a recent Zambian police seminar that no refugee camps should be maintained close to any border areas. If the move is carried through it is not expected that the Malawians will be granted either refugee or residential status, but will have to live with UN aid indefinitely. If so, their future is almost as grim as if they were to be returned.

The Watchtower Sect has been in trouble in various African states, particularly Malawi, where its banning in 1967 followed a series of bloody incidents. The Witnesses consider God's kingdom above any state and therefore refuse to join any political party. It was their refusal to buy Malawi Congress party cards that is thought to have set off the current crisis. The sect's members follow puritan principles, are hardworking and generally nonconforming to the society in which they live. It is this last characteristic which seems so unpopular.

Indian Ocean

A European force?

Britain and Holland are to send a joint naval squadron into the Indian Ocean next year. The number of ships is not yet decided, and both governments have emphasised that it will be no more than a passing visit. All the same, it might just be the kernel of something larger.

In November, the North Atlantic Assembly passed a resolution calling on the Nato council to authorise plans for the protection of west European shipping in the Indian Ocean and the south Atlantic. True, only 26 of the 200 members of the assembly were present when the resolution was passed, and only 14 of these voted in favour.

True, also, the Nato council often ignores such resolutions. Nor has Russia's naval presence in the Indian Ocean this year increased at the rate of previous years. At the moment there are six Russian warships and six auxiliaries in the area, which is about average. The Russians may have reached the maximum number of ships they can support without a regular base.

But some of what were regarded last year as the firmer elements of western defence in the Indian Ocean look rather shakier now. The French still have a number of bases in the area, and have recently been building up the strength of their force in Djibouti. But Madagascar, where the main French naval force is based, wants to revise its defence treaty with France. And although the Americans announced in January that units of the Seventh Fleet would be making more frequent patrols in the Indian Ocean, there have been few signs of these. The results of the recent antipodean elections place a question mark over Australian and New Zealand participation in the five-power force in Singapore and Malaysia.

India, buoyed up by its naval successes over Pakistan, looks like taking a more active interest in the ocean named after it—although the ships the Indians like best, in particular the *Osa*-class guided missile boats, are Russian. It does seem that there could be a role for a European naval force in the area. Perhaps the west Germans, with their growing investments, might join the British and Dutch in thinking about it.

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Argentina

The old dictator fades away

When Argentina's former president, Sr Juan Perón, leaves Buenos Aires on the first leg of his return trip to Madrid, one thing seems certain: the old man will never rule his country again, even though he says he will come back next year. It is even debatable whether his month in Argentina has done very much to pull together the oddly assorted groups that call themselves the Justicialist Liberation Front.

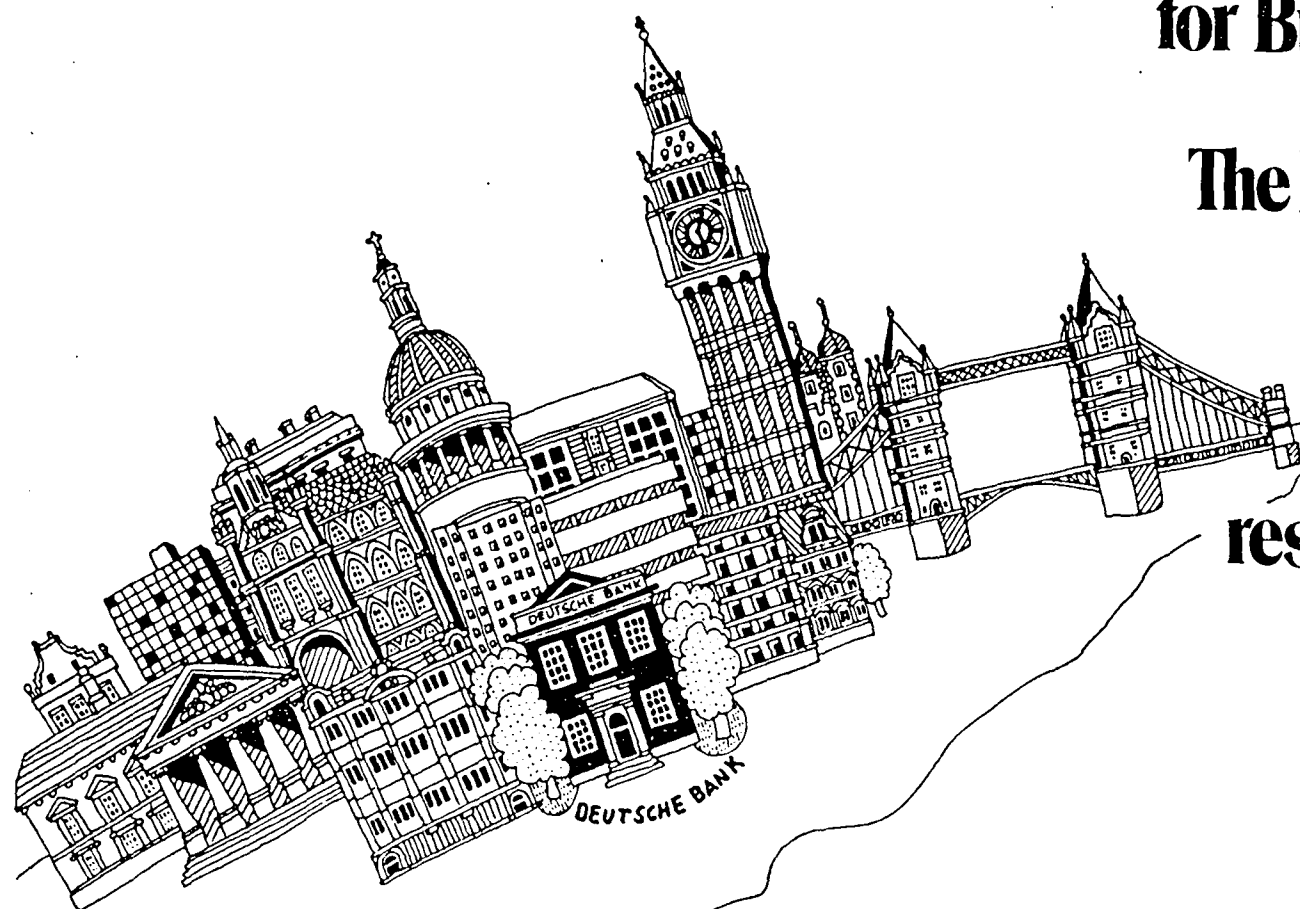
He probably thought he was going to be their candidate in next March's election. But the armed forces refused to waive the ruling that all candidates must have been living in Argentina since August 25th; and last week the supreme court declared that they were right to do so. This left Sr Perón with no option but to stand down. The peronists will choose a substitute candidate rather than boycott the elections altogether; it remains to be seen whether some of them will agree to support Sr Ricardo Balbín, the leader of the Radical party, the second largest political group in the country.

In the short term, however, it seems that the main effect of Sr Perón's trip was to induce the military men to close ranks against a leader whom most of them distrust and who, indeed, clamped many of the present set of generals into jail in the years before he was overthrown in 1955. The high command agreed, for example, to allow President Lanusse to remain in power until the election, although theoretically the air force commander, General Carlos Rey, was to have taken over at the end of the year. The generals were outraged by reports that Sr Perón had said the army of Paraguay, of all places, was "the most glorious in Latin America," although it was subsequently claimed that his remarks had been distorted.

Meanwhile, some of Sr Perón's less reputable supporters may have been involved in the kidnapping of the local representative of the Vestey group, a British businessman called Mr Ronald Grove. He was kidnapped last weekend on his way to play golf, and his kidnappers are demanding a ransom of about \$1m. They are thought to be members of the trotskyite People's Liberation Army, now split into two factions, one of which has formed a tactical alliance with the "revolutionary peronists."

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Palestinians

But whose is the conscience of the nation?

FROM OUR SPECIAL CORRESPONDENT

"Psst, the leader of Black September? For you, a special price . . ." Beirut's Black September Market is not yet a going concern but members of the Palestine Liberation Organisation, harried by correspondents and, no doubt, by spies who come questing the one secret the Arabs have so far managed to keep, occasionally throw it a quick thought. It might, after all, be one way to keep the interrogator busy, turn a needed if dishonest penny, and lay yet another dubious trail to the ones already established. If the trail leads to Abu Omar (Yasser Arafat), the PLO and Fatah boss, the seeker could well have been hoaxed. It seems to be a widely shared opinion in guerrilla circles that Arafat has neither the steeliness nor the ruthlessness to direct a secret terrorist outfit.

Getting rid of the "Abus" (the pseudonym meaning "father of" that was widely adopted in the early days of the guerrilla movement) is a favourite topic of talk within the movement. And the first Abu many would like to see go is Arafat himself. He is the target for a familiar brand of criticism: he runs hard to stand still. His full-time manoeuvring, with the Arab regimes and with his fellow guerrillas, keeps the movement roughly in one piece and himself in charge but, say his critics, so what? One answer is that few of his potential rivals are prepared to match his single-mindedness: he, in a sense, is married to the movement; the others have, at least, their own families to worry about. Nor, at present, is Fatah's leadership of the guerrilla movement under active challenge from the other, more politically orientated groups. The left-wing Popular Front, for example, has not recovered from its triple disaster of Dr George Habash's serious illness, the murder of Ghassan Kanafani and the disabling by letter-bomb of Kanafani's successor Bassam Abu Sharif.

The guerrilla movement's troubles are compounded by shortage of money and the need this year to dip into its shallow reserves. Most of its money

comes from Palestinians living outside the conflict area: 5 per cent is deducted from the salaries of Palestinians working for Arab governments and many other Palestinians voluntarily contribute the same proportion of their incomes. Despite Colonel Qaddafi's claim to hold the purse strings of the commando movement, no Libyan money has reached the PLO central fund, although a little is said to be going to a splinter group led by Mr Ahmed Jabril; the Libyans have even caused currency difficulties over the transfer of Palestinian contributions.

The commandos do little and so get little money and less respect. Their more radical leaders suggest drastic remedies. They propose pruning some 90 per cent of the movement's members; the remaining 10 per cent would then be trained intensively in guerrilla and terrorist warfare. War in the area, that is, Black September's world-wide terrorist tactics arouse conflicting responses but the consensus of most senior PLO men would seem to be that such operations, if carried out at all, should be marginal to the central battle in the Middle East. But at this time the "marginal" activities have taken over the centre.

To change this, it is vital, the commandos argue, to get back to Jordan—on their own terms. Not, they would say, to return to the foolish swank and bullying that characterised the guerrillas in Jordan before September, 1970, but in order to have access to Jordan's long frontier with Israel and the Israeli-occupied West Bank. The limits on operations from Lebanon were brought home again last week when two days of clashes between guerrillas and the Lebanese army were followed by a warning from the prime minister, Mr Saeb Salam, that his government would not tolerate any action that might "engulf [Palestinians and Lebanese] in tragedy."

Israel's bombing, and constant buzzing, of targets in south Lebanon and the plague of letter-bombs and parcel-bombs haunting Beirut are

evidence, the guerrillas argue, of a sustained effort by Israel and Jordan (whose anti-guerrilla interests run parallel) to force the Lebanese government towards "the Ammanisation" of Beirut. By this they mean an army crackdown to throw the guerrilla movement's headquarters and research centres out of Beirut. They do not believe that it will come to this, but the threat makes the PLO leaders tread as carefully as their increasingly mutinous junior officers will allow them.

Nor is Syria regarded as a reliable alternative since its discipline over the commandos on its territory is tightened or loosened for reasons that are beyond the PLO's own control. On the other hand, if the Israelis are correct in crediting Syria with master-minding the novel Arab-Jewish spy ring now in the process of being revealed in Israel, Syria's intelligence men have got further than any of the others in achieving one of the guerrilla movement's major aims. The guerrillas have long been under a barrage of justifiable Arab criticism for their failure to implant cells in Israel or Israeli-occupied land.

But to be successful, say some senior strategists in the guerrilla movement, such implantation must be preceded by the guerrillas' return to a Jordan from which the Hashemite regime has been eliminated—and elimination equals assassination. Let alone what the Israelis would do then, the murder of the key people in Jordan (not very many but enough) is unlikely to happen tomorrow. For the present, the PLO sees its main role as the negative one of helping to prevent any developments



Arafat's running on the spot

that might lead to an Arab-Israeli settlement on terms that ignore or compromise the rights of the Palestinians. Inactive, troubled and negative this may be; even so, say the guerrillas, their movement must be regarded as "the conscience of the Palestinian nation."

Let us decide

Not so, said a Palestinian in the West Bank who has had his share of knocks during five and a half years under occupation, including deportation (temporary, as it turned out) for suspected resistance activities. We must, he went on, find the most realistic view of the future that we can honourably square with our own consciences. And, he added with gentle bitterness, we should be allowed by our brothers outside (the guerrilla movement) to decide our own attitude for ourselves.

He was not hopeful, since he did not believe that Israel's leaders were prepared to allow the West Bankers either the land or the independence that might amount to what he, and moderate, responsible people akin to him, could consider "honourable." He saw Israeli towns and settlements rising like mushrooms around him on land confiscated from Arabs: Mrs Meir has said that 44 settlements have now been established on land conquered in July, 1967. He believed that this process would continue and that the only policy at present open to him and his fellows was to refuse to be squeezed out: "Just to be here is to be an activist." But if or when an opportunity came up, he wanted to be free to act on his own initiative without being dubbed a traitor.

West Bank Palestinians want their voices to be heard even if it must be in a minor key. The municipal elections held this spring, under Israeli auspices but following the restrictive Jordanian voting pattern, offered such a chance. The Israelis started the experiment on a small scale in the smaller towns: the hue and cry raised by the commandos caused the Israelis to respond in kind and the experiment deteriorated into a propaganda battle. At this, many of the Palestinians who had intended to stand changed their minds and the candidates eventually returned were either the old "notables" who had held office since Hashemite times or younger men who tend to be dismissed, possibly unfairly, as nonentities.

Another development that many Palestinians feel went wrong was the launching by President Sadat of his proposal for a Palestinian government-



A new settlement is opened in the Gaza strip

in-exile. This idea, in theory, has the strong appeal of providing a forum for a concerted—well, maybe concerted—Palestinian voice. It fell flat partly because it was opposed by the commandos (though not by Mr Arafat), partly because of the general belief that Mr Sadat had proposed it for his own wrong, domestic reasons.

Then, in March, there was King Hussein's projection of a United Arab Kingdom encompassing substantially autonomous Palestinian and Transjordanian regions. The plan was castigated by the commandos, several Arab governments and the Israelis; the people quietly interested were the 900,000 Palestinians on the East Bank and the 700,000 on the West Bank. True, the bitterness against the Hashemite regime that followed the army's onslaught against the guerrillas is still alive, if less keen than a year ago; true, also, that many West Bankers echo the commando sentiment by saying they would welcome Jordanian rather than Israeli rule only because they believe the Jordanians to be easier to get rid of. (East Bank Palestinians, discriminated against rather than persecuted, might have a word or two to say about this.) Other West Bankers, watering their hopes with realism, see the king's proposal as the nearest step to nationhood that has come remotely their way—and Israel's response keeps it strictly remote.

In Gaza as in the West Bank, the Palestinians look to their own interests, many of them earning good money as building labourers in Israel, but all believing that their most effective contribution to the common cause is to stay put. When, in August, 1971, Israeli bulldozers cleared wide roads and open squares in Gaza's main refugee camps, the epidemic of violence was ended but 2,500 refugee families

suddenly found themselves homeless. Yet few accepted the inducements to go elsewhere: of the 400 families that were taken to El Arish in Sinai, about half have so far returned; the UN records show that only 29 families transferred themselves to the West Bank. Many of the evicted refugees have by now shackled up with relatives or found accommodation of a kind but, according to the UN, 900 families, meaning about 5,000 people, are still reckoned homeless. The Israelis, disputing this calculation, say that 350 families are homeless, but that houses are becoming available, on application, in the southern sector of the strip.

There are still isolated acts of violence in Gaza but the links between local terrorism and the guerrilla organisations outside would seem to be broken. Passive resistance is thought about but, as in the West Bank, abandoned because of lack of organisation (the exception to this could be Hebron, where the intermingling of religious and political conflict between Arabs and Israelis may lead the Arabs to some form of action). The worst thing for the people of Gaza is that their future comes at the baffled bottom of almost everybody's list of possible solutions. They themselves say, hopefully, that the Egyptians will not let them down; Egyptians, on hearing this, shrug hopelessly.

Palestinians, exasperated, ask how they can be expected to agree among themselves when nobody concerned in or with the Arab-Israeli conflict seems able to agree about anything. All that can be depicted is a trend—and this shows a widening disparity between the Palestinians who have to live under the Israelis and those outside who are dedicated to fighting them. And neither side can, or should, claim to be the keeper of its brother's conscience.

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THE WORLD

American Survey



Westwood follows her leader into limbo, while Florida's liberal governor rejoices with her successor

Getting the McGovernites out of their hair

Washington, DC

The Republicans had a problem in 1964 similar to that faced by the Democrats last week: how to get rid of a national chairman hand-picked by an ill-starred presidential candidate, so that the work of piecing the party together again could commence. The Republican solution preserved dignity and avoided a fight; Mr. Dean Burch was left in office until the following spring on the understanding that he would then make way for a new man. The Democrats are different: why put off a fight till the spring when you can have it in December? Accordingly Mrs. Jean Westwood, chosen by Senator McGovern as chairman of the Democratic national committee on the day after his nomination at Miami Beach in July, was forced to step down last Saturday, when the committee met for the first time since the election.

Mrs. Westwood, who farms mink in Utah, came to national prominence by the accident of being Senator McGovern's earliest known supporter on the old Democratic national committee. Senator McGovern was inclined to keep the existing chairman, Mr. Lawrence O'Brien, but was persuaded by

some of his staff, against his better judgment, to choose Mrs. Westwood instead. While she has done no good in her office she has done nothing wrong either, and some of the Democratic notables who did not care for her much still thought it indecent to push her out so hastily. Her removal is probably as pointless a piece of symbolism as her appointment was. The forces hostile to Senator McGovern have scored a famous victory, but six months too late to do them any good in 1972. What will become of it by 1976, none can say.

As an organised force the McGovern movement has melted from the national political field. Before the battle of the Washington Hilton hotel last Saturday Senator McGovern had abandoned Mrs. Westwood, and she him. His captains have disbanded to mountain resorts, islands in the sun, universities and law offices. The substance and muscle of his army consisted of local people who were politically active; they will remain a force in their towns and districts, but not a McGovern force. Some thoughtful politicians are already considering how to organise their energies in future local campaigns, but nationally

they have lost their leader and have no new one in view.

Mr. McGovern's enemies are a more cohesive and continuous group, held together by the burning desire to fight the 1972 campaign all over again. They are the group that used to meet in Washington in June to plan the unseating of Mr. McGovern's Californian delegates. They thought out the procedural rulings that might have blocked Mr. McGovern at the Miami Beach convention, and they have not forgiven the convention's chairman, Mr. O'Brien, for not ruling on their side.

Prime movers in the group were Mr. George Meany, the president of the American Federation of Labour and Congress of Industrial Organisations, and his political organisers: they declared themselves neutral in the presidential campaign but helped with the campaigns of many Democratic candidates for Congress and for state offices. Senator Henry Jackson of Washington State and his allies and supporters, together with former campaign organisers for Senator Humphrey, were other members of the group. Taken together, they are men who have rendered great service to the Democratic party in the past but have little prospect of doing much for it in the future. Their first aim was to get rid of Mrs. Westwood, partly from sentimental motives but also with a view to influencing the party's constitution, the methods by which it selects delegates to future conventions

and the course of its conference on party organisation and policy planned for 1974.

These can have an influence on the presidential nominating process in 1976 if the mid-term conference ever comes to be held. A party commission, not yet named except for its chairman, will have the task of recommending a charter or party constitution to the mid-term conference. A separate commission, which is to pronounce on the rules governing the selection of delegates, has been named already and its membership will not be affected by the change of national chairman.

But most of those who fought to get Mrs Westwood out, the labour leaders and southern governors particularly, object vehemently to the reformed selection rules which filled up the last convention with delegates who were young, female or black. They blame the reformed rules for Senator McGovern's nomination, and they blame Mrs Westwood's predecessor, Mr O'Brien, for having insisted that the state parties comply with the rules. The suspicion that the new chairman will not insist quite so hard, and that consequently the next convention will be more white, more male and more middle-aged than the last, is hard to avoid.

Mr Robert Strauss, the new chairman, is a Texan politician who has never sought elective office but who earned good opinions in the party by his service as its treasurer since 1970 during the years of its deepest financial depression. When Mr McGovern foolishly spurned his help in this year's presidential campaign Mr Strauss gave his energies to the effort to raise funds for Democratic candidates for Congress, thus earning debts of gratitude and making allies who stood him in good stead last weekend.

Against him, in the eyes of most Democrats, is the fact that he owes his introduction to national political affairs to the friendship of Mr John Connally, who, though a Democrat in the Texas sense, worked actively for President Nixon this year. Thus Mr Connally has cut himself off from his party, a fact which Mr Strauss formally acknowledged after being elected chairman. Mr Strauss never cut himself off, and the general belief is that he is less conservative than Mr Connally in his views. Still, he is associated with the conservative faction in the politics of the Democratic party in Texas.

In Mr Strauss's favour is that he

is no political preacher or philosopher, but an amiable and skilful man of action. As American political parties work, a strong national leader is not wanted in between presidential campaigns. The state and local politicians whose success or failure determines the composition of Congress and of the state and local governments want a reasonable degree of co-ordination of local and national campaigning efforts, but they do not want to be told what to think. Mr Strauss is likely to put a modest interpretation on his job and to do it in a smooth, efficient manner. For this reason, many Democratic politicians whose own views are more liberal than Mr Strauss's little-known views are supposed to be, are not disturbed unduly by the thought of Mr Strauss in charge of the national party office.

Considerations of this kind played a part last weekend in the long-deferred victory of the old alliance, organised labour and the "regular" party men in Congress and the state-houses. But the decisive factor was the absence of an opposing force. No more than a handful was prepared to die for Mrs Westwood, but an actual majority was found for restraint and propriety in the form of her execution. When her enemies moved to declare her seat vacant, their motion was rejected by 105 votes to 100. Agents of Mr Meany and of Senator Jackson were lobbying strenuously for votes against Mrs Westwood. But there is a strong resistance in the Democratic party to being dictated to by the trade union leaders, while Senator Jackson's personal influence is somewhat limited by his own lamentable vote-getting performance in this year's primary elections. Still, the chairperson fended off the motion to remove her only by promising several members that she would resign of her own accord after lunch.

Somewhere in the middle of the field were the supporters of two moderate liberals, Mr George Mitchell from Maine and Mr Charles Manatt from California, but attempts to persuade one or other of these to withdraw in favour of the other failed. Mr Strauss got the majority. Once elected, he said and did a number of things to reassure the party's liberals that they were not being rejected. His preference is, and his policy will be, to damp down the arguments of principle that have flourished in the party's recent history, and to do what he can to make it once more comprehensive, diverse, bland and capable of national electoral success.

Another Texan

The Republicans have a Texan as their new party chairman too. On Monday Senator Robert Dole announced that he was retiring and that Mr George Bush, the ambassador to the United Nations, was to succeed him. Mr Bush will continue at the United Nations until the present General Assembly ends, which should be before Christmas, and his election by the Republican National Committee when it meets on January 19th should be something of a formality.

Unlike Mrs Westwood, Senator Dole was toppled from above. Mr Nixon took strong exception to the Senator's open criticism that the President had been too busy building his own landslide majority to help his party; the Republicans suffered a net loss of two Senate seats and one governorship and only gained 13 seats in the House of Representatives. Mr Dole's criticism is widely shared within the party, whose members feel that a few more campaign trips outside Washington and more vigorous endorsements by Mr Nixon might have made all the difference to individual Republicans. For this "self-centredness" the President is not being forgiven lightly. Senator Peter Dominick, chairman of the Senate Republican Campaign Committee, predicts that attempts by the White House to invoke party loyalty in the next Congress may go unheeded.

Much of the resentment in the Republican rank and file is directed towards the Committee to Re-elect the President (Creep), which soaked up most of the party funds. Apparently many regular Republican contributors, when approached by needy candidates, claimed that they had already given their all to Creep. Senator Dole has said that it would be a mistake to let an independent committee run the presidential campaign again in 1976.

Senator Dole is said to have argued for a full-time role for the party chairman, something which, with his duties in the Senate, he himself could not possibly fulfil. He did not want the national committee to "go underground" until the 1974 mid-term elections, which is what usually happens. He also argued for a bigger budget for the committee. While ditching Mr Dole, the President seems to have accepted his argument by appointing in Mr Bush a man who will have no other commitments.

Mr Bush has the great advantage of being very much the President's

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December 13, 1972

man and one without any associations with Creep. Senator Dole's comment on Mr Bush that "he has political interests of his own" was something of an understatement about a man who is believed to harbour presidential ambitions. His new job—at least as Senator Dole defined it—will be to transform "this new American majority into a Republican majority in Congress."

Time to share?

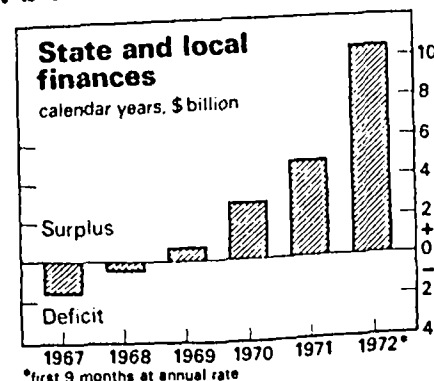
Christmas came early this year to about 38,000 state and city treasurers, who on Monday received their first instalments under the revenue-sharing bill signed by President Nixon in October. Just over \$2.6 billion of this largesse was distributed and there will be another \$2.6 billion next month, to complete payments for 1972; by the end of 1976 \$30.2 billion will have been paid out to states, cities, counties, even tribal Indian governments. The states will be able to spend their money on any lawful purpose and the limits on lesser governments are only slightly narrower: education alone is excepted. Some hard-pressed cities will be thankful for money to pay their firemen and police; others are planning improvements ranging from new city halls to gaols, from better parks to better sewers. Many recipients—the State of Wisconsin, for example—are using all their money to lower taxes, particularly the oppressive property tax which bears hardly on many people, including those who have retired.

Some of the recipients can hardly be classed as needy. Under the law the government of a state gets one-third of the state's allocation, but California, to name one, which received \$94m this week, is on the way to a \$500m surplus. Florida is not far behind. Indeed, state and local governments, so long in rags, are, with some glaring exceptions, enjoying something like riches. Partly this is because of prosperity; partly it is because in recent years they have

been forced to impose new taxes; in some cases it is because, with the falling birth-rate, spending on new schools has been declining. Most, though not all, experts think that this prosperity is not necessarily permanent and all agree that this year's revenues have been swollen by some \$4 billion paid earlier than expected by the federal government for its share of the costs of public assistance. Whatever the cause, some of the recipients will, for the moment, at least, be investing their share of the new bounty in government bills and bonds—in effect lending it back to the central government.

Whether the federal budget, deep in deficit, should be strained further and popular federal programmes, such as the fight on pollution, should be slashed to assist local governments which are doing well already is a question which is bound to be asked. In private, the Administration may feel some embarrassment but in public its spokesmen insist stoutly that what matters is the philosophy underlying the programme: that state and local governments should be strengthened and money spent locally, where the taxpayer can see that it is doing good—or, if it is not, demand to know the reason why.

Complaints that the "haves" are doing better than the "have nots" are also acute this week among the recipients. The formulae (there are two) under which the money is distributed take account mainly of population, but also of relative poverty and of the amount raised by local taxes. When the allocations were announced last week many communities whose growth over the past five years has been slow or non-existent found themselves penalised; the Treasury, after publishing estimates of what each state and city would get, had redone its tax arithmetic on the basis of revenues in 1971, not 1967, with the result that rural areas—Alabama for example—and some static cities—New York for instance—found their cheques much reduced. It is the fast-growing suburbs, many of them wealthy, which have come out ahead.



Nixon's new men

Those who had hoped that the Departments of Transport and of Housing and Urban Development would be treated kindly by President Nixon have been disappointed. The men who will take over the two departments if their appointments are approved by Congress in the new year are good managers and are expected to do what the White



Brinegar: too road-minded?

House wants. But neither has the ideal experience for the job.

The Department of Transport is due to come under the control of Mr Claude Brinegar. He has no previous experience in government and he has not shown much interest in politics. But he knows a great deal about the oil industry and he likes fast cars. This does not endear him to those who think that the department should be concerned less about cars and roads than it is about clean air and alternative forms of transport. Mr Brinegar is a senior executive of the Union Oil Company which has caused considerable controversy in its home state of California. It was responsible for the devastating oil spill in Santa Barbara in 1969 and the following year it campaigned hard for the defeat of a proposal which would have allowed the state's petrol taxes, now reserved for the construction of roads, to be used for public transport and the control of pollution.

This philosophy does not accord with what has been going on in the Department of Transport under Mr John Volpe. Mr Volpe, who now goes as ambassador to Italy, has been energetic—some within the White House would say too energetic—in undermining the supremacy of the car and has advocated that some of the money for public transport should come from the federal highway trust fund. So far Mr Brinegar's views on public transport and its funding are not known. But it is expected that he will be questioned closely by Congress on the matter. The White House has already felt it necessary to reply to its critics that Mr Brinegar does not intend to reverse Mr Volpe's good work.

The feelings about Mr James Lynn, who takes over at HUD from Mr George Romney, are more of disappointment than of opposition. The mayors of the big cities, even those who support Mr Nixon, are upset that the appointment has gone to a man who has no experi-

ence of their problems. They had hoped that the President would select a man from their own ranks or a well-tried friend from within Hud. Mr Lynn, who is young and clever and who has a good record in his present job as Under Secretary of Commerce, knows little about the problems of the cities, admits that he has no knowledge about housing beyond owning a couple of houses and thinks that "damn near everything the government does could be done better by private industry." He arrives at a time when Hud is going through acute difficulties, when the whole question of federally subsidised housing is under scrutiny and when President Nixon is known to want to cut the department's budget.

After considerable speculation Mr Richard Kleindienst has been confirmed in his position as Attorney General although it is still not certain how long he will stay. But six other officials in the Department of Justice, including the Solicitor General, have been replaced. The man who will now argue the Administration's cases before the Supreme Court is Professor Robert Bork of the Yale law school. He is in tune with President Nixon's conservative views about the role of the courts. Mr Butz, who did much to bring in the farmers' vote for President Nixon, stays at Agriculture. But question-marks hang over Mr Richard Helms at the Central Intelligence Agency and Mr Patrick Gray at the Federal Bureau of Investigation. Neither has found favour in the Administration's eyes lately.

Signals of restraint

Washington, DC

The announcement this week of a set of presidential decisions on economic policy contained no major surprises, but the decisions supply additional evidence of what the President calls his "highest priority"—a further slowing of inflation and prevention of a new round of excess demand caused by large deficits in the federal budget. The Secretary of the Treasury, Mr Shultz, disclosed the decisions in his new capacity as chief spokesman on economic policy. The first and least surprising revelation is that the President intends to continue wage and price controls next year, which will mean asking Congress to extend the relevant legislation; this expires on April 30th. In an attempt to improve the working and increase the acceptability of the controls, there will be

intensive consultations with business and the trade unions and also with the various government bodies, such as the Pay Board and the Price Commission, which administer them. Few unions oppose wage guidelines, but most feel that they should be accompanied by more effective controls on prices and by restrictions on profits.

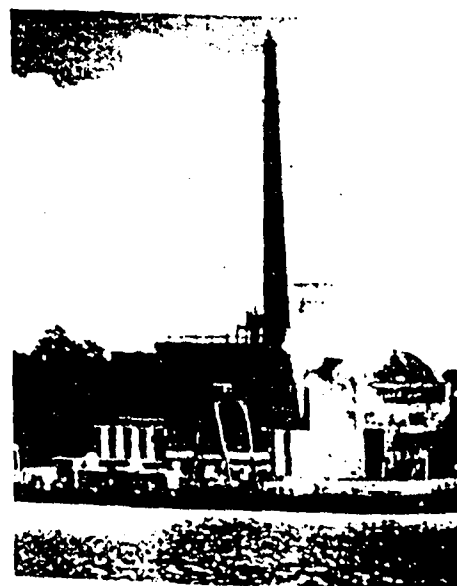
Mr Shultz's remaining items of news all involved the federal budget in one way or another and all signalled restraint on spending. There will be a freeze on new hiring of civil servants until the end of January, when new and stringent limits on personnel for each government agency will be established in the new budget. Federal employees at the "executive level"—essentially those earning \$36,000 a year or more and including members of Congress and the judiciary—will receive no pay rise at all next year.

Most importantly—but most elusively in terms of details—the President disclosed that he is now confident that he can hold federal expenditures in this fiscal year, which is about half completed, to his target of \$250 billion; this will mean not spending some of the money which Congress has appropriated. And, said Mr Shultz, the President's new budget, for the fiscal year which begins next July, will have a spending level no higher than the hypothetical figure of "full employment revenues," which he regards as non-inflationary. These are the revenues which would be produced if the economy were operating with only 4 per cent (instead of the present 5.2 per cent) of the labour force out of work.

This figure has not been calculated officially but it will be in the range of \$267 billion to \$270 billion. Since increases of \$20 billion over this year's spending are unavoidable, such a figure would unquestionably mean a very austere budget. The cries of pain have not started because Mr Nixon has not disclosed yet the programmes on which the axe will fall. If the better-paid government executives and legislators are feeling some pain in private, they have the good sense not to show it.

Safety reaction

As America's first atomic breeder-reactor, the Enrico Fermi facility in Michigan, always experimental and never satisfactory, was closing down permanently, the Westinghouse Corporation was awarded the contract for



Fish don't like it hot

the first large-scale demonstration plant of this type. This project is being undertaken jointly by the Tennessee Valley Authority and the Commonwealth Edison Company of Chicago, with a large subsidy from the federal government; it is hoped to establish a commercial basis for reactors which will "breed" more fuel than they consume. Unless this can be done the time will soon come, or so it is thought, when uranium will be so scarce, and therefore so expensive, that nuclear reactors may be unable to compete with other methods of generating electricity.

In any case nuclear reactors are turning out to be more expensive both to build and to run than was originally estimated. Partly this is because of the general rise in costs, partly because of unexpected problems in construction and operation, partly because of modifications required by the environmentalists. For example, New York's Consolidated Edison Company has recently been told by the Atomic Energy Commission that, for the sake of the fish, it must stop warm water flowing into the Hudson River from its new nuclear generator at Indian Point. In practice, according to the company, this means building a cooling tower to recirculate the water. This will add nearly 50 per cent to the \$200m which the reactor is costing and will probably be attacked as unsightly and a source of air pollution. As a result Con Ed has given up the idea of building another group of atomic plants on the river.

Other electricity companies are also having second thoughts about the economic advantages of nuclear generators. And at the same time a new round of opposition is piling up. Having

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December 14, 1972

largely succeeded in their insistence that greater protection was needed against air and water pollution from nuclear plants, the critics have now returned to the question of safety. They allege that the emergency core cooling system (ECCS) has never been tested and may not be reliable. If it did not work when the cooling system of a nuclear plant broke down, then the plant would blow up and a radioactive cloud would spread over a wide area. Officially the AEC maintains that almost certainly there will never be such an accident, although some of its experts admit to having doubts about the efficiency of ECCS. But the commission has been holding an enquiry since the beginning of this year and has also proposed, as a temporary safeguard, that there should be a reduction in the temperatures at which nuclear reactors are permitted to operate. Soon after the new Congress meets in January hearings are to be held on this matter by the Joint Atomic Energy Committee. Several of its old members, including Senator Anderson, will no longer be there and the committee may be less friendly to the AEC than it has been in the past.

F-14 collision

The stage was set this week for the first showdown between the Defence Department and one of its major contractors, the Grumman Aerospace Corporation, about "cost overruns." On Monday the navy decided to hold Grumman to producing another batch of 48 F-14 fighters at the 1970 contract price. Grumman promptly refused, saying that it has lost \$1m on each of the first batch of 86 F-14s and that it would lose over \$2m on each of the next 48.

The company holds that the 1970 contract is now "invalid and unenforceable," and to back this telegrams were sent to its subcontractors ordering them to stop all work on the latest batch. Advertisements also appeared in the New York Times and Wall Street Journal putting Grumman's case. Grumman's problem is not only inflation, which is particularly difficult to gauge on lengthy, sophisticated projects, but also contraction of its aerospace business. A major blow has been the ending of the Apollo programme, for which Grumman has built the lunar excursion module. According to the firm this has meant that all the overhead costs have been concentrated in the F-14 programme.

Although the F-14 is a version of the ill-fated F-111 swing wing aircraft and two F-14s have crashed during testing, the navy seems pleased with it. One man who is not is Senator William Proxmire. He has undertaken the battle against cost overruns which the General-Accounts office puts, in all, at \$29.4 billion on 47 major new weapons systems. All too often firms underprice their bids to win a job, in the expectation that they will be bailed out later, as the Lockheed Aircraft Corporation was when it ran into similar trouble over the C5A transport. Mr Proxmire is determined to halt this practice and the navy cannot ignore him; he has too much power over other appro-

priations for weapons. The Senator says that the Defence Department should "go to court and require Grumman to produce the planes or be held in contempt of court."

It could come to that. If it does and Grumman loses, the company says that it will go out of business. Last April, the chairman of Grumman, Mr Clinton Towl, told the Senate Armed Services Subcommittee that if the navy insisted on the extra 48 planes "we will have to close the doors." But that would not be immediately, because the company's 24,000 employees will be working on the original batch until mid-1974. And Congress or the White House may yet come to Grumman's aid.

Life bows out

All kinds of remedies were applied but none of them succeeded in keeping Life magazine alive. First came the treatment which prescribed a large circulation—it was at its peak of 8.5m only two years ago—low subscription rates and high prices for advertisers. When this failed to pull in the money a new cure was tried of lower circulation, costlier subscriptions and less expensive advertising. The formula of plenty of photographs and sparse script was changed to fewer photographs and more articles and then back to an emphasis on photographs again. The staff was cut back and the foreign editions were closed down. Television and radio stations owned by Time Inc were sold to raise capital to tide Life over the bad times. There were the hopeful moments when its competitors, the Saturday Evening Post and Look magazine, died off.

But after four years of losses and with dim prospects for the year ahead, Time Inc decided at the end of last week not to prolong the agony further. The magazine, which has been going for 36 years, will cease publication after a bumper issue of December 29th. A fund worth \$7m has been set aside to cover the costs of the close-down. Over 600 employees will lose their jobs, subscribers are to be offered a choice of Time Inc's other magazines, such as Time, Sports Illustrated and Fortune, and the company's present commitments in printing and the production of paper will be scaled down.

Life was the wrong type of magazine for the latter half of the twentieth century. It made its name before the days of television and the impact of its startling photography was diminished still further by the advent of colour transmissions. Television also drew the advertisers away; it offered them a larger audience at a comparatively low price. The costs of production soared and the final blow was the increase in postal rates. Over the strong



Life's art director takes the blow

opposition of those who claimed that the move would weaken the industry, postage will go up 170 per cent in the next five years.

But the fate of Life is not typical of the whole magazine business. The papers which cater to specialist tastes are doing well. In the first six months of this year 71 new magazines were launched compared with only 76 for the whole of 1971. Oui magazine, the new project which Playboy Enterprises started in October, has already raised its print run by 50 per cent to over 1m copies for the December issue. Ms, the women's lib magazine, is doing better than expected with over 500,000 copies printed in October. Time Inc itself had a good start with Money, its first new magazine for 18 years. Already a quarter of a million subscribers have paid the annual fee of \$12 to be told how to look after their finances. As the head of Time Inc announced the end of Life, he also said that the company would launch at least one new magazine next year—about television. These specialist magazines are the dream of the marketing men and advertisers who can be sure that they are reaching potential customers.

Rand soldiers on

First came the insult, then the injury. The Rand Corporation, the original and most celebrated of the non-profit-making institutions which perform research and analysis on problems of national defence, was forced in July, 1971, to surrender custody of its classified documents because Rand's former employee, Dr Daniel Ellsberg, had copied 47 volumes of them and given them to the New York Times. Then several months later the House of Representatives' Appropriations Committee ordered the Department of Defence and the military services to give up their dependence on "think-tanks" like Rand and to do their long-range planning themselves. The committee reduced the proposed spending in the current federal budget on Rand and similar institutions by 25 per cent. Almost immediately, 3,000 miles away in Santa Monica, California, Rand's president, Mr Henry Rowen, resigned.

Rand is now in its post-Ellsberg phase and it is a sober one. Its new president is Dr Donald Rice, a tall and circumspect young systems analyst from the federal Office of Management and Budget. Its staff is about 30 researchers fewer than a year ago. It has as its new chairman of the board the chairman of the Coca-Cola Company. Security is tighter. About a thousand people at Rand lost their top clearances after the Pentagon Papers affair (not because of any complicity of their own but because they had no "need to know"). Life in Rand's two sun-baked orange and cream buildings just up from the Pacific surf is now more than ever a matter of guards and badges. Visitors should not be surprised to find themselves chaperoned when they go to the lavatory.

Yet the shake-up at Rand was not so much the result of Dr Ellsberg's defection as the culmination of a conflict in Rand's line of development. Rand's work has become split into two not entirely complementary parts. The larger part, accounting for about two-thirds of Rand's annual income of \$25m, is concerned with national security: it includes work done for the air force under a broad contract with the title of "Project Rand," and also work done for the air force's boss, the Defence Department. Then there is Rand's newish domestic division, created in 1966, to apply Rand's formidable skills in economic modelling and systems analysis to social and tech-

nical problems of modern urban life.

At Rand, they like to think that there is no contradiction between military and civil research, for their proudest boast is that Rand is above all inter-disciplinary. The economist sits down with the physicist and the behavioural scientist; sometimes they think about limited war and sometimes about intensive care units for hospitals. Yet Rand's military sponsors have not been entirely happy about the corporation's commitment to civil research—a task for which Mr Rowen was recruited as president in 1967. And opposition to the Vietnam war finally cracked the neutrality of Rand's staff.

The idea that Rand's analysts were both dispassionate and discreet was shattered in October, 1969, when five Rand researchers, including Dr Ellsberg, sent a letter to the New York Times asking that the United States withdraw unilaterally from Vietnam within a year. In June, 1971, when the Pentagon Papers burst into print, Mr Rowen's days as president were numbered. He was, as all knew, a particular friend of Dr Ellsberg's and had himself persuaded Dr Ellsberg to return to Rand in 1967 after five years' work for the Defence Department. When Mr Rowen finally resigned, the question was raised whether the military distrusted all think-tanks for their potential anti-militarism and whether Rand might give up the basic air force contract which has sustained it from the beginning and devote itself to domestic studies.

The new man at the top, Dr Rice, is determined that Rand will continue in both military and civilian directions. He sees the task ahead as one of "strengthening the national security side of Rand's work while fleshing out the civil side." He insists, and one assumes that the trustees chose him to reverse the Rowen direction, that problems of national security will always command a major share of Rand's attention. If his hopes are realised, Rand will not expand appreciably; rather it will regain its size of the mid-1960s. There would be 500 to 600 professional researchers (in contrast to the 400-plus of the moment) with the greatest increase on the strategic side where the recent lay-offs occurred.

There is no question of securing Rand's future by turning it into a profit-making consulting firm, even though its budgets have not grown



Rand's fresh face, Dr Rice

appreciably over the past few years and \$25m a year is not a great deal of money. Rand does earn fees for the domestic assignments that it performs for other government agencies and for philanthropic foundations (a likely source of increased funds in future). But the trustees consider, probably correctly, that "research and analysis for government"—Rand's stock in trade—is incompatible with profit-making and with filling contracts for profit-making industries.

Uncertainties hang heavy over Rand's future. But it is certain that it cannot continue as it was during the days of the 1950s and 1960s when it gained popular notoriety as the home of the war game and the megadeath, and a distinguished professional reputation as the host to such intellectual heavyweights as Dr Henry Kissinger, John von Neumann, and Dr Herman Kahn. Rand's greatness came from making computer models of intercontinental nuclear warfare and recommending policies which have, in no small measure, helped that war not to occur. But strategic problems do not come that neat anymore and one wonders how widely applicable mathematical models based on limited wars

Dr Daniel Ellsberg is at last about to be tried in California for conspiring to publish secret material on the war in Vietnam—the "Pentagon Papers"—which he obtained while working for the Rand Corporation. Our special correspondent reports from California on the present condition of this research organisation.

like Vietnam can be.

If the nature of war has changed, so has the nature of intellectuals and of the federal government's interest in scientific research. Rand may not be able to recreate the freedom it offered in its prime. In the late 1950s when Dr Ellsberg, then a young economist laden

with Harvard honours, was delighted to be invited to go there, Rand was known as a good place to do basic research. There were no classes to teach, you could swim in the Pacific at lunchtime and talk with people who were the very best in any number of fields (no inter-departmental segregation of the

type found in universities).

But now, even for supposedly academically-orientated agencies like the National Science Foundation, the emphasis has shifted from basic research to applications—"research applied to national needs" is the catch phrase. Rand is more and more

A military base

Understanding the Rand Corporation's relationship to the air force is essential to understanding why Rand has been unique among think-tanks. Rand is scarcely older than the air force (as a separate service) itself. After the last world war when the air force was being detached from the army, those in command, notably General H. H. (Hap) Arnold, saw the need of an advisory institution which could give the new force the kind of technical expertise that the army and navy had built up within their own organisations.

General Arnold, moreover, had been impressed by the contribution made during the war by civilian scientists and mathematicians and was inclined to believe that they would work better outside rather than within the air force structure. It so happened that the air force had particularly good relations with men at the Douglas Aircraft company in Santa Monica. Therefore the arrangements that created Rand (whose name stands for Research and Development) in 1946 placed it within Douglas. The inevitable conflicts of interest were not long in appearing and in 1948 Rand was incorporated as a non-profit research organisation.

From the beginning, Rand had an independence remarkable for an institution dependent on a military patron. Part of the credit goes to the Ford Foundation. By giving Rand interest-free loans and guaranteeing its bank credit, Ford enabled Rand to start life on its own without a direct subsidy from the air force. Rand's location—facing the Pacific, a long way from Washington—also encouraged its sense of freedom. But the main credit goes to the air force and what is known at Rand as the "one-sentence work statement."

In its original contract with Rand, the terms of which have hardly been altered over the years, the air force asked only for "research into inter-continental warfare, other than surface." Almost any line of intellectual endeavour could be fitted into this generous framework and, in the 1950s, it was. With independence from Douglas, Rand became bold, wove a strong thread of social science into its fabric and let its staff and consultants do virtually what they chose.

Rand will refuse requests from the

air force for projects that are not its style. The air force has had to create another think-tank (the Systems Development Corporation, which has been split off from Rand) simply to do nuts-and-bolts thinking about new aircraft and weapons. And it is obvious that all Rand's broad studies on possible techniques of predicting and controlling costs on new technology have not saved the air force from disaster after disaster on new types of aircraft.

So what does Rand contribute to the air force? The classic example always cited is the bases study of 1951-52: a research team, under Dr Albert Wohlstetter and including Mr Rowen, undertook to consider where would be the best places for the air force to locate the new bases that it was planning to build in Europe. The team soon realised what the air force had overlooked—that the concentrations of bombers sitting on the ground near the enemy's territory were sitting ducks for a surprise nuclear attack. What they recommended, therefore, was a complete reversal of plans: build the bases at home in the United States and let the bombers touch ground overseas only for refuelling. This was logical, and much cheaper.

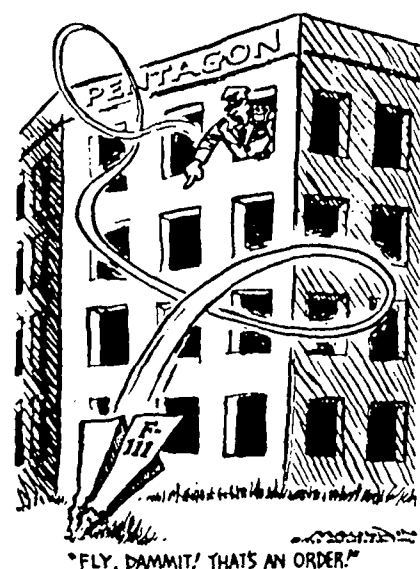
The basing study saved the air force \$1 billion, after it decided, with much agony, to accept the advice Rand offered. Yet the study had a much wider influence—it made clear to American politicians and military leaders the

difference between the first and second strikes in a nuclear war. Since then, American defence policy has been based on maintaining the ability to strike back if struck, rather than on the ability to deliver a massive first blow. And the study spread the news about systems analysis—that problems must be identified in their entirety and that the possible solutions must be delineated and weighed against each other.

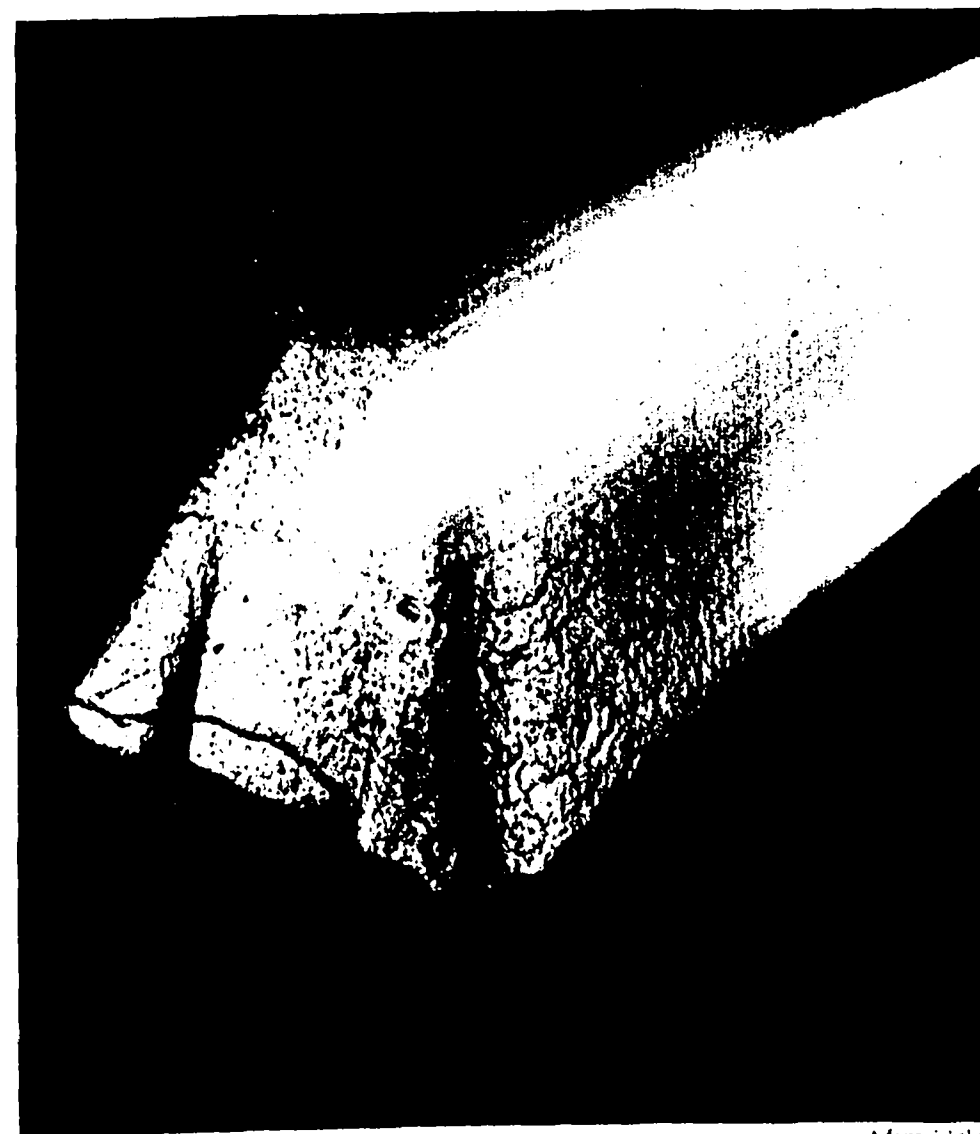
The balance between the strategic studies done for the air force and for the Defence Department has been shifting since the late 1950s. Then the air force decided to freeze its spending on Project Rand and the corporation responded by taking up substantial contracts with the air force's superior—the Department of Defence. Yet it seems likely that the air force will remain Rand's biggest single and most easy-going client. As one Rand man said simply, "We're good and they know we're good." And he might have added, "We're cheap." The \$10m spent by the air force on Project Rand in 1971 is peanuts compared to that service's total budget of nearly \$3 billion for research, development, tests and evaluation.

Project Rand at present includes studies of such sweeping questions as: is deterrence dated? What will future war consist of? What will be the implications of the spread of nuclear weapons to many countries? Another preoccupation of Project Rand is removing the pilot from the aircraft through the development of remotely controlled vehicles. A good third of Project Rand's effort is devoted to developing techniques of assessing increasingly complex technology. It should be said that less than 25 per cent of Rand's entire written output is classified as secret, and that its publications and reports are available through special libraries around the world.

At Rand there is a general belief that the demands of warfare have changed. What the military now wants is accuracy, low cost and minimum loss of life. If this sounds strange in the light of the Vietnam war, the people at Rand will reply that there never will come a day when the United States does not need to defend itself, and that defence strategy now is more humane, being more precise, than it was in the blunderbuss days of the last world war "when anything east of the Channel was the enemy."



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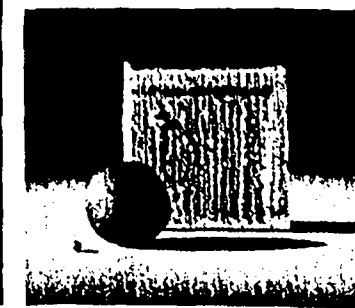
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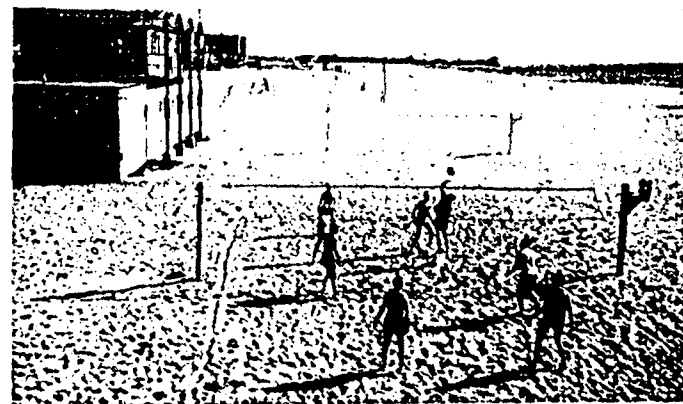
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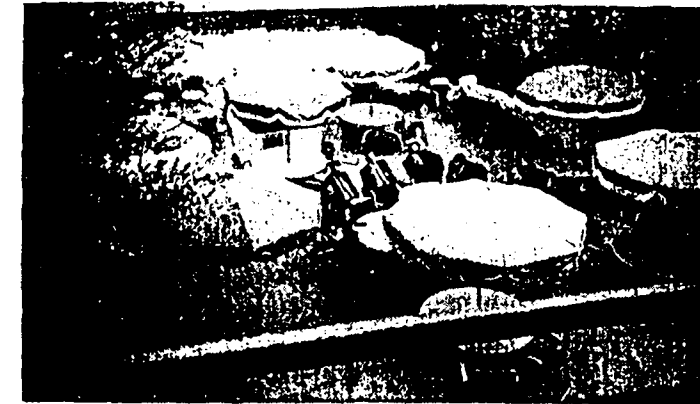
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in the position of delivering the goods to contractors—something that may make it less attractive to academic super-stars.

Because of the hostility of American intellectuals to the Vietnam war, the tide has also turned against strategic studies. To be sure, Rand has now completed most of its Vietnam research and has closed its Saigon office. Moreover it can produce reports showing that it gave the Defence Department the cold truth about the strength of the North Vietnamese willingness to go on fighting. In answer to the question: whose side is Rand on—the Defence Department's or the public's? Dr Rice answers unhesitatingly "the public's." But there are still a number of cheerful military planners at Rand who engage in the kind of talk—"splattering the target all over the landscape," "increasing efficiency of lethality"—that is taboo at most American universities these days. (Twelve universities have withdrawn from contracts with the Institute of Defence Analyses, a think-tank affiliated with the Defence Department.) Rand, in other words, may get only certain kinds of intellectuals in future, not a broad range as in the past.

This possibility is hotly denied at Rand. The leaders there maintain that there has been no decline in the quality of staff, no difficulty in recruitment, not even any problem with young men insisting that they will work on civilian projects only. But some of the staff feel that they are less free now and for that they resent Dr Ellsberg, even if they (as some do) admire what he did. One scientist who has left Rand said:

One of the essentials of the old Rand was to think the unthinkable. You could talk with or show papers to any individual in the absolute faith that he would not show it to anybody outside the building. Ellsberg decided that his professional obligation to his colleagues was

subordinate to his obligations as a private citizen.

Arrogance, in other words. Arrogance may be a basic component of the personality of the systems analyst. So, too, may be despair, which is what overtook Dr Ellsberg and which is another problem that Rand must face. The very bright people who choose to work at Rand, in spite of the security restrictions, do so because they want to work with real problems. But some are not prepared for the frustrations of working for a bureaucracy. Imagine the man (and there are very few women researchers at Rand) who has collected the only really good data to exist on a subject, subjected it to a barrage of analysis and computation and emerged with seven policy options of which three are demonstrably workable and economical. What can he do when the mayor or the secretary or the President ignores them? Give his information to the New York Times? Go back to academia? Soldier on?

Dr Rice, a very young (32 years old) president for Rand to have, believes that some of the staff need to learn humility and to take a longer view of the way that policy is influenced. Ideas that are denounced in Washington when they appear in a Rand report often find themselves adopted as policy or law a few years later.

That this happens was clearly shown by the House Appropriations Committee in its caustic report last year. In the same breath as it told the Defence Department to "phase out" the think-tanks, the committee scolded the department for not being faster to adopt the policy of prototyping in awarding new contracts for weapons and aircraft. Yet this policy came straight out of Rand, in a classic study done in 1963.

Whether Rand can maintain its pre-eminence remains to be seen. But chances are that it will survive. The Defence Department has persuaded

Congress not to seek to reduce staffs at think-tanks for three years. Moreover, the "in-house capability" that Congress wants government agencies to develop, now that civil service salaries can nearly match those of the think-tanks, is unattainable. No department of government can be its own best critic, nor can civil servants think inter-departmentally. Expensive computers and high salaries will not buy ideas that challenge conventional thinking and the civil service structure is not conducive to the recruitment of temporary consultants from universities and industry. Congress is deceiving itself if it thinks that the new Office of Technology Assessment which it wants to establish will do its heavy thinking in-house. One of the office's first acts may well be a rash of contracts with Rand.

On the home front

One of Rand's prime skills is the handling of massive amounts of complex data. And those who work within Rand's domestic division have an urgent sense of the enormous amounts of information going to waste in city halls, school departments, insurance companies and hospitals. In explaining their enthusiasm for rescuing it, they offer a vision of public policy made on the basis of "really good data"—a blending of the perspective of the theoretician and the pragmatism of the bureaucrat. Idealism is not discounted: the attainable goal is seen to be to use the techniques of objective rational analysis to help bring about positive changes in social policy.

Data analysis, as Rand sees it, leads to policy analysis. One project is concerned initially with making an enormous accurate mathematical model of the behaviour of pollutants in estuaries (the Netherlands government is one of the sponsors). But the questions

that are expected to come in the wake of this are: how much return do local governments get from investing in special treatment plants for handling sewage overflows during storms? Or, more bluntly, how much will it cost to make an estuary like New York's Jamaica Bay swimmable?

For the State of California, the National Science Foundation and other sponsors, Rand is considering the kinds of public power policies that might reduce the expansion in consumption of electricity in the next 30 years without stultifying economic growth. The answer will probably have to be found in pricing policies—a middle ground between exhortation (asking the public to use less) which does not work and compulsion (banning the use of electricity for certain purposes) which is politically unpopular. But first Rand must develop better methods for estimating future demands for energy and the possible economic effects of various levels of demand.

Health and bioscience may seem (at least in Britain) an unlikely field for the practice of systems analysis. But these have been among Rand's earliest and most successful domestic ventures. Rand has developed a number of techniques for using computers to assist in the diagnosis and treatment of such diseases as leukaemia, stroke and heart disease and a special kind of closed-circuit television camera to enable the partially sighted to read.

Rand's major medical effort now is to design policies to improve the delivery of medical care to the public. It is trying to find incentives to entice doctors to practice in rural areas, for one thing. Its major programme in this field is an experiment (being conducted for the federal government's Office of Economic Opportunity) to test the effects of various kinds of health insurance on the quality and quantity of medical care received by poor families. The long-range goal of the experiment is no less than to provide measured data for use in drawing up a national health insurance scheme for the United States and to avoid the chaos caused when Medicare (medical care for the elderly) was adopted by Congress with virtually no informed predictions about its effects on the cost and supply of medical services.

In urban studies too, Rand is taking both the short and long views. It did a study for the City of San Jose in California, after city officials complained that "growth is killing us." Rand found that in the first place the city's prosperity was singularly tied to

the construction boom that had turned farm fields into housing developments. It also found that, like it or not, the city government actually had little power to stop the wave of housing development. What had produced this growth was a combination of federal policies—aerospace contracts, which brought an influx of new, fairly affluent families into the area, and government loans and tax shelters that encouraged home ownership.

The San Jose study, however, is part of a larger urban studies programme which will take in Seattle and St Louis as well and consider what a national urban policy might be. Is downtown dead? Should industries be concentrated in the centres of cities, leaving the workers to live in the country? Should metropolitan government (taxing city and suburbs together) be fostered? It is already clear that small changes in federal policies are more important to what happens to a city than major changes in local policy.

Rand's work in education, one of its earliest domestic ventures, is much concerned with finding ways to assess the effectiveness of schools and assessing incentives to innovation. Rand is also monitoring an experiment for the Office of Education in which parents are given vouchers to buy education for their children where they choose. Radical questions are being asked. Should education be an agent of social reform or of social stability? Is the best attack on educational problems through the schools at all? Is there any evidence to link spending with quality in education?

Rand's boldest and most difficult exercise in domestic operations is the New York City-Rand Institute founded in 1969. The institute, a separate non-profit-making organisation, tries to use Rand techniques to help New York get the best use out of the resources that it has and to make some data-based predictions about the likely growth in the demands for its hospitals, welfare services, schools and police. But the experience has not been entirely happy—it has been often a case of the computer in the jungle. The institute has been controversial because entrenched organisations like the police department did not appreciate what were seen as latter-day versions of the old work-study men and because newspapers criticised the city for spending on consultants when money for essential services was short.

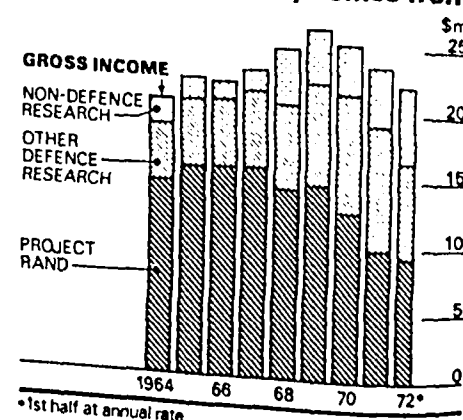
For almost 12 months a complex dispute involving the courts and state government deprived the institute of

its backing from New York. But believing in the worth of the project, Rand kept it going with its own funds and federal assistance (and a reduction in projects and staff). The institute now has a new black president and it points with pride to its measurable accomplishments in New York—developing computerised methods of dispatching fire engines which doubled the capacity of the Brooklyn fire-fighting force, suggesting that the city revise its rent control law to eliminate heavy regulation which was hurting, rather than helping, the poor, by discouraging landlords from modernisation. It has designed programmes for recruiting, keeping and placing nurses (giving them a transport subsidy for night work, for example) and for keeping a city-wide inventory of hospital beds. Rand claims that it saves New York City \$20m a year.

But the work is not easy, physically or intellectually. The causes of the problems are hard to discern, the effects of changes in city policy hard to predict and the natives often unfriendly. "You meet the enemy not the client, the Russians instead of the air force," said one analyst, who has worked on both strategic and domestic sides of Rand.

In its domestic programme, Rand could spread itself too thin. Already its projects cover almost every field that the mind can imagine—transport, communications, population, housing, medical education. Rand's enthusiasm for socially relevant work is beyond question. Yet it does not depend on them for its living. Could it? The answer depends on whether local, state and federal bureaucrats come to share Rand's conviction that the public's demand for government-controlled social reforms can be satisfied only if these are preceded by analysis of available data and of alternatives in policy.

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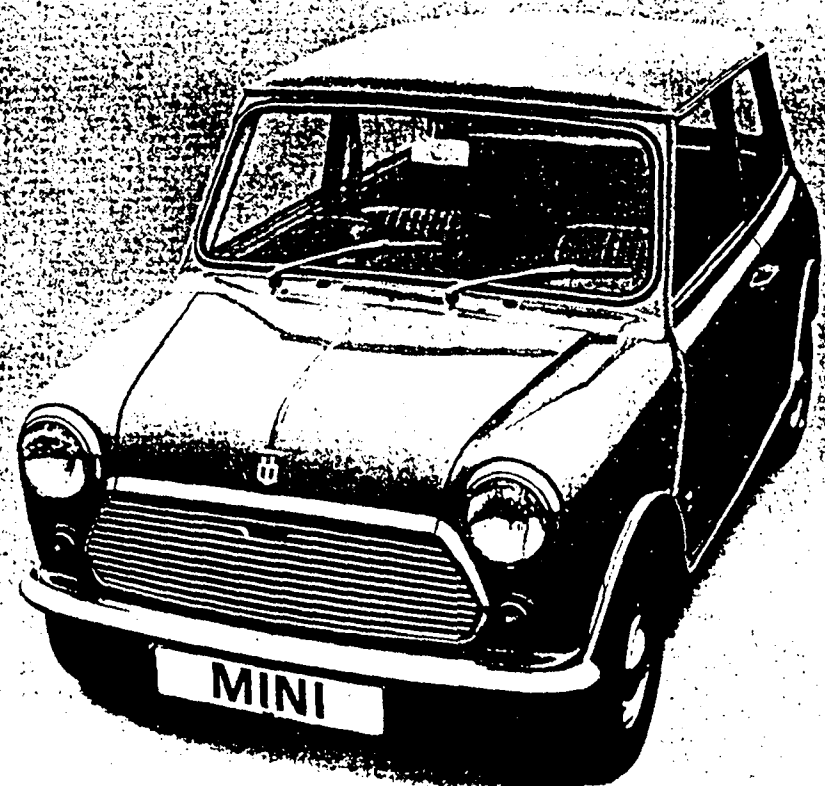
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Right in the centre



Britain's melting pot

Nobody is quite sure where the Midlands begin nor where they end. Neither mountains nor rivers have shaped their appearance or their character. The Midlands have no edges. In the south they run without a pause into the mellow shires of southern England or, along the M1, into the home counties and the London metropolis. To the east they shade into the Fen country and East Anglia. In the west the Welsh hills have not been an obstacle to the pull that the Midlands have exerted on people looking for better jobs. And now a motorway links Birmingham with South Wales and Severnside which, in their turn, seek to attract what can be described as the industrial overspill of the Midlands. And to the north the region merges into industrial Lancashire and Yorkshire.

Once the innovatory revolution in mechanical engineering gathered pace, the Midlands became central to the British economy. Then the motor car carried them up to first place in the industrial pecking order. Coal, clay and iron ore were once all there in plenty in the region providing it with a solid base for its growth. Metal-working skills were passed from one generation of workers to another and managerial skills from one generation of entrepreneurs to another. Almost as often as not, the Midlander today is the son or daughter of immigrant parents who left the decaying industries of the older, depressed regions of Britain in search of a new prosperity. And, more often than not, the immigrants found it.

The planners have split the Midlands into two regions. This makes some sense, for there are obvious differences between them. The East Midlands, for example, are the more placid and perhaps the more contented of the two. But the two planning regions also have a lot in common, for, in a social as opposed to an economic sense, the industrial urban sprawl of Birmingham and the Black Country sets the style for the Midlands as a whole. That style is empirical, aggressive, brash and self-confident. The Midlands appear to harbour few regrets or romantic illusions about the past. Its people judge themselves—and like to be judged by outsiders—by their own worldly success. Essentially this is a region of doers, not thinkers.

The West Midlands

I'll be all right, Jack

The West Midlands work. This is where the mechanical revolution took off more than a century ago in the furnaces and foundries of the Black Country. The region remains Britain's industrial—and more specifically its engineering—heartland. It contains over 5m people, that is around 9 per cent of the country's total population. Nearly half of them live and work in the conurbation of Birmingham and the Black Country, 20 miles long and 12 miles wide. Much of the rest of the West Midlands is comforting to the eye. The region has its salubrious spas like Leamington and Malvern and its sleek county towns like Worcester and Shrewsbury. There is plenty of rural variety across its flat landscape. But it is the conurbation which has stamped its strident and uncompromising personality on the region as a whole and it is what goes on there that matters.

Take the 20-minute train journey from Birmingham to Wolverhampton through Smethwick, Dudley, Tipton and Coseley. On either side stretch the acres of industrial wasteland, stagnant pools, pylons and power stations, chimneys and tiny terraced houses. The West Midlands were once the engineering workshop of the world. Now they are just one of many. In the heyday of Joseph Chamberlain the West Midlands became the champion of industrial protection. The region began to look to the safety of the Empire for its markets and not to the world as a whole. It did not really find it, but unlike other old industrial areas in Britain, the West Midlands survive and, more often than not, thrive. Its indus-

tries have never needed the government props which have made the decay of shipbuilding, coal and cotton less painful. The region has acquired a reputation for secure jobs and high wages. Between the wars and since then the more go-ahead of other, less fortunate regions have clocked into its towns and factories for work.

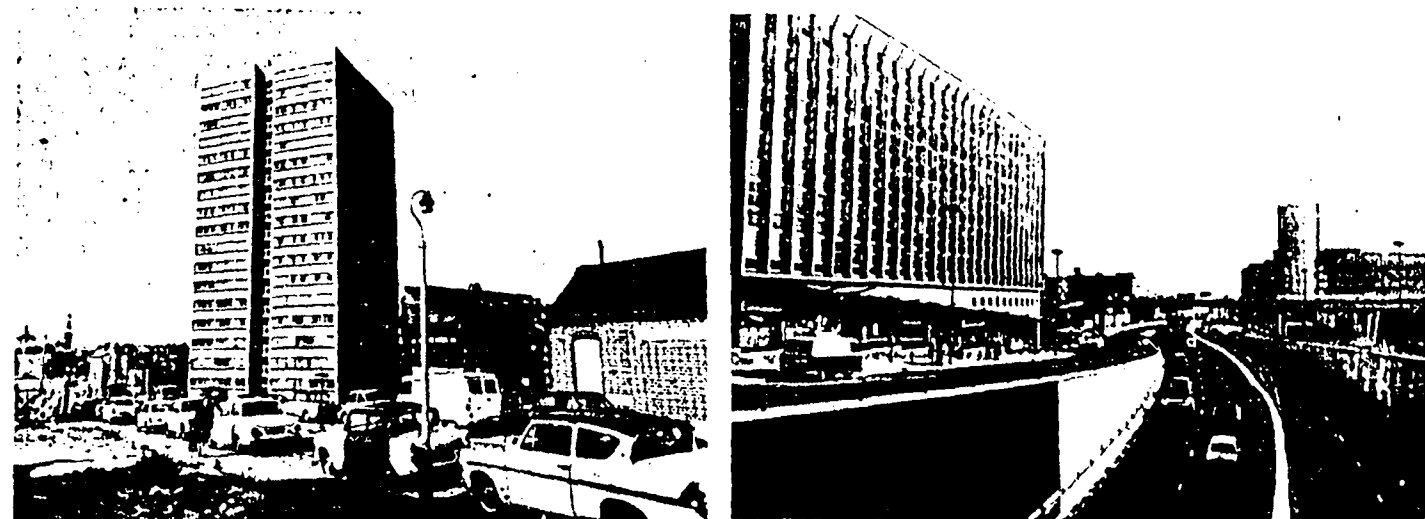
As a result the West Midlands were taken for granted, as a region free from headaches. Indeed, successive governments have made the region pay for its success. Along with the south east, it has become a nursemaid for the care and protection of the development areas, in the sense that it is supposed to go on pumping out high profits, wages and taxes to help cosset the less prosperous. Its businessmen always found it difficult to get industrial development certificates for the growth of their firms, while newcomers were discouraged from putting down roots in the West Midlands. It is reckoned that over 83,000 jobs have been denied the region since the war. These have gone to Scotland, Northern Ireland, Wales and the North of England. Only tiny Oswestry in the north west corner of the region has been granted intermediate development status. The rest of the region has had to fend for itself and put up with the twists and turns of national economic policy.

Local businessmen and politicians like it that way. And they are right to do so. There is a hardheaded suspicion of paternalism. The virtues of *laissez faire* capitalism die very hard in the boardrooms of Birmingham. The

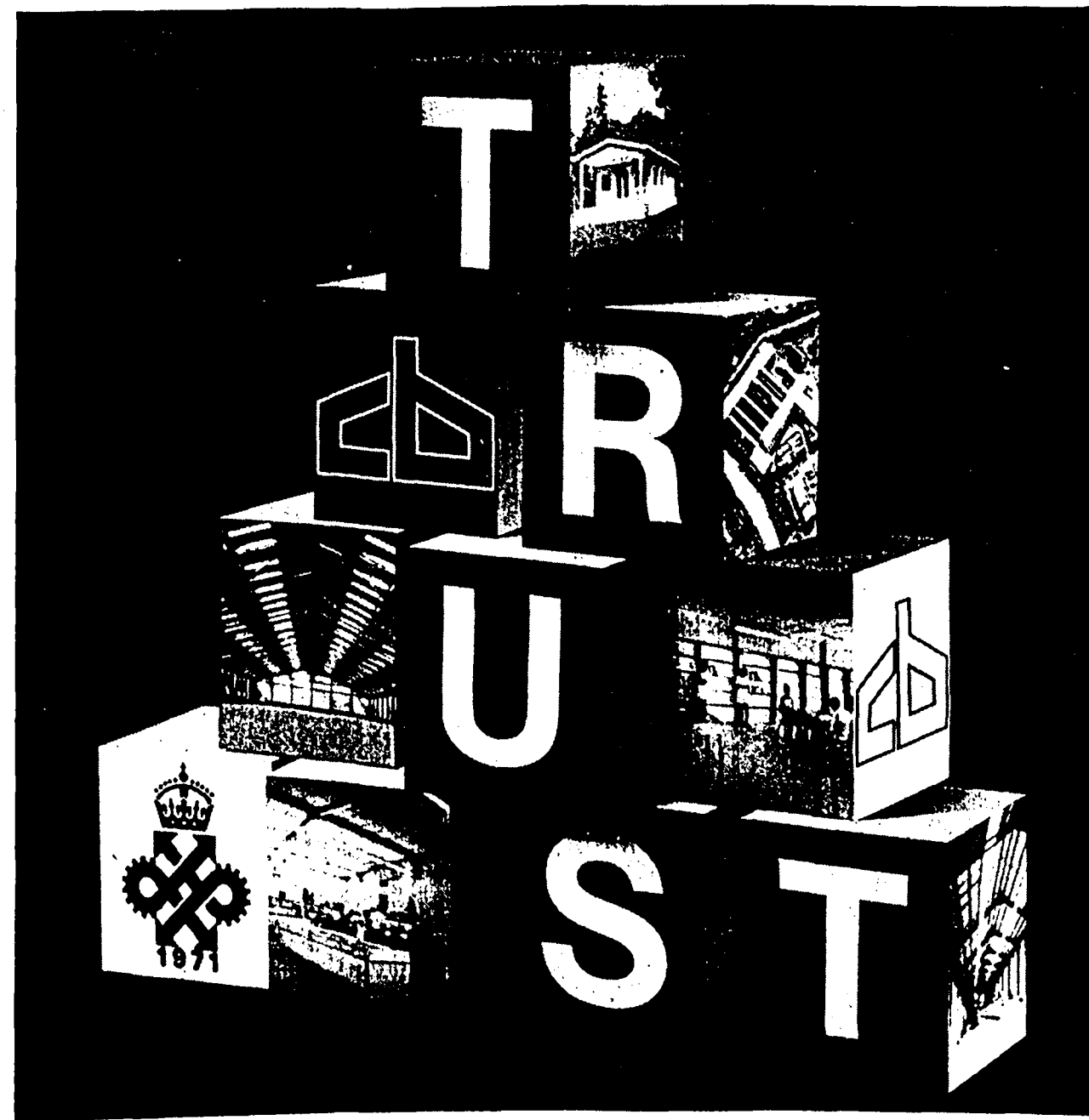
region thrives on healthy competition. It has a self-confident versatility. Its down-to-earth pragmatism is not going to disappear in this century. There is so much inherited skill and sheer nous in the West Midlands that the idea that they could end up like their less well-off neighbours is absurd. And yet over the past couple of years a few nagging doubts have crept in. The West Midlands are no longer quite as self-assured as they were.

The main reason for this change in mood is that unemployment now stalks the region for the first time since the early 1930s. Over 70,000 people are on the unemployment register, which amounts to 3.1 per cent of the total labour force, compared with a national average of 3.4 per cent. This is nearly as high as the unemployment rates in intermediate areas like the north west and the south west. The locals put the blame for the start of their present troubles on Mr Wilson's deflationary package in July, 1966. Each winter since then has witnessed a further jump in the numbers of unemployed. The West Midlands have experienced short sharp downturns in their economic fortunes before, notably in 1963, but there has never been anything quite as persistent as the present trough. This has done a good deal to stimulate arguments whether the region really has much of an economic future in front of it unless it receives more positive government support.

Local Cassandras point to the region's dependence on manufacturing industry. Over 53 per cent of its labour force is involved in manufacturing, while 38 per cent is working in the service industries, compared with the national average of 38.4 per cent in manufacturing and 51.0 per cent in services. More important, almost three-



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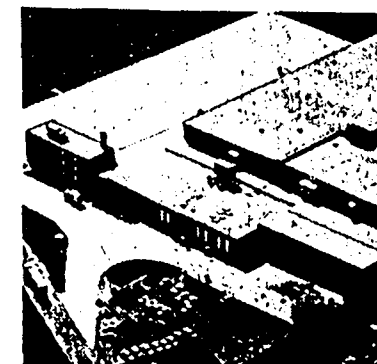
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quarters of those employed in manufacturing work in the production or use of metals. A few years ago this was not cited as a handicap; but now it is. A closer look at the character of these metal-based trades shows how much the region depends upon their prosperity. First, over 140,000 workers are in metal manufacture. Their output of castings, forgings and other kinds of ferrous and non-ferrous metals accounts for nearly a quarter of the country's total output. Second, over 305,000 workers are in mechanical engineering, some 13.5 per cent of the entire West Midland labour force. Just over a third of the industry's output is exported directly. Five big firms are responsible for nearly half the machine tool production in the region, which accounts for 31 per cent of the country's employment in that industry. Third, the West Midlands is the heart of the British motor-car business. Over 203,000 workers make vehicles and tyres, some 34 per cent of the country's

total labour force in that industry. They are largely employed by the two giants British Leyland and Chrysler (UK).

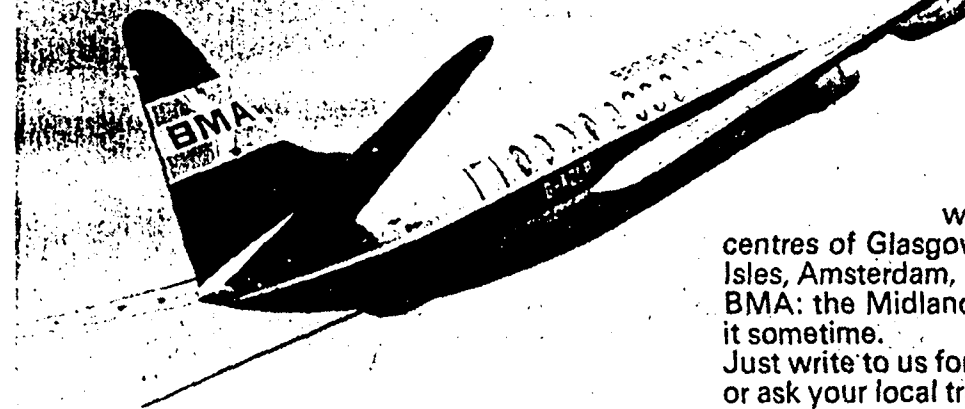
In contrast, the West Midlands have a comparatively meagre stake in insurance, banking and finance. There is a shortage of doctors and dentists. And it is nothing more than pious hope which argues that the hotel and catering business will pick up in the future. At the same time the region has few of the science-based growth industries, such as chemicals, electronics and computers. All this has begun to worry some West Midlanders. There is a feeling that the region, which for very many years exploited and profited by new technological innovations, has been living off its fat, while the very latest in technological progress has passed it by. But such sentiments are liable to prove premature.

In the next few years there will undoubtedly be some kind of increase in service trades. But an upturn in the

national economy, which has already happened in the motor car industry, will probably revive confidence and end the present sluggishness in investment. Since the middle of July the West Midlands has experienced a relaxation in the controls that the Government imposes on the granting of industrial development certificates (IDC's). Certificates have become more easy to get for schemes of factory modernisation which require an increase in the number of employees. This should dilute angry opinion in the West Midlands that the region has been made to suffer restrictions because of the failures of other areas.

But it may well be that the West Midlands will have to rest content with a higher rate of unemployment than it was prepared to tolerate in the past. There are already signs that employers have begun to step up production, but without having to expand their labour force. Growth in output is likely to come more from further investment in

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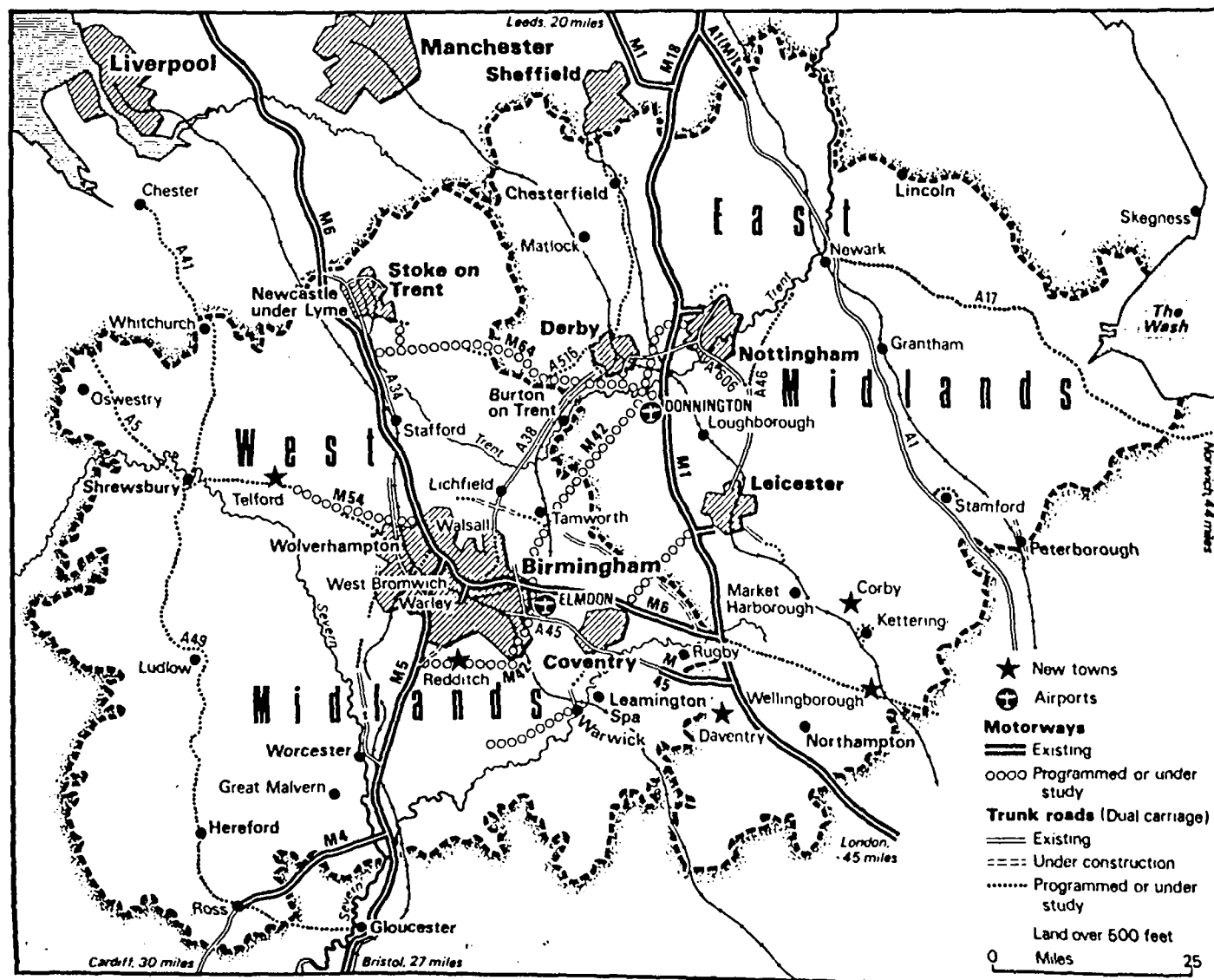
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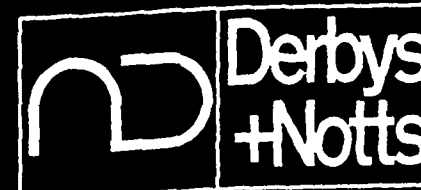
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The pressure for bigger wage packets for less work is the real reason why local businessmen are adopting such a hard-headed attitude towards the future. Some of them even talk of the West Midlands "committing economic suicide" unless its workers curb their greed. So far, to the amazement of many local observers, high unemployment has done nothing to soften wage demands. And yet, no one is in any doubt that the wage packets are higher in the region than anywhere else in Britain, even the south east.

Earnings have been so high that it was thought that they might stamp a middle-class, suburban way of life on of what Mr J. B. Priestley once brilliantly and disparagingly called the "Admass." Yet the West Midlands retains its working class tastes and habits. It is still a long way, for instance, behind the south east and Greater London in the ownership of telephones, television sets, refrigerators, washing machines, central heating and even motor cars. But the region has fewer slums than the industrial areas

of the north. The last housing survey suggested, on the evidence of a 3,000-strong sample, that 28 per cent of all houses in the Birmingham conurbation were built before 1914, which is far below the national average, although it seems that the older houses in the area are more likely to prove unfit to live in than houses of a similar age elsewhere in Britain.

The West Midlands are the land of the wealthy worker. This is not going to change. But, perhaps because of all those fat wage packets, a region which is still working class in tone displays few signs of the old-fashioned political working class solidarity that can be found, say, in South Wales and Northumberland and Durham. It has never been a rock-solid stronghold for the

Labour party. Persistent shopfloor militancy in the Midlands has little to do with socialist doctrines. It is the logical outcome of the kind of abrasive, empirical world which the West Midlands are. The region has few illusions, fewer myths. It has spurned the romanticism which has provided a kind of solace to depressed regions farther north. The Black Country has never given birth to its own novelist, not even its own angry young man. Whatever happens to the national economy, the brittle, brassy and often tawdry quality of life in the West Midlands will remain largely unaltered. It is still a place where long-headed and sometimes hard-faced men will do well. It is not an accident that the local accent remains as ugly as ever.



The East Midlands

The placid counties

The East Midlands are Britain's forgotten region, living under the shadow of their more assertive neighbour to the west. The region does not really hang together. It lacks the hard, dominant centre which the Birmingham conurbation provides for the West Midlands. The planners treat the East Midlands as an administrative whole, but its 3.4 million people (making up 6 per cent of the country's total population) do not really agree with them. The textile towns of the Peak district on the edge of Lancashire, for instance, having nothing in common with the thatched cottage villages of Northamptonshire. The four sub-regions make better sense. The most important is that for Derby and Nottingham. The two towns sit side by side, and they may in time gradually become one. Leicester holds sway over its large hinterland. Northampton, too,

is a nodal centre. Finally, the flat lands of south Lincolnshire prosper, the northern part of that county having been hived off into Humberside in 1965.

The region comes up against no physical barriers until the start of the Pennine chain in the north. Its neighbours to the north and south are pushing their problems over its borders, with people from Sheffield and London finding new homes in overspill towns in the East Midlands. The real barrier is the intangible one to the west, for the two Midlands hardly in any proper sense meet. Their economies remain almost totally separate. Rail and road links between them are inadequate. By the 1980s new roads should have brought them closer together, but the fact that these links are taking so long to materialise suggests that the two regions do not consider themselves interdependent. Possibly the west's principal



Aspiration



Concentration



Inspiration



Resignation

contribution to the east is to pollute the river Trent.

The eastern region has little of the brashness of its neighbour. It is a mellow, comfortable, easygoing place. It does not suffer from the economic ups and downs of the west. It has the third lowest regional unemployment rate in the country after the South East and East Anglia, with 2.7 per cent of its labour force out of work. The region's fortunes are unlikely to change much in the immediate future. But, like every other region in Britain, a stagnant economy has given it something to gumble about. Closures and mergers in the engineering industry have, for instance, hit the towns of Lincoln, Newark and Grantham, where the male unemployment rate has risen above the 6 per cent mark. The lucrative Nottinghamshire-Derbyshire coalfield has been made an intermediate development area in an attempt to soften the blow of the mining industry's steady contraction, although the National Coal Board has slowed down the pace of closures, so that the region is not losing

the 3,500 or so miners each year which it was predicted would happen in the early 1970s. In fact, the NCB is recruiting more labour locally at the moment. All the same, about a dozen local authorities in the region have applied for intermediate status without success over the past few months. With its 6.0 per cent male unemployment rate, Chesterfield feels particularly sore that

it is still being left out in the cold—but this may change before much longer.

But, apart from these local pockets, the East Midlands are comparatively prosperous. Just over 47 per cent of the 1.4m labour force are employed in the service trades, with a third of them in either distribution or professional and scientific jobs. Unlike the West Midlands, no one industry can be said to dominate its economy, in which nearly 45 per cent of the labour force are employed in manufacturing industries (with nearly another 8 per cent in coal and clay mining). While 116,000 of the workers are in textiles (for the East Midlands contain 60 per cent of the country's hosiery industry), a further 103,000 are employed in mechanical engineering and 70,000 in clothing and footwear.

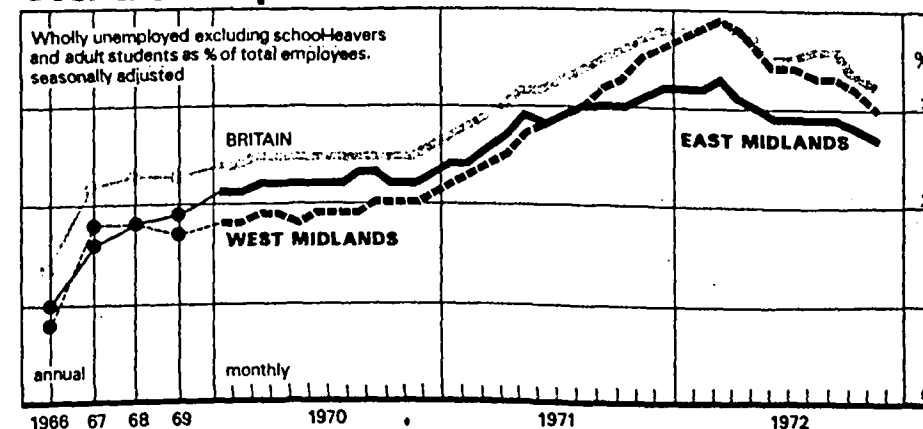
This comfortable spread of industry is associated with the large number of small firms in the area. The region has branches of the big combines like Courtaulds, GEC-AEI and Rolls-Royce. But there are nearly 4,000 firms employing less than a hundred men each and there are only three companies that have over 5,000 workers on their payrolls. This may help to explain why, as compared with the more turbulent west, industrial relations are relatively peaceful. The wage packets may be smaller than in the west, but the number of days lost through strikes remains much fewer.

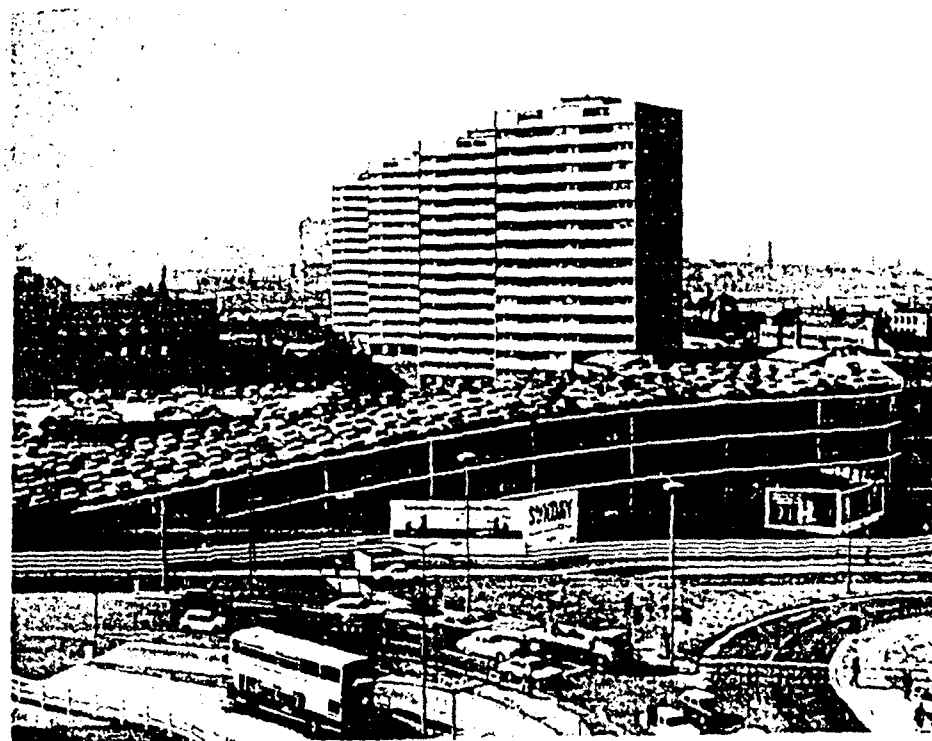
The East Midlands have never been so attractive to footloose workers and industries as the West Midlands and south-east. Some new people and some new firms have come into the region; but, basically, its people are locally born. Contentedly, they stay put. There is, admittedly, no sense of regional identity; but, in comparison with the strident cries for help which go up from other regions, this atmosphere of quiet, local self-sufficiency in the East Midlands is positively enjoyable.

Industrial development certificates

Industrial development certificates (IDCs) have been an essential part of British regional policy since 1945. Their aim is to restrict the amount of new industrial building (and the jobs that go with it) in the better-off areas of Britain. The theory is that if new developments are kept in check in such regions the employers have no choice but to set up their new factories, warehouses and so on in the development areas. Before July, 1972, they faced the likelihood of a refusal from the Department of Trade and Industry if they sought to build new premises of over 5,000 square feet outside the development areas. Since that date the exemption level on IDCs in the Midlands has been raised to 15,000 square feet. At the same time IDCs have become more easily obtainable for schemes of factory modernisation which involve some increase in the number of a company's employees.

Over the hump?





Birmingham

A place fit for the motor car to live in

Most of Birmingham's admirers are to be found in Birmingham. They like to call the city Britain's Detroit, not merely because it is the centre of the motor industry but because of its gritty, go-getting atmosphere. Huge urban freeways now gouge through what is left of the old heart of Birmingham in a maze of concrete underpasses and flyovers. Over half the city's commuters are reckoned to travel to work by car. Even the old Snow Hill railway station has been converted into a car park.

Birmingham has become an easy place to escape from. The recently opened Aston expressway, which cost £13.2m and led to the demolition of over a thousand houses, gets the motorist from the Bull Ring in the centre of the city to the M6 for the North or London in no more than five minutes. And Birmingham's council has just decided to seek Government approval for an annual grand prix around the town, Mille Miglia style.

England's second city of just over 1m people has become a place fit for the motor car to live in. Few Brummies really object. Little of that

middle class resistance to motorway plans so apparent in Greater London is to be heard. The Labour party has never wanted to antagonise its often equivocal support from the car workers and the Tories have spoken up for the virtues of a car-owning democracy. So the city has never had a debate on the matter and planning remains firmly under the grip of the engineering department. The motorway link at Gravelly Hill, known as Spaghetti Junction, has, it is true, led to some second thoughts. This £30.2m maze has brought misery to those unfortunate enough to live next to it. One block of flats, which was built a mere fourteen years ago, has had decibel recordings well above the stipulated limits laid down in the 1963 Wilson report. But, typically, criticism of the concept that all must give way to the motorway has been toned down—into talk of having to pull that particular block of flats down.

Birmingham has none of the stolid civic grandeur of other English provincial cities. The ornate Council House, whose foundation stone was laid in 1874 by the local radical Joseph Chamberlain, still stands at the

top of New Street. But very few other monuments remain from the time when Birmingham had the reputation of being "the best governed city in the world." Today, the city is hard, metallic and grey. Office blocks and high-rise flats dominate its landscape. There is not much sign of any sense of community. At night the streets in the city centre look as though they are under curfew. Birmingham is no longer as depressingly ugly as it was. It continues to exude an air of prosperity. But, perhaps, somewhere along the line of progress it lost its soul. No wonder, then, its car workers drink at the pubs out at Longbridge and its businessmen head off for their rural Arcadias, which now, thanks to the motorways, extend as far as Malvern and Worcester.

But, to be fair, Birmingham is now making an effort to rid itself of its image as being a city devoted solely to the making of big wage packets. A £1m repertory theatre and a massive £3½m concrete and glass library complex have just been opened. The council provides financial help to the ailing local symphony orchestra. The Midlands Art Centre stumbles along out in leafy Edgbaston. Some of Birmingham's citizens grumble at the cost and at the council's concern for prestigious projects. They are wrong. Britain's second city should not be a complete cultural wilderness. It still has to live down its lack of good restaurants. The best food is served at the local college of catering. Those who live in Birmingham wonder where that college's graduates go.

Birmingham may be only an hour and a half from London by train, but it harbours a deep suspicion, even distaste, for the ways of the metropolis. Over the past decade both the major parties in the city have been at loggerheads with Whitehall. The stainless steel Tories under Alderman Sir Francis Griffin were often ready to call themselves the "Conservative government in exile" during Labour's tenure of office at Westminster. The council then refused to introduce comprehensive ideas into secondary education. There was an equal determination to sell off council houses to those of the city's tenants who wanted to own their own homes. Then, in turn, the Labour group which won back control of Birmingham in May became a thorn in the Government's side in resisting rent increases under the Housing Finance Act until the eleventh hour.



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Waiting for it

Both parties share a common resentment at what they view as the downgrading of Birmingham under the reorganisation of local government. The city is to become one of the nine district councils in the West Midland metropolitan authority. With only 39 out of the 104 seats in the top-tier council, Birmingham can harbour no hopes of domination over the conurbation. The inclusion of Tory Sutton Coldfield within the city's boundaries should make Birmingham more marginal politically, but that is no compensation to those who are outraged at the thought of the massive overspill estate at Chelmsley Wood, the municipal airport and the site of the national exhibition centre at Bickenhill all going into neighbouring Solihull. Such men also wax indignant at the Government's plans for the creation of regional water authorities. This is going to mean that Birmingham's supply from the Elan valley will come under the control of the Welsh authority.

All these changes might begin to shake Birmingham out of its old, inward-looking ways. But the corporation, whichever party is in power, has won a reputation for resistance to innovation. It is true that a new policy advisory committee has now been set up but, as yet, modern ideas about corporate management and programme budgeting have found few advocates at the Council House. And what will yet one more committee do in the midst of so many others? The

atmosphere of the closed shop in local government affairs can be found throughout Britain; but nowhere is it more noticeable than in Birmingham.

The council has, however, one impressive success to its credit. Many of the slums have gone. It is still possible to discover grimy relics of the past in the streets of Handsworth and Aston, but over 53,700 houses have either been demolished or closed down since the war, and of these nearly 29,000 have disappeared in the last five years. The housing department reckons that another 32,900 dwellings will have to be bulldozed down by 1980 and that a further 40,800 will require improvement and modernisation. And with over 15,400 families in the city still in need of a home at the moment there are no grounds for letting matters slide. But this is a task that Birmingham, on past performance, should be able to tackle successfully—just so long as it becomes less sceptical than it has been about the value of overspill estates administered by other rate-collecting local authorities.

As it is, Birmingham's new arrivals still find themselves herded together in the inner city ring. The city has long been an El Dorado for the poor and dispossessed. In 1961 only 14.4 per cent of the city's population were born in Birmingham itself. The bulk came from the rural west, Wales and Scotland or from the depressed regions of northern England. During the 1950s and 1960s high wages and labour

shortages attracted thousands of coloured immigrants to Birmingham from the West Indies, India and Pakistan. The city is thought to have 20,000 or so West Indians and 12,000 Indians and Pakistanis. They work on the buses or in the hospitals, or in the dirtier, lower-paid jobs in the foundries and engineering workshops. Most of the coloured immigrants tend to live in such seedy twilight areas as Handsworth and Balsall Heath. The West Indians would like to go out to the outer ring of modern suburbs; but, apparently, the Asians prefer to stick to their own stable communities around their own shops, temples and cinemas.

Birmingham has more than its share of race bigots, but local efforts to stir up prejudice over the Ugandan Asians have proved fruitless. Worries persist, however, about the relations between the police and the immigrants, particularly young West Indians, for unless the local authorities act with alacrity real trouble could arise when Birmingham's first born generation is decanted on to the labour market with higher expectations and qualifications than their fathers ever had. The 56,000-strong Irish community has fewer problems of assimilation, although the bulk of them still work on building sites in unskilled jobs. In Birmingham the atmosphere is restless. It is still the free-for-all city of rampant individualism. But now behind the social problems of assimilation lies a new economic anxiety: a fear of unemployment.

The tarnish on the brass

Birmingham's army of unemployed has, temporarily at least, eroded the city's self-confidence. There is a good deal of talk nowadays that the good times have gone for good. Birmingham had a few nasty jolts in the past, but they were soon over and they did nothing to halt the insatiable drive for greater material prosperity. Now genuine doubts are voiced on whether the city can really recover its former role as the drum-major of any national economic boom. Since July, 1966, the number of unemployed people in Birmingham has risen steadily. Last year that number doubled. Today 3.7 per cent, or about 21,000 people out of the city's 654,000 labour force, are jobless. The male unemployment rate is not far short of 5 per cent. In the golden years of the 1950s and early 1960s there were two jobs on offer for every man on

the Birmingham unemployment register. Now there are 20 men chasing every job that turns up.

There is, however, one good sign. Last year between 14 and 20 firms were getting rid of up to 500 employees a week. Now that rate has fallen, with no more than ten firms dismissing between 150 and 200 employees each week. But once a man has been made redundant, he has less chance than before in getting another job quickly. In 1970 no more than four in every ten men were without a job for more than six months; now that number is six men in every ten. Moreover, two-thirds of the men out of work are under 45 and a long way from retirement.

Businessmen in Birmingham like to blame their troubles on the Government. They argue that many firms that have been encouraged to go to the

development areas would have come to Birmingham if they had not been held back by Whitehall. There is some truth in this charge. Quite a large number of local firms would have preferred to expand their factories rather than being forced to set up new ones in, say, Merseyside or Scotland. But this is not the whole story, for Birmingham has inflicted wounds upon itself. These are due in part to the peculiar structure of Birmingham's economy. More than anywhere else in the West Midlands, except possibly Coventry, it is a city which has built up its prosperity on a narrow manufacturing base. Over 53 per cent of Birmingham's workers are in manufacturing industries and only 46.2 per cent in the service and construction trades. Moreover, Birmingham has three-quarters of its manufacturing workers in metal-based industries, such as mechanical engineering, electrical engineering and vehicle production.

So a reduction in demand in any of these sectors always has an immediate effect on Birmingham. But, in the past, employers were prepared to hold on to their labour force until the good times came again. This time they had no sensible option but to cut costs in the face of wage inflation. They have had to get rid of the fat they were carrying by modernising outmoded methods of production. Birmingham has a relatively low level of output per head, but this is likely to improve now that the industrialists have realised that they can make do with a smaller labour force. Rising car sales should eventually boost the sluggish car accessory business in Birmingham which provides jobs for 13 per cent of its labour force, for many of these firms were still working this autumn at least 20 per cent under capacity. But this is not likely to produce any noticeable fall in the numbers out of work.

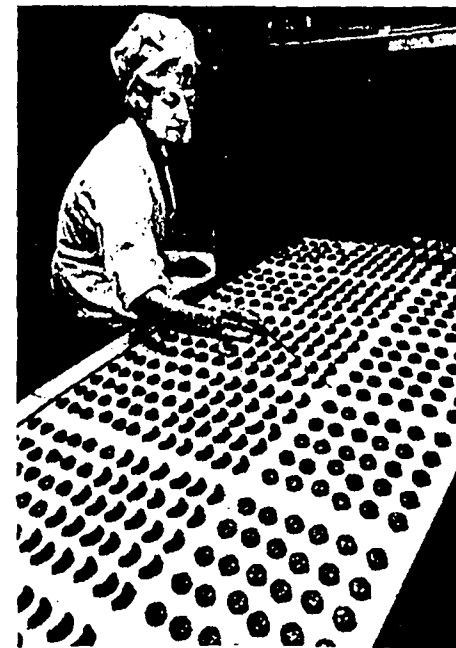
What surprises many people in Birmingham is that the pace of wage inflation has not slackened in the face of the stark fact that bigger pay packets means fewer jobs. Semi-skilled workers are reckoned to earn at least £30 a week, and the skilled worker can take home £40 a week and more. Inevitably, the pace is set by the city's biggest single employer, the British Leyland works out at Longbridge. They provide jobs for over 25,000 workers. Directly and indirectly, the livelihood of possibly as many as a quarter of a million people in the Birmingham area depends upon British Leyland's fortunes.

British Leyland is well aware of its responsibilities, both nationally and

locally. It has at last weaned its workforce away from piecework methods of payment, which was the cause (or excuse) for an enormous number of stoppages and which produced a wage drift of over 6 per cent a year. In the past 10 months of the piecework system, British Leyland's Longbridge division lost 1.8m man hours of production (which was equivalent to an output of 43,000 cars and 93,800 commercial vehicles). More than fourth-fifths of the disputes and stoppages stemmed from the piece-rate system.

In November British Leyland got 10,000 of its Longbridge workers to agree to an 18-month-long agreement which will cost the company £4m and add between £4.50 and £10 to each worker's weekly wage packet. In return, the piecework system is to be scrapped. In the short term, this will push up the wage bill. Average earnings of workers at the Cofton Hackett division of the company at Longbridge which are on time rates are running at £2,274 a year, while the average piecework rate was only £1,950 a year. None the less the shop stewards' committee maintained a strong rearguard action against the proposed reforms, because its militants feared that the new system might curb their power to hold the company up to what used to be virtually ransom. That their militancy pushes other men out of employment has not seemed to bother them. They are all right, Jack. And it still remains to be seen whether the end of piecework will assure a quiet life for British Leyland in the future.

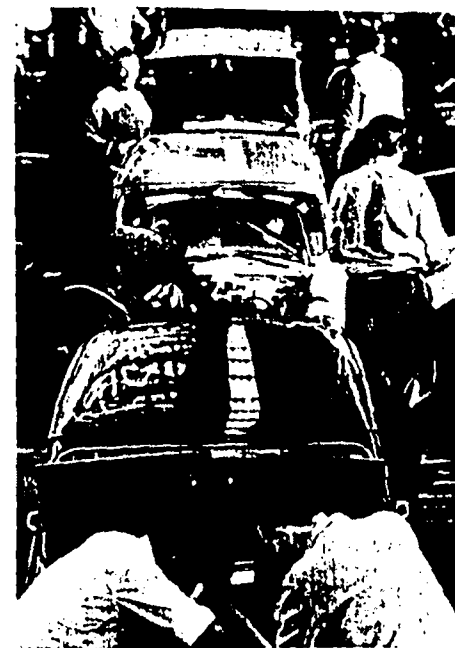
Birmingham's two other giants,



Software

Joseph Lucas and Guest, Keen and Nettlefold, employ between them a further 60,000 workers in the West Midlands as a whole. They too face trade union militancy. The three big combines together are the heart of Birmingham's economy. But its body is made up of little men and little firms. A recent survey has shown, for instance, that there are nearly 3,700 separate firms at work today in central Birmingham which employ less than 100 workers each. Only five minutes' away from New Street station lies the congested district of Hockley where small family and one-man firms carry on their traditional trades on a tiny amount of working capital and tight margins. Here the old craft skills flourish in the manufacture of costume jewellery, the making of guns and rifles and the moulding of silverware. Hard times have hit some of these firms. Some have gone under. But most of them have managed to survive.

Birmingham is an extraordinary mix of firms, large and small, independent and yet interdependent. There is no lack of diversification and inventiveness in its metal trades, and there is no reason to believe that they will fail to adapt themselves to shifts in technology, in fashion and in demand. But Birmingham's past prosperity has blinded many of its inhabitants to the fact that the years of easy affluence were those the locusts ate. Because in the past the next pay-rise and the extra bit of profit always seemed to be there for the asking, Birmingham will probably never have it quite so good again.



Hardware

Wolverhampton Unwilling satellite

Nowadays, Wolverhampton is a touchy, bewildered town with not very much idea of quite where it is going. In the face of the lengthening dole queues its self-satisfaction has given way to doubt over the past year. Wolverhampton has begun to recover from a drastic slump, which nobody could really explain. About 3.8 per cent of the town's labour force is unemployed. This amounts to over 5,500 people, nearly 4,500 of whom are men, and businessmen emphasise the fact that 1,500 of them were once skilled or semi-skilled workers in the engineering industry.

In the past, Wolverhampton has displayed a self-assertive independence. It has deliberately stood aloof from the undistinguished urban sprawl

which separates the town from Birmingham. The town has never seen itself as a satellite of the bigger city, but equally it has never been able to escape from its pull. The reason is quite simple: Wolverhampton's economy is inextricably tied up with the rest of the West Midlands. It is the handmaiden of the car industry, with its firms providing that vast assortment of accessories the motor manufacturers need. Wolverhampton makes the bolts, screws, bearings, tyres and so on that other people assemble elsewhere. As a result nearly half of Wolverhampton's labour force is employed in metal-based trades. So the town's prosperity lies, in effect, in the hands of decision-makers who live and work outside its boundaries.

In recent years, too, Wolverhampton's old family firms have disappeared. In 1969 only two of the town's top 10 firms were in the hands of outsiders; but now only one remains under local control. Some 18 companies have closed their gates for good and the town has suffered 4,600 redundancies. This shake-out was long overdue and now, with every businessman in the Midlands concerned about the size of his wage bill each week, there is no likelihood that an upturn in demand will completely remove the queues at the employment exchanges.

Wolverhampton is feeling the draught, but the cooler economic winds have not as yet blown all the cobwebs away. There are all the usual silly demands for intermediate development status. But, rightly, the Government has turned a cold eye at such requests. It is true that new

National Exhibition Centre Magnet or white elephant?

Businessmen in the Midlands are expecting great things from the national exhibition centre (NEC) when it opens its doors on January 1, 1976. Certainly those 310 acres at Bickenhill out in the green belt between Birmingham and Coventry provide an excellent site for this £17.2m project. Communications could not be better. Elmdon airport is right next to it and there are hopes for a new terminal and an extra runway. British Rail intends to chip in with a station and trains will leave Bickenhill every half hour to London. The road network will eventually lap right round the site's perimeter when the M42 from Bromsgrove to Nottingham is completed and the M40 snakes by from Oxford. Already the M1-M6-M5 motorway link has brought the cities of Liverpool, Leeds, Bristol, Cardiff and Manchester within two hours' driving time of the site.

The Birmingham-based organisers of the NEC hope that it will give the Midlands an economic and psychological boost. It should, it is believed, directly provide 6,000 jobs while the Birmingham chamber of commerce is keeping a close check on the increasing number of hotel bedrooms in the area. So far two exhibitions have decided to come to

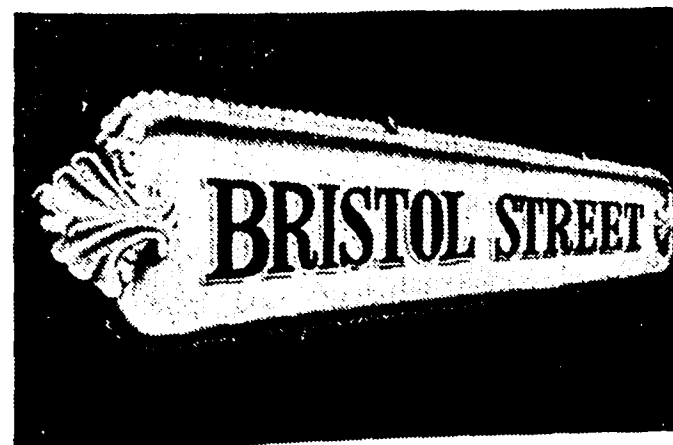
Bickenhill in its first year. They will be organised by the Machine Tool Trades Federation and the International Toys Fair. The NEC needs 150 days of occupation a year to break even and in Birmingham they are confident that that number will be easily exceeded.

On completion, Bickenhill will have nearly 1m square feet of floor space. The exhibition halls will be grouped round a central piazza with restaurants, offices, warehouses, shops and lecture theatres. The centre has its critics, and they are not just confined to London (where the Lyons group sought the go-ahead from the Government for an exhibition site at Northolt). The Department of Trade and Industry was not altogether happy about the idea and it took a high-powered all-party delegation from Birmingham to reassure the faint-hearts in Whitehall this summer.

The trouble arose largely from the tight credit conditions which private lenders demanded for their backing of the scheme. The Government never intended to fork out more than £1.5m towards the cost of the site and Birmingham corporation had hoped to get by with a £3m loan, leaving the remaining £13m or so to be raised from pri-

vate lenders. Naturally enough, the private investors demanded a high rate of interest and they wanted to secure their loan against the freehold value of the land. In the end, Birmingham council had to finance the project itself, apart from the Government's contribution. To do so, it had to secure a special loan sanction from Whitehall—and it did not get that until Alderman Sir Francis Griffin had spoken to the Prime Minister about it.

The centre's organisers believe that Bickenhill will help to diversify the region's economy. In particular, they hope that, through the building of offices and hotels, the NEC will stimulate the service trades. But its critics say that the NEC could prove to be as big a white elephant as the Concorde. They argue that even if buyers and businessmen are attracted to Bickenhill the excellent communications with London will mean that most of them will head out of the region in the evenings, and that the stimulus to the local service trades will therefore be slight. The real test for Bickenhill is yet to come, for until the car and commercial vehicle industries opt for the new site instead of London's Earls Court, the industries of the Midlands will not have given the idea the vote of confidence which it needs to be an unmistakable success.



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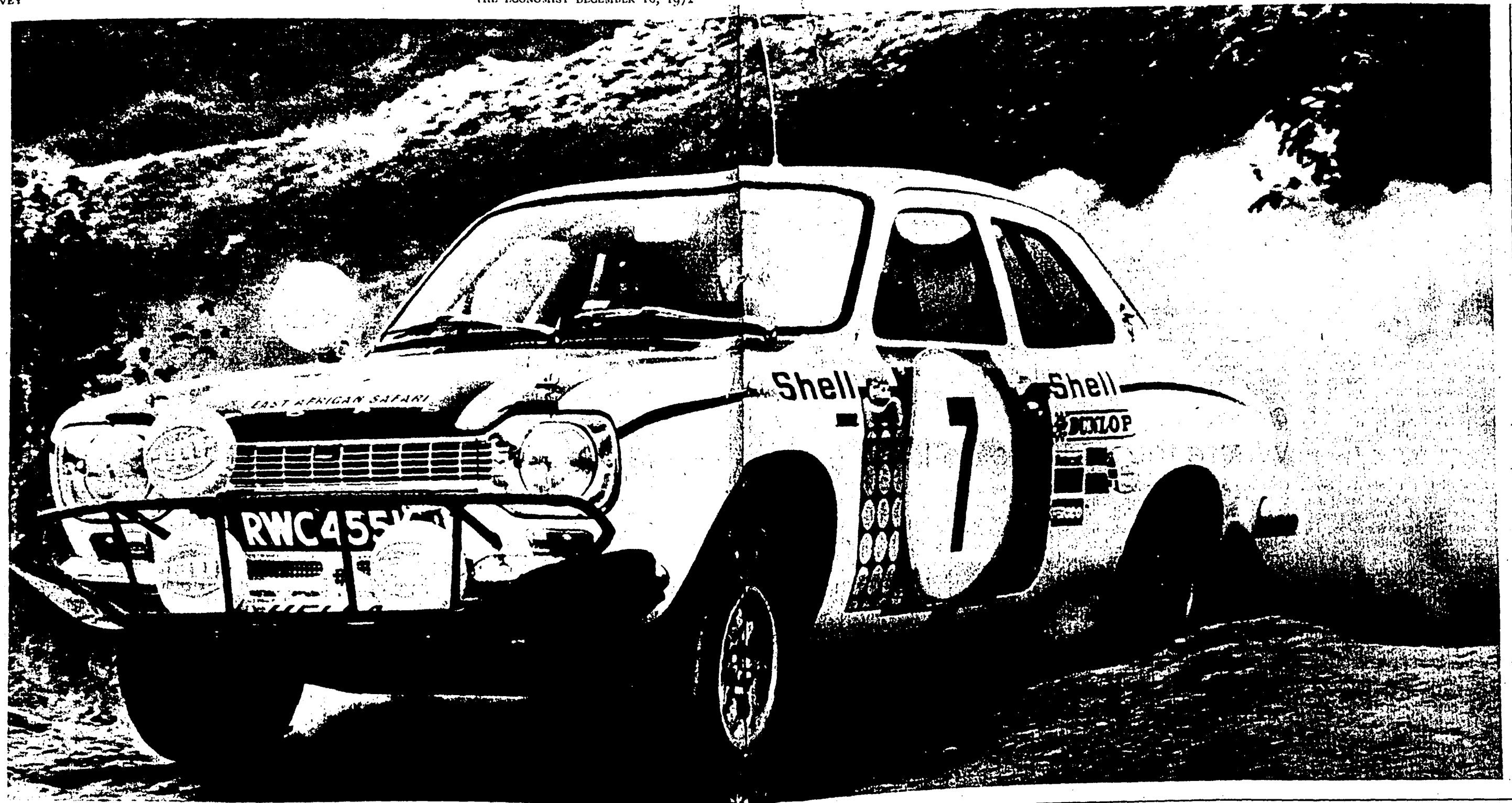
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Together or apart?

firms are no longer positively discouraged from settling down in Wolverhampton; but few of them have bothered to come, although a bicycle factory is due to open shortly in Bilston, and a very large footage of industrial space is still lying idle. There are hopes that local MPs might press Wolverhampton's cause in Whitehall, but Mr Enoch Powell is hardly the man to champion the cause of government assistance.

Wolverhampton has always been quick to assert its independence but now the troubles of its engineering industries seem to have reinforced its underlying sense of inferiority. In many quarters, there is a defensiveness about the town's future. Even Telford, plagued with its own problems, is seen as a danger, its planned hypermarket being talked about as a threat to Wolverhampton's role as the market town for North Worcestershire.

Modern, let alone liberal, methods of management can hardly be said to characterise the local administration. Three years were spent by the corporation, for example, in a futile attempt to stop Sikh bus conductors from wearing their turbans while at work. And the Race Relations Board criticised the council for requiring a two years' residential qualification from foreign-born citizens who sought a place on the housing list. The council has just recently scrapped the qualification altogether.

To find itself Wolverhampton will have to learn to be more sympathetic, more tolerant of the ways of its neighbours. In the past the town has preferred to turn its eyes away from the conurbation of which it is unmistakably part and to look longingly over the green fields of Shropshire to the



Welsh Marches a short car drive away. Out in comfortable Tettenhall with its executive-type houses, golf clubs and tennis courts, Wolverhampton might be mistaken for a well-off London suburb. But one suburb does not make

Coventry

Where the Joneses do keep up

Coventry is a contradiction. It is both an old and a new city. The old cottage factory of the silk ribbon weavers, Cash's, still stands by the canal while the prewar shadow factories and postwar plants crowd together close to the motorway. It is both a city where, on the back of some of the biggest pay packets in Britain, keeping up with the Joneses is a way of life and a city where, in contrast to that kind of go-getting individualism, a keen sense of civic pride still dominates the thinking of local politicians and officials over 30 years after the blitz. In Coventry, it seems, the tenets of the Manchester school of laissez faire liberalism live in the same street as the doctrines of Fabian socialism. Cobden, whose free trade treaty with France in 1860 jerked Coventry out of its past by ruining the local silk weavers, would have understood the attitude of its inhabitants and Beatrice and Sidney Webb the zeal of its local council.

But these two attitudes towards life do not always make happy neighbours, for what the council does is accepted, rather than appreciated, by those whom all the planning and all the work is supposed to benefit. This is the outcome of 30 years of uninterrupted Labour party rule between 1937 and 1967 in an overwhelmingly working



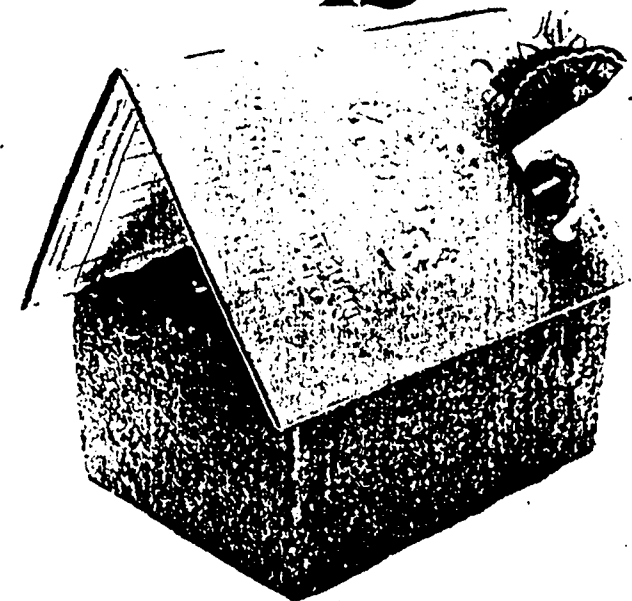
a town. Wolverhampton's future lies in its own capacity to realise that, with its prosperity dependent on the fortunes of other towns and other industries close at hand, it can never stand alone.

class town where power on the factory floor is nakedly exercised.

Coventry long ago forgot it was George Eliot's Middlemarch. Except in the tool rooms, it may have even forgotten it was once a city of engineering skills. Today, it is given over to the semi-skilled labour of the assembly line. Unlike much of the rest of the urban West Midlands, Coventry no longer has the little men of the metal trades. Since the decline of silk weaving and watchmaking, its growth has gone hand in hand with mass production and the standardisation of consumer tastes. For all the imagination that was put into its rebuilding, it has become the standardised town of the last half of the 20th century. For many years it has had one of the great Rugby football clubs in the country. More recently, its soccer team got into the First Division. It has been carried to the top of Britain's prosperity league. Coventry has made it, only, it seems, to discover that life at the top is not necessarily full of joy.

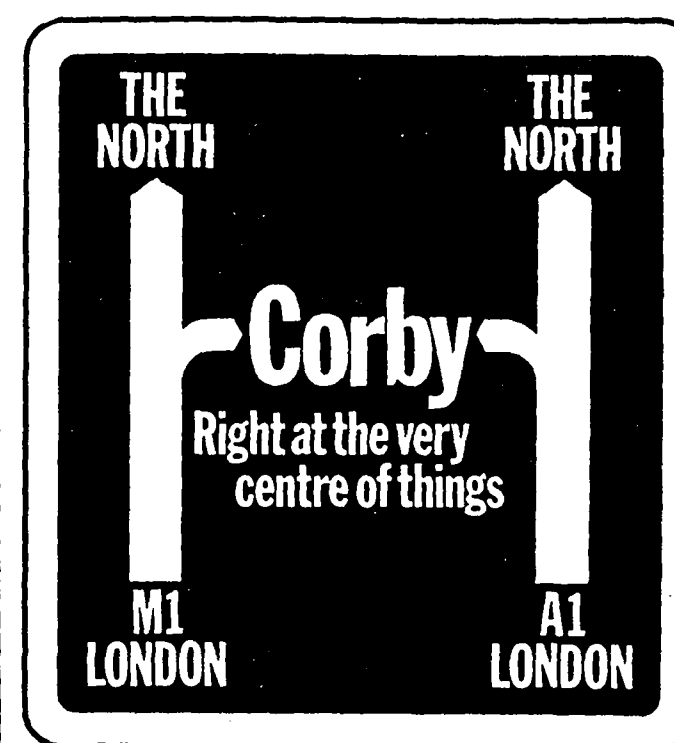
Typically, nearly two thirds of Coventry's labour force work in manufacturing industries and only just over a third in the service trades. Big companies in big industries dominate the city: Courtaulds in textiles; Chrysler and British Leyland in motor vehicles; A. P. Herbert and GEC-AEI in

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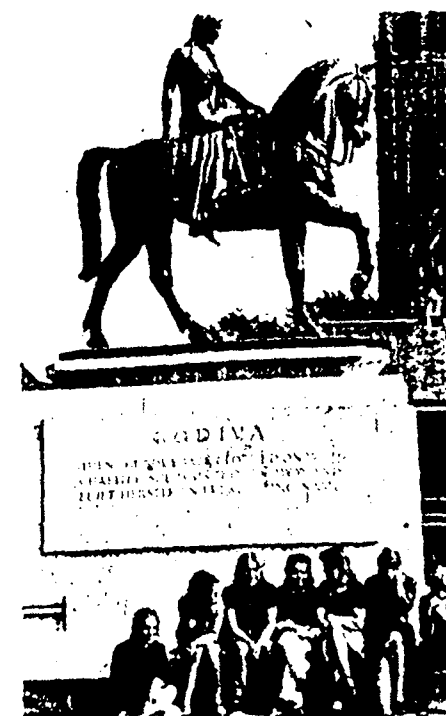
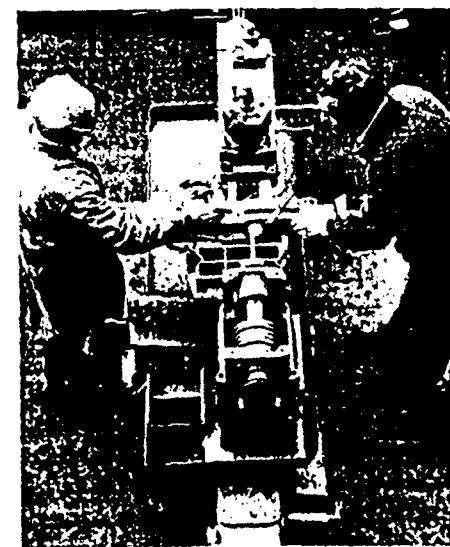
mechanical and electrical engineering; and Rolls-Royce in aero engines. These industries employ over 100,000 of Coventry's workers and as many as 80 per cent of these men and women have jobs in no more than 20 factories owned by 14 companies.

Inevitably, then, Coventry is also the town of the big trade unions. It was the city of piece rates and wage inflation, where from high to low, from the toolmakers to the bus drivers, wages were tied to earnings on the assembly lines. Coventry, like Merseyside, acquired a reputation for industrial militancy. Strikes and stoppages became commonplace. And now that time rates are being introduced, following the belated demise of the 1941 tool room agreement, no one is at all certain that they will become any less so than in the past. Indeed, some predict that the disputes will become even more protracted.

So far, the currently high unemployment rate in Coventry has made no impact upon either the stridency of wage demands or upon the militancy of those still in work. At the moment, nearly 8,000 people are without jobs, that is about 3.6 per cent of the labour force. Just over 1,200 of them come from the car and engineering factories. Nearly another 1,000 are temporarily laid-off, as strikes elsewhere in the country have halted the flow of components on which the assembly lines depend. The local employment offices have the air of casualty clearing stations.

In contrast, the local council offices have the air of a modern, well run maternity ward. The plans and ideas still pour out from the local offices which pioneered the techniques of corporate management and programme budgeting in local government and which, under the chief executive, Mr J. H. Hender, run the city in a brisk, businessman's style. But, alas, few people in Coventry now seem to care. They take what the council has to offer for granted, just as they take those unlucky enough to lose their jobs for granted. Those in work in Coventry on the assembly line seem to be content to live from one weekly pay packet to the next, so long, that is, as their shop stewards keep pressing for more. Even affluence, it appears, can curdle.

This survey was written by Robert Taylor. The photographs were taken by Mark Edwards



Living down the past

Redditch and Telford

The margin between success and failure

New towns are in the doldrums nowadays, and none more so than those in the West Midlands. Neither Birmingham nor the towns of the Black Country are in a mood to relish the loss of firms and people to new so-called growth points outside their boundaries. So Redditch and Telford face an uphill struggle, without many local friends to help them. But there is no danger that Redditch will fall flat on its face. Six miles south of the Birmingham boundary, it has kept up a steady pace of development over the past eight years since the small, drab town of 30,000 people, with the biggest needle factory in the world, was designated a new town. Redditch's population is still expected to grow to at least 70,000 by the end of the decade. So far nearly 3,500 houses have been built. Only 750 of them are for owner-occupation, but eventually Redditch wants to create a 50-50 balance between rented and privately-owned property.

At the same time 3,325 new jobs in about 150 factory units spread over 1.6m square feet of land have been created in Redditch. Almost all the companies have come to the town from the Black Country. Halfords moved out its car accessory business lock, stock and barrel from Birmingham in June, 1971, and it now employs just over 500 workers. BKL Alloys brought its tube fittings business to Redditch and it provides work for 540 people. Other big West Midland firms have put some roots down in Redditch as well, with GKN bringing its design office from Wolverhampton and Alfred Herbert setting up a machine tool offshoot. Naturally Redditch would like to land even bigger fish for its new industrial estates. But it has taken the trouble to entice the smaller sprats from the metal trades as well and, as a result, most of the firms in Redditch employ less than ten men. In all, it is perhaps unavoidable that the town appears to be mirroring the industrial structure of the enormous conurbation to its north.

Indeed, with Birmingham's centre no more than half an hour away in a car, the town is going to find it extremely difficult to develop any momentum of its own. The network of roads simply reinforces Redditch's

attraction as a dormitory town. Already half the town's workers go out of Redditch to jobs elsewhere. But Redditch is in a major growth area of the West Midlands, and with Elmdon airport close by and with the M42, once it is built, skirting Redditch to the north, it has a good chance of becoming a major distribution centre.

On the other hand, Telford could well become the region's problem child. The original idea was to make this area around Wellington and Oakengates in Shropshire into a city of 250,000 people by 1991. This looks over-ambitious. First, Telford is isolated, 16 miles away from Wolverhampton and surrounded by the green fields of Shropshire. Communications are poor. A motorway extension to the M6 is promised but no earlier than 1976, and at the moment the roads from Telford are narrow and congested. This means that the new town cannot expect for the time being at least to attract many commuters. In fact, only about 15 per cent of the newcomers are reckoned to travel from Telford to work.

Second, Telford already has a male unemployment rate of nearly 6 per cent. The area also suffers a little from unattractive dereliction, for this is where Abraham Darby set up its blast furnace at Coalbrookdale in the 1790s. Industry then moved eastward to the Black Country and the Telford area

was left out on a limb. The immediate task is to find jobs for the unemployed. That will not be easy now that the Government is adopting a more relaxed attitude towards the issue of IDCs throughout the West Midlands.

Third, the economic climate of the past three years has plainly held up Telford's take-off. There are now 89 firms in Telford's industrial estates, and they employ just under 4,000 people. Half of them came from Wolverhampton and the Black Country, but none are big employers. GKN Sankey at Wellington with its 6,000 workers making car accessories, and the army's central ordnance depot at Donnington, which employs 4,000 civilians, are by far the biggest employers in the area.

Fourth, Telford has failed to attract the number of newcomers it needs to get anywhere near its ambitious targets. At the moment between 4,500 and 5,000 people move into the town each year, but it needs between 7,000 and 8,000 a year to keep up to schedule. Over 200 houses lie empty.

All this has begun to worry the planners, particularly as a recent planning study report suggested that the main future growth areas for the West Midlands to take overspill should be to the north east in Staffordshire around Tamworth and Lichfield and to the south of the Birmingham conurbation stretching in an arc from Daventry to Worcester. Before much more good money is poured into Telford, Whitehall and the West Midland authorities should take a sober look at the prospects, for there is nothing more depressing and wasteful as a new town set up in the wrong place at the wrong time.



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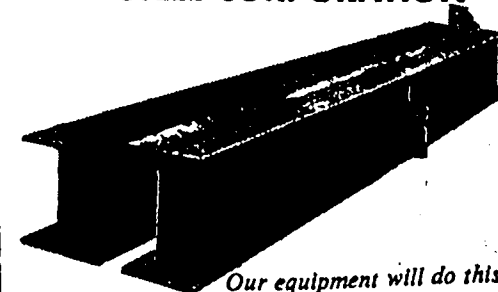
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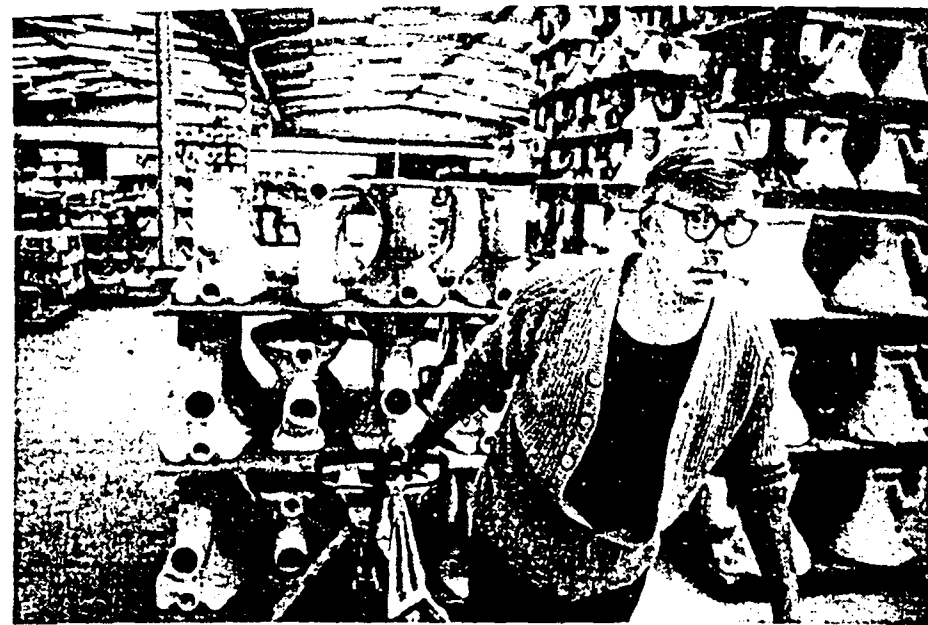
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Stoke-on-Trent

Now we are six

Stoke-on-Trent stands apart, in a kind of quirky isolation. The planners have lumped the city in with the West Midlands, but it looks and feels like the North of England which begins just beyond its borders and not like the Black Country to its south. Stoke is a city of slag heaps, marl ponds, pit wheels, kilns, rusty railway sidings. Almost 40 per cent of its dwellings were built before the first world war. It is a land of Coronation Streets. There, as in Lancashire, are to be found the fish and chip shops, the bingo halls, the billiard rooms,

and the dirt-stained churches and chapels (for this is where primitive Methodism began).

Stoke remains a collection of six over-sized villages dotted like beads on a thread along an eleven mile narrow street running from north to south. Parochialism dies hard in these villages: it is not uncommon to meet people up at Tunstall who have never gone as far south as Longton. Only three miles wide the city has never formed a cohesive whole. Hanley sports a new shopping centre, but the two-storey family shops still predominate.

Stoke has its Wake weeks when it closes down so that many of its 265,000 inhabitants can head off to Blackpool and the resorts of North Wales for their summer holidays. Stoke has its choral societies and its club cricket matches on Sunday as well. It gets its gas, electricity and television programmes from the Midlands, but in the words of its most famous novelist, Arnold Bennett, it is "of the North." That comment does not please the locals, who have never forgiven Bennett for leaving the six towns—Bennett erroneously believed there were five—for good once his reputation was established. But, at heart, they do not disagree with it.

Stoke's city fathers worry about its future prosperity. They would like the Government to give the region intermediate development status, a doubtful badge of discrimination which Lord Hunt did not believe the city needed three years ago. What worries the local businessmen and politicians is the narrow base of Stoke's economy. Nearly a quarter of its labour force engaged in manufacturing is employed in the making of pottery, and these men and women account for 80 per cent of the labour force employed in the pottery industry in Britain. And over the past decade or so that labour force has fallen from 48,000 to 32,000.

An even more drastic fall has occurred over the same period in the local coalfields, where the number of employees has nearly halved from 25,000 to 13,000. The fear persists that further pits will be closed, even though at the moment the NCB is recruiting new workers locally. In contrast, engineering has been expanding. Over 25,000 people now work in that industry in the six towns and Stoke's biggest single employer, apart from the town hall, is Michelin, which came to the Potteries in the 1920s and now employs 9,000 workers in making tyres. Even so, some doubts are being expressed about the future of electrical engineering at Kidsgrove, and about British Steel's Sheldon plant (which alone employs 2,700 men). The local pessimists also make great play with the current unemployment rate of 2.9 per cent and the annual net emigration rate of 2,900 people out of the city. They appear to be talking themselves into the belief that Stoke will become yet another lame duck.

This is just not true, for, despite all the immediate anxieties, Stoke has a promising future. First, the city is getting down to the task of clearing away the debris of the industrial

revolution which scars the landscape. About £3½m, for example, is being spent up to 1981, with most of it coming from a 75 per cent government grant, to deal with over 1,400 acres of derelict land. At the moment Stoke has the biggest acreage of polluted land of any city in Britain; but by the 1980s it will have enormous tracts of green grass for recreation. That will not make the city a tourist attraction, although some local optimists have the gall to believe that it will. But it will make Stoke more attractive to new industry. With £6.5m being spent on the construction of new sewers and the cleaning of the river and with a £27.2m motorway plan in the offing, there is clearly the promise of an escape route not merely from dereliction but from isolation.

Second, the slums are being pulled down. They should all have gone in the next two years or so. This will leave a lot of old property standing: red brick terraced houses will still dominate the city. But grants are available to improve such properties and before long Stoke will have 10 general improvement areas.

The third and most important factor of all is the continuing health of the pottery industry. Last year the industry manufactured over £119m worth of goods, of which £45m was exported. North America is still a booming market (importing £16.7m worth) followed by West Germany (£2.5m) and Australia (£1.5m). Mergers and rationalisation have drastically reduced the number of pottery firms over the past decade. Royal Doulton and Allied English Pottery are about to join forces and along with Wedgwood they will dominate the industry. As a result, the industry will be more efficient than it was. There has been some sluggishness over the past few years in the sale of electrical ware because of a fall in demand and Japanese competition; but good times appear to be ahead for body china, earthenware and tiles.

The city's highly skilled and loyal workforce may not enjoy the high wage packets of the West Midlands, but they are in an industry with a future. Behind a grimy facade, the Potteries have a good deal going for them. Once the slums are down and the slag heaps have become grass covered hills, Stoke should become more obviously the vibrant, self-sufficient community that it already is in essence. The local pessimists should think again and look more towards self-help than governmental aid.

Derby

Picking up the pieces

Derby was once an uneventful and rather languid town. If it never suffered long dole queues in the 1930s, it equally missed out on the big wage packets of the 1960s. There was never really much pressure for innovation. Rolls-Royce's crash in February, 1971, changed all that. The town had sheltered for too long under the comfortable illusion that its biggest employer was as sound as the Bank of England. There was momentary panic. Confidence was so shaken that crowds of people lined up outside the local building society to withdraw their money when rumours spread that it too was about to fold up.

The Government stepped in and took over Rolls-Royce. It proved to be one of the first of Mr John Davies's lame ducks brought home to roost. But the Derby division has a fully secure future now that the American Congress has agreed, in effect, to underwrite the Lockheed Tristar. This means the RB211 engine contract is safe for Derby. That is just as well for the town, for 40 per cent of the 18,600 workers at Rolls are involved in the construction of the RB211. The division is also responsible for the building and testing of engines for the TF41 and the Adour as well as for the repair of the supersonic Spey. Local estimates suggest that 60,000 people in the area, that is a quarter of the population of greater

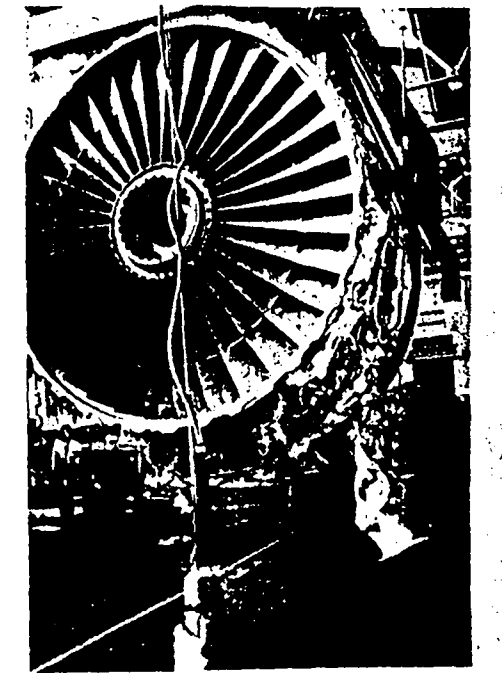
Derby, depend for their livelihood upon the success of Rolls-Royce.

In fact, the company's collapse led to more trouble to many small component firms in the West Midlands than to anybody in Derby itself. Many Derby workers did lose money, which they had invested in the company's shares, and there was some genuine hardship among some of Rolls's old age pensioners, who had ploughed savings into the firm. Rolls-Royce has shed around a quarter of its 1969 labour force over the past 18 months; but a good number of these men were in technical and managerial grades and they have moved outside the region to get new jobs. Derby's unemployment rate did shoot up a few notches in the spring of 1971, but by the summer of that year it had settled down to under 3.5 per cent where it has remained ever since. Today short time working in Derby is negligible, and the only real worry is to be found in the noticeable fall in the number of jobs waiting to be filled. This has gone down from an average in the mid-1960s of 2,000 to around 500.

All the same, Derby has not fallen back into its old comfortable ways. Anxieties remain, for the town does not want to find itself out in the cold again. It is a town of big firms. Eight companies employ over a thousand workers each. Together they provide jobs for



Still in business



nearly 40,000 of the town's labour force of 54,000. Once a massive centre for the railway industry, Derby retains the largest workshop and technical complex in British Rail, which employs 9,000 workers. Then, British Celanese—a subsidiary of Courtaulds—has 7,200 workers manufacturing man-made fibre in the town. There are also a few foundries, which appear to have kept their heads above the economic waters a good deal better than the heavy engineering firms of the West Midlands. Derby does not have many small family firms and outside local government it possesses few service industries. A food processing company is about to set up a plant in part of a new 40 acre industrial site in the town, and there is the hope that the relaxation of IDC controls will attract some new firms.

The town hall is making an effort to give the place a face lift. It is not before time. Derby has some old churches, but the town has not had much going for it since the birth of Herbert Spencer—except for the success of Derby County football club. The shopping centre is rather drab, as are many of the housing estates

in the south of the town around Rolls-Royce. Derby let the world pass it by for too long. It acquired a bit of an inferiority complex. The town fought for city status, but it lost that battle. Its local technical college failed to win the status of a polytechnic. And after next April the council is to be stripped of many of its powers, which are going to the county authorities which will run Derby's education and social services from gentle Matlock, 16 miles away in the Peak District.

Even so, Derby has numerous plans afoot to change the town's image. After some Government pressure the council has speeded up its slum clearance drive. So now 6,500 houses will be down by 1980. The town is going to have its own inner ring road, its pedestrian shopping precinct, a new market, a civic centre and a new library. Acres of the town to the south east of its mundane centre have become wastelands of rubble, so there is room for redevelopment. The question for Derby is whether the Rolls-Royce debacle produced a big enough shock wave for it to use its new opportunities imaginatively. One hopes so, but suspects not.



The job in hand

Nottingham

A city for all seasons

Nottingham is a pleasantly mixed-up city. It belongs neither to the north nor to the south; but it shares some of the qualities of both, although none in sufficient abundance to swamp the city's own individual character. Nottingham is a city which has never experienced an economic depression, but it has known widespread poverty. There are clean factories out in its suburbs—and grimy Victorian ones near its centre. Nottingham has still too many squalid slums, but it also possesses some fine Victorian middle-class houses. It has its old men in cloth caps puffing their pipes in the sun, and perhaps more than its fair share of pretty girls. Like practically every other town in Britain, it has its flash restaurants with piped music; but it retains its art nouveau pubs as well. In its own way the city from medieval times onwards has been able to strike a happy balance between the old and the new, between the north and the south.

Some recent changes, however, threaten to tilt that balance just a little. Lofty office blocks affront the eye in the attractive town square with its fountains and flower beds. So does an ugly

tower of luxury council flats near the centre of the city. A chunk of inner ring road Birmingham style, called inevitably and unimaginatively Maid Marian Way, has found few admirers. There are grumbles too, and not just from local retailers, about two multi-million pound pedestrian shopping precincts.

Paradoxically, Nottingham's sense of identity may have remained strong because it was slow to get its post-war redevelopment programme under way. It was not until as late as 1967 that the council began to tackle the city's worst slums in St Anns to the north east of the city centre. Only five years ago the district's 340 acres housed 30,000 people, three-quarters of whom lacked a fixed bath. Now vast tracts of St Anns have been cleared. Many of its houses are now boarded up with corrugated iron. The whole area should be completely redeveloped by 1976. The hope too is that the Meadows district to the south west of the city centre will all be down by the end of the decade as well. It ought to be, for over two-thirds of its 17,400 houses are reckoned to be unfit for habitation.

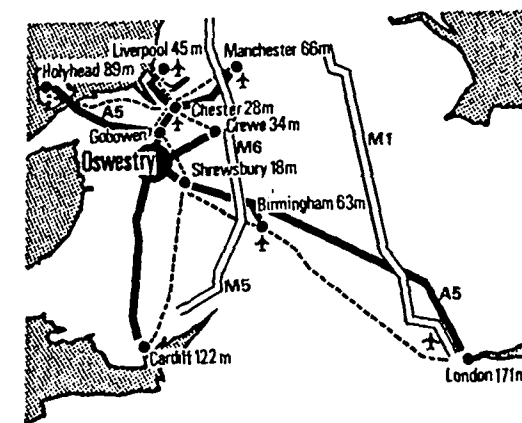
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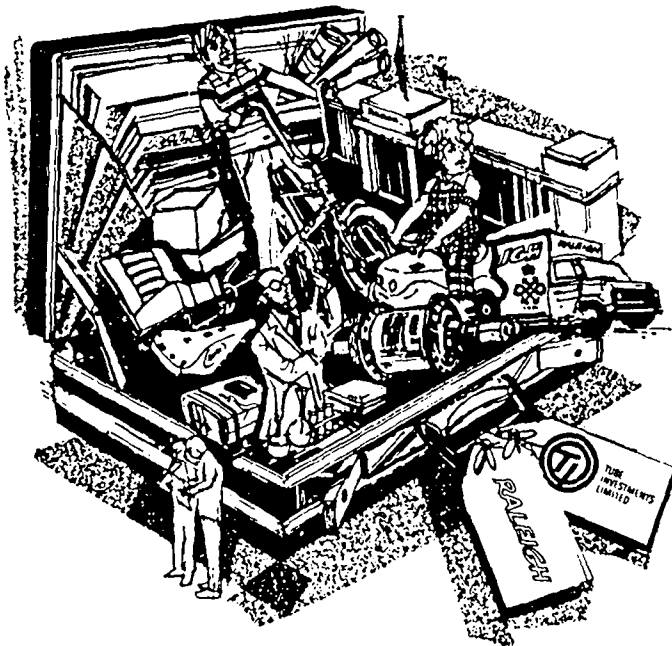
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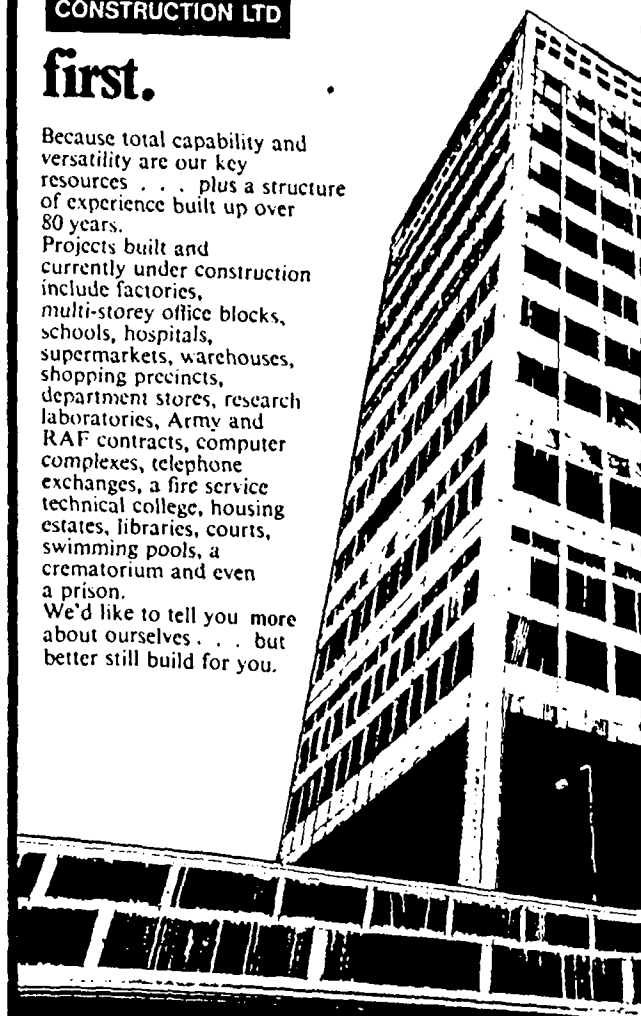
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This late start should help Nottingham avoid the mistakes that more impetuous towns made in going all out for urban redevelopment. The city is not dominated by high-rise flats and the corporation intends to keep matters that way, even if it means land scarcity by the 1980s. There is a hope too that Nottingham will be spared the excesses of over-enthusiastic road building. The Labour party, which won back control of Nottingham's toughly disciplined council last May, put an end to years of indecision recently with the announcement that the motorway plans were to be scrapped. Instead, some effort will be made to strike a balance between the car and the pedestrian, even though this may well mean further subsidies for the public transport system.

Nottingham lacks the acquisitive drive of the West Midlands. Its wage rates are still below the national average. But it is a settled community which long ago lived down its own Luddite past. Unemployment is no real problem, even though 3.2 per cent of the labour force is out of work (5.2 per cent for men and 1.2 per cent for women). There is, in fact, almost a permanent shortage of women workers and even today nearly 40 per cent of its 264,000 strong workforce is composed of women. This has helped to encourage a tolerant and sensible moderation in industrial relations locally and strikes are rare.

The city's broadly based economy has proved the best insurance against bad times. As a regional administrative centre, Nottingham has a large number of offices, shops and hotels, so that over half its workers are in the service industries. Some businessmen have even begun to wonder whether the city is not in danger of tilting the balance too far away from its manufacturing side, although in fact Nottingham's mix between the manufacturing and service trades is close to the national average. No single firm or industry dominates the city. Its 3,000 miners work in pits which remain part of one of the most productive and profitable coalfields in England. Boots employs 9,700 people in its booming pharmaceutical business. Then Raleigh, part of Tube Investments, has 8,000 workers making not just bicycles but car seats and a wide range of children's toys. Players, part of Imperial Tobacco, employs 7,000 workers and has just opened a new £8m plant in Nottingham. Finally Plessey, over in Beeston, has 7,000 workers making electrical components. But these four firms alone employ no more than 15 per cent of Nottingham's labour force. A third still work in

hosiery, lace and the making of children's wear. And the city retains a wide range of heavy and light engineering firms.

Occasionally Nottingham gets overconfident. A good deal of money has been spent on making it the cultural centre for the region. But the Playhouse theatre is losing money nowadays and is playing to half empty seats. A grandiose festival, which some locals

believed might be England's answer to Edinburgh, was a flop. Nottingham, it seems, will have to make do with its Goose Fair. But that is no bad thing, for as long as it retains its balance Nottingham should remain self-sufficient. It lies on that imprecise frontier between what its citizens regard as the more rugged North and the softer, possibly lush south. But compromise suits Nottingham.

Leicester

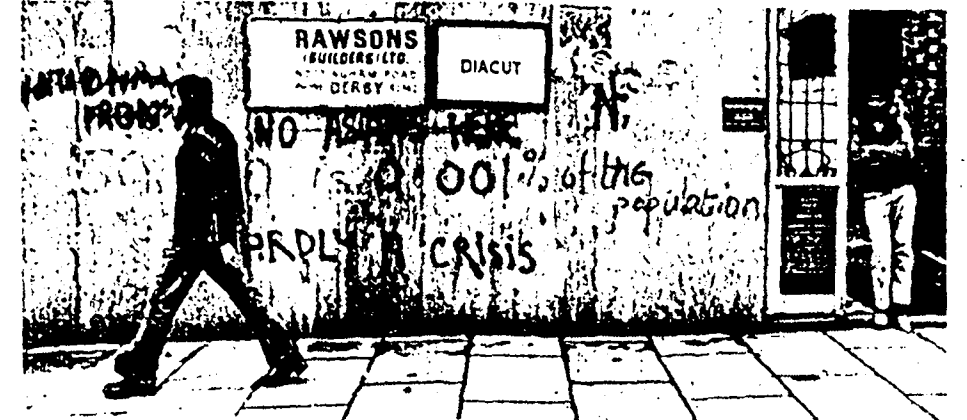
Prejudice before pride

Leicester is enjoying the good life. The city has never experienced a serious economic setback and it probably never will. But nowadays Leicester is in a bitter and unreasoning mood for all the hustle and bustle of its streets. Ever since President Amin decided to throw out all the Asians holding British passports from Uganda, Leicester has done its level best to make it quite certain that none of those unhappy people would get a warm welcome in its particular patch of the East Midlands. It seems that one of England's most affluent cities with a population of 280,000 can absorb no more than the 36,000 coloured immigrants it already has in its midst.

Some local officials talk the language of Enoch Powell. The local paper, the Leicester Mercury, has been the very reverse of being liberal and helpful, with its almost daily diet of thundering editorials and a letter column which often contains racist nonsense of the worst kind. The Monday Club, whose chairman Mr Jonathan Guinness lives in neighbouring Bosworth, has, of course, been at it locally as well. National Front posters besmirch hoardings in the city centre. But Leicester's behaviour is not just confined to the Right. A mere nine Labour councillors screwed up enough courage to defy

their ruling council group's negative attitude and decided to extend a welcoming hand to any Asians who might come to the city. The council went to the lengths of publishing a full page advertisement in a Kampala newspaper to warn the Asians that there was no room for them in Leicester. The city got its reward. Sir Charles Cunningham of the Resettlement Board came, saw, and agreed to try to persuade arriving Asians to stay clear of Leicester. But many Ugandan Asians came all the same. Nearly 1,500 told the Resettlement Board that they intended to go to Leicester.

Certainly Leicester has got its share of problems, but so has every other city. There are still 3,000 slums to come down, but they should all have gone by 1976. Then improvement schemes are going to bring renewed life to a further 26,500 houses. Leicester does claim to have a 10,000-long council house waiting list, although it seems that 6,000 of that number are in council accommodation at the moment but are seeking a second and better home. The schools do have to cope with high numbers of immigrants and over 750 coloured children have turned up since August in search of school places. It is reckoned that 15 per cent of Leicester's 53,000 schoolchildren are



coloured. But even so the education authority has managed to find places on average for a hundred immigrant children a month since 1967 without much fuss or publicity, and with very little extra financial assistance from the Government. This has meant some busing of immigrant children to where school places can be found for them out in the suburbs away from the crowded twilight areas like Highfield where the immigrant community is concentrated. This has not provoked tension. Indeed, the turnover of teachers is reckoned to be less of a problem in schools where coloured children predominate than in those where they do not.

Racist prejudice sits most oddly with the fact that Leicester, unlike many other towns in the Midlands, is not faced with an unemployment problem. Indeed, Leicester is in need of both skilled and female labour. Employers cannot get enough of either. About 2.3 per cent of Leicester's labour force is out of work; that amounts to no more than 5,000 people and the bulk of them can expect to find another job within five weeks. Only 750 men have had no work for over a year, but they must be virtually unemployable, for there are 1,800 vacancies on the register.

Leicester's economy is broadly based. Various kinds of engineering outstripped the traditional hosiery and knitwear industries as the main source of employment some years ago, but many of the 38,000 employed in engineering make machinery for Leicester's older activities such as hosiery and boots and shoes. Around 25,000 people work in the hosiery and knitwear industries proper; about 18,000 of them are women and Leicester's female activity rate is well above the national average. A further 22,000 people are employed in scientific and professional services and 23,000 in distribution. Some 9,000 make women's footwear. Leicester also manufactures among other things television lenses, clocks (including those in the UN building in New York) and lead gargoyles for churches. It remains a market town and distribution centre for the county as well as the administrative nub of a growing urban complex. Office blocks are shooting up everywhere.

All the same Leicester's wealth is wrapped up in its hosiery and knitwear firms, which account for a third of British production. Despite the inevitable round of mergers and closures small firms still predominate. As many as six out of every 10 hosiery and knitwear companies in Leicester each employ less than a hundred

workers. Very few labour troubles have plagued the industry. In 1971 there happened to be three disputes, but that was regarded as exceptional. But some employers harbour doubts about the future. Over half the firms are working below capacity, and foreign imports of seamless hose and tights as well as underwear are rising. Last winter Leicester's outwear manufacturers had to introduce some short time working when President Nixon's 10 per cent import surcharge reduced orders in the

Northampton Grafting on

Until a few years ago, Northampton was just a sleepy East Midlands market town of 130,000 people. It lived with and off its memories. Now progress is beginning to catch it up. The bulldozers and cranes are out in force in the old town centre. The northern end of Northampton's splendid cobbled market square is being torn down for new development. This has woken the town up to the fact that it is about to become one of London's principal overspill centres. So, too, have the acres and acres of new building sites on the north eastern outskirts. So too has the debate about where the town's two expressways are actually going to go.

It was as long ago as 1965 that the planners decided that Northampton was a sensible place for growth. The Government gave the go-ahead in 1969 and Northampton was given the designation of a new town. Its local council, of course, remained in office but it is now working in tandem with the development corporation. This is a genuine partnership. The town clerk acts as the corporation's solicitor, while the estates officer looks after industrial and office development in the town itself and the borough's surveyor stands in as the corporation's engineer. There does not yet seem to be any of the petty bickering which often afflicts such arrangements.

Northampton is supposed nearly to double its population in the next decade. The hope is that around 70,000 of the newcomers will emigrate from greater London. These are early days, but the economic climate has not as yet encouraged enough new industry to move into Northampton to provide enough jobs for the proposed influx of population. There are at the moment some 4,500 jobs in the pipeline and the new firms are beginning

industry's valuable American market. The wage push on costs is also causing concern, but as a whole the hosiery and knitwear industry remains confident that Britain's entry into the common market will do nothing but good. Leicester can be proud of its prosperity. It is therefore a pity that so many of its people have lost their heads over the arrival of Ugandan Asians. At the moment, unfortunately, Leicester does not seem to be able to separate pride from prejudice.

to trickle, rather than flood, in. Levi Strauss intends to have a large warehouse complex at Northampton. Carlsberg Lager is going to make the town its principal brewing centre in Britain. And Hartmann and Braun has started the production of electronic control equipment. Henry Telfers, the meat products subsidiary of J. Lyons, intends to build a plant in Northampton too.

Only 450 families have moved into new homes, about two-thirds hailing from London. The building programme has fallen behind target. The corporation hopes to see 3,000 houses going up every year, but so far the figure has not got above 1,000. Londoners are reluctant to move out to somewhere like Northampton without a job to go to. Equally the development corporation has no wish to house families until work is available for them.

Once, however, there is growth in the British economy as a whole, the new jobs should come Northampton's way. The town is blessed with an absurdly low unemployment rate of 1.2 per cent—just under 1,000 people, with up to 900 vacancies on the register. There is a shortage of skilled men and the demand for female labour remains unsatisfied. Engineering provides most of the jobs—amounting to just over 9,000 in all. The town's biggest single firm is Timken Roller Bearing Company which employs 3,000 workers. But Northampton's economy is widely based. Over 9,000 people work in the distribution trades and 8,000 in professional services. Barclaycard has its headquarters in the town and the Barclays clearing house is there too. Anglia Building Society is based on Northampton. The hope is that while 35,000 new manufacturing jobs will be found by 1991 in

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the town, a further 92,000 service jobs will materialise as well. But for many people Northampton still means boots and shoes. That impression is now well out of date.

Over the past 20 years or so, Northampton's boot and shoe industry has suffered a massive contraction in its labour force, which has fallen from 13,000 to 5,000. These men and women work in 20 firms in the town, five of which are less than half a mile from its centre. Even so, the output of shoes, mainly in high quality men's wear, has remained fairly constant at 7,500,000 pairs a year, of which roughly 20 per cent goes overseas. But the rise in foreign imports, particularly from Hongkong and Italy, has lit up the warning signs and pressure is growing locally for the Government to do

something about it. But Northampton's specialist skills should see the shoe industry through.

There are worries too that the development plans are overambitious. The lure of Milton Keynes, a new city planned for a quarter of a million people, as an industrial magnet, to the south provokes anxiety. So do the developments planned to increase the size of Wellingborough, Corby and Peterborough with London overspill in the next 20 years. Poor railway communications are another problem. There is a dearth of executive-type housing in the area. And planners fear a dearth of female labour in the future.

But one thing is certain. The new developments will not blot the old town out. With care, the new will be grafted on to the old.

The swing of the pendulum

Once Britain achieves a growth rate of 5 per cent or thereabouts, both the East and West Midlands will again be out there in front, ahead of the regional pack. They will have to go it alone. Nothing is likely to come their way in the shape of a further relaxation of industrial development controls or in the granting of intermediate status to their more laggardly towns. But something of the old vigour and old exuberance will have gone from their stride. The other regions of Britain will be closer on their heels.

That will be the result of economic learning. Britain's less attractive regions have begun to learn how they can seduce new firms and new citizens. The more attractive, like the Midlands, have realised that even the beauty of success fades. This is a region which burnt the candle at both ends, where everything for employers and employees alike came easily. Once upon a time, employers in the Midlands were blithely prepared to take any labour, good, bad or indifferent, that came on offer. In the next boom, they will

count their pennies. They will buy machines, rather than men. So, the Midlands will probably become a region of average unemployment and not, as in the past, one of overfull employment.

This is all part of the levelling-up process that, hopefully, regional policy on a national or international level is supposed to bring about. But it does not happen painlessly. As far as the Midlands are concerned, the pain will continue to be most immediately apparent at the employment exchanges. But it could also be seen, more viciously, when the children of the first generation of coloured immigrants leave school, better qualified than their parents were, and start looking for jobs for which their talents qualify them.

More openly than other towns in the Midlands, Leicester in the past few months has been flying the warning signals about coloured immigrants. One reason for this is that Leicester, as a town of the East Midlands, is aware that, looking forward over the next decade, it is the eastern part of the region which may well have more going for it in terms of economic growth and urban development than, say, Wolverhampton or Coventry. Both in the east and west the Midlands will continue to hustle, setting the pace for other regions. But where once, like the forlorn girl in the old music hall song, they wanted to go to Birmingham, they may well now want to go Leicester, Nottingham, and other eastern places.



The beginning

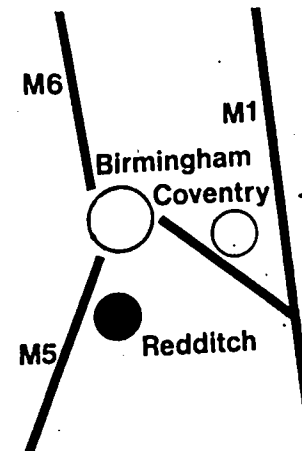
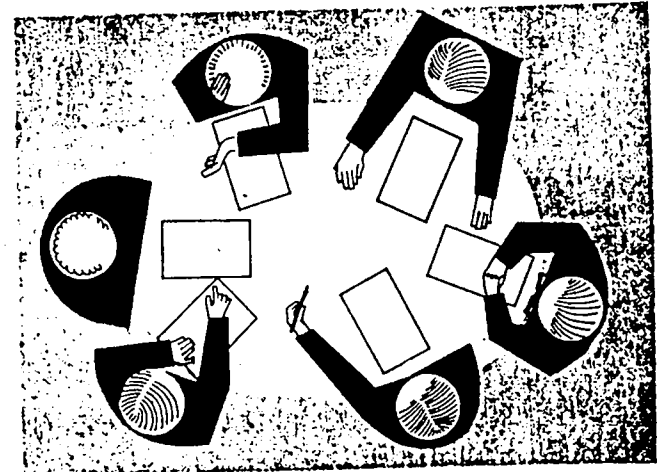


The end



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Mr H. Alan Walker, Chairman

Further extracts from Mr. Walker's statement:—

Imaginative efforts have been made throughout the country to improve our licensed estate and it would seem, judging by results, that we are finding an acceptable blend between what is traditional and what is novel in catering for the tastes of our customers.

The total volume of beer consumed in the United Kingdom is in steady rather than dynamic progression. There is, however, a marked trend towards the better quality beers and lagers. This trend is particularly favourable to us with our premium brands of Worthington 'E', Bass, Carling Black Label and Tennents Lager. Furthermore, our premium regional beers have also been most successful, in particular Brew XI which strides ahead of all competitors in the Midlands.

Practically half our draught beer sales are still in the form of traditional cask beer. We pride ourselves on the quality of these beers embracing such famous names as Bass—the first ever trade mark to be registered in the United Kingdom—and Worthington and many other names with strong local loyalty; we expect to sell a considerable volume in this form for many years to come.

Production An important feature of our overall plan for rationalising production has centred around the new brewery we are building at Runcorn in Cheshire, where site works started towards the end of 1970. Construction progress continued steadily until last summer, but at the end of June all work was brought to a standstill due to strike action involving the building trades. Considerable progress has been achieved since the site reopened and we hope to start bringing the plant on stream during 1973.

Wines and Spirits Growth of all brands has been most satisfactory, with substantial gains by Hironde table wines, Mouton Cadet claret, the Antiquary de luxe Scotch Whisky and Salignac Cognac. Bacardi Rum, Vat 69 Scotch Whisky, EMVA Cyprus Sherries and Mateus Rose Portuguese wine all improved their position.

New representation is an important part of company strategy and there have been two major additions during the year—Krug Champagne and Remy Martin Cognac which are leading brands with great reputations.

Hotels The Crest Hotels development programme continues to be concentrated upon high standard motor hotels, catering primarily for the business executive.

Soft Drinks Canada Dry (U.K.) Limited, our soft drinks subsidiary, has had an excellent year and has maintained its steady growth at a faster rate than the soft drinks market as a whole.

Overseas In Belgium the Lamot group has made good progress with an excellent increase in profits.

Accounts and Dividend The profit before taxation of the Group, which includes the results of the principal

U.K. trading companies for a 53 week period, is £48.9m and shows an increase of £10.7m over last year which included the results of those companies for a 52 week period. It is estimated that the pretax profit for the comparable 52 week period would amount to £47.5m.

In the light of these results the Board had intended to recommend an increased dividend but the introduction of the Counter-Inflation (Temporary Provisions) Act does not permit this; your Directors are therefore recommending the payment of a final ordinary dividend of 14%, the same as last year, making a total of 20% for the full year.

Extracts from the Accounts for the year ended 30th September, 1972

	1972 £ million	1971 £ million
Turnover	440.5	385.0
Profit before taxation	48.9	38.2
Available for ordinary shareholders	30.3	23.3
Ordinary dividends	13.9	13.9
Transfers to reserves	16.4	9.4

Bass Charrington



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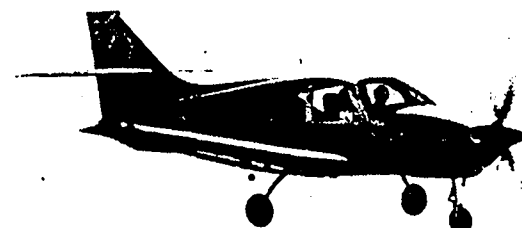
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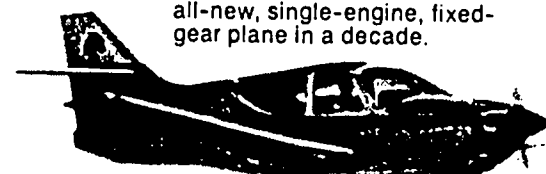
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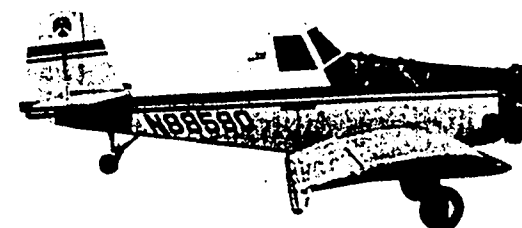
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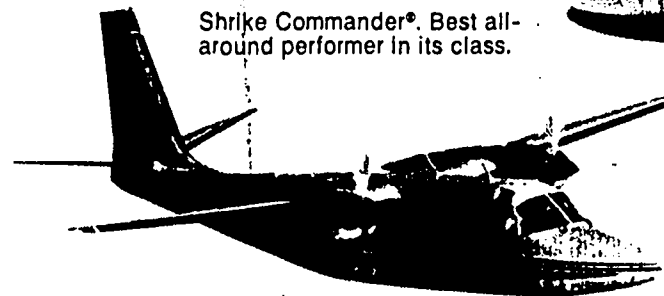
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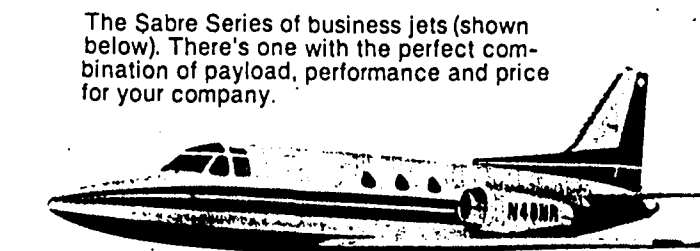
Shrike Commander*. Best all-around performer in its class.



Aero Commander 685*. Best pressurized, turbocharged twin in its class.



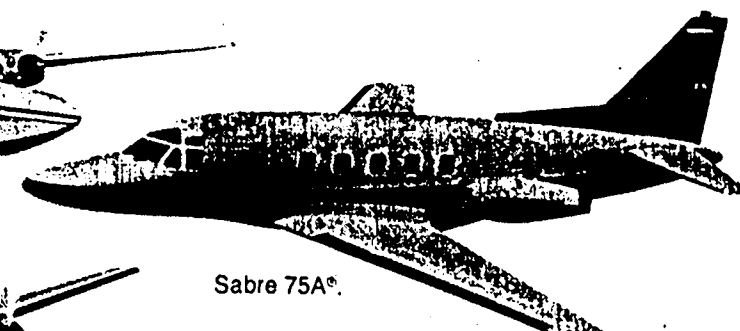
Turbo Commander 690*. Best all-around prop-jet at any price.



Sabre Commander*.

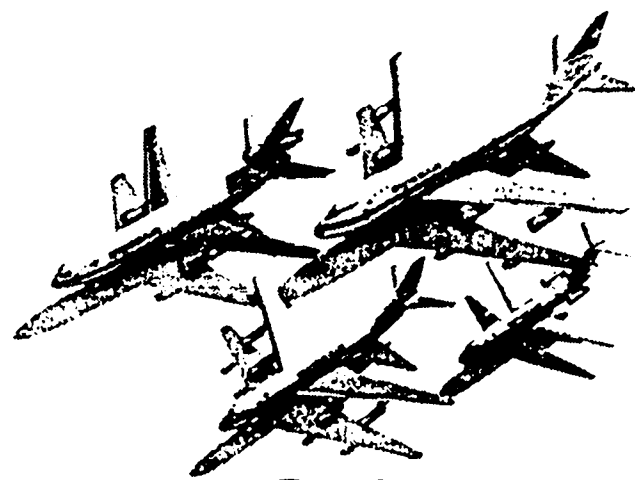


Sabre 60*.



Sabre 75A*.

(English, the 5th national language of Switzerland.)



Only big countries have big airlines.

SO NATURALLY AN airline from a little country like Swissair confines itself to 78 destinations. Forty of those are in Europe, which after all means only the fourth closest-meshed European network.

True, Swissair does fly 24 times a week from Europe to North America, but it hasn't managed anything bigger than a Boeing 747B yet.

And the handful of African cities (17, to be exact) that Swissair serves can't obscure the fact that

the competing airline with the most destinations in Africa flies to a few cities more.

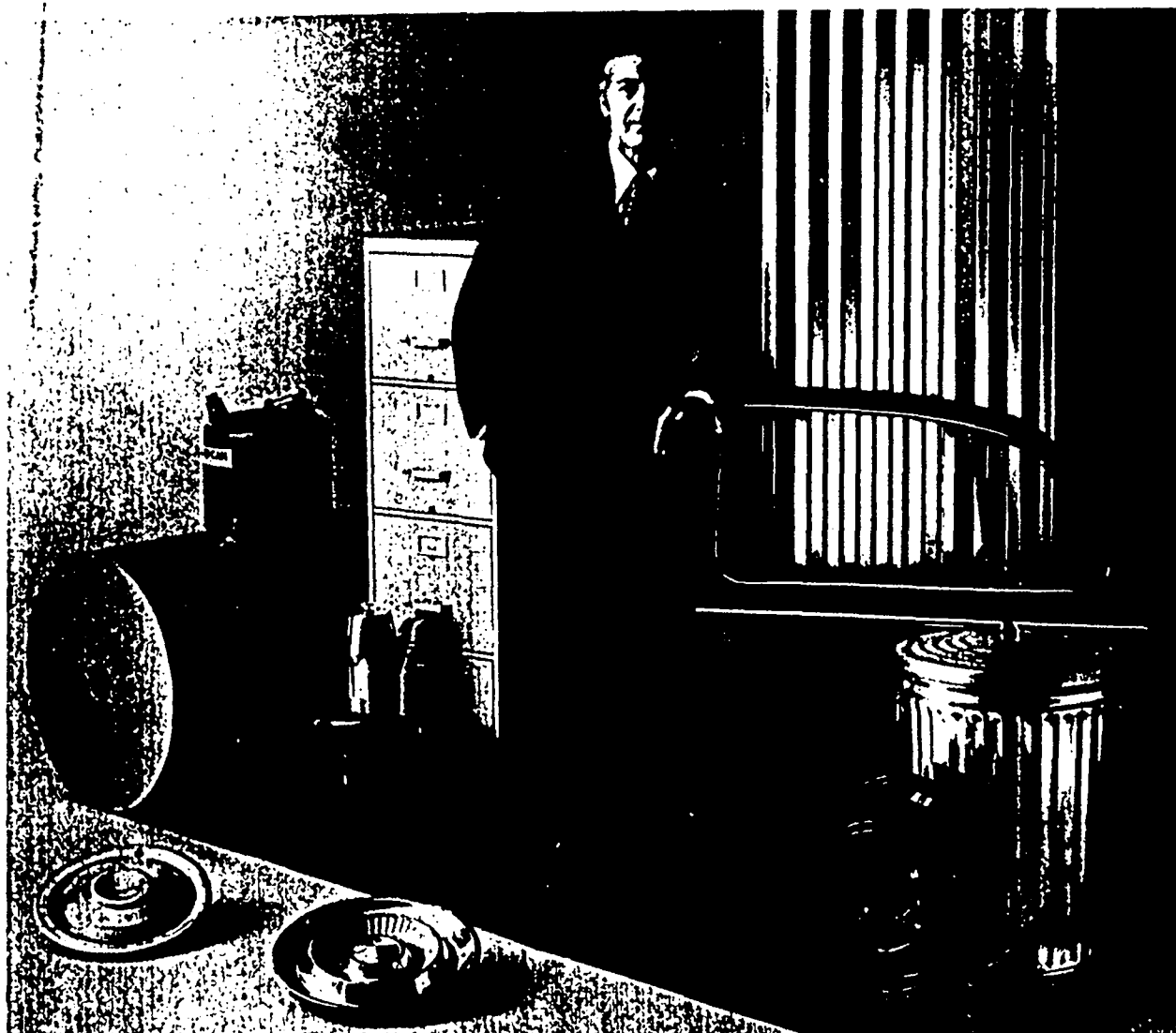
Not to mention the Far East, to which Swissair flies but once a day. (Even the exclusive nonstop flights between Geneva and Bombay and between Athens and Bangkok hardly make up

for this.) As you can see, it's no picnic being the airline of a small country; so we won't even talk about our flights to South America.

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Alger	Buenos Aires	Glasgow	Lisboa	Nairobi	Strasbourg
Amsterdam	Buffalo	Göteborg	London	Nassau	Stuttgart
Ankara	Cairo	Grenoble	Los Angeles	New York	Sydney
Antwerpen	Cape Town	Haga	Lyon	Nice	Tel Aviv
Athina	Caracas	Hamburg	Madrid	Nicosia	Tokio
Auckland	Casablanca	Hannover	Malaga	Nürnberg	Toronto
Bagdad	Chicago	Hartford	Malina	Osaka	Tripoli
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Barcelona	Cleveland	Hongkong	Marakech	Paris	Warszawa
Batavia	Colombo	Houston	Marseille	Philadelphia	Washington
Beirut	Dakar	Innsbruck	Mexico City	Praha	Wien
Bogota	Dallas	Istanbul	Miami	Rio de Janeiro	Zagreb
Bonn	Dar es-Salaam	Jerusalem	Monterrey	Roma	Zürich
	Delhi	Johannesburg	Moscow	San Francisco	
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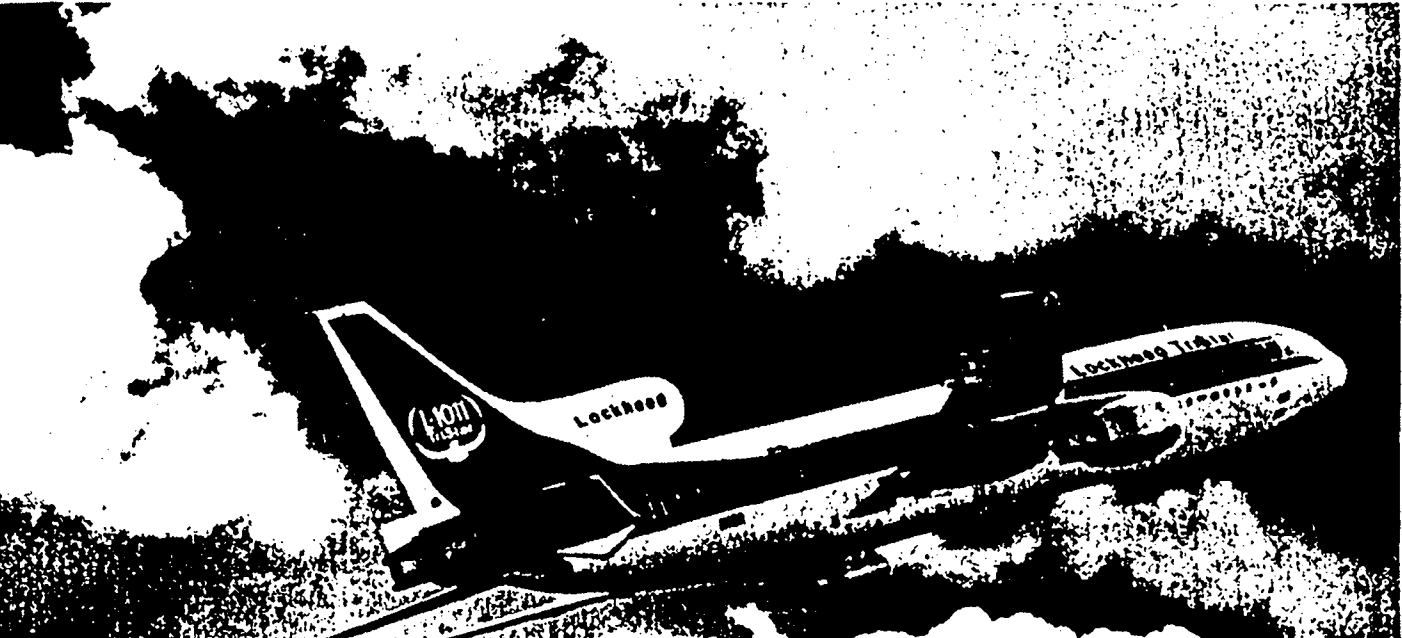
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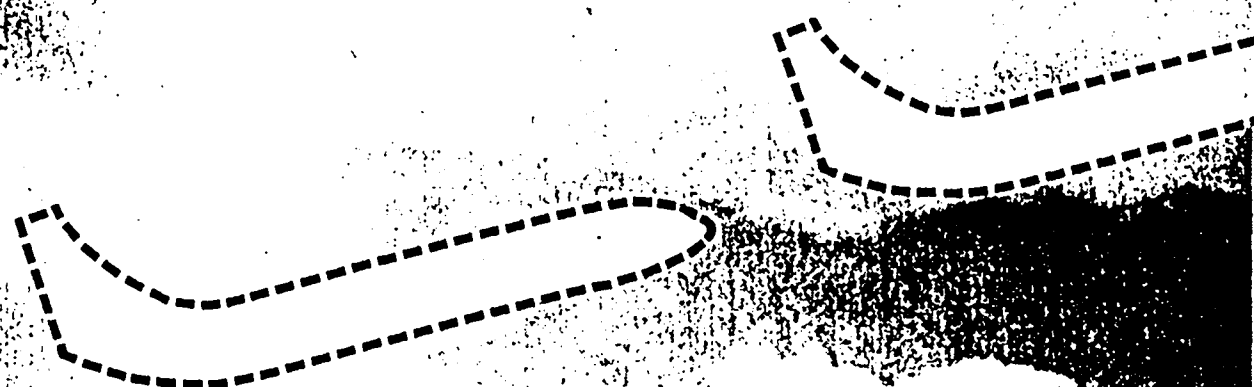
At the moment Volkswagen produces about 10,000 automobiles every day. In addition to the 6 plants in the Federal Republic of Germany where VWs are produced, they are also manufactured in Brazil, Mexico and the Republic of South Africa. Other subsidiary and sales companies in Germany and abroad help us to make the best of the sales opportunities which the world's markets have to offer. About 200,000 people work within this industrial group and to these must be added the thousands upon thousands who earn their livelihood within the international Dealer Organization. Nearly 10,000 authorised VW outlets in 140 countries are responsible for looking after Volkswagen automobiles — total production so far adds up to almost

22 million. And with 70 ships — with a cargo capacity of over 1 million tons — VW has the largest private fleet of oceangoing ships on charter at its disposal. However, before shipments go off all over the world, materials have to be purchased from all over the world. VW is a major customer for some 5,000 suppliers who send huge quantities of coal, iron, sheet steel, magnesium, copper, lead, zinc, nickel, aluminium, textile materials, tyres, cables, lamps, glass, batteries, speedometers, clocks, horns, paint, switches (to name a few). These facts show that the Volkswagen Story is not only a tale of success on a world-wide basis. It is also an example of what free enterprise is capable of achieving on the

world's market. Give and Take: that is the deeper significance which lies behind every commercial transaction. For — who does not benefit from an exchange of products, from the interplay between the economies of nations and of the world as a whole? Everybody knows that today, economic and technological developments have a far-reaching effect on the life of the private individual and on society. Developments in these fields concern us all. And in addition, human relationships and ties extend across frontiers and are of great significance too, since they assist in breaking down prejudices and building understanding. We all profit from the countless avenues which World Trade opens up for us.

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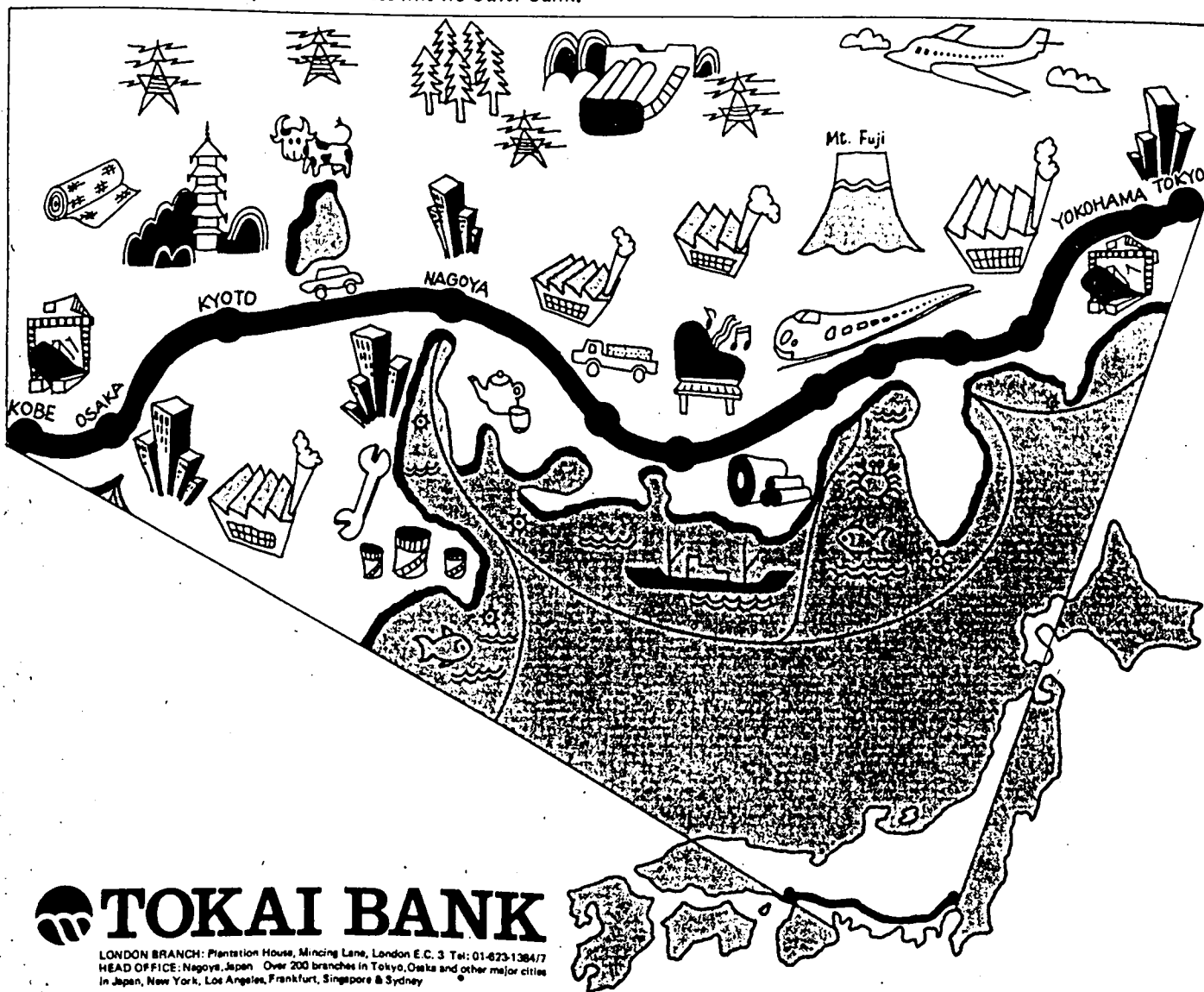
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Books

Hammering it out in inflation workshops

AN INCOMES POLICY FOR BRITAIN
Edited by Frank Blackaby.
Heinemann Educational. 258 pages.
£4.

INCOMES POLICY AND INFLATION
Edited by Michael Parkin and
Michael T. Sumner.
Manchester University Press. 295
pages. £3.60.

Mr Cecil King's diary for February 7, 1968, records that a group of very important personages:

... were agreed that the country is in a mess and that Wilson won't do. What, however, should they do? What about a joint letter to The Times? This did not find favour, so what about a deputation—but who to? Eventually they decided to see if they could get Roy Jenkins to dine.

If the Social Science Research Council had a diarist, one suspects something similar would have immortalised their attitude to inflation some time in the recent past. Inflation is a problem, but what should be done? Sponsor research, organise seminars, arrange for books to be published? Two books published this week dealing with incomes policy seem to be the SSRC's equivalent of an invitation to dinner. Both stem from seminars, contain much of value, and are admirably well-intentioned; but the conclusions are precious little use to policy-makers.

"An Incomes Policy for Britain" is a "synthesised" report of a conference organised (in London, in January) jointly by the SSRC and the National Institute of Economic and Social Research. "Incomes Policy and Inflation" is a collection of papers, some previously unpublished, considered by a seminar organised (in Manchester, in March) by the SSRC and the Manchester University Inflation Workshop, a group of some 20 economists, econometricians and accountants who began a three-year research programme on the problem of inflation in July, 1971, with financial backing from the SSRC.

The first snag is the long delay between the conferences and reports, which makes the bright ideas of the contributors so painfully out of date. In Mr Blackaby's case this appears to

have been filled by the compilation of a summary of the discussion at the conference which, for no obvious reason, opens the book, preceding the papers that were under discussion. This 21-page introduction is so out of place that it is not even mentioned on the contents page, and is itself preceded by a half-page summary explaining the order in which the discussion is summarised.

From the Manchester conference, the time lag is shorter (and filled only by one-and-a-half pages of "subsequent developments"). The contents are far better presented; the result, within its cautious limits, successful. This is a convenient collection of academic papers, designed to be the first of a series. The light it throws on the preoccupations of researchers is not, however, very encouraging. Much of the book is devoted to various backward-looking discussions of whether or not the Phillips curve works and how Phillips curve analysis can or cannot be applied to determine the past effects of incomes policy. Too many academics are like the man who, on dropping his wallet, walks 50 yards farther on to the next lamp-post, so that he has some light in which to search for it. But as the book progresses there are some welcome signs that they are timidly probing the darkness a little. Expectations are mentioned. Movements in real incomes start to play a part.

Indeed, by the time one reaches Mr J. A. Bisham's piece on forecasting, on page 250, one at last discovers an analysis of price changes from 1968 to 1971, showing the effects of indirect taxation and devaluation. Any hopes that in the remaining pages of the book someone will start looking at the way resources are shared in the economy are, however, dashed. The reader is instead treated to a patronising lecture on the futility of defying "basic economic principles." That the editors regard this sterile contribution, provided after the conference, as a "bonus" is amazing.

The Manchester conference looked at causes but did not get as far as considering cures. The London conference looked at cures without giving

more than a passing thought to the nature of the problem. The fact that the symptoms this time round are wildly different from any previous occasion when incomes policies have been applied hardly seems to have registered at all. There is, however, an admirable account of experience in other countries. Before that, the book offers four suggestions for a workable incomes policy for Britain. The first, by Mr Alex Jarrat, concludes:

The main message I would like to get across is that I cannot envisage, nor would I like to have any personal part in trying to arrange, the re-imposition of a policy similar to the one we had last time.

The second is an ambitious plan from Professor E. H. Phelps Brown for a complex "Central Consortium" of the negotiating bodies. A splendidly chatty piece by Professor Hugh Clegg follows, which contains so much sound common sense that it ought to be obligatory reading for all officials and ministers involved with the phase two incomes policy machinery. Finally there is an interesting but jargon-ridden piece by Mr John Corina. There must be a simpler way of saying:

First-approximation proposals should be based on a flexible policy base, from which penetration can be initiated into the social dynamics of a complex and fragmented industrial relations system.

How about: "Don't make your incomes policy rules so hard and fast that you can't use a bit of common sense when applying them to different cases"? One cannot help feeling that the SSRC would have spent its money better hiring one literate economist for one week in the spring to make an immediate summary of both conferences, whence (who knows) some useful suggestions might have emerged in time to affect policy. As it is, by the time the academics come up with anything (and it has been translated into English) the problem of the wage-price explosion will either have been solved or will have destroyed the type of society for which a solution is being sought.

Middle-aged spread

THE MEDIEVAL ECONOMY AND SOCIETY: AN ECONOMIC HISTORY OF BRITAIN, 1100-1500

By M. M. Postan.
Weidenfeld and Nicolson. 269
pages. £3.

This survey of medieval economic structures and change might appear at first sight to be written at a leisurely pace, with frequent excursions away from the main argument into historical-discussions of widely accepted

but vulnerable theories, or of the ideological origins (particularly among nineteenth-century German scholars) of specific hypotheses about medieval development. But appearances are deceptive: the architecture of the book is taut, the amount of ground covered impressive, and the overall result outstanding.

It was, of course, predictable that a work by Professor Postan would bear the hallmarks of his forthright views. And quite apart from the idiosyncratic distribution of emphasis between the main themes of medieval history, the book's extraordinarily well-informed discussion frequently presupposes a fairly substantial degree of knowledge, or at least of intellectual commitment, on the part of the reader. But in the last resort these are strengths, not weaknesses. The author's prime concerns are with quasi-Malthusian approaches: trends in population, land use, soil fertility and prices, and associated changes in land tenure, social stratification, welfare and commercial and industrial trends.

Not surprisingly, the main conclusions are familiar to readers of Professor Postan's previous work: the growth of population in the early middle ages was associated with an extension of the agricultural frontier and with critical changes in demesne farming; the increase in men and cultivation ultimately tended towards a breakdown in "the metabolism of the field system," so that productivity fell and arable cultivation contracted; the population crisis of the early fourteenth century was followed by a period of retrogression, which, however, was also a "golden age" for the peasant. But in this instance familiarity breeds admiration, particularly since the author has done us the compliment of using a good deal of new, as well as much old, evidence to support his views.

Moreover, the book is by no means confined to one set of hypotheses about medieval economic institutions and trends. It offers a level-headed and healthily sceptical discussion of simplistic views about the measurement of medieval population, the importance of Roman institutions, the origins of the manor, the rise of an exchange economy and linear "progress" in the middle ages. Altogether, it is a most refreshing work to read—the product of a genuinely original and unfailingly stimulating mind. Few other scholars could, with such well-justified *brio*, dismiss the Weber-Sombart approach to the role of custom as an attempt to

tionism of medieval technology" in "the sociological mysticism of cultural patterns."

Paeon for a president

GUSTAV HEINEMANN

By Joachim Braun.

Oswald Wolff. 277 pages. £4.

So devoted are President Heinemann's admirers that it seems sometimes as though he may be in danger of being prematurely canonised in the international calendar of virtuous heads of state. Yet, as Herr Braun makes quite clear, the prospect of unquestioning reverence is genuinely repugnant to this particular specimen of the republican kind. Dr Heinemann is a perspicuously noble man with a mind of his own, dominated by both a strong sense of public duty and some very sensible ideas of the nature of his own singular opportunity in Germany in the later half of the twentieth century. To that extent he is unusually self-conscious. But there is not a whiff of ostentation or any other sort of humbug about the man. Probably his most widely known remark is that which he made concerning extravagant public indignation at the extravagantly angry social criticism of some young contemporaries: anyone pointing an accusing finger at somebody else, President Heinemann observed, has three of his other fingers pointing back towards himself.

Herr Braun has written an instructive, if a shade humourless, account of Dr Heinemann's politically impeccable past and his present active



Heinemann: premature canonisation?

concern, within the limits of the constitution, for the state and the individual. To some eyes the colours may glow too warmly. Those inclined to reject all eulogy on sight would be well advised to begin with the extracts from President Heinemann's own speeches (occupying 30 consecutive pages) and the well-chosen illustrations (occupying 50), which speak for themselves.

Nationalism or provincialism?

THE FORERUNNER: THE DILEMMAS OF TOM ELLIS, 1859-99

By Neville Masterman.

Christopher Davies. 299 pages. £2.50.

The distinction between liberationist nationalism of a small people and rancid provincialism is often lost on the practitioners of national revivals. Roger Peyrefitte in one of his novels of diplomacy has an ambassador who served in Old Vienna remark: "To detest the Czechoslovaks, one has only to see one of their Sokol festivals on a newsreel." Unsympathetic and unfair, no doubt; especially in view of the rejoinder that they were preferable to the displays put on by the Germans at Nazi rallies in Nuremberg. Still, there is a point there to be taken, as Mr Conor Cruise O'Brien is continually reminding his more chauvinistic countrymen.

The first enlightening point of interest about this present study of Thomas Edward Ellis, the "forerunner" of the modern Welsh nationalism, is that its author is himself an old central Europe hand. As a teacher in Budapest before the war Mr Masterman learned much from his study of the nationality problems of the former Habsburg empire. In particular he came to adopt a very critical attitude to nationalists like Kossuth, who persuade people to play a role for which in numbers, power, and character they are unsuited. Central Europe illuminates much about the nationalism of the "Celtic fringe" of the British Isles. Ellis was accorded by his admirers the honorific of "the Parnell of Wales." Mr Masterman thinks more highly of him than that. He prefers Stephen Széchenyi to Kossuth, and Daniel O'Connell to Parnell. Above all, Masaryk is his model, a "man of light." Ellis's "man of light" was Gladstone, and Gladstone's struggle to bestow home rule on Ireland was the cause that Ellis served whole-

heartedly as a Liberal MP from 1886, and as Liberal chief whip from 1894 to his early death in 1899, as part of a larger cause of human emancipation in which Wales would take its due place.

Ellis, the Calvinistic Methodist son of a Merioneth tenant farmer, tried to stand for something essential yet elusive between mere anglicisation and the sort of distorted folkish rancidness which became so dislikable in Irish nationalism. Hence the "dilemmas" of his career, and his very mixed and uncertain reputation among Welsh nationalists, who tend either to acclaim him as something he was not, or to despise him for refusing to become something he detested. Mr Masterman offers this book as an assessment of the true Ellis as a model, modest but serviceable for our times, as a "man of light." The essence of this enlightenment was the ability to stand outside the nationalist movement and see it critically from a larger point of view. Ellis was a provincial Nonconformist tempered by Oxford. He was a Gladstonian Liberal who could yet appreciate the virtues of the imperial vision of Rosebery and Rhodes.

Mr Masterman, as the son of the Liberal politician C. F. G. Masterman and as a teacher in the University of Wales, has thus two further positions of advantage from which to recommend himself as a sympathetic and convincing biographer of Ellis. He has produced a solid, scholarly study, far removed from hagiography. "Perhaps," he concludes:

a new start needs to be made in the Principality today by someone with the genial alchemy that he once possessed. Those who accept such a need may once again sense the peculiar fascination that he exerted for his own generation and find that his all too brief life has a special interest for our own time.

Someone has to lose

FROM THE JAWS OF VICTORY

By Charles Fair.

Weidenfeld and Nicolson. 445 pages. £3.95.

This book must have been a lot of good dirty fun to write. Its object is to pillory military stupidity and incompetence, of which the world, at least to the retrospective analyst like Mr Fair, has never been in short supply. When it is concerned with such a juicy subject as Burnside and the American civil war, it succeeds. Then its spleen is almost splendid. But Mr Fair loves a digression. So, for

example, unimportant engagements like Pea Ridge and only slightly more important ones like Drewry's Bluff get almost as much space as Burnside himself.

In fact, Mr Fair indulges himself, writing about those men, battles and campaigns which happen to interest him. He does not even bother to mention the classic case of blundering, the Crimean war. And, whatever his views on the war in Vietnam, the reader will find the way Mr Fair keeps dragging everything back, or rather forward, to President Johnson and General Westmoreland tiresome.

Much ado about poets

BRITISH POETRY SINCE 1960

Edited by Michael Schmidt and Grevel Lindop.

Carcanet Press. 289 pages. £3.25.

PREACHING TO THE CONVERTED

By Peter Porter.

Oxford University Press. 61 pages. £1 paperbound.

AFTER MARTIAL

By Peter Porter.

Oxford University Press. 48 pages. £1 paperbound.

POEMS 1970-72

By Robert Graves.

Cassell. 95 pages. £1.90.

The Carcanet Press, which operates from Pin Farm, South Hinksey (shades of the scholar gipsy), has been very active in publishing little-known poets and also in resurrecting neglected ones. In this survey of the poetry of the last decade, the editors have concentrated on the less established writers, but they cover a wide range. There is an article on Scottish poetry, and one on Welsh. The Liverpool poets get only qualified approval from Mr Grevel Lindop, and the Tynesiders are mercilessly trounced by Mr W. E. Parkinson; this book is by no means all adulation or taking in one another's washing. Three poets rate a critique apiece—Geoffrey Hill, Jon Silkin and Charles Tomlinson. There is a recorded conversation, too, with Jon Silkin, as well as one with Peter Porter. The latter is well worth reading. Porter is not in any way cliquey, but pungent and dismissive of irrelevancies. The book on the whole engenders the feeling that a great to-do is being made about a lot of very ephemeral talent, but this is almost inevitable when the main emphasis is on the people published by private presses and in little magazines. These magazines, as a phenomenon typical of



Porter: basically serious

the 1960s, receive a chapter to themselves. For the benefit of aspiring writers, there is a long list of awards and their holders—Arts Council bursaries, various memorial prizes, university fellowships, Poetry Book Society choices and so on. In spite of the unevenness of the contributions, the whole book represents a very lively concern for the poetry of the present.

The Oxford University Press, no less, has brought out two slim volumes by Peter Porter; they are in paperback, which makes one wince at the price. Many of the poems in "Preaching to the Converted," including the piece that gives its name to the collection, have been sparked off by cultural monuments—sculpture, paintings, buildings, especially in Italy and Greece. They are usually concentrated and witty, almost Empsonian sometimes, but basically serious. Nor are the translations from Martial—renderings, rather than translations in the strict sense of the term—at all frivolous, though they are often thoroughly bawdy. Mr Porter's familiarity with Latin poets may help to account for the sinewy economy of his style at its best.

Another poet whose craftsmanship allies him with Horace and the Roman epigrammatists is, of course, Robert Graves. He goes on producing his quota of poems every couple of years, in spite of being in his late 70s. The lyric elegance and verbal dexterity are still there, as is, astonishingly, the erotic impulse. The newest poems may not do anything to alter what we already think of as characteristic of Graves, but they are more likely to endure than much of what passes for poetry, poured out by men young enough to be his grandchildren.

Anti-separatists

A HISTORY OF THE MENTAL HEALTH SERVICES

By Kathleen Jones.
Routledge and Kegan Paul. 442 pages. £5.

TAKEN FOR A RIDE
By Michael Meacher.
Longman. 558 pages. £6.75.

Both these books deal with the mentally ill—in Professor Jones's book all of them, and the mentally handicapped as well, in Mr Meacher's old people with some degree of dementia. Professor Jones has already written two volumes of her history; in this one she has abridged them both and considerably revised the second. She has also added a new section of about 70 pages covering the period between the passing of the 1959 Mental Health Act, which marked the end of her original second volume, right up to the end of 1971.

People who already have the first two volumes may feel reluctant to spend £5 merely to obtain her new section. But they should be encouraged to read it somehow. It is a stimulating appraisal of current trends in psychiatry, in particular of the move away from the old separate mental hospital towards community care, and of the reactions this has produced. On the one hand, psychiatry has come closer within the fold of general medicine. When mentally ill patients need hospital treatment it will, according to received doctrine backed up by Government policy, be to the district general hospital that they will be admitted. On the other hand, a movement has developed to abolish psychiatry altogether. This movement contains both the extreme anti-psychiatry writers, like Goffman, Szasz and Laing, and social workers, who see mental illness and mental handicap as social problems that should be solved in a non-medical setting. Professor Jones has written a brilliant essay, but it cannot at this stage be more than that. She should take up her pen again, when current controversies have become history, and expand it into a full book.

Outlining the virtues and vices of separatism as a policy for caring for people with special needs, she points out that it can encourage advanced techniques and co-ordinate specialised services and skills. (Here is one argument for setting thalidomide children apart.) But it can also encourage "occupational in-breeding," failure to adapt to change and stagnation. Mr Meacher's book is, according to part of its sub-title, "a study of separatism in

social policy." He has been clearly influenced by the anti-psychiatry school and the social approach to mental illness, and believes that the mental confusion shown by old people in special residential homes is a natural reaction to their isolation and bewilderment and to the paternalism of those in charge. Told by relatives that they are being taken for a ride (hence the book's title), they find themselves dumped in unfamiliar surroundings and heavily medicated.

Given the avowed aim of running down the mental hospitals, where many confused old people now end their lives, Mr Meacher is concerned that local authorities will tend to build more separate homes for them so that they do not upset the rational residents of ordinary homes. He has steeped himself in the expert literature on old age, but the core of the book is a personal study of three special homes and three ordinary ones. His accounts of the residents, the staff and their interactions, complete with verbatim conversations, complement splendidly the recent rather arid government memorandum on the psychogeriatric services, although he is perhaps too optimistic on the possibility of full integration of the confused elderly with the rational. In any case, has not integration dangers of its own? Professor Jones points out that though it can bring fresh life to an unsatisfactory service, at its worst it means a takeover bid in which the interests of the smaller and weaker groups are submerged.

Cold comfort

THE SEMBLANCE OF PEACE

By John W. Wheeler-Bennett and Anthony Nicholls.
Macmillan. 878 pages. £12.

NUCLEAR POLITICS

By Andrew J. Pierre.
Oxford University Press. 391 pages. £5.50.

"The Semblance of Peace" is on the origins of the cold war, and it is a disappointing book. There is a technical reason for this. At the time they were writing the book, the authors could not have made a thorough study of confidential government archives for the years of the second world war, and were unable to consult such material for years later than 1946. In accordance with the 30-year rule which now governs the release of the official archives in Britain—as a result, indeed, of a generous interpretation of that rule—these have only recently been opened for 1940-45. In the United

States delays in editing and printing have frustrated the policy of releasing the confidential archives more quickly, so that the American material, as published in "Foreign Relations of the United States," is only now reaching into the year 1947. From now on, on the other hand, more of the relevant archives in Britain and the United States, if not in Russia, will be added to the public domain every year; these will include not only official archives, but also the papers of individuals, of which only those of Lord Cherwell and Sir John Wheeler-Bennett himself are referred to in this book; and research will be steadily modifying the emphases which underlie the orthodox interpretation of how the cold war arose.

In "The Semblance of Peace" the orthodox interpretation is firmly adhered to. What caused the cold war was the fact that:

Russia's foreign policy, as disclosed during the war and practised thereafter, was a re-embodiment of those imperial ambitions which in the glory of the Tsarist expansionist period had led to the Crimean war, the Russo-Turkish war, the colonisation of the Transcaucasian territories and of Manchuria, the penetration of the Balkans. . . . To this old-fashioned imperialist policy was added the further threat of the proliferation of communism in Europe.

The authors notice, it is true, that this conclusion is now violently opposed in the United States by the revisionist argument that the cold war was entirely due to imperialism and insensitive anti-communism on the part of the United States. Nor need we blame them for being content merely to state this argument and say that they find it unacceptable. Even before the complete documents are available—simply, in fact, as a result of looking at the existing evidence after the passage of time—the revisionist argument looks silly beside the less dramatic view that the cold war was the outcome of mutual fear and distrust on the part of Russia and the west in an uncertain postwar situation. So, however, does the orthodox interpretation. If "The Semblance of Peace" adheres to it, indeed, it is not solely because it comes out just before the documents are complete but also because, for all its attempts at serious analysis, it lacks historical perspective.

This defect extends beyond the book's discussion of the origin of the cold war to the epilogue in which it considers the international situation a quarter of a century later. There is no recognition here that the cold war has declined in intensity, not to say come to an end. More important, the

"tragic sense of failure" when reflecting on the United Nations Organisation is unrelieved by any recognition of the fact that governments embarked on this experiment with fewer illusions than they had in 1919, while the recognition of the fact that "the Bomb has ensured the peace of our planet for the past 25 years" is accompanied by no understanding of the way in which the Bomb and all the forces which it symbolises have, during most of those years, been slowly bringing into existence an international system that already promises to be more stable than any that preceded it.

Dr Pierre, by contrast, is fully aware of this last development. His last remark, it is true, is that we live in a highly unpredictable world, in which Britain would be unnecessarily foreclosing her options if she gave up her nuclear force unilaterally. But the conclusion he has previously come to is that "it is certain that Britain's nuclear innocence has been lost beyond reach" and that "she will retain her nuclear force in some form . . . in an international system of possibly many nuclear powers." And this sensible conclusion, with its clear implication that the international system has at last required an effective structure of deterrence against major war, rounds off an equally sensible book in which the British development of nuclear weapons, since 1945 as well as before, is analysed as thoroughly as the British 30 year rule as yet permits.

Saucer eyes

THE UFO EXPERIENCE: A SCIENTIFIC INQUIRY

By J. Allen Hynek.
Abelard-Schuman. 288 pages. £2.50.

Flying saucers do not make the headlines very often these days, because people are increasingly reluctant to report having seen them. The main-spring of their reluctance is the official ridicule that has been poured on sensible and honest reports of genuinely puzzling phenomena. This policy of ridiculing what you cannot explain away has made a number of scientists exceedingly angry. They realise—who better—that reports of flying saucers have been the results of frauds, hoaxes and various forms of self-hallucination. But when these have been dismissed, and the unidentified flying objects that can be explained away have been identified as anything from stars and aircraft lights to marsh gas, a balance of genuinely inexplicable reports remains.

The anger that boils through Dr Hynek's book is the result of 20 years spent as adviser on astronomy to the American air force's flying saucer investigators, and watching their inquiries become increasingly careless and cursory. He has debunked plenty of saucer reports in his own time, but considers there are others that ought not to be dismissed so lightly. He has grouped what he considers to be the most important of genuinely inexplicable and properly witnessed reports (which means at least two witnesses) into night sightings, day sightings, UFOs that have been seen simultaneously by observers and on radar—an impressive collection, this—and those that have been seen close to and have left visible tracks, such as scorch marks. And finally, gritting his teeth because he would much rather ignore such tales, he lists reports of UFOs with hominids on board, the traditional little green men. It is a measure of Dr Hynek's scientific honesty that he included these sightings, in order to drive home his point that evidence must not be dismissed just because it makes you feel red-faced.

His is as much a plea for scientific method as it is for UFOs. He does not know what they are or even whether they come from space; they may merely be weapons still on the secret list. But on the criteria he has laid down, Dr Hynek is convinced that a number of responsible people have seen objects for which we have not yet provided a satisfactory explanation. Remembering that public men in the nineteenth century refused for a time to believe in the physical possibility of meteors, he will go on regarding these as unidentified flying objects until science makes the breakthrough that will tell us what they are. This is not a book for the nervous.

Short list

Pig in the Parlour by Rowel Friers (Blackstaff Press, Belfast, £1.50). The sub-title on Mr Friers's marvellous collection of cartoons is "Northern Ireland in Black and White," which is literally accurate but metaphorically too modest. Mr Friers pulls no punches, either with the IRA or with any other extremists, and his representations of Mr Whitelaw's amiable features are classics of caricature: but it is not only his political cartoons that make up this book. He spares no corner of Ulster's soul: sport, religion, drink, domestic life—and, as in the cartoon above, Irishmen's less lethal antics on the border. The phonetic spelling of



"From this attitude I can only conclude that you don't believe in me"

the captions is sometimes rather hard work, but it is worth struggling with, for example: "What do ye say tae a plebiscite on the border, Wullie John?" "Ach, so long as ats no wan o' thon skyscraper blawks!"

The Economics of Business Investment Abroad by H. Peter Gray (Macmillan, £6). Not quite a textbook for economists, nor a guide for businessmen thinking of investing abroad. The author attempts to provide an "analytical framework" for assessing the benefits and costs of foreign investment for all parties concerned. However, he also wants to do this in a way which will appeal to the "practical man." The result is an uneven combination of scattered formulae and diagrams with descriptive taxonomy (three sorts of goods and 18 reasons for investing abroad, etc). There is also a rather superficial discussion of multinational corporations.

Shaking the Money Tree by Winthrop Knowlton and John L. Furth (Harper and Row, £3.50). The choice of title, with its overtones of rich pickings for little effort, is one of the authors' few mistakes. The book is really a no-nonsense account of how to choose shares and what to expect of them. (The answer, for patient and industrious investors, is satisfying, but unostentatious.) At times, it reads like a revivalist cry for the good old pre-conglomerate days of investment analysis, with vintage examples to match. But it also shows how intelligence, and even candour, can still command some premium on Wall Street.

Business Brief

London: development area

The latest proposals for the redevelopment, or renovation, of Piccadilly Circus, published by Westminster Council last weekend, amount to a turnaround on the original plans which caused such a storm last May. Gone are the tower blocks and the high-level pedestrian walkways, and gone also is the take-it-or-leave-it attitude that went with them. This time four options are put up for debate. It amounts to a victory for public opinion, a force which has emerged in London planning only over the past year or two.

Having gained ground on Piccadilly, the public is likely to want more say in a number of other planning issues coming up. One is the future of Covent Garden, which has aroused some very strong feelings about which the new Secretary of State for the Environment, Mr Geoffrey Rippon, will now come under increasing pressure to make up his mind. In January, a report on the redevelopment of London's dockland will spark off further debate. The pressure will be kept up by the Greater London Council elections in April, with the possibility of a switch of control to Labour. And some time soon Mr Rippon will have to decide how much he accepts of the GLC development plan which, after 18 months of public inquiry and a great deal of

further research, looks a very different animal from the one first published in 1969.

Until the plan was drawn up, policies had been based on the belief that London's population would grow unless the planners could stop it, and that employment was expanding so fast that a labour shortage had become a real risk. Up to the mid-1960s planners therefore aimed to control London's growth by office development permits, the setting up of the Location of Offices Bureau to lure companies out of town, and the general strategy for the south east with its emphasis on growth points outside London.

London's population was, in fact, falling at an ever-accelerating rate—by around 75,000 a year between 1966 and 1971, twice the rate of the previous five years. By last year the population was below 7.4m. The figure could be 6.6m or less by 1981.

Almost the entire loss has been from the working population; retired people have increased, both in absolute numbers and in proportion to the total population. In the five years to 1971, London's working population dropped by nearly 250,000 to 3.8m even though married women, in particular, showed greater enthusiasm over going out to work, and now make up nearly

a quarter of London's workforce.

Inner London has suffered a disproportionately large share of the population exodus. Of the 790,000 drop in the 20 years to 1971, inner London lost no fewer than 610,000. Manufacturing industry in the central area was also going down steadily. Unemployment in inner London is now of development area proportions: about 7-8% overall, according to the 1971 census, and as much as 9% in Tower Hamlets.

Dr David Eversley, until recently the GLC's chief strategic planner, has been carrying on a public campaign to draw attention to London's increasing poverty. He is convinced that without government intervention half of London's population could end up in need of special allowances, rebates and free services. As industry and commerce in inner London go down the rate base is eroded, which means even less money for rehabilitating the rundown areas.

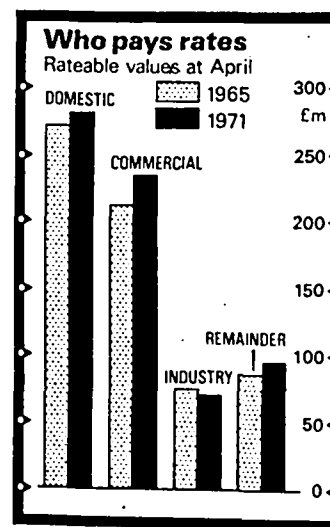
Plus points

There are arguments pointing the other way too. If the population is falling, there should be less pressure on essential services like housing, education and the transport system, and less frustration caused by overcrowding. No one has yet proved that real incomes per head in London will fall because of the over-rapid decline in population; nor that London is suffering from social polarisation because of a middle-class exodus, as planners like Dr Eversley fear. The statistics are so shaky that no one even knows whether more people are leaving London, or fewer are coming in (perhaps put off by the impossibility of

finding anywhere to live), or both. One thing is clear: the people who have moved out of inner London have not just crossed the GLC boundary to commute back to work from there. The outer metropolitan area is growing less quickly than greater London is declining. But the bulk of the data on which London's planning is based is now six or seven years old. The full results of the 1971 census (which will include detailed regional breakdowns) will remedy this, but the Registrar General's office is already seven or eight months behind schedule with the work, which is now unlikely to be available before next spring.

On the face of it, the fall in London's population should have eased the housing problem, but it does not seem to have worked out that way. Since the beginning of the second world war, London has lost 1.1m people and built 750,000 new homes; yet it is still several hundreds of thousands of satisfactory homes short. With rising incomes, expectations and standards are also going up. People are no longer prepared to share a home, and the young are setting up on their own earlier. There is a tremendous, and largely unsatisfied, demand for small flats. Rented accommodation is particularly scarce, largely because the law and the tax rules make ownership of such accommodation unattractive. Low-income families come under pressure as rented flats disappear, often to be renovated for sale—with the help of government improvement grants—at prices beyond the reach of the original tenants.

No one really knows what to do about this. Nor have the councils worked out whether



Source: London facts and figures, GLC 1972
Valuation office of the board of Inland Revenue

they should concentrate on building family flats, or take some of the demand out of the market by putting up bedsitters as well. The GLC is now carrying out a filtering study to trace the movement of families, which might help it to decide on priorities.

The GLC does have powers to build in the outer boroughs, where sites might still be available, but Conservative-controlled councils in these areas naturally resist anything that would probably produce an influx of slum, and possibly black, families likely to vote Labour. Inner Labour boroughs are short of sites, which means building at high densities and losing the benefits of a falling population. Lambeth, for instance, has a policy of buying up property which may not be in bad condition but where densities are low enough to allow extra housing when redeveloped.

In a study of housing and employment in central London for Westminster Council, Trevor Williams and James Anderson concluded that office and hotel development, coupled with rising land prices and rents, is forcing workers out of the borough. In the past five years, the number of rooms available for housing has fallen by 10%, while the population has dropped by 64%. Some 10,000 Westminster homes lack basic facilities. Dustmen, waiters, bus drivers and postmen, who cannot commute from the suburbs, often find themselves crowded into furnished rooms for which they pay disproportionate rents, and where they have little security of tenure.

There is now sufficient con-

cern over the decline in industrial employment for some councils to resist redevelopment of sites they would have welcomed only a few years ago. Hammersmith council refused J. Lyons permission to redevelop its Cadby Hall site, and Wandsworth is cool about Morgan Crucible's plans for turning its Battersea Bridge plant into a multi-purpose development including a large number of riverside homes.

Policy on office development, too, has become less clear-cut, with the GLC working on one set of rules and the Department of the Environment on another. The Government's office development permit system is still in operation, with London permits for nearly 20m sq ft a year being handed out. Yet the GLC reckons that only half that amount is needed to balance jobs and workers, and hopes to evolve its own controls through floorspace targets. The Government wants to encourage office building to stabilise rents, particularly with common market entry coming up. At £10 or more a sq ft, City rents are well ahead of Paris (£7), Frankfurt (£3) and Brussels (£3). Meanwhile, the GLC maintains that a large number of planning consents are never taken up, and that many developers have only themselves to blame if they are refused permission, because they will not build at stations and

other points favoured by the GLC. Private houses, however, continue mysteriously to turn into offices and hotels.

Planning trade-offs

Development has too often in the past been dictated by traffic planning. Large office blocks have been given consent because the developers promised to yield part of the site for road widening, or bear the cost of overhead walkways. The GLC has urged developers to assemble large sites because these would allow "planning gains" like housing and open spaces to be negotiated in return for planning consent. Such deals are usually made in private between planning officers and developers, and the public only learns when the planning application is made. If there is an outcry at that stage, enormous delays can result.

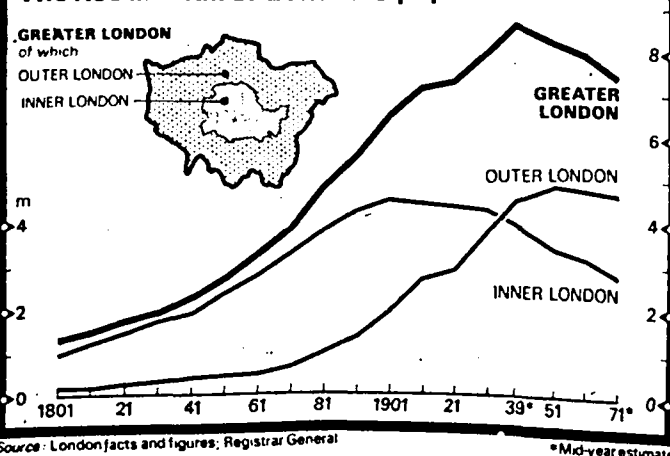
More conservation is not necessarily the answer. Covent Garden already shows that rents, even in renovated buildings, can go high enough to force out existing users. About a third of the area will be preserved, another third selectively redeveloped and the final third ripped down and totally rebuilt. Even in the preserved old buildings, advertising agencies may replace the theatrical firms and literary agents that cannot pay the new rents. However, there will be some public gain from the

redevelopment, with some of the profitable office development subsidising housing, open space, entertainments and other amenities.

The proposed redevelopment of 5,000 acres of London's dockland—from Tower Bridge to Beckton—offers far more problems. This is an area with potential for large-scale housing development (homes for up to 100,000 people) and new jobs, but the cost could be forbidding. There would have to be extensive government help with building roads and providing public transport.

The sites themselves are difficult, and developers are not all that keen to get stuck in, except for offices near the City and riverside housing. Any redevelopment will involve both the boroughs concerned and the GLC, with the inevitable power tussles between the two. One pointer to the way things might go is provided by north Southwark, where the borough's guidelines for developers (geared to producing higher rates) encouraged the highly profitable Hay's Wharf proposals. Now the GLC feels the office content in the development is too high, and local people, badly housed and in need of jobs to replace dock employment, object to being taken over by the City and the West End. The same could happen in dockland itself.

The rise and fall of London's population



Source: London facts and figures, Registrar General

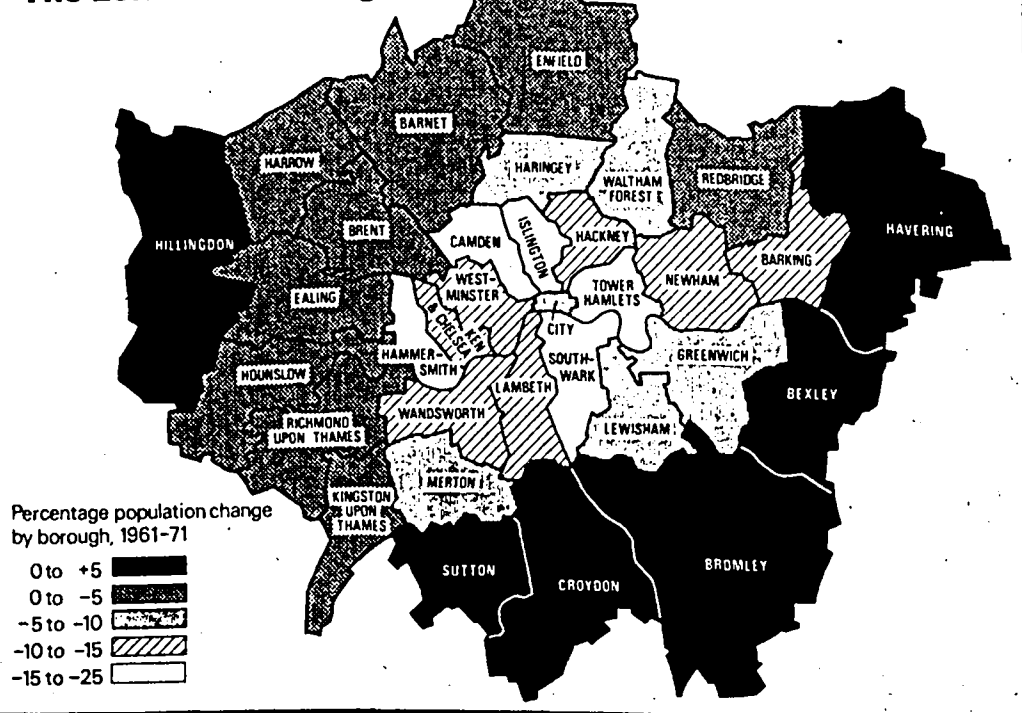
*Mid-year estimate



Eros stays, but not everything in the Garden is fine



The London centrifuge



Source: London facts and figures, based on Registrar General's mid-year estimates

Why is DSM fond of daughters?

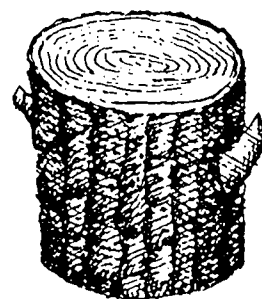
In the chemical industry - and not only there - it may be a blessing to have many daughters. Subsidiaries possessing special knowledge, operating in special fields. These daughters are born, so to speak, from marriages with business partners or they are adopted. If they thrive, the whole family is happy. Such daughters are always welcome.

DSM  **Holland**

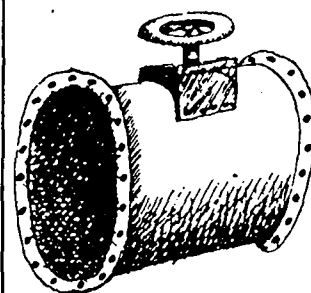
DSM, Information Service, P.O. Box 65, Heerlen, Holland

By way of introduction:

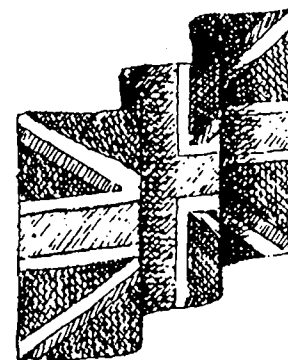
Together with Akzo: Methanol Chemie Nederland VoF for the production of methanol, formaldehyde-based resins. Interesting possibilities for the synthetic resins industry and the wood using industry.



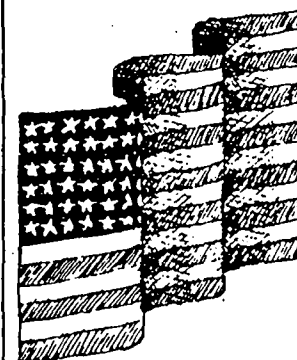
Together with five German partners: Aethylen Rohrleitungs Gesellschaft (ARG) for transporting ethylene between the plants connected to an international pipeline network (from the Ruhr area and Dormagen to DSM in Holland and extending westwards to Antwerp). Ethylene is a starting material for plastics and rubbers.



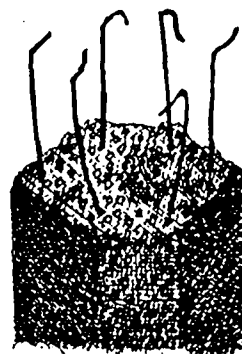
Together with the British NCB: Nypro (UK) Ltd. for the production of caprolactam. Caprolactam is a raw material for nylon 6 yarns and fibres and technical nylon, such as ball bearings, profiles bolts, nuts, wheels, etc.



Nipro Inc. (USA), using a new DSM-process for the production of caprolactam. Besides: Columbia Nitrogen Corporation in Augusta for the manufacture of fertilizers indispensable to plants and therefore most important to man and animal.



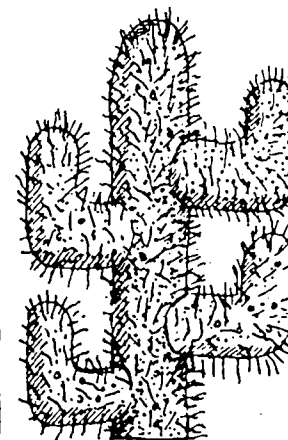
Van Egteren Bouwnijverheid nv, an all-round building industry, fully familiar with large-scale building, utility building, civil engineering construction and industrial building, is, for example, the biggest builder of family houses in the Netherlands.



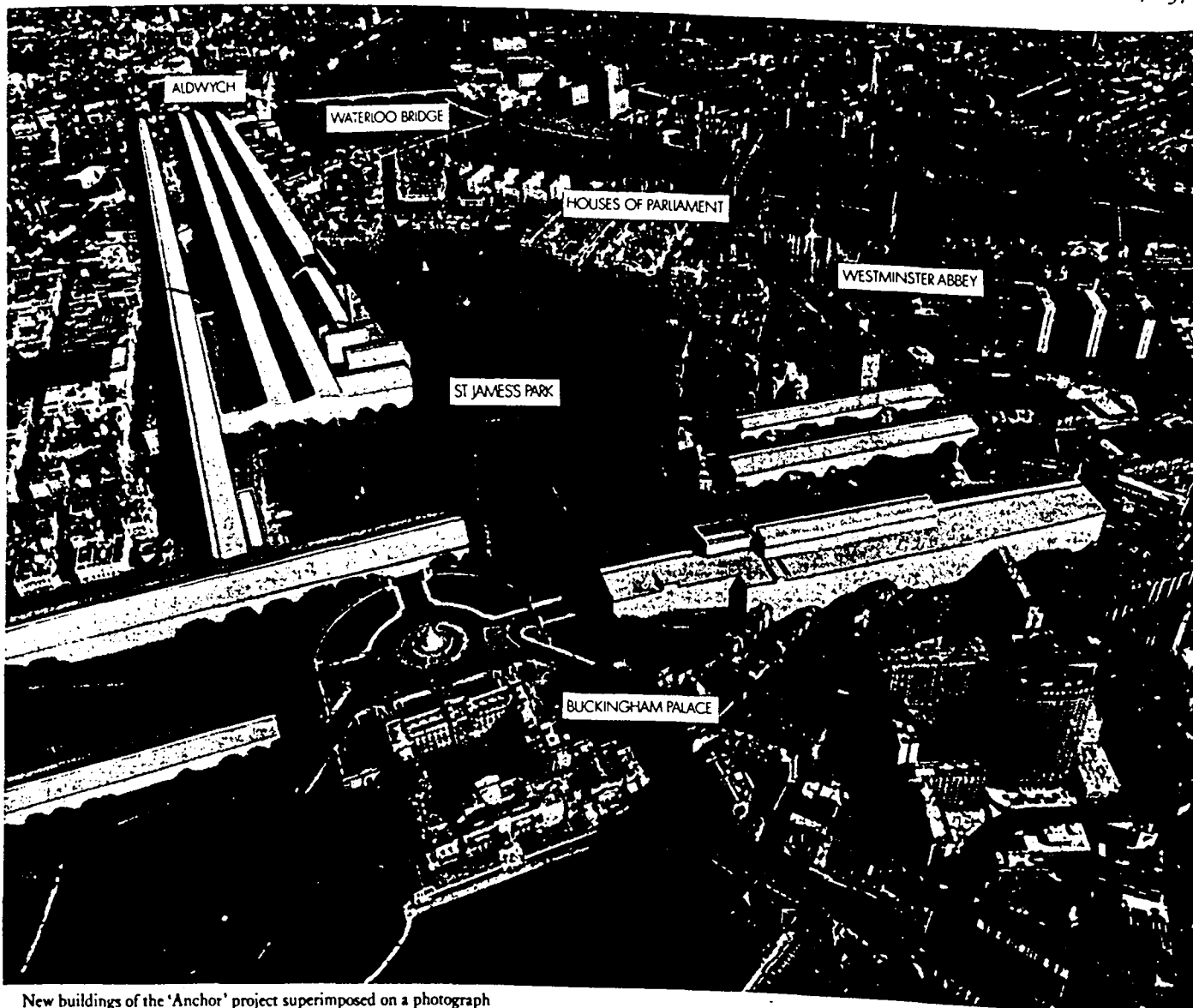
NV Chemische Industrie Synres. Synres produces a wide range of specialities, such as feedstocks for paint and printing ink resins, as well as resins and other materials for further industrial processing.



Together with Univex SA (Mexico): a new plant for the production of caprolactam.



**DSM,
makers of
new matter**



New buildings of the 'Anchor' project superimposed on a photograph of central London show the vast scale of the undertaking.

Why British Steel is spending £200 million on the largest new steelworks development in Europe.

At Scunthorpe, BSC's massive 1000 acre Anchor development scheme nears completion. Fed by 7 existing blast furnaces, the new BOS oxygen converters will help to increase Scunthorpe's total steel output from 3.5 million tonnes a year to an estimated 5.4 million tonnes. New continuous casting plant and rolling mills will provide finished

steel to meet customers' demands for products of high and consistent quality. Associated port developments at nearby Immingham will enable very large carriers to bring in iron ore from all over the world. Anchor was begun in 1970 and should be in production by early 1973. The scheme has been carefully planned

to extend the capabilities of an existing works complex—to make the best use of what's there already, and to add what's needed to keep British Steel competitive in the markets of the 70s and 80s. And Anchor is only one of more than two hundred schemes which BSC has under way to re-equip and modernise Britain's steel industry.

BRITISH STEEL CORPORATION

S Steel Appeal

BUSINESS

Facts, forecasts and fables

Nobody can agree how well the British economy has done this year, but the National Institute shows how badly it could do next year if phase two is not a near-freeze

This has been the week for raking over the chicken entrails to guess, on the eve of Britain's entry into Europe, where the economy now stands and where it is going. New facts include: bad balance of payments figures (a deficit of £106m in the third quarter); bad trade figures (a deficit on visible trade of £81m in November); good production figures (both industrial and manufacturing production up 6 per cent in October on last year); and the first, post-freeze price figures (wholesale prices up again by $\frac{3}{4}$ per cent in November, but, as four-fifths of any price increases normally occur on the first day of the month, this still mainly reflects last minute pre-freeze hikes). Meanwhile the witch doctors have been hard at it, with reports on the health of the economy in the Bank of England Quarterly Bulletin, the National Institute Economic Review and the Treasury's monthly assessment.

Growth

Like the orchestra on the sinking Titanic, the National Institute goes on producing conventional noises because there is little else a forecaster can do. But as the present is obscure because of the effect of strikes on recent statistics, and as the future is dependent upon when and where the pound's parity is fixed and what follows the freeze, the institute rightly gives warning that it does not really believe itself. If the exchange rate is fixed at \$2.35 to the pound, there is a relatively successful incomes policy, and no further tax cuts, the institute judges that the economy will go on running below the Government's output target up to the end of next year. To hit 5 per cent growth the Government will need to go for a $7\frac{1}{2}$ per cent value-added tax (instead of 10 per cent), and cut £600m off income or other taxes. This is in line with the £1 billion tax cuts which *The Economist* has recently suggested will be needed.

The Bank of England and the Treasury are more bullish. They believe the economy, if not already on the 5 per cent growth path, soon will be. The table shows 20 possible ways of measuring the recent growth in the economy from the latest published evidence. There is evidence here to support a splendid range of conflicting contentions: from that output is falling by 3 per cent to that it is rising by nearly 13 per cent. It all depends upon whether the figures used are out of date and compared over a short period (when the strike distortions are

large and unfavourable), or up to date and over still shorter periods (when distortions are large and favourable). There is even still room for the institute and Treasury to agree. The institute points out that the turnaround on stockbuilding and investment could, in the short term, make it appear as though the economy were hitting the 5 per cent target; but its forecasts were prepared in ignorance of the latest unexpected falls in industries' investment and stocks. A later but sharper upturn in both series would lead the institute to revise its growth forecast for 1972 down and that for 1973 up.

Balance of payments

A deficit on the current balance of payments in the strike-affected third quarter had been signalled by the trade figures. It is nonetheless an important and gloomy landmark—the first quarterly deficit since 1968 and the largest since immediately after the 1967 devaluation. In time, most of the adverse effects of a dock strike should be reversed. The trade figures for October and November, however, which together give a £126m visible deficit, show that the slide back into the red is real enough. On its own, this is not alarming. Since June, sterling has floated down 10 per cent from its Smithsonian parity. Other exchange rates have not followed this time as they did in 1967. Thus the latest devaluation is effectively almost as large as Mr Wilson's. After a devaluation, things always get worse before they get better. The effect

A figure to fit any claim

Indicators of economic growth*, all at annual percentage rates

	Strike distortions:			
	small		large	
	Rise on a year before:	Latest 6 months	Rise on 6 months before:	Latest 3 months
Strike distortions: adverse				
Gdp—expenditure estimate	+1.2	+1.3	- 3.0	- 2.1
Gdp—income estimate	+1.2	+2.8	- 1.2	+ 2.1
Strike distortions: favourable				
Gdp—output estimate	+3.9	+3.8	+ 7.4	+ 8.7
Industrial production	+3.7	+4.4	+10.4	+12.7
Manufacturing production	+3.5	+3.1	+ 8.4	+11.6

*Most recent figures: Gdp, income and expenditure estimates: April-June; Gdp, output estimate: July-Sept. Industrial and manufacturing production: October.

of rising import prices comes through before the favourable effect of rising export volume. What is alarming is that the National Institute does not foresee enough of an improvement as time goes by. If we get 5 per cent growth next year, it expects a deficit running at £500m by the end of the year, and no return to surplus in 1974. Despite the buoyant outlook for world trade, it thinks that the favourable effects of devaluation will be offset by the adverse effects from reflation the economy and reducing unemployment. On this analysis Britain is in external disequilibrium again even on the new \$2.35 parity. We are back to the old familiar problem of balance of payments deficit just when we want to expand.

Fixing the pound

The Government faces a dilemma. If it allows the pound to float down in response to the deficit, import prices will rise and the problem of controlling inflation will be exacerbated; but if it does not carry conviction with its anti-inflation policies it may not be able to prop the pound up against any serious run. It must expect a speculative attack. People are bound to be nervous as January 1st approaches that the Government will have to fix the pound at a lower rate than the current free market level. Even when sterling is over this hurdle, monthly trade deficits of over £100m will not be easy to ride.

The bottomless pits

The Government's £1.2 billion Christmas gift to the coal industry, announced on Monday, was generous even in the estimation of Mr Joe Gormley, the president of the National Union of Mineworkers

The Government's handout should reduce redundancies among miners and ease the next round of wage talks, but maybe not that much. After the announcement had been made, Mr Gormley emphasised that the £1.2 billion package, which includes a £475m write-off of past debts, will not influence the miners' wage claim, which calls once again for pay increases of up to 30 per cent, plus shorter working hours for underground workers. The claim could cost the National Coal Board £200m a year, which happens to be the maximum that it could be getting from the Government during the next five years under the terms of the new bill, allowing for £45m for savings on interest and depreciation charges arising out of the £475m write-off. That can hardly be coincidence.

Of course, Mr Gormley and Mr Lawrence Daly, the union's general secretary, have the power to negotiate and may settle for less once formal talks begin on January 10th. However, Mr Daly, who is more closely identified with the union's militants than Mr Gormley, was also at the press conference and he sounded as fiery as he did during the miners' strike early this year. So the Government, unless it wants to forget about holding down wages, may have another fight on its hands, in spite of its unprecedented and eyebrow-raising generosity.

The handout was excused by the Government as necessary to preserve the coal industry against the day when its products may once again be competitive in price with

Prices and incomes

The institute recommends adoption of a compound of the American phase two approach and the original £2 a week package deal. This, it assumes, could limit average earnings increases to 9 per cent between now and the end of next year, with consumer prices rising by 5 per cent and retail prices, presumably, faster. Such a rate of inflation would only be sufficient to prevent a further deterioration of our competitive position and not make good any of the damage done before the freeze. Yet the institute's own arithmetic shows that this is not enough. What Conservative Government would plan to run up to an election with statutory prices and incomes controls, a £500m deficit and more than 5 per cent inflation?

Three clear messages emerge. First, the Government must go for a much tougher phase two and that, as *The Economist* argued last week, would make room for greater tax cuts designed to keep down prices. Second, it must make its plans known before Christmas; the longer it delays the greater the risk that all its hopes will be swept to one side by a sterling crisis. Third, the case for index linking, which the institute ignored, is very strong in the present situation. Wages should be allowed to rise by 1 per cent for each 1 per cent rise in prices, but all increases in real incomes should come through increased social security benefits and tax cuts.

other fuels, thanks to the world-wide energy shortage, which has been so well publicised recently. After all, some American energy experts are now predicting a great expansion for the American coal industry, which had run down drastically in the 1950s and early 1960s. But the British industry must become significantly more efficient if it is ever to benefit from rising oil and natural gas prices, and it is here that the Government's position is weak. Although Mr Peter Walker, the Secretary of State for Trade and Industry, lauded the NCB and the unions for their efforts to reduce overheads and increase productivity, no one connected with the industry has ever spelled out how productivity gains of the proper magnitude—20-30 per cent—can be achieved.

Yet this is vital. Whatever the outcome of this year's talks, it is obvious that the miners will continue to agitate for higher wages until they are again among the most highly paid industrial workers. Unless big gains can be made in productivity, the NCB's costs are going to continue to rise swiftly, perhaps as swiftly as the price of oil. The Middle East countries are unlikely to price oil out of the world market, so the prospect through the 1970s is of gradually rising, rather than runaway, prices. After 1980, the pace could accelerate unless the western countries, particularly America, open up new sources of energy. The likelihood is that America will do just that.

Price has to be the criterion for deciding how much

Lloyds and Scottish

Continuing growth in challenging year.

Main points from the statement by the Chairman, Ian W. Macdonald

Group Profits

The group has again achieved a record profit amounting to £11.77 million before tax, an improvement of 44.6% on the corresponding figure for the previous year. The profit attributable to shareholders at £6.97 million is up 41.4%.

On 4th December 1972 the Board announced a recommended final dividend of 10% (being the maximum permitted under the standstill) making with the interim of 9% a total of 19% for the year which is covered 2.06 times by attributable net profits. (1970/71 — 1.62 times.)

Earnings per share have increased to 8.03p from 5.90p last year. The borrowing ratio has also improved from 3.6 to 4.3.

The group again benefited from the steady decline in the cost of short term money up to June this year, and during that period acquired a substantial portfolio of deposits in the 2-5 year category at attractive rates totalling £68 million.

These deposits were taken at fixed rates which were higher than those prevailing for much shorter periods, but it was considered that the initial adverse effect on earnings was likely to be more than offset during the medium term, and the sharp rise in interest rates since June is already giving support to that view. Moreover, these term deposits might be regarded as matching funds in relation to a large volume of medium-term lending contracts already on the books at higher rates.

The removal of terms control in July 1971 resulted in an immediate upsurge in the volume of business, and since then a relatively high level has been maintained.

DOMESTIC CREDIT STRUCTURE

New freedoms—healthy competition

It is gratifying to be able to review a year in which the finance companies have been free from the burden and frustration of credit restrictions, particularly so since these companies, directly or indirectly received the heavy end of the stick over a long period of years.

These new freedoms have created fresh opportunities and have encouraged greater flexibility in both borrowing and lending methods. The demarcation lines between the activities of the various financial sectors are becoming less clearly defined with a resultant growth in competition which is welcomed. Already there are signs that rigid practices are no longer enshrined as hallowed traditions, that marketing and selling techniques have a

direct bearing on profitability, and that the specialist, with his expertise, is coming into his own with the ever widening range of financial schemes.

The company has now had 12 months experience of the new discipline which, for finance companies, involved a gradual accumulation of 'reserve assets' equivalent to 10% of qualifying liabilities. This results in a small reduction in our earnings. A similar consequence will follow from the recent call for 'special deposits' equivalent to 1% of qualifying deposits.

OTHER MAJOR INTERESTS

British Relay Wireless and Television

In June of this year the Company invested some £10.3 million in acquiring approximately 27% of the ordinary shares of British Relay Wireless and Television. This investment gives us a sizeable equity interest in one of the major U.K. television/relay companies and to participate in the rapid growth of 'colour' sets.

We have not brought into our profit and loss account for the year 1971/72 any contribution from this associated company.

Caledonian Tractor Group

This group which has the exclusive franchise in Scotland for the distribution of Caterpillar machines and equipment has now established itself in the industrial engine market.

A growing volume of business is accruing from developments in the North of Scotland resulting from the successful offshore drilling for oil, and two service depots are being established in this area.

There have been substantial improvements in both turnover and profit.

House of Clydesdale Group

This group has had another successful year with improved turnover and profit. Here again the rapid increase in the distribution of colour television is a significant factor.

Credcor Bank

South Africa has experienced a year of credit restraint and our associated company has done well to maintain its earnings and dividend.

Eurocredit

The operating company in France has made good progress with steadily rising profits. In October of this year a placing was arranged on the Paris Bourse at a price considerably above the cost of the shares.

25% of the total holding was involved in the placing and the balance remains in the Eurocredit portfolio.

On the other hand, the operating company in Italy is still disappointing and the problems associated with real estate investments have not yet been resolved.

Eurocredit again paid a small dividend.

International Factors

During the past year this company continued to broaden the base of its activities and obtained a record number of new accounts. Owing to easier credit conditions there was a reduction in the volume of invoice discounting business. The profit was satisfactory and somewhat higher than in the previous year.

Future Prospects

The Board is confident of the ability of our Company to take advantage of opportunities for growth and development in the numerous financial areas in which we have a stake. It is not, however, possible to forecast the effect of short term influences over which we have no control. In particular, government restraints and rising money costs can slow both growth and profitability. We have experienced difficult conditions in the past and these have not reversed the trend of our continuing success.

CONSOLIDATED PROFIT STATEMENT

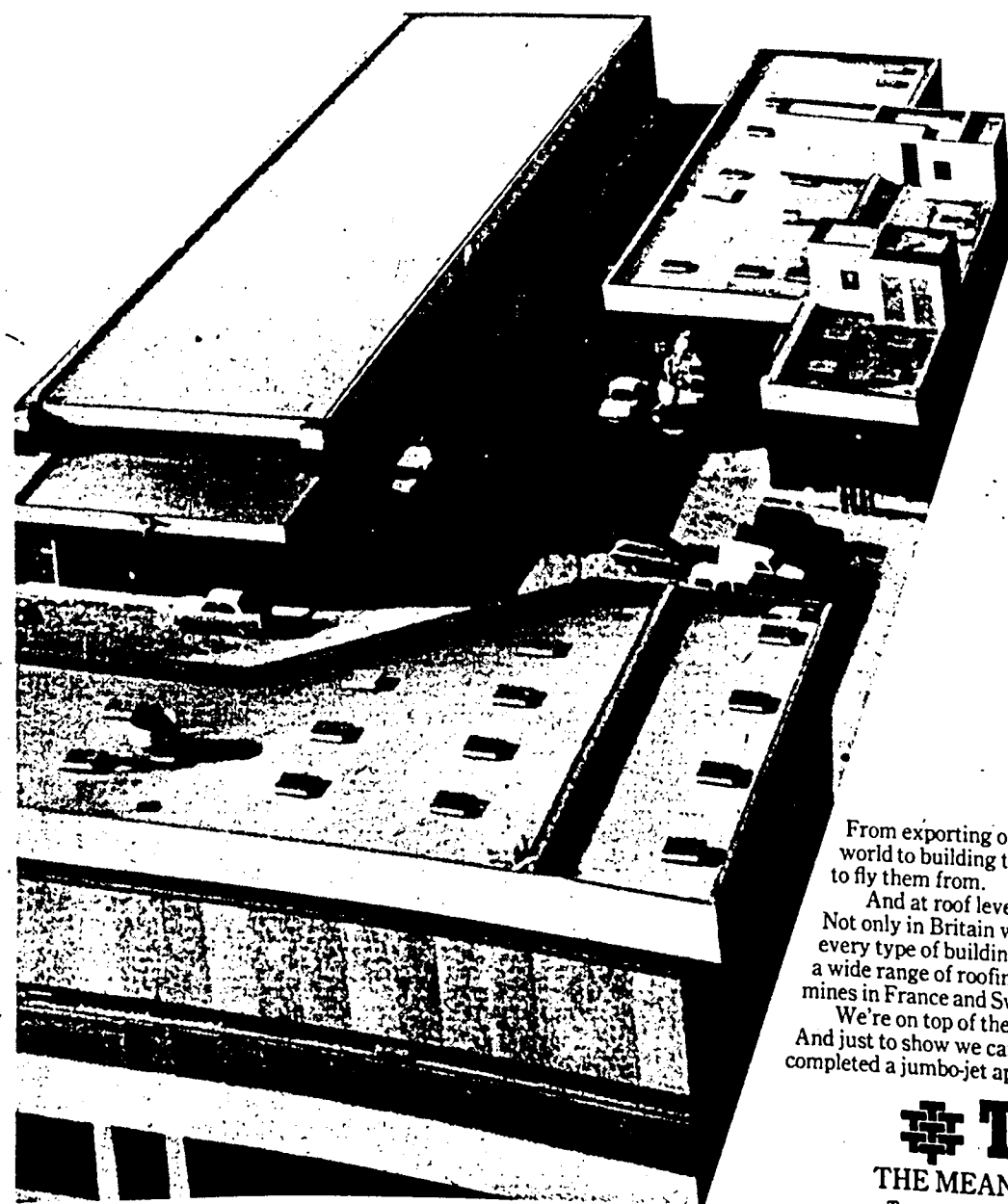
	1972	1971
	£	£
Group profit before taxation	11,766,000	8,138,000
Group profit after taxation and minority interests	6,970,000	4,928,000
Gross dividend	3,385,000	3,038,000
Profit retained in the Group	3,585,000	1,890,000
Earnings per Ordinary share of 20p	8.03p	5.90p



LLOYDS AND SCOTTISH



You'd be surprised what we get up to.



From exporting our products and services around the world to building the runways and airport terminals - to fly them from.

And at roof level we really spread ourselves. Not only in Britain where we put the roof on just about every type of building, but overseas too - we export a wide range of roofing materials. And asphalt from our mines in France and Switzerland ends up on European roofs. We're on top of the job everywhere. And just to show we can land the big ones we've recently completed a jumbo-jet apron at Bahrain Airport.

Tarmac
THE MEANS AND THE END
Tarmac Group, Wolverhampton, England.

coal we need. With oil all around us, energy will soon be no problem for Britain, however much the subject may worry other countries. During the 1980s Britain could even become a net exporter of oil.

The danger in what the Government is doing now is that the £210m it provided to slow the contraction of pits in development areas will weaken the whole industry's concern with efficiency. The aim is to prevent marginally unprofitable pits from being closed. The result may be to create more unprofitable pits which, along with the certain rise in wages, could plunge coal further into debt than it has ever been. In a few years the industry may need an even larger handout than it received on Monday. At some point the process will have to stop, but for the moment political expediency has ruled the day.

Contrast the Government's plan to maintain coal output at around its present level of 144m tons with a demand of only 106m-111m tons of coal by 1980 contained in the National Institute's energy forecasts. Who is going to

produce the extra coal and, more important, who is going to use it? Some other fuel is going to have to be replaced to find a market for what could be up to 38m surplus tons of coal a year by the end of the decade. The price of peace today looks like being pain for the Government later because if productivity is to increase at a pace that gives the miners higher wages without crippling the industry again, maintaining the present level of output could still mean dispensing with 100,000 of today's 280,000 miners by the end of the decade, and the drop will be concentrated in the less prosperous regions.

The coal has then to be sold, and it is difficult to see the surplus being disposed of anywhere but to the power stations. Ideally, it ought to replace imported oil. In practice, what it is likely to replace is nuclear power. Whether the Government should deliberately hold back a new technology in order to bolster up an old one is not a question that anyone would have expected to ask of a government headed by Mr Heath.

We're all right, Jack

Inflation is a bigger threat to southern Irish business than the IRA. But the trade unions are friendly and so are foreign investors

Ulster's bloodshed has not left southern Ireland unstained. But the economy, although still highly inflationary, has several encouraging signs of health. Undeniably, there has been a slump of 15 per cent in tourism, and British investment, which used to be one-fifth of all Ireland's new foreign investment, has dried up. But even tourism is expected to improve in 1973. British investment in Ireland has plunged partly in line with domestic British investment and partly because the British seem particularly sensitive to the northern troubles, perhaps fearing that their factories might be special targets for attack in the south. But other, less familiar investors like the Japanese and Swedes are showing more interest than ever before. At the same time, trade between Britain and Ireland is booming. Over 55 per cent of Irish exports come to Britain, and the proportion is still rising.

The land still provides the bulk of these exports and, for the first time in years, Irish farmers are striking it rich. Their only slight worry at present is the news of foot-and-mouth back in Britain; however, Ireland managed to escape even the last British epidemic. But Mr Jack Lynch's Ireland is still a poor nation by European standards; its average income is only half the EEC average. Over a quarter of Irishmen still work on the land, a greater proportion even than in Italy. The opening of Europe's markets and general world trends have sent the price of Irish food exports soaring.

This is excellent news for the farmers, but it is causing a lot of anguish for everyone else. The diversion of food to export has naturally sent domestic prices soaring as well. Beef prices have risen 17 per cent this year and potato prices 86 per cent. Because of the low standard of living, a large chunk of the Irish family budget goes on food, so general inflation has been quickly fed by food price inflation and is now running at 9 per cent a year, the

highest in Europe.

There has been a long tradition in Ireland, beginning in 1948, of central wage agreements, but usually vague and ineffective ones. Then in 1970, under the threat of a statutory prices and incomes bill, unions and employers agreed to an elaborate wage package. Every employee whose contract expired in the period got a £2 rise, but the unions made no attempt to force the employers to agree to restrain prices, as the TUC did when Mr Heath tried to bring in a similar £2 limit. The Irish unions reckoned that Irish prices were mainly determined by world prices, so that Irish employers could not make price restraint stick. But they did extract a cost-of-living clause, which gave every worker a little under a 1 per cent wage rise for each 1 per cent rise in prices above a 4 per cent annual rate. The government subsequently introduced a price commission, but its criteria are not very strict.

When this agreement expired last July, the two parties signed another, more complex, one. Under this, the norm for the year to next July is 9 per cent, but less for those earning more than £30 a week and more for those earning less than £27 a week, who will get a minimum rise of £2.50. This means that the average wage increase will be well above 9 per cent. In phase two, after next July, the norm will be 4 per cent over six months, but there will also be a cost-of-living escalator as in the 1970 deal. The wage norms are clearly far too high. But the employers reckoned that it was better to sign this sort of inflationary agreement than to have a free-for-all which could produce worse inflation and plenty of strikes.

Now the deal is signed, the Irish Congress of Trade Unions promises to discipline any union which strikes for a wage rise in excess of the norm. The Irish Labour Court adjudicates in tricky cases, and its verdict is usually accepted. The ICTU, staffed by a dozen people and

operating from a suburban terraced house in south Dublin, manages to do a remarkably good job. It can suspend erring unions: last year, two unions, including the Irish section of Mr Scanlon's engineers, were suspended for organising a bus strike in defiance of the wage agreement. It also organises the picketing when multi-union plants want to strike. This power, acquired in 1970, has proved very effective: if one set of workers in a plant want to strike, they have to apply to the ICTU for permission to picket for an "all-out strike."

Although Irish industry is more heavily unionised than even British industry, most workers belong to general unions, so there are few plants where workers are all in the same union. This gives the ICTU its power, and its control is increased by the relative absence of British-style shop stewards.

In March of this year, the ICTU smashed a break-away strike by power workers by directing other power workers to do the strikers' job. Such behaviour would be considered outrageous by any British union. The ICTU, relishing its new-found power, is keen to expand. Member unions received details this week of a plan to increase subscriptions fourfold to allow it to do new jobs like representing the Irish unions in Brussels.

As a result of its tough policy, there have been very few strikes. In 1971 there were 73 per cent fewer days lost through strikes than in 1970 and, proportionately, little more than half the number in Britain. This year there have been even fewer strikes. A problem is set by the non-ICTU unions like the bank clerks, who staged a lengthy strike in 1970 and got a bigger wage rise than they should have done. Their contract expires this month, and the ICTU is pressing that they should get a nil wage rise over the next six months.

Irish industry is expanding fast. Tax cuts have helped to boost post-tax profits by 51 per cent in a year, sending the stock market up to dizzy heights. Industrial production is growing at 4 per cent a year, and new investment is being encouraged by the government.

The Industrial Development Authority, which was greatly expanded last year, has produced a detailed blue-

Across the Irish Sea (latest comparisons)

	Ireland	UK
Population	3m	56m
Gnp per head	£630	£1,010
Annual growth (1961-1971)	3.7%	2.6%
Unemployment	7%	3.1%
Inflation	8.9%	7.9%
Average industrial wage	£21.45	£32.10
Per cent of labour in agriculture	27.5	2.9
Strike days lost in industry per 1000 employed	660	1,130
Cars per road-mile	12	63

print for Ireland's development over the next five years, aimed at increasing industrial employment by nearly 20 per cent. It could well succeed. The authority has worked out what kind of industry it thinks will benefit Ireland most and is now tracking down suitable multinationals which might invest. IDA men like to march into the offices of company chairmen and produce accounts showing exactly what investment in Ireland would mean for them in profits, assets and cash flow. This approach seems to be working. The number of jobs created by foreign investments agreed this year will be double last year's total. The IDA's task is made easier by the Irish investment incentives, which are the most generous in Europe. The EEC is allowing them to continue.

In 1969, Professor Colin Buchanan produced a report on Irish regional policy, which suggested that new investment should concentrate on nine growth points, such as Cork. This would involve the depopulation of large areas of rural Ireland. The IDA, however, rejected this strategy. For one thing, it was politically explosive. Few areas like being written off, and many Irish towns and villages have formed their own development associations to attract industry. But the IDA has also found that many foreign firms prefer to set up in the country, where the golf courses are uncrowded and where there is little competition for labour.

As Ireland enters the EEC, the outlook is good. Farmers and industry both stand to gain directly, and new investment will be further helped by the development of an EEC regional policy. But inflation is still the country's biggest bugbear.

Key indicators: British economy

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Overseas trade Deficit of £81m in November. Exports fell back from their post-dock strike high; imports were unchanged.	Industrial production*	October	132.7	+1.5	+2.2
	employment*	September	88.3	-0.3	+6.2
	productivity*	September	147.6	+0.5	-3.3
Industrial output Stronger in October and more than 6% higher than a year ago.	Export trade*‡	November	164	-4	+7.3
	Retail trade*	October	118.8	+1.3	+18
	Unemployment*	November	150.5	-1.3	+5.7
Wholesale prices Prices of manufactures in November 6½% up on a year ago. Basic materials and fuel prices were up 9½%.	Average earnings*	September	214.6	+3.2	+5.1
	Retail prices	October	162.8	+1.4	+13.9
	Export prices	September	154	-1	+2.7
	Import prices	September	141	nil	+2

Export trade, retail trade: in volume terms (value at constant prices). Unemployment: wholly unemployed excluding school-leavers; latest rate 3.3 per cent. *Seasonally adjusted. ‡Provisional

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Marnier and tonic.

Those who haven't tried it, laugh.

Those who have, smile. Knowingly.

-and for Conservatives

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Grand Marnier is still the superlative liqueur it always was, the same subtle blend of wild oranges and the finest old Cognac.

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about their appointments

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The Pocket Diary

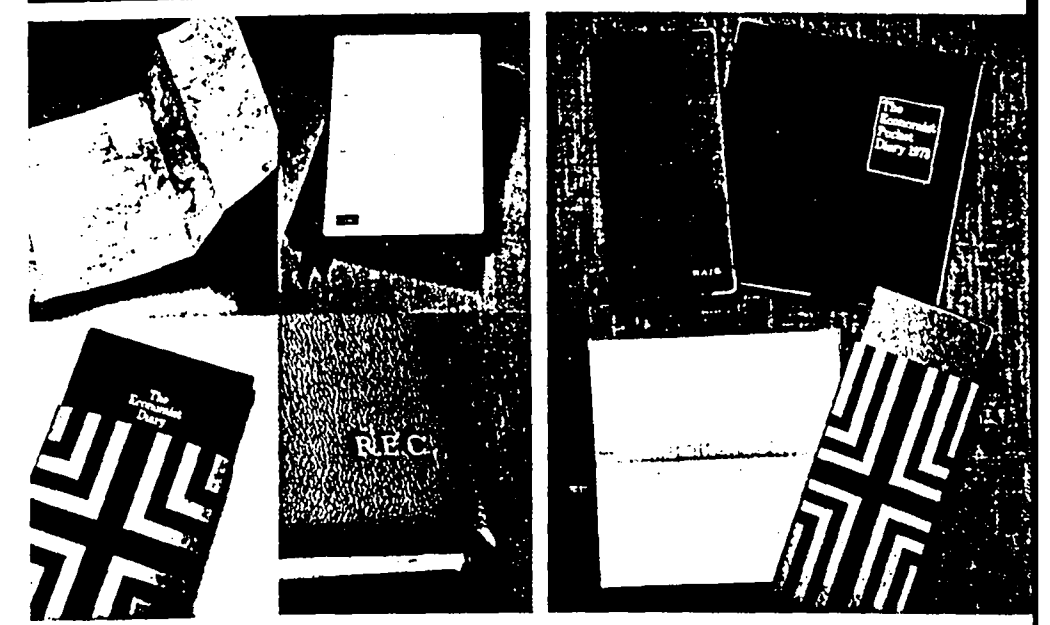
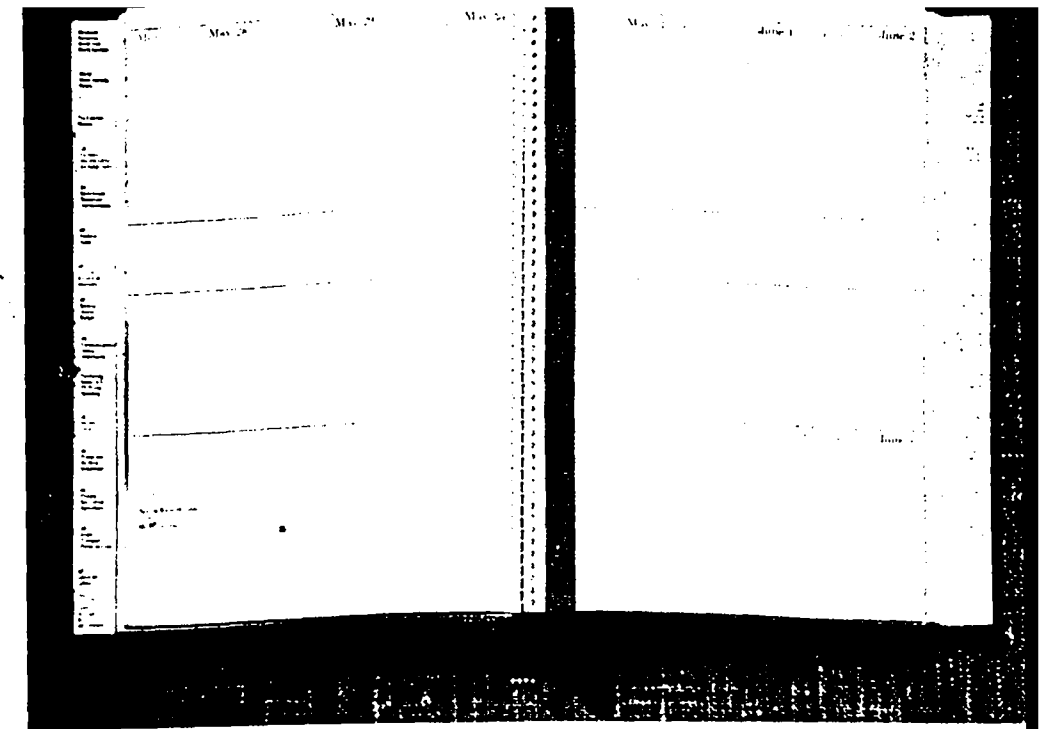
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where on earth. One recent project: a plant dedicated in 1970 by the Institute of Gas Technology in Chicago.

This is a \$10 million pilot plant utilizing the IGT Hygas® process to convert coal into a pipeline-quality natural gas equivalent without releasing air-polluting sulfur. It was engineered and constructed by Procon and is now operating. In 1972, IGT engaged Procon for the conceptual design of a demonstration plant.

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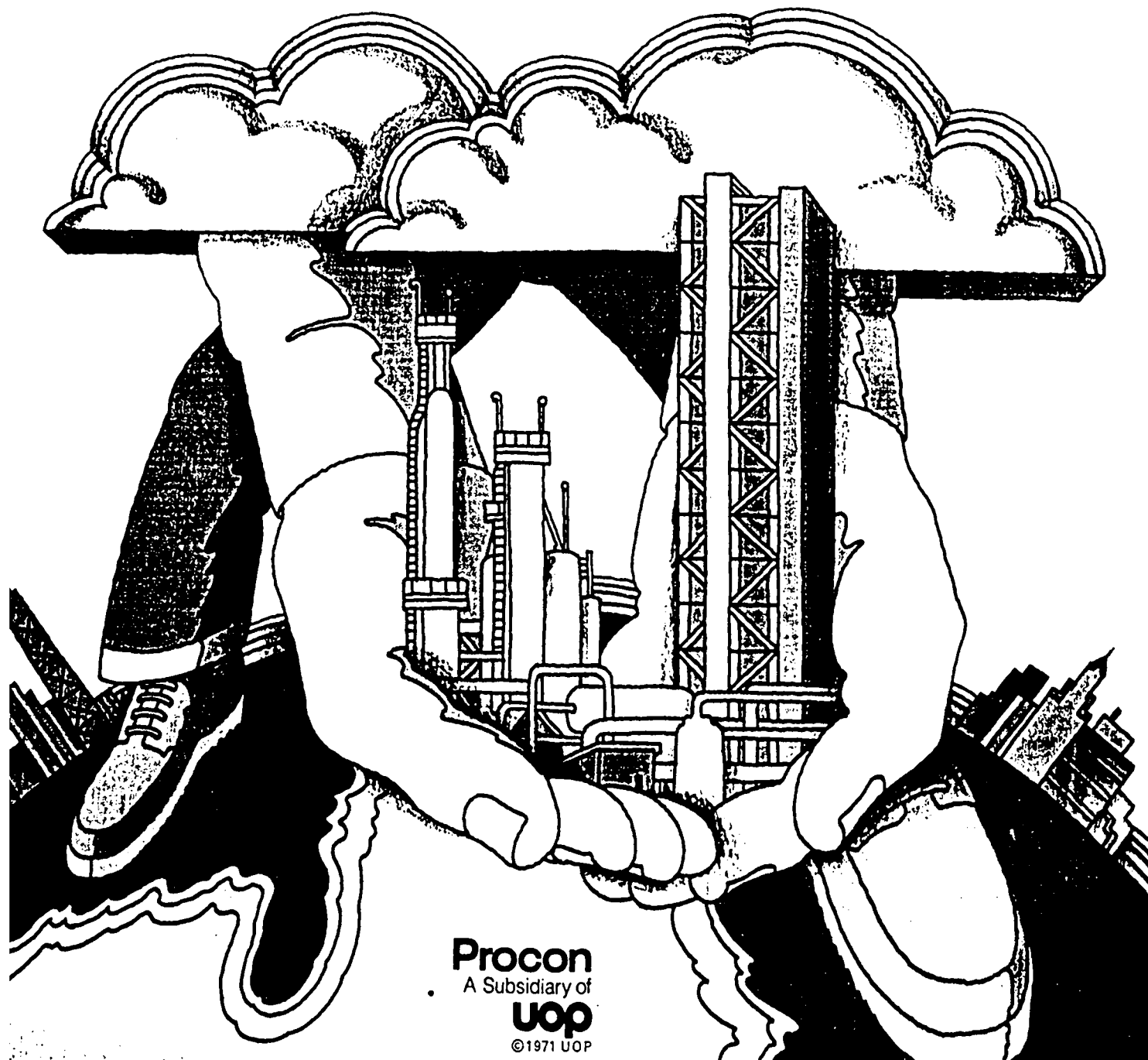
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BUSINESS

Britain

In this season of peace, goodwill and big pay packets

The indignation among rank and file engineers about Mr James Goad's action in taking their union to the National Industrial Relations Court, where it has now been fined £50,000 for contempt, did not extend to disturbing their Christmas arrangements. Mr Goad's old workmates at the CAV plant in Suffolk tired of their strike in three days and called it off on Thursday morning—provided Mr Goad did not return to work among them. The executive of the union was wary about calling for a national strike for fear that would exacerbate its contempt of the court; so it confined itself to a letter urging all branches to "defend the policy of the union."

The branches interpreted the letter in different ways. Three-quarters of the union membership took it as a sign

to do nothing, and are working normally. The balance of 300,000 took it to mean that they should hold one-day demonstration strikes on various days next week, which will not affect their pay packets until after Christmas.

The militants are making most headway in Manchester, where they have a special committee to organise strikes against the Industrial Relations Act; the committee was set up after the dockers were jailed for contempt of Nirc earlier this summer. Manchester employers expect up to 250,000 engineers to strike, more or less reluctantly, on Wednesday. In London 40,000 are expected to come out on Monday, which may mean no newspapers. Another 12,000 are expected out in south Essex, and that could shut Dagenham.

The Midlands ought to be relatively peaceful. Shop stewards at Lucas voted not to strike in sympathy with CAV, which is a Lucas subsidiary. East Birmingham will have one-day strikes, but west Birmingham, where there are more moderate stewards, will not. Oxford car workers will strike, but shop stewards in militant Coventry voted 200-10 against action. In South Wales there is a lot of resentment at the union's policy.

The sequestrators are due to collect the £50,000 fine on Friday. But Mr Goad had decided to play things cool. He will not try to attend the union's branch meeting in Sudbury on the same day, but will wait until Christmas is over before trying again.

The Nirc has not yet judged the merits of Mr Goad's case, as the decision was taken by an industrial tribunal. It has merely been enforcing the tribunal's ruling. The tribunal ruled that Mr Goad should be admitted to the union because, the exclusion was "arbitrary and unrea-

sonable." Had the union appeared in court, it could probably have shown that the exclusion was not arbitrary. Mr Goad has failed to pay union dues thrice in the past, and has blacklegged during a strike.

If the union is fined again, there will be strong pressure to recall the policy conference before its next meeting in April. The alternative would be the gradual loss of all the union's assets. Neither course would be particularly congenial to Mr Hugh Scanlon, who is under a good deal of fire from his colleagues.

Freeze busters

No gas

There is a growing risk of a gas strike next spring. The 50,000 gas-workers are now being led by Mr John Edmunds, of the General and Municipal Workers' Union, a 28-year-old graduate, who is going to tell the Gas Council that his men's pay has fallen below that of the power workers who do almost exactly similar jobs. He will not demand a rise during the freeze, but will want a promise of a big one as soon as the freeze ends, plus a better deal for redundant gas-workers before then. The gas-workers are worried that many jobs will disappear in the next few months, as more old gas-works close and North Sea gas takes over.

If the Gas Council refuses to negotiate, there could be a strike early in the new year, with a real risk to life and limb.

If the council does negotiate, the Government will be angry. It is already worried about the number of post-freeze agreements struck in the past month. Many of these may have to be rolled back in phase two. It is urging all employers to delay talks until after the plans for phase two are announced.

On Tuesday, Mr Macmillan, the Secretary of State for Employment, issued the first order to stop a wage rise being paid in defiance of the freeze. But the 11 supervisors affected decided to continue striking. They belong to Mr Clive Jenkins's Association of



Dead boring after three days of this

Scientific, Technical and Managerial Staffs. Mr Jenkins has promised to use every trick in the book to try to beat the freeze. He is willing to fight in the courts if necessary, on the grounds that all publicity is good publicity.

The TUC itself has been trying to think of a way of resuming talks with the Government before the plans for phase two are finalised. Mr Walter Anderson, of the National and Local Government Officers, has written to Mr Heath suggesting that talks should be resumed, with the TUC's proposals as the starting point. The TUC's economic committee decided on Wednesday to ask to see Mr Heath to complain about prices that had not been frozen.

Commercial radio

Sounds expensive

The Independent Broadcasting Authority has got only 24 applications to sift through for the first five commercial radio stations. A matter of months ago, hundreds of groups were massing to take to the air, but the huge uncertainties of the revenues, and the huge certainties of the rentals to be paid to the authority have deterred many—and not just the fly-by-nighters.

The initial rental for London General, with its 9.2m potential audience, is £315,000 rising to £385,000, and for London News £185,000 rising to £230,000. On this basis, the authority is aiming for a total revenue, based on the eventual 60 commercial radio stations, of £2m—which is a big budget just to put up the transmitters and monitor the programmes. The authority is clearly thinking big, but may force the operators to broadcast small. Good radio is expensive and the authority has been perhaps over-concerned with making sure that any profit is creamed off; there is the nasty secondary rental which cuts off a quarter, and then a half, of profits which exceed 5 per cent, and then 10 per cent, of the advertising revenue. On top of the levy the stations have to pay over another 10½-14 per cent to the musicians' union and for the rights of broadcasting records. In return, the stations are allowed to play records for half the time on the air. It would have been better to cut both the levy and the needle time.

The worst uncertainties are over the news service, and the more prestigious the group, the greater the

philanthropy expected of it. The group led by Sir Con O'Neill, the former diplomat, and including The Times and Guardian newspapers, the International Publishing Corporation, the Rank Organisation and Thames Television, looks impressive on paper. But the point about the news service is that the £1½m or so needed to run it will have to be met out of syndicating the service to the other—mostly non-existent—stations which might or might not be forced to take the service. One good idea is that the other stations pay for the news by giving free

advertising slots, and then the news channel can charge a premium for the unique service to advertisers of national spots.

For the next four months, the IBA will shuffle around the country talking to the groups, and then try to reshuffle groups to get what it paternalistically decides is the best fit. And then silence for another year or so until the stations in London, Birmingham, Manchester and Glasgow are transmitting. One thing is certain. The authority will not allow the latest thing in California radio: soft porn talk shows.

What can the unions pay?

Many trade unions are skint. They are in no position to pay heavy fines imposed by the industrial court or anyone else. Union contributions have failed to keep pace with inflation. Average contributions were increased by 62 per cent between 1960 and 1970, but this was not enough to match the rise in spending. In the same period payments to members on strike rose eightfold.

Mr Jack Jones's and Mr Hugh Scanlon's unions have already been hit by fines under the Industrial Relations Act. But the act has had an effect on all the unions who refused to register, because they no longer get tax relief on income used for welfare payments. Deregistration is likely to cost the movement a total of over £6m.

Trade union finances have been bedevilled by the reluctance of up to a third of union members actually to pay their dues. Their investment policy has also been appalling. Unions have always been conservative: before 1939 they kept most of their assets in the bank, and now most union assets are in fixed-interest stocks. In inflationary times the value of their assets has plummeted.

Unions began to dabble in equities only in 1961, when the Trades Union Unit Trust was set up and run by Hill Samuel. This has had a pretty average performance, with a rise of 62 per cent in the past five years (compared with 80 per cent for the all-share index). Some £10m is now invested in the

trust by 58 unions, but this is still a small proportion of total union assets. A few unions have done well from property. The engineers have invested heavily in it, and Lord Cooper helped to push the General and Municipal Workers up the assets league with some nifty property dealings.

Declining unions like the railwaymen are far richer than the expanding, new unions like Mr Clive Jenkins's managerial staffs. They have been able to build up their investment income, and spread it between an ever-declining membership. The old unions, who often have a craft monopoly, have been able to raise subscriptions massively, while the newer unions have had to keep their rates competitive. The railwaymen raised dues by 282 per cent in 1960-70.

In 1970 around half of the unions had less per capita assets in real terms than 10 years before. Today's position is hard to measure, since deregistered unions no longer have to produce accounts, but it is certainly worse for nearly every major union. In the past, those with rickety finances merged with others, but a recent study* showed that virtually all mergers in the 1960s led to higher spending relative to income than the individual unions had before. One of the problems is that, unlike businesses, merging unions do not like to make employees redundant.

*Trade Union Finance. By Geoff Latta. British Journal of Industrial Relations. November, 1972.

What's in the cupboard

	Total assets (£m)	Assets per member (£)	Change, 1960-70 per member (%)
Transport and General	22.9	13.9	+ 45
Engineers	18.1	13.7	+ 4
General and Municipal	11.8	13.9	+112
Miners	11.7	28.0	+126
Railwaymen	9.1	45.6	+144
National Graphical	6.2	57.1	+124
Electricians	3.5	8.3	+ 39
Public employees	1.1	2.9	- 6
Managerial staffs	0.4	2.3	- 19
Bank employees	0.1	1.5	+ 22

These figures have been calculated from 1970 returns to the Registrar.

Who cares about another Christmas?



We do.

Christmas may seem like a tired old ritual with its real meaning totally obscured. Its exploitation may make you sick. But the fact remains it's a celebration. And no matter how *you* celebrate December 25, it's impressive compared to the way some poor souls spend the day.

These children in Bogota, Colombia, for example.

They're part of the army of 10,000 abandoned boys and girls who live on the streets and exist by begging,

stealing and prostitution.

Oxfam is helping build an additional home to receive some of these children. Currently, we also support similar projects in Bombay, Addis Ababa and Saigon.

That way, a few get the chance of basic education, care — and love.

We make no apology for asking you for money this Christmas. We have no intention of trying to spoil your enjoyment of what is, after all, a festival.

We simply ask that you help to make someone else's Christmas happy, too.

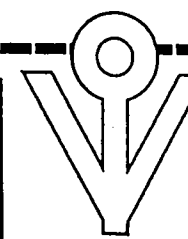
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Concorde

The Benn argument

The Government had to put up with much barracking when the bill giving it powers to advance up to £350m to finance the production of Concorde came up for its second reading on Monday. As happens on these occasions, ministers put down their heads, soldiered on and gave nothing away. The Government would not agree to repeated requests for a select committee to examine the project or for a white paper to explain where it had got to. Nor would it give sales estimates, cost estimates or one titlle of information beyond the public relations handout. Not even when Mr Anthony Wedgwood Benn wickedly trailed the red herring of secret escape clauses in the agreement with France did either Mr Michael Heseltine, who opened the debate, or Mr Cranley Onslow, who closed it, allow themselves to be diverted from the stern duty of stonewalling.

The Government is in the process of trying to see how many Concorde's a major sales drive can sell. The total so far is not encouraging. Putting captive customers like the British Overseas Airways Corporation and Air France to one side, the figure is five, and the customers are Chinese and Iranian, neither forces to be reckoned with in aviation nor ones particularly interested in commercial operations. As Mr Heseltine said, the preliminary £125m loan for production would be used up by March unless more were voted: he could have added that would not look good to potential purchasers.

Mr Benn was presumably hinting, when he said that Labour had negotiated a break clause with the French, at the understanding that both governments have had since 1968 about design

changes. The sort of major re-design that would be needed to produce the big, Mark II Concorde that the airlines are bargaining for comes close to being a new aircraft, and it was agreed that the 1962 treaty did not commit either government to that. Mr Benn did say at one point when he was Minister of Technology that if the cost of the present Concorde were to rise more than 15 per cent above the then estimate for finishing it, this would be considered a re-design. If this was the point at which the break clause operated it would have been helpful if he had said so to the Commons on Monday.

Rates

Howls to come

Mr Heath was not wasting his time when he fired a warning shot over the assembled members of the Association of Municipal Corporations at their centenary banquet on Wednesday. Rates could yet be the rock on which his prices and incomes policy founders. Because of the expansion of education and other local authority services, and the resulting high spending on land and labour, domestic rates in the past two years have been rising more rapidly than personal incomes (although they rose more slowly in the four years before that). This pattern looks like continuing next year, for which local authorities will fix their rates in February and March.

But on top of all this is a big new threat. All properties are about to be revalued for rates. The new figures will be published in the next week or so. This is the first revaluation since 1963 (Mr Richard Crossman farked the one due in 1968).

In theory, Mr Heath is right to say this should present no problem. Values will rise about 150 per cent and rate poundages the councils levy on these values will drop by the same proportion. The problem is that some values will go up by much more than others. This seems fair enough. As the Prime Minister said, the ones which go up most will be the properties whose owners have been paying too little up to now. Unfortunately this is equally true of the rents of those council house tenants who are now having to pay more under the Housing Finance Act. It may be fair, but they are just as furious as if it were not.

Revaluation also causes big shifts in the total rate burden between different authorities, according to which types

of property they each have. The result is that some householders will suffer spectacular increases next spring, for reasons that will be obscure and hard to explain. They will make a lot of noise, as bungalow owners in Bourne-mouth did in 1963. Yet, as Mr Heath reminded everybody, to postpone revaluation means perpetuating the unfairness now existing, with even higher adjustments next time. True. But just wait for the howls.

British Rail

Blueprint for survival

British Rail's proposals for its future are likely to be in the Government's hands early in the new year. Any hope that they will present a glowing picture of huge chunks of traffic being transferred from road to rail can be discounted. What BR has been asked to do is to analyse a host of alternative policies (like the big cut in services in a certain Whitehall paper that was leaked recently, but also including proposals to expand the system). The Government will then scrutinise the BR figures, and issue a green paper in the summer that will set out the cost to the taxpayer of supporting various sizes of rail system, and the contribution they could make to national transport. The green paper is unlikely to contain any recommendations; but it will probably include a preface listing the sorry occasions in the past when governments have tried to subsidise the railways out of their financial problems, and failed.

Typical of the misguided belief that the railways can still have a great future in Britain is a statement made in the current journal of the National Union of Railwaymen that BR is turning freight traffic away. Like any business, BR does not accept all the trade it is offered. Many of the contracts mentioned by the NUR could only have been accepted at vast expense: for example, a one-off consignment of steel from Liverpool, which needed specialist wagons. Modern steel wagons are costly, and BR cannot afford to have surplus capacity lying around on the off-chance that they will occasionally be needed.

BR is sensibly concentrating on the traffic it does well: long-distance trainloads. It has been closing small goods stations, and opening area distribution centres instead; a policy that has paid dividends, literally, for the profitable



Tony, Michael: no help

American railroads. But the important difference is that some of America's local distribution centres cover areas the size of Britain.

How big a disadvantage BR has, compared with those American railroads, is shown in a paper presented on Tuesday to the Railway Conversion League by a transport consultant, Mr Lionel Albert. Rail freight volume in America is 44 times the British level, but the cost per ton-mile is a third of BR's, despite crippling manning rules. However, the average haul is seven times as long, at 500 miles; the average wagon-load three times as great; and the average train-load seven times as great. The taxes paid by American railroads exceed the subsidies paid by the British taxpayer to BR, and two-fifths of BR's freight traffic comes from subsidised industries.

Mr Albert's conclusion is that continental European railways should be converted to single-track, broad gauge lines, capable of carrying freight trains 15 times the present maximum in Britain. Though continental railways at present cripple themselves with all the diseconomies BR suffers from, such as short hauls at the expense of long ones, they should in theory have distance on their side. But in Britain Mr Albert says the railways should be converted to roads. Conversion is cheap, and would ease environmental pressures, particularly from lorries. Passengers could be carried, as in America, by bus on short distances, and by air for faster, long-distance hauls.

Banks

Up they go

Led by NatWest, all the big clearing banks have raised their base lending rate by half a point to 7½ per cent. The tripcord was the further rise in the rates on three-month certificates of deposit and interbank money. This not only gave sharp company treasurers opportunities of arbitraging between bank overdrafts and money market investments, but, more to the point, meant higher costs for the banks on this key marginal money.

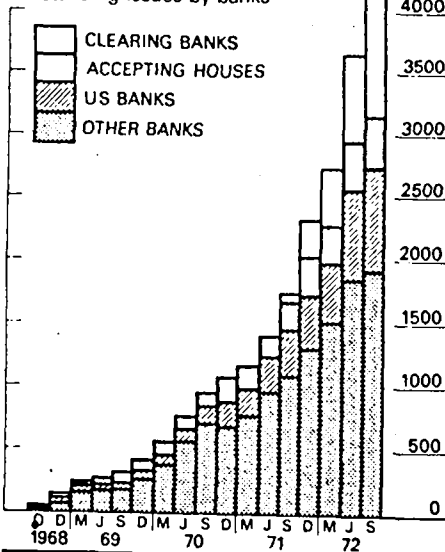
Just how important CDs and interbank deposits have become for the banks is described in a special article in the Bank of England's Quarterly Bulletin. Together, they now account for 29 per cent of the banks' total deposit liabilities and 20 per cent of their total assets, compared with 8 per cent of both deposits and assets four years ago. Growth in sterling

CDs has shot up since the reforms of September, 1971, allowed banks to compete directly in the wholesale markets for funds. Initially, CDs were designed to attract the liquid funds of non-bank companies, but by September this year over 60 per cent of all outstanding issues were held not by commercial companies but by other banks, while another 10 per cent were held by the discount houses.

The new rules on credit competition have made interbank deposits and CDs attractive to banks as second-line reserves, because they can be counted as offsets in the calculation of eligible liabilities while yielding a higher return than most first-line reserve assets. The build-up in them has been at the expense of gilts, which now represent only 7 per cent of the banks' total assets (compared with 14 per cent in December, 1968) and traditional liquid assets (Treasury bills, call money and cash) whose proportion has dropped to 11 per cent from 19 per cent.

As the Bank of England is quick to point out, once monetary conditions shift from ease towards squeeze, the banks could feel the pinch very hard and fast through these interbank and CD markets. In most other industrial countries, monetary squeezes have hitherto worked more quickly than in Britain; now we could find that we have joined the league. Another implication is that, once the next squeeze starts, the banks may make a new drive to attract small savers. That could cause them to offend against the authorities' present polite request that they should not compete too harshly with the building societies and trustee savings banks.

The growth of CDs
Outstanding issues by banks



Thalidomide

How £5m equals £11.8m

The latest offer by the Distillers Company to settle 342 thalidomide cases has created a great deal of confusion. The company insists that it is going to bear a cost of £5m, but that the trust fund will be getting £1,185,000 a year for 10 years. The two statements are compatible because the annual payments will be under a deed of covenant and will therefore count as an annual charge which can be deducted from taxable profit. Part of the sum will represent the interest on a notional fund of £5m, reducing every year. Since corporation tax from next year will be 30 per cent, the net cost to Distillers is £1,185,000, less the tax it will not be paying, or just over £500,000 a year and £5m over the decade.

However, under the tax laws income tax has to be deducted from annual payments and handed over to the Inland Revenue. Thus Distillers will pay £300,000 (30 per cent on £1m, assuming the balance is the interest element) over to the authorities and the rest over to the trust fund. Only if the trust fund gets the status of a charity will the trustees be able to reclaim this £300,000 from the tax authorities.

That is why Distillers requires an Act of Parliament. The trouble with charities is that they have to take account of "need," which means that the trustees would have to run a means test on the parents. In order to get the charitable tax status and yet give each child a firm financial entitlement, special help from the Government is needed to set up the charitable trust.

Assuming that this is granted the average entitlement will be around £32,000 per child. This compares with the £12,000-odd per child that 62 of the more serious cases were settled for in 1968. Those who are hoping for further generosity from Distillers—and the company has consistently denied any legal obligation—will, no doubt, point to Distillers' profits. For the half-year to September, net profits were £17m, down from £22m in the comparable period, but are back on an upward trend now the dock and other strikes are in the past. No provision has yet been made in the accounts for any payments which might result from a thalidomide settlement.

Zambia Industrial and Mining Corporation Limited

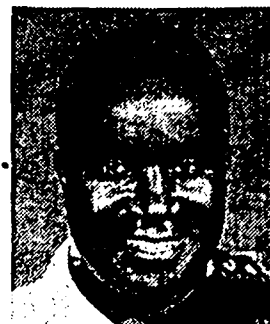
Confidence in Zambia inspires investment and expansion

The following is an abridgement of the statement for the nine month period ended 31st March 1972 by the Chairman, His Excellency Dr. K. D. Kaunda.

Zambia Industrial and Mining Corporation Limited is an instrument of the national effort to establish a society in which no single person lacks the necessities and comforts of life. This can only be achieved when poverty, ignorance and disease are defeated, and the defeat of these age-old enemies of man can be achieved only by the creation of wealth and distributing it equitably. This, as far as Zambia is concerned, is the main purpose of ZIMCO'S operations.

ZIMCO's central position has been strengthened during the past year by the incorporation into it of the State Finance and Development Corporation (FINDECO), National Transport Corporation and National Hotels Corporation. The importance of the ZIMCO group in the national economy cannot be over-emphasised, and its success can be regarded as good indication of the state of the economy as a whole. It is thus gratifying to report a group profit after taxation of K105,359,000 for the financial period ended 31st March, 1972, and a profit for the period retained of K49,192,000. These figures would have been higher if the prices we received for our copper had not been depressed during the whole period.

The low price of copper, however, has not resulted in a halt to development of either the mining industry or other sectors of the ZIMCO group. Indeed, the past year has seen a massive programme of investment and expansion in mining and the initiation of a number of major industrial projects. This development has been made possible by the confidence which we inspire, not only as ZIMCO but as Zambia, in the commercial world at large. We have thus been able to take advantage of both this reputation, and of the physical assets we control, to raise on the international market the capital required for the expansion of the mining industry and for other projects.



H.E. the President of Zambia
DR. KENNETH D. KAUNDA
Chairman of Zimco.

I believe that there are a number of factors contributing to our solid reputation. One of these is recognition of the fact that our policy of partnership with private and foreign investors is regarded by us as a permanent aspect of the nation's economic life. Indeed, it is being acknowledged that this arrangement is a method of development which balances the relationship between the industrialised countries and those on the threshold of economic progress, and is consequently being employed by an increasing number of nations as a means of harnessing resources and obtaining skills and capital. A further factor contributing to our good name, and to the confidence with

which we are regarded, has been our policy of dealing in a straightforward businesslike manner and of honouring our obligations to the letter. This approach will continue to be a cornerstone of the policy of the ZIMCO family of companies.

Management agreements

At the time of the economic reforms, which contributed so largely to the evolution of ZIMCO, it was necessary to retain the services of existing management structures through the establishment of management agreements for specified periods of time, and I am pleased to be able to say that in most cases these agreements have not only worked very well for the companies concerned, but have also fulfilled a useful national function in making possible a smooth transition from foreign control to Zambian control.

A feature of the coming years will be an increasing localisation and direct recruitment of management so that as a contract expires a company will inherit an intact management structure which will enable it to manage itself. It is, in fact, a feature of many of the contracts that they are expected to make this changeover possible at the time of their termination by

having provided for the necessary training for this to be accomplished. These remarks apply equally to the largest and to the smallest companies in our group.

It is essential for us to remember that the companies of the group are controlled and largely owned by the people of Zambia themselves. This control is exercised by the presence of the people's representatives on the boards of all ZIMCO companies. Companies which belong to the people should be discussed by the people, since this is the main way by which they can be integrated into the pattern of our society. But let us always bear in mind that it is essential for the ZIMCO companies to remain successful in the business sense, because only then can they fulfil the function ascribed to them above, as an instrument in the effort to raise living standards.

There is no doubt that our companies are doing this now, not only through the mining industry which provides some 90 per cent of Zambia's foreign exchange and a substantial part of tax revenue, but also through the manufacturing and service industries which are the main feature of the non-mining part of the group. Were it not, indeed, for the existence of the ZIMCO companies, it is difficult to envisage how the Government would be able to bring the Second National Development Plan anywhere near fulfilment.

In this field the Government relies too on a number of parastatal and Government bodies which are outside the ZIMCO group, and looking to the future, it is possible to see an even more diversified ZIMCO than exists today, since a number of these bodies would, it is believed, function better as companies within the group than as they are now situated. Some such concerns which come immediately to mind are the Zambia Electricity Supply Corporation, the Development Bank, Zambia Airways Corporation, the Zambia National Tourist Bureau, the General Post Office, and Zambia Television. Investigations into the future status of these bodies will be made during the year ahead.

Opportunities for investment

The confidence of foreign investors in our economic and political stability has certainly been a factor in easing us over a difficult period, and I look forward to welcoming even more who will provide capital and expertise in developing our economy through participation in ventures which are to the benefit of the nation. This invitation is extended not only to totally new investors, but also to those who already have funds and skills at work in Zambia: they now know the opportunities available and appreciate our sincerity in giving undertakings and guarantees which they know we will respect.

Zambia's industrial import substitution programme is now well under way, and we are looking forward to broadening our export base. A great many opportunities exist, awaiting only investors to take advantage of them.

Copies of the Chairman's Statement and the Report may be obtained from the London office of Mindeco Limited, Cheapside House, 138 Cheapside, London EC2V 6BL.

GROUP FINANCIAL RESULTS

Consolidated Profit and Loss Account

	9 months period to 31st March 1972 K000	15 months period to 30th June 1971 K000
Turnover	727 947	1 020 715
Group profit before taxation	149 591	398 525
Taxation	44 232	211 021
Group profit after taxation	105 359	187 504
Minority interest	56 167	97 037
Profit for the period retained	49 192	90 467

Consolidated Balance Sheet

	31st March 1972 K000	30th June 1971 K000
Employment of capital		
Current assets	351 052	334 243
Current liabilities	285 234	263 240
Net current assets	65 818	71 003
Expenditure carried forward	8 519	6 347
Investments	21 498	20 358
Fixed assets	728 724	597 868
	824 559	695 576
Capital employed		
Shareholders' interest	183 046	138 953
Minority interest	295 460	269 828
Long term indebtedness	346 053	286 795
	824 559	695 576

Exchange rates at 31st March, 1972: K1 = U.S. \$1.40, £0.537.

BUSINESS

International

The Six decide to put the brakes on their lorries

The Six are likely to agree on Monday to put off any decision on lorry sizes until after the new year, which is a victory for Britain, Ireland and Denmark, who have all been fighting for lower limits than the commission proposed. With most of the Six in favour of them, too, France will be increasingly isolated. The haste with which decisions were being forced through for rules that will not take effect until 1980-85 at the earliest can now give way to a cooler assessment.

That should take into account what the lorries are actually going to look like. The maximum lorry size proposed by Brussels is no longer (59 ft), no wider (8 ft) and rather less tall (13 ft) than Britain's present maximum (there are no height restrictions in Britain). It will be no noisier and no more polluting because new regulations coming in on both these nuisances apply to all vehicles whatever their size. The difference is only perceivable in the weight, a maximum of 39.2 tons against the current 32 tons in Britain, which will have the effect of putting up the freight that a lorry can carry by one-third, thus lowering costs, reducing the number of lorries needed, and so reducing the total of noise and pollution. A technical comparison is made in this week's issue of Motor Transport. There are actually 75,000 fewer lorries on the roads in Britain now than there were in 1965 because their size has gone up.

Britain has never objected to the big lorry as such, but to the big lorry with too few axles, because at some point the weight distribution between individual axles reaches levels where it begins to damage the road. The Six were proposing an upper limit of 10.8 tons per axle, compared with the present 10 tons, and Britain has argued forcefully that this will do £200m

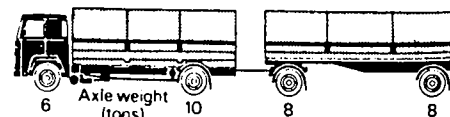
worth of damage to the roads of this country in a year. Since less than 1 per cent of lorries would ever be likely to go in for those sorts of weights, some people think the estimate on the high side, but it serves to emphasise the need for time to reflect because more research is needed on the incomplete science of road stress.

France believes that the stress is proportional to the square of the axle-load, Britain that it is the cube, while Pirelli and Fiat say road stress is decided by tyre pressure and that, with wide tyres and low pressures, higher loads need not increase road stress. Jumbo aircraft undercarriages would seem to bear this out, but the Italian research has not yet been checked in Britain.

It also looks as if only a limited number of even the biggest lorries would ever go to the upper axle limits because most of them need more than four axles, and if they are to keep within the 39-ton weight limit this brings down the load distributed on each axle, as the drawings show. At a rough estimate, only about a sixth of the juggernaut lorries would go to the full limit, and that would not be a sixth of all lorries but a sixth of the 5 per cent in the heavy class.

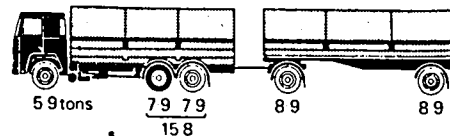
These monsters have become a symbol for the public's general discontent with traffic conditions and all members of the community need time to cool the argument. That goes for Britain as well as for the Six. We have gained in Brussels a considerable tactical victory. The five had arrived at a compromise on lorries acceptable to themselves; France put in a bid for higher limits and the commission struck its own compromise between the two positions. Britain held out against the compromise more or less single-handed, and the Six have with good grace given way.

UK now: weight 32 tons, length 59ft



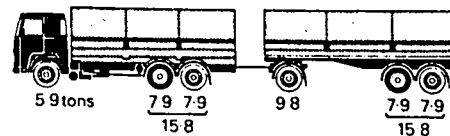
It all depends on . . .

EEC proposals (1980): weight 39.4 tons, length 59ft



how many axles . . .

Holland now: weight 47.2 tons, length 59ft



the lorries need

France

Their phase one

Paris

Reactions to the government's week-old anti-inflation measures have been typically French. The man-in-the-street has been buying gold napoleons, as he always does when he thinks there's a crisis—to the tune of Fr6m a day, pushing their price to a record Fr79.80. Large department stores have anticipated the cuts in value-added tax and lowered their prices slightly; but small shopkeepers have not. The trade unions have said that the measures are anti-working class.

The communist trade union organisation, CGT, has renewed its demands for a wage-price link based on an "honest" cost-of-living index. Using its own index, it claims that prices have risen this year by 8.7 per cent, well ahead of the official estimate which is accused of minimising price rises in food, clothing and housing. The unions say that the proposal for a guaranteed increase of 2 per cent in real purchasing power is quite insufficient, and that the proposed threshold agreement clause, which would come into effect when prices rose by more



Soldiering's dirty work

than 4 per cent, is unacceptable because it would be applied only after several months' delay.

Negotiations are now under way on next year's wages for Paris metro workers, who are holding out for increases well above the new norm. Railway workers have already had a strike this autumn, as have bank employees. The postal service has been erratic for weeks because of strikes. There have been long-lasting stoppages at the potash mines in Alsace and at the Berliet truck factory in Lyons. On the day that the finance minister, M. Valéry Giscard d'Estaing, announced his new programme, Paris dustmen began a week-long strike, their first in two years. Dustmen, a large number of whom are immigrants, have a particularly unfavourable contract: they work a 7-day, 54-hour week before they have two days off, and earn less than Fr1,300 (£110) a month, with little job security. After a few days, the government called in the army to clear the mountain of refuse piled on the sidewalks. This mobilisation of soldiers as blacklegging strikebreakers against immigrant strikers has made the unions particularly cross.

Germany

Strike ballot

This winter's wage round in Germany, which is just starting in earnest, looks like being much more inflationary than last year's. Early on Wednesday morning, talks on an 11 per cent claim for 230,000 iron and steel workers collapsed. There will now be a strike ballot next Wednesday and Thursday. The 4m workers in the engineering industry—where most of the wage contracts will be running out at the end

of this month—have also asked for increases in the region of 11 per cent. Their union, IG Metall, carries out negotiations on a regional basis; the first batch started towards the end of this week, with more to come early next week. Last year, after a rash of strikes, the engineers settled for a mere 7 per cent. But that was at a time when a mild recession looked quite on the cards. Now the German economy is expected to grow by 5 per cent next year, and the labour market is tightening. With prices 6½ per cent higher than a year ago, the union will almost certainly hold out for 9-10 per cent, in order to get some real increases for its members.

After some sidelong glances at what the engineering workers were doing, the public service and transport union's energetic chairman, Herr Heinz Kluncker, asked on Monday for increases ranging from 8-14 per cent for his 1.4m members. He wants a flat rate payment (equal to about 5 per cent of the average wage) for all, plus 6 per cent on top; so the average claim is for about 11 per cent. The government is anxious to keep the rise in public spending down, and Herr Kluncker should expect resistance.

Krupp

Big Berthold fires again

Hamburg

Herr Jürgen Krackow had been chairman of the Krupp empire for only 66 days when he was fired last week, in the second management crisis to hit the company in less than a year. Herr Krackow, who came from the Krupp shipyard AG Weser, was the successor to Herr Günter Vogelsang, who last January refused to renew his contract because of differences with Herr Berthold Beitz, chairman of the Krupp supervisory board and of the Krupp Foundation. Herr Beitz remains very much the big Berthold of the Krupp organisation.

The official reason for Herr Krackow's departure was a disagreement over who should succeed to the managing-directorship of the Krupp Hüttenwerke AG. Herr Beitz, Herr Vogelsang and, when he took over, Herr Krackow all favoured the appointment of a board member, Herr Heinz Kriwet, mainly because of his reputation as a highly efficient sales manager. But Herr Kriwet was unpopular with the workers' representa-

tives on the board, who turned him down. Herr Krackow tried to get round this by putting up a man temporarily for the job, hoping to switch to his own choice later. Herr Beitz probably felt Herr Krackow would not get away with this. So he foiled the manoeuvre, whereupon Herr Krackow felt he had to resign.

Herr Beitz has already appointed a successor to Herr Krackow's job: Herr Ernst Wolf Mommsen, at present secretary of state in the economics and finance ministry. Herr Mommsen, who will start his new job on January 1st, is considered a first-class man who will make a success of it, and restore public confidence in Krupp's management. But he is already 62. One of his more pressing tasks will be to find a long-term successor who can tackle Krupp's structural weakness and get it back on a proper growth path. He may also have to find somebody who will stand up to Herr Beitz. In the past seven years Krupp has slid from being the biggest industrial empire in Germany to number 14.

Air fares

Going it alone

The British broke up the party on Wednesday, and some think it the most important thing to have happened in aviation since wings. For close on four years the British Overseas Airways Corporation has been trying to get other airlines to cut fares on the North Atlantic by around two-thirds, bringing them down to those charged by the charter airlines which have been creaming off the traffic. Since the middle of this summer there have been almost continuous sessions of talks in which the other airlines argued why they were not going to go along with the BOAC proposals. In the middle of this week BOAC and British Caledonian walked out of the talks and broke them up. As the airlines have failed to agree, governments have no option but to take over the fixing of fares.

The cement that has held the International Air Transport Association together has been the fear of this alternative; the direct intervention of governments in air fares has been the bogey that has never failed before to whip rebellious airlines back into the Iata paddock. Today, the bogey looks less horrific than the chaos inside Iata; BOAC's move was made not only with the full approval of the Civil Aviation

Authority at home but also, if the truth were known, the active connivance of a number of Iata officials, who have been equally exasperated to see Iata reduced to a state of frustrated impotence by the tactics of a handful of airlines. These formed a caucus that has resisted every attempt to cut fares because they are too small and unimportant, in North Atlantic terms, to get any benefit from the increase in traffic that would follow. To them, a cut in fares would mean a cut in revenue and they are agin it.

The next step will be for Britain to open direct negotiations with the Americans for two new types of fare. One will be a return ticket at around the £60 level, the condition being that it is booked some months in advance. This is roughly comparable with the rates now charged on charter flights and is designed to pull the traffic from them into scheduled aircraft. The other fare would not have a specific figure attached to it at all; airlines would sell wholesale blocks of seats on their scheduled flights to travel agents who would then collect a random group of people to fill them much as a freight consolidator now collects freight in order to take advantage of airlines' bulk rates. What the agent charged would be up to him. There would be nothing to stop the airlines from owning the agency.

The British are confident that the Americans will agree to the package; the head of the United States Civil Aeronautics Board, Mr Secor D. Brown, was sounded out about it when he was in London last week. There are legal difficulties in America about carrying block-booked passengers on scheduled aircraft but the CAB's lawyers are working on them. There could also be difficulties with the American airlines, which have taken a much less liberal view of fares than the British in the past few years, and the compromise proposal that they put forward on Tuesday in a last attempt to avoid a breakdown in the Iata talks was more restrictive than anything BOAC was ready to accept. The only fare cuts they offered, apart from the advance-booking discount, was for journeys of more than 14 days, and cut-price tickets exist for them already. Since fewer than a quarter of passengers ever pay the ordinary economy fare anyway, it is difficult to see why the airlines do not cut fares across the board and save themselves the administrative costs of trying to sort out who qualifies for what discount. But they won't.

Air bags Deflated

The air bag as a safety device for those involved in car accidents is deflated, and may even be irrevocably punctured. A United States federal appeals court has ruled that official standards for dummy testing of air bags are inadequate, and that the bags' mandatory introduction in America, scheduled for August 15, 1975, must be delayed. The motor industry's relief was limitless, but the broad significance of the court's ruling is that it may be impossible ever to have satisfactory dummy tests, because dummies will never be able to duplicate the behaviour of living people in a crash.

American law merely states that car manufacturers must install "passive restraint" systems that are effective at all speeds up to 30 mph. The industry, with one or two exceptions, would prefer a system of seat-belts connected to the car's ignition so that the engine cannot start until the belt is fastened. But mechanically minded drivers can disconnect the belts. Tests with baboons show that an air bag that inflated on impact to form a shock-absorber between driver and dashboard enables them to survive 50 per cent more g. On the other hand, it needs only 0.1 per cent of air bags to be defective to create the risk in America of another 10,000 unnecessary accidents a year, if the bags inflate at the wrong time and incapacitate the driver. Seat-belts are almost as effective



Not really human, are they?

tive in saving life-and-limb at a fraction of the cost. Many people have been trying to explain this to the American Administration, but they could have been speaking to a deaf mute. The judges may have saved a lot of lives.

Nuclear power In Gulf's stream

The Gulf Oil Company should soon have the foothold it wants in West Germany for its high-temperature nuclear power reactors, but everyone involved is adopting pious attitudes about the likely consequences for the alternative German-designed high temperature reactor with a radically different fuel system.

Gulf's foothold will consist of its 45 per cent stake in Hochtemperatur Reaktorbau (HRB) that was formerly owned by Krupp. Although there will be no formal sale until next month, a firm agreement seems to have been reached by Gulf and Brown Boveri (Mannheim), which will retain majority ownership of HRB. HRB should then be in a position to bid for a high temperature reactor order that is likely to be placed during the next year or so by VEW, the large electricity supply company that serves the eastern part of the Ruhr district.

There is just one complication: that German-designed high temperature reactor, called the pebble-bed reactor after its unique fuel system. HRB is already constructing a 300-megawatt prototype at Schmehausen. It will not be completed at least until 1976, so the pebble-bed reactor cannot be offered to VEW this time round. The company would like to start construction long before tests on the prototype will have been completed. By the late 1970s, the pebble-bed reactor should be on the scene; but how is it going to fit into Gulf's world-wide marketing plans? The obvious answer is: not at all. So probably all that Gulf and Brown Boveri will do with the pebble bed is to arrange for its decent burial.

This would be exactly the outcome that Professor Rudolf Schulten, leader of the team that designed the prototype, warned against a few months ago. The nationalistic feelings his warning aroused forced the postponement of the deal with Gulf until after the German elections. But the deal with Gulf is much desired by Brown Boveri, which is aching to sell its first commercial-size reactor in Germany—and by a number of electricity supply companies.

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Interim—paid 2nd June 1972	3.75%	3.75%	
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—gross rate	15.00%	15.00%	
—per share	3.75 pence	3.75 pence	
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who would like to see the rise of a strong competitor to Kraftwerk Union, the Siemens-AEG subsidiary that so far has dominated nuclear power sales in Germany.

Gulf, which has sold six high-temperature reactors in America, with options taken on two more, has already made arrangements with a French group for the possible sale and construction of a high-temperature reactor in France. Gulf is also actively promoting its reactor in other countries, notably Britain, despite the fact that Britain possesses considerable high-temperature reactor technology.

Gulf has obviously made impressive progress in the nuclear power field in the past few years, but Gulf executives still have a few worries. All its sales so far really depend on the successful operation of its own 330-megawatt prototype at Fort St Vrainin, Colorado, and this reactor is now running behind schedule. Commercial operation, scheduled for last March, will not happen now until next summer.

Commodity prices

Sweet stories

This could be the right time for commodity speculators to sell sugar. The price has bounded up over the past month from around £70 a ton to £95 on Thursday. Operators have bought on both the immediate and the futures market on fears of a sugar shortage because the Australian crop is likely to be bad and because Russia is believed to be a hungry buyer.

A New York trader has bought 500,000 tons of sugar for March delivery, and the argument goes, no trader would purchase in this quantity for so short a shipment without an ultimate buyer in the wings. Who else could this be but the Russians? Their beet crop last year was bad, and coincided with an equally bad cane crop in Cuba, their main suppliers. There are rumours that Russian production has not been so good this year either, and the fact that Australia recently sold 50,000 tons to the Russians adds some credence to this story. In the light of Australia's own potential shortage the price must have been good.

But there are two alternative explanations for the price rise. The first is that the Russians may have no shortage of sugar at all. They may be very cunning communist speculators; anticipating that their very appearance in the market would drive prices up, they may be buying a little sugar in

order to sell it at a profit next year. The second possibility is that a certain New York trading house may soon be pushing about 500,000 tons of sugar on to a swiftly risen market—before laughing all the way to the bank.

Black coffee

Bogota

The international coffee agreement, the world's most important commodity pact, was broken up in London this week when the 22 coffee producing countries decided to stop negotiating export quotas with their customers and to fix for themselves the amount of coffee they will allow on to the world market. The immediate arrangement is for 11m bags to be made available in the first three months of 1973, or 13 per cent less than buyers had suggested was an adequate supply. This seems certain to keep world prices at the present high levels.

In the long run, the growers' refusal to come to the traditional compromise with buyers will backfire on them. About \$3 billion worth of coffee is sold every year. The African countries that grow the cheaper robusta coffees are unlikely to hold the line with the Latin American growers who have always used the quota system to keep the largest share of the world market for themselves. It will take only a few growers to break their self-imposed quotas and sell off their surplus stocks for the producers' front to collapse. Without consumers in the pact, growers will be powerless to discipline those who sell on the free market. There is already a large black market-trade to dodge export quotas. Coffee has become one of the main "currencies" in east-west barter.

The suspension of the pact is most likely to hurt those countries that have killed it: the big four producers Brazil, Colombia, Angola and the Ivory Coast.

Most vulnerable is Colombia, which has 12 per cent of the world market and earns over half of its foreign exchange currency from coffee sales. A drop of only one American cent a lb in the price of coffee in a year cuts \$8m off Colombia's balance of payments. In the short term, however, Colombia will benefit from the breakdown. It grows only high grade arabica coffees which are seldom grown in Africa and of which Brazil, the largest producer, has very low stocks after harvests that have been ruined by blight and frosts. Most African producers have been trying to increase their share of the world market, and Colombia has been deliberately cutting back its excessive dependence on the coffee bean. But the high prices of the past year have boosted the country's foreign reserves and have caused a financial boom in Bogota. Although the economy is now growing at 7 per cent a year, inflation at 16 per cent is undermining many of the benefits. The Colombian peso is being devalued daily, at an annual rate of 10 per cent. Nevertheless, Colombia's programme of diversification away from coffee has been successful; by granting massive tax concessions and a 15 per cent cash subsidy to exports, it has raised its exports other than coffee and crude oil by 40 per cent compared with last year. The promotion of exports has become the government's main concern. To increase beef sales abroad it has used the usual Latin American device of forbidding meat to be sold on two days a week. This obsession with exports may have been one of the reasons why Colombia spearheaded the attack against the coffee pact, claiming that the coffee price had not kept pace with world inflation or the devaluation of the dollar. But in going for a few extra cents a lb of coffee this year, both Colombia and Brazil are likely to find themselves out of pocket in the future.

Key indicators: world commodity prices

Turkey trot

Christmas would not be Christmas in Britain without someone complaining about turkey supplies and prices. As it happens, supplies are the best ever, 7½m birds, and wholesale prices more or less the same as last year's. Cheers.

	Index 1963=100		Percentage change on	
	Dec 6	Dec 13	one month	one year
All items	165.7	169.5*	+ 9.7	+41.7
Food	184.4	191.7*	+12.8	+44.4
Fibres	148.2	147.8*	+ 7.1	+64.2
Metals	186.8	187.9	+ 4.6	+ 8.1
Misc.	152.5	156.0*	+ 7.9	+55.8

*provisional

Rome's current Sparks fly

Rome

For a year, Rome's city fathers have sat on the request by the municipal utility (Acea) to order a 1,000 megawatt power station from the German company Kraftwerk Union, and the Germans are fed up. At £61m, their bid was £10m lower than that of the nationalised Ansaldo group, even after promising to place at least 55 per cent of the contracts in Italy. Ansaldo kicked up an enormous fuss, claiming that Acea had no right to try to get into the generating business and should be content merely with retailing electricity like Britain's electricity boards. Acea replied that it was charged such exorbitant prices for the current that it bought wholesale from the national electricity authority that it had no option but to start generating its own in order to keep rates to consumers down. This brought the generating authority into the quarrel on Ansaldo's side, threatening legal action for underpayment of bills for current bought, but also suggesting that all would be forgiven and forgotten if Acea dropped its plans to go into the generating business on its own.

To the extent that this is a purely domestic row, the Germans are staying out of it. But they are indicating that they could make things hot for Italian industry abroad if, because of the row, the contract fails to go through. There will be a lot of nuclear business coming up in Europe soon for which a group formed by the Germans, the British, the Belgians and Italy's Agipnucleare will be bidding. Ansaldo is not in the consortium and, because of its lack of nuclear building experience, has little chance of getting much work unless it is. The Germans are now in a mood to blackball Italian entry unless the Italians let the Acea contract go through.

Shipbuilding

A little rosier

One Swedish shipbuilder, Gotaverken, reports it has had 3.5m tons of orders, for 25 ships, in the past two months; enough to keep all of Britain's shipyards busy for over a year. Japan says there has been a sharp revival in orders. In Britain there are rumours of several shipowners nibbling at the bait, with Harland and Wolff—where the Government's hand is behind

investments of £6,000 a worker—well in the running. But the revival is patchy, and the yards sharing in it are mostly the few able to offer fixed price contracts.

Gotaverken has a three-year wage deal and long-term contracts with suppliers. Labour relations have been one of its priorities since the Swedish government rescued it two years ago. A trade unionist was appointed deputy managing director; the piece-rate system has been abandoned; workers have been given certain small executive powers. Welders, who used to be particularly scarce, wore such dark glasses that they almost worked in darkness, but they have now been given—believe it or not—special rose-tinted spectacles. The company also took an aggressive attitude towards a politically motivated strike—where the trend is usually to sweep the real reasons under the carpet. This has started a trend in Sweden towards exposing reds under the bed. Gotaverken, and other Swedish firms involved in labour relations experiments, have found a sudden revival in interest in manufacturing jobs among school-leavers, with the result that some university teachers have found themselves redundant.

Eurotroubles

They shouldn't

Brussels

The strike pickets outside the EEC council of ministers and commission this week claimed that they were defending the first-ever European collective agreement. The strike should never have happened. The Eurocrats are still relatively well off by comparison with their national counterparts, and the gap between the 11.2 per cent demanded by the unions and

the 10.4 per cent offered by the ministers hardly seemed to justify an extreme course of action which went against the grain with many commission staff. What provoked the strike was not the money but the refusal of the French and German governments (under pressure to hold the line against inflation at home) to honour an agreement, concluded last month, on the procedure for revising salaries.

Whatever the strikers do, the meetings planned for next week will go on, including the one to argue about lorry weights. The continuing failure to agree on the import levies payable on New Zealand butter, the refining margin for British sugar producers and the use of imported wheat for making whisky—there will be another meeting on this, too, next week—will only become serious if there is no deal by February 1st when the new members are due to implement the common agricultural policy. With luck, all these questions will now be decided in January, by which time Britain, Denmark and Ireland will be full voting members of the Nine.

On other questions Britain already has the delays it wants. The first tariff cuts on industrial goods do not take place until April 1st. Britain and Denmark have already asked for a postponement of the application of the EEC's rules of origin to trade with the Efta countries, which is likely to be granted. The new members will only participate in the EEC's preferences scheme for industrial imports from all poor countries as from January 1, 1974. What Britain does about the EEC's preferential agreements with various Mediterranean countries remains confused, and will come up again at next week's council meeting. But fitting Britain's large market for Spain and Israel into the EEC has fortunately been put off until 1974.



Not really anyone's martyr

All of these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

\$35,000,000

Mexico

(United Mexican States)

8½% External Sinking Fund Bonds Due December 1, 1997

Interest payable June 1 and December 1

Merrill Lynch, Pierce, Fenner & Smith
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Banco Nacional de México, S.A.

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Blyth Eastman Dillon & Co.
Incorporated

Dillon, Read & Co. Inc.

duPont Glore Forgan
Incorporated

Goldman, Sachs & Co.

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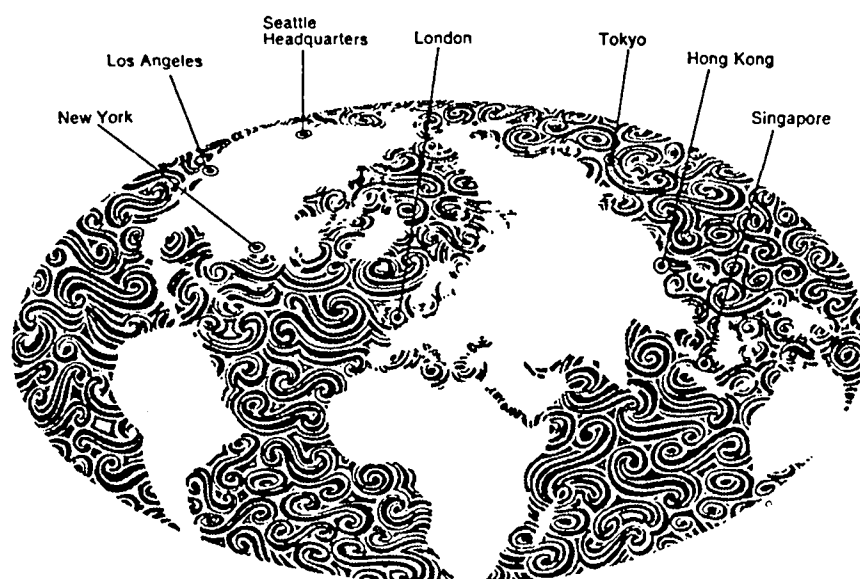
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HELLENIC INDUSTRIAL DEVELOPMENT BANK

Balance Sheet as at December 31, 1971.

ASSETS U.S.\$ '000				LIABILITIES	
	1971	1970		1971	1970
Liquid funds	22,588	12,515	Own funds		
Fixed assets	6,862	4,802	Capital	180,419	180,419
less dep.	926	612	Reserves	34,085	32,434
	5,936	4,190		214,504	212,853
Industrial Land, etc.	9,319 (1)	6,450	Provisions	25,957 (2)	14,666
Equity investments	74,846	72,081	Borrowings	265,644	174,376
Public loans, etc.	2,368	2,233	(\$19,927,071		
Loans (\$57,881,011	390,437	307,826	repayable		
repayable in one year).			in one year).		
State investment	50	67	Current		
Sundry debits	4,711	5,816	liabilities	4,150	9,283
Total	510,255	411,178		510,255	411,178

Notes (1) The final cost of land in Industrial Areas is not yet determined, pending completion of current infrastructure projects. Proceeds of sales amounting to \$1,540,287 in 1971 and \$1,312,520 in 1970, have been deducted from the cost of land, but final results cannot yet be determined. As a precaution, Public Investment Contributions to date appear this year under "Provisions".

(2) Until December, 1970, provisions for depreciation of assets were at Bank's estimate. This year, owing to the repeal of the Bank's tax exemptions, the item is shown as percentage of actual advances as per Emergency Law 396/1968.

Profit and Loss Account

Debit				Credit
	1971	1970		
Expenses	4,166	3,158	Net income	14,624
Dep. on fixed assets	329	153		11,075
Provision for dep.	7,587	2,667		
Net Profit to	2,562	5,097		
(a) Prov. tax	200			
(b) Reserves	1,788	5,097		
(c) Spec. res.	576			

Auditors' Report

We have audited the Balance Sheet and the results of the Hellenic Industrial Development Bank as at December 31, 1971. The audit was made in conformity to the standards accepted by the Institute of Certified Public Accountants of Greece. We found that accounts as required by existing laws have been kept by the Bank and that the above financial statements agree therewith. We noted that (a) The Bank's participations in Companies, which are shown on the Balance Sheet at cost, are not quoted on the Stock Exchange, excepting shares worth \$1,250,000. However, the aggregate book value of the shares as shown in the Balance Sheets of the respective Companies are not less than the amount shown on the Bank's Balance Sheet. (b) The results include items of past years during which the principle of independent accounting periods had not been fully adopted.

Athens, April 27, 1972
Paul C. Totomis
Miltiades A. Lidorikis
Xenophon A. Manassis

BUSINESS

Investment

The FTC doesn't like the way Xerox is

New York

Mr Joseph Wilson, the late chairman of the Xerox Corporation, ardent exponent of what his fellow directors called "those high goals and almost unattainable aspirations for Xerox and its people," projector of the image of a corporation striving to do more for humanity than simply make profits, sponsor of the Kenneth Clark "Civilisation" series on American television and the progressive "Sesame Street" children's programme, charmed much of the world, but for all this the Federal Trade Commission has this week rolled out its very big guns to accuse Xerox of "using unfair marketing and patent practices."

The action by the FTC against the alleged monopoly power of the Xerox Corporation was not entirely unexpected. The commission had announced in 1969 that it was looking at the company, and for the past two months rumours of a move by it were rife. What comes as a surprise is the swingeing nature of its attack. If the full FTC recipe for correction were adopted Xerox would become a ghost of what it is today, shorn of its overseas strength (Rank Xerox), forced

entirely to revamp its marketing techniques, and made to share with its competitors its essence, the technical prowess that has kept it at the head of its field.

The action marks the second major assault on an alleged monopoly by the FTC, under its activist chairman, Mr Miles Kirkpatrick. One of the question marks that hangs over the commission's resolve to endure what would inevitably become a fiercely fought court battle is the feeling in Washington that Mr Kirkpatrick is likely to leave the FTC at the beginning of next year and that his replacement, chosen by Mr Nixon, will be someone rather more amenable to industry.

The Rank Xerox-Xerox tie-up is under attack because the FTC sees the relationship as a pact to divide the world market for plain paper copiers into two. Its cure for this Pitt-Bonaparte situation is to hive off Rank Xerox and to allow it to compete with Xerox in North America. As things stand at the moment this is rather like suggesting that someone should stamp on his own foot.

Xerox is likely to fight hard against the request to divorce itself from Rank Xerox, its more-than-50%-owned subsidiary in Britain; there is much that it will do as part of the bargaining for a consent decree before parting with the bit of its organisation that "should continue to enjoy growth rates in revenues and profits substantially higher than those in the United States." In 1971, Rank Xerox chipped in a third of American Xerox's revenues, but 43% of its net income. That is partly because the subsidiary bore none of the \$25m-odd that Xerox lost on computers, and because all the heavy \$100m-a-year research bill is paid by the parent.

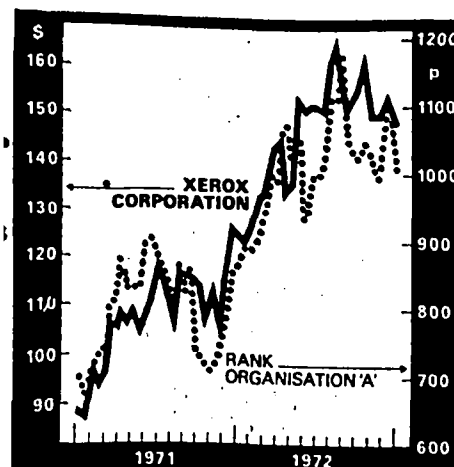
The very thought of Rank Xerox having to go it alone without the



Xeroradiography: image-conscious

backing of the Americans sent an understandable frisson down the share price of Rank "A" in London. It fell from £10.88 on Tuesday morning to £10.35 on Thursday. The net profits of the non-Xerox activities of the Rank Organisation in Britain have been on a plateau of between £3m and £4m for years. The great coup of the Rank chairman, Mr John Davis, was that he found the right product to sell when he embroiled Rank in the copier world, and made sure that that product line would include every Xerox improvement that came out of the Xerox labs in North America. He can be in no hurry to move into competition with that product and that research.

However, stretching credibility to the limit, the FTC has got an answer to this: for another of its proposals is that Xerox should share its copier patents with the rest of the world. This surely must have the Xerox lawyers gleefully masticating their pipe stems. The patent principle is, after all, one of the basic ingredients of capitalism—the idea that future profit should motivate groups of men to search for new developments. The



basic patents on the process of Xerography collapsed long ago: what Xerox is protecting is the process embodied in its machines today, the machines with which its competitors must compete.

It is early days to make predictions, but the initial bet here is that if any change takes place in Xerox's operations inside several years, it will be in those areas in which the FTC holds its traditional sway, in making sure that a product is marketed fairly—and that means some adjustment to Xerox's leasing system. For the FTC to push through its whole list of suggested atonement would surely require one of the marathon trials of this century.

Earlier this year Rank made a rather ignominiously unsuccessful bid for Watney Mann, and a successful takeover of Butlin's holiday camps. Both operations looked rather depressing. Xerox moved in to take control of Rank Xerox from Rank in 1969 partly because it was worried about the looseness of the management. Rank, without the Xerox in Rank Xerox, is a share to sell. The legal shenanigans will no doubt take years, but shareholders should prepare to lighten their holdings if Rank "A" improves again.

General Electric

Set for the magic £100m

The British spending spree has certainly done the General Electric Company good. Consumer products were top of the bill in its interim profit figures, and the rescue of its British Domestic Appliances division is almost completed. The only division to add substantial sales, it now accounts for a tenth of total turnover and a fifth of the earnings.

GEC has, again, shown its paces by producing much higher profits—£42.5m before tax against £31.5m—on unchanged turnover; it is well on the way to the widely accepted target of £100m pre-tax for the year. With recovery all round, and domestic and overseas orders picking up, the outlook for 1973, barring labour troubles (which cost GEC, it reckons, what would have been a noticeable rise in volume of sales in the first half), is for a further substantial rise in earnings of around 15%. On that optimistic basis, the prospective p/e for 1973/74 profits is 12 at 158p, and is a buy.

That 19-month Casey history

Washington, DC

Mr William J. Casey, a brilliant, impatient, decisive man, will leave behind an impressive record when he gives up the chairmanship of the Securities and Exchange Commission, in January, to become Under-Secretary of State for Economic Affairs. While much remains to be done, Mr Casey, in a short tenure of 19 months, has at least started America's commission and the securities industry on the path to solving its biggest problem: how to turn the several fragmented equity markets into one centralised whole.

The electronic information systems on which the new market must be based—one system showing all bids and offers, wherever made and another showing all actual transactions, wherever executed—are to be under the control of a new, independent corporation, not under the New York Stock Exchange or any other existing entity. New rules have been brought into effect to deal with the weak capital underpinnings of brokerage houses, which led so many of them into failure in the market downturn of 1969-70. They place significant restrictions on the proportion of a broker's underlying capital that may be invested in risky equities.

Final details of the new rules for membership of stock exchanges remain to be worked out. On this issue, Mr Casey has clearly bowed to the wishes of the men who hold the power at the NYSE; brokers who transact appreciable amounts of business for affiliated mutual funds, insurance companies, and the like will not be permitted as



Impatient gamekeeper

members. There are tough new policies governing disclosure of information about corporations that issue stock. Prospectuses have been made more understandable to the layman; charts are now required to illustrate future dilutions of equity. Mr Casey wants profits forecasts. He has tried to give the ordinary investor access to corporate information that has been available only to financial institutions or other major investors. He has tried, in fact, to close some of the special avenues of information for large investors by which he himself became a multimillionaire before entering the government. Some people commented that his appointment to the SEC paralleled that of Mr Joseph P. Kennedy, who was a poacher turned into a gamekeeper by President Roosevelt in 1933. The comparison is wry—but high praise, and mainly deserved.

Property in Europe

Triumph for Charlie

One of Belgium's most colourful property developers, M. Charles de Pauw, known to everyone as Charlie, has decided to get some of that much vaunted British financial expertise. He is popping some of his developments, with a value of £20m less mortgages of £11m, into a company jointly owned with Triumph Investment Trust, the British fringe bank. Triumph will then merge the joint company into an existing quoted Belgian vehicle, Ecuyer, which it controls—and dispose of some of the shares to the Imperial Chemical Industries' pension fund.

The ICI pension fund acted as fairy

godmother to the deal; Triumph is already involved in European property with it. Eventually, M. de Pauw will own just over half of Ecuyer, and Triumph and the pension fund together about a third. The balance will be held by the public, though the market will inevitably be a very narrow one.

Since M. de Pauw is an accomplished developer—he has a finger in most of the big buildings that have transformed the skyline of Brussels, and was once accused of almost turning the city into a giant parking lot—he did not come here seeking property expertise from any of the dozens of British property companies. He has just sought a framework for himself to create a Belgian property company on British lines, with access to the funds that will allow the company to hang on to the completed buildings. M. de Pauw is not loved by the Belgian finan-

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December 6, 1972

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Capital Stock

(Without Par Value)

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cial establishment. Triumph will be paying him £4½m in cash and another £4½m in shares for the three Brussels properties he is contributing. These are the Westbury building (all 24 floors of it), the Industrie building, and part of the first world trade centre building—plus the site for the third tower of that ambitious de Pauw world trade centre, about which there is still scepticism from agents. But M. de Pauw has confounded sceptics before.

The deal looks a good one for Triumph, but shareholders must hope they will get more detailed information about it. The initial yield from the £20m worth of properties is 7½%. According to a report by Jones, Lang, Wootton, the firm of estate agents, good quality buildings are going for initial yields of 4½% in Britain. Triumph seems to be making good use of its recent £12m rights issue, but the weight of that issue has kept its share price down. Although there has been a dramatic leap to pre-tax profits of £2.6m, from £1.5m for the first half of the year, Triumph's share price is languishing at 118p, against a high for the year of 150p. This is despite the recent rally which has brought merchant bank shares up one-quarter in the past 10 weeks. Last year Triumph took some unrealised investment profits into the profit and loss account; but, with such good results, the market will soon overcome the scepticism this caused.

Gilts

Kinky curves for a new broker

Mr Thomas Gore Browne, who was this week appointed to succeed Sir Peter Daniell as government broker next February, has had plenty of experience of the gilt-edged market. He joined Mullens in 1948—the year that began with an issue of 3% Transport Stock. He takes over with the yield on long-term gilts above 9½%, under orders to try to sell enough gilts to restrain to about 10% the annual growth in money supply (the broader, or M3, version slowed to an annual 17% growth in the September quarter), but with the difficulty that nobody wants to buy gilts when inflationary pressures are generating the belief that their price will soon fall, which is just when sales are most needed.

The Bank of England's best tactics for flogging gilts on a falling market would be to suggest that it may



Gore Browne needs something to sell

be a rising one, and the moderate rally in gilts in the early part of this week was in fact helped by the rather unworried tone of the Bank of England's Quarterly Bulletin. It rightly suggested that the Government's budget deficit is probably going to turn out much smaller than the £2.9 billion anticipated at budget time. In the first half of the financial year it amounted to £960m, and the December quarter would now have to show an "unprecedentedly large" borrowing requirement before we start paying most of our taxes after January 1st for the £2.9 billion to be reached. This should ease the broker's problems, and might help gilts to rise.

Those who expect higher long-term interest rates back their argument by pointing to the flatness of the yield curve. It is flat compared with 1971, but then international interest rates at the short-end were falling and the authorities were pushing out a lot of long-term debt. This situation has now reversed. Anyway, as another article in the Bank's bulletin argues, traditional yield curves—pencil lines to show the best statistical fit between about 40 dots, each of which represents the yield on one of the 40-odd regular gilts on offer—are unsophisticated and misleadingly smooth. They assume implicitly that investors have expectations about the course of interest rates for the whole life of all gilts; whereas in the actual market the time horizon of gilt traders is probably between about one and three years. Even more important, the market is segmented into groups, each of which tends to deal in a range of maturities. Insurance companies, which like to match long liabilities with long assets, tend to be in the longer end; discount houses up to five or seven years. Thus the curve is not likely to be a smooth

one at all, but a snaky, kinky one.

The economists at the Bank of England have now drawn—and backed with a new theory expressed in mathematical equations—a beautifully kinky "par yield" curve which shows the yields of a hypothetical series of stocks of every maturity if they were all issued at par. This avoids a distortion that besets traditional curves plotted from actual yields: lower coupon stocks offer investors a different mix of total return between capital gain (tax free) and income and are thus left out in the cold by the yield line. The Bank's new theory of market behaviour to explain the shape of the line is that, within each market segment, the difference in yields is a result of an attempt to achieve an equilibrium in total return of income and capital. The longer the maturity the greater the capital loss if interest rates are thought to be rising (thus the curve slopes upward)—and, as quite a separate factor, the greater the risk of loss. The par yield curve, says the bulletin, should assist the Bank "in judging the appropriate terms for new government issues." Lucky Mr Gore Browne to have such sophisticated help. But he would be helped even more if he could be given as a christening present some new wares that were actually peddable when interest rates are thought to be rising—ie, if the Government would only abandon its shibboleth of borrowing only on fixed-interest stock.

Process engineering

Too simple, Simon

Davy Ashmore wants nothing to do with the bid from Simon Engineering. It sees no industrial logic in a merger. There might have been some sense in one when the now defunct Industrial Reorganisation Corporation first suggested it in 1969. But the shake-up in the company following the disastrous Conoco refinery contract (which put Simon off at the time) and the virtual clean sweep of top management have left Davy Ashmore a very different animal.

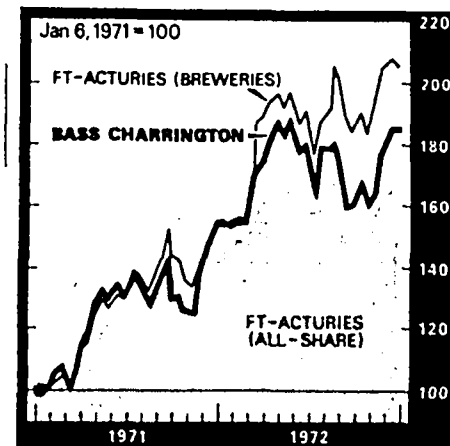
From being predominantly involved in fabrication, DA is now mainly a process engineering designer and contractor in a highly developed and competitive international market. Its process design subsidiary, Power Gas, is now comparable in size with any of its world rivals, like Lummus or Kellogg, and has as wide a range of processes to offer. In fact, DA claims

that its spread—from steelworks to synthetic fibre plants—is wider than anyone else's.

DA is still looking for new partners, but sees little advantage in Simon Engineering, still basically a manufacturer involved in medium-scale engineering. The market reacted to the bid, worth £17m, by raising DA's share price to 81p, but probably for the wrong reason. It thought that the conservative Simon management had missed the boat by a few months, and that a higher bid would be forthcoming.

SECTOR ANALYSIS

Brewers frothing over?



The brewers have never had it so good. Profits up an average 20% is the lily, share prices up around 35% this year is the gilt, and Lord Erroll is Tinkerbell scattering magic dust upon them all.

To the surprise of the drinker, price rises account for only a third of the growth in profits in 1972. Between 1966 and 1969, the trade—then far more dependent upon beer sales alone—suffered from price controls on beer with which Mrs Barbara Castle once sought to cheer a Labour party conference, and profit growth was held down to a measly 5% a year. Then the restrictions were lifted, and price increases accounted for nearly all the profit growth in 1970 and 1971. But this year the hard thinking that was forced upon the brewers by price controls has begun to pay off. A better sales mix, expansion into catering, more aggressive retailing and worse beer are reaping their rich rewards.

The question is whether this harvest will continue or whether the larger

brewers will find themselves in the same position as the big food manufacturers: too big to grow much. Bass Charrington, with a whopping 27% increase in profits to £50m, feels that the swing towards lighter beers and food (where margins are higher) will go further. There has been a class movement from the public to the saloon bar (where, again, margins are higher) and the brewers have exploited this by tarding up pubs and laying on food. The Erroll committee's favourable conclusion on licensed premises for the whole drinking family will be a big boost to pub-cafes. It also told magistrates to grant licences more liberally.

The British excise duty on beer is much higher than the average in the EEC—brokers Sheppards and Chase work it out at over six times as much on standard beer—and if Mr Barber is looking for popular, price-reducing, harmonising-with-Europe tax cuts in April a chop in the duty seems an obvious candidate. Lower excise duties would help sales of wines and spirits, for which demand is more elastic than for beer.

One cautionary factor is that the rise in brewery share prices in 1972 owed a lot to the spate of takeover activity. This is now over except for a resolution of Allied Breweries' 26% holding in Trust Houses Forte. In the EEC beer consumption is generally lower than in Britain, and British brewers' expansion there will have to be largely by acquisition; the continentals do not like the draught beer which is 70% of British output. But such acquisitions have not so far been crowned with success. At home future growth from beer price increases is likely to be less significant to profits, and so further rationalisation and diversification is the name of the game.

Bass Charrington seems particularly well placed to benefit. It has been rationalising hard since the merger in 1968, closing down depots and discontinuing more than a hundred brands of beer. The new Runcorn complex should be fully operational by early 1974, and this should help to cut some of the beer wastage; a 1% volume saving is worth about £600,000 a year in turnover to Bass. With 18% of its beer profits coming from lager sales and about 22% from wines and spirits, there is still plenty of scope to trade up. Meanwhile, its deal with Esso motels should be a good launching platform for Europe. At a price of 180p on a prospective p/e of 14.6 Bass Charrington's shares are not too expensive.

The same cannot be said for Whitbread. Its rationalisation is proceeding less fast, and its lower margins mean that it is more dependent on price increases, now most unlikely. This is recognised by the company's cautious statement about prospects in the second half of this year, after the 20% increase at the pre-tax level in the first half to £15m. A p/e of about 16 at 105p is not behind events.

Many of the smaller companies will probably fall from favour as takeover speculation drops. But two are still attractive. J. A. Devenish operates in the west country and should benefit from the Erroll recommendation allowing holidaymakers—kids and all—into the pubs. A historic p/e of 18 at 870p is not too expensive; but the market is small and a better price will probably emerge when takeover hopes recede. Stock exchange permission is needed to buy shares in Fuller, Smith and Turner, also a tight market. The p/e is about 24 at 750p, but with assets in excess of £30 per share they are worth buying if you can get them.

Key indicators: world bourses

	Stock price indices			Percentage change on				record high
	Dec 6	1972 high	1972 low	one week	one month	one year		
After a new record on Monday, Wall Street suffered profit-taking. But London remained firm, ignoring the National Institute's warning that the economy may be growing less fast than the Government believes. Continental markets mostly quiet.								
London	511.0	543.6	481.8	+ 0.8	+ 3.7	+11.2	- 6.0	
New York	1030.5	1036.3	889.2	+ 0.3	+ 3.2	+19.3	- 0.6	
Canada	241.6	241.7	187.5	+ 1.3	+ 5.8	+34.6	-	
Australia	610.1	639.8	490.1	- 0.4	+ 1.8	+32.2	- 8.0	
Japan	368.5	373.9	199.9	- 0.9	+ 6.2	+97.2	- 1.4	
Hongkong	732.4	759.4	324.0	+ 7.5	+ 6.1	+145.3	- 3.8	
Belgium	119.4	120.8	96.9	+ 1.1	+ 2.4	+24.9	- 1.2	
France	78.2	89.3	67.8	- 1.0	- 7.5	+15.9	-18.3	
Germany	108.2	121.3	97.1	- 1.0	- 4.7	+14.7	-28.4	
Holland	150.7	155.3	105.4	+ 1.0	+ 0.5	+48.2	- 3.0	
Italy	53.9	56.9	43.9	- 1.5	+ 3.9	+17.4	-53.8	
Sweden	359.4	368.1	308.7	- 0.4	- 0.4	+21.1	- 4.3	

Stock prices and yields are on pages 121 and 122

All of these Securities have been sold. This announcement appears as a matter of record only.

\$50,000,000

The Gillette Company

4¾% Convertible Debentures Due 1987

(Convertible on and after June 30, 1973 into Common Stock of The Gillette Company at \$67 a Share)

Interest payable annually on December 1 commencing in 1973

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WHITE, WELD & CO.

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CREDITANSTALT-BANKVEREIN	CREDITO ITALIANO	THE DAIWA SECURITIES CO., LTD.
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DEWAAY, CORTVRIENDT INTERNATIONAL S.A.	DILLON, READ OVERSEAS CORPORATION	DRESDNER BANK
EURAMERICA INTERNATIONAL BANK	THE FIRST BOSTON CORPORATION	ROBERT FLEMING & CO. FNCB EUROSECURITIES S.A.
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UNION BANK OF SWITZERLAND (UNDERWRITERS)	VEREINSBANK IN HAMBURG	M.M. WARBURG-BRINCKMANN, WIRTZ & CO.
S.G. WARBURG & CO. LTD.	WESTDEUTSCHE LANDESBANK	WILLIAMS, GLYN & CO.
	GIROZENTRALE	WOOD GUNDY
		YAMAICHI SECURITIES COMPANY

December 18, 1972.

TENDER

UNITED REPUBLIC
OF CAMEROON

Notice of Shortlisting

A call for tender for the construction of a new airport at Douala will shortly be issued. The building consists of:

- 1 parking level (level 0.00m) of 8,200 m²;
- 1 ground floor (level 4.59m) of 7,300 m²;
- 1 first floor (level 9.18m) of 3,700 m²;
- Boarding jetties and rooms (level 4.59m) of 4,400 m².

Companies interested in this call for tender should apply (in French if possible) for shortlisting, together with financial and technical references, by 30 December 1972 to:

M. le Représentant de l'ASECNA
BP 4063
Douala
Cameroon

Work should start at the beginning of 1973.

CONTRACT AND TENDERS

INVITATION TO BID IIZ.19

TÜRKİYE ELEKTRİK KURUMU

Ankara — Turkey

Will accept Bids before 23.1.1973 for 360.000 pcs. insulators for high voltage transmission projects. Financing contemplated by International Bank for Reconstruction and Development.

Bid documents available from TEK Şebekeler Dairesi Başkanlığı Necatibey Cad. No 3-5 Sıhhiye-Ankara-TURKEY from the date of 23.12.1972.

APPOINTMENTS

The Royal Institute of International Affairs
(Chatham House)

Research Specialists in International Economics

Applications are invited from economists with particular interests in European affairs for the post of Research Specialist in International Economics. The person appointed will be expected to contribute to the Institute's programme of studies on the internal and external affairs of the enlarged European Community, and to conduct economic research of his own in this field. The appointment, for a period of 3-5 years, will be made on a salary scale corresponding to that of university lecturer in the medium range, up to £3,400 per annum, but the ceiling is subject to negotiation. Appropriate provision will be made for superannuation. Further details may be obtained from the Administrative Director, 10 St James's Square, London, SW1Y 4LE.

CHAIRMAN'S STATEMENT

Enormous potential in Common Market Year

Mr. Eric Sosnow, Chairman of United City Merchants reports another year of record results.

The potential for expansion in the field of international trade is enormous.

The entry of Britain into the Common Market and the rapprochement between East and West, including China, open up new vistas.

The Group intends to take full advantage of these possibilities both by expanding its existing activities and by making suitable acquisitions.

Profits for the year 22% up amounted to £1,043,000. This was achieved by internal growth and without acquisitions.

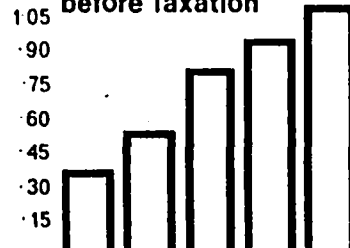
Earnings per share up from 3.92p to 4.79p.

Dividend: The final dividend of 8% makes a total of 16% for the year; but for the Treasury ruling on dividend standstill the total would have been 22%.

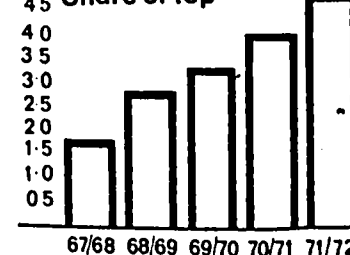
Banking arm formed: A new company United City Merchants (Investments) Limited has been formed as the Group's banking arm.

Ancillary services: Shipping, forwarding, insurance, and transport have been expanded on a more sophisticated basis in a new company British & International Commercial Services Ltd.

£M Group Profit before Taxation



Earnings per Ordinary Share of 10p



UNITED CITY MERCHANTS LTD
UCM House, 3/5 Swallow Place
London W1A 1BB

APPOINTMENTS

University of
Bristol

Research Assistant
in Economics

The Department of Economics invites applications for an Assistantship in research in ocean shipping conducted by Professor E. Bennathan. Candidates should be graduates with training in economics and/or statistics and preferably experienced in simple computer programming and computer use. The position is vacant from 1st January, 1973. Salary within the scales £1350-£1476-£1599-£1722 or £1764-£1923-£2079 according to qualifications. Further particulars may be obtained from the Registrar, University Senate House, Bristol BS8 1TH, to whom applications should be sent by 5th January, 1973. (Please quote reference EB).

The University of
Manchester

Chair of Economic
History

Applications are invited for the Chair of Economic History which will become vacant on October 1, 1973, upon the retirement of Professor T. S. Willan. The salary will be within the normal professorial range with F.S.S.U. benefits. Applications (one copy suitable for photocopying), giving full details of qualifications and experience and the names and addresses of three persons to whom reference may be made, should be sent to the Registrar, The University, Manchester, M13 9PL, and received by him not later than January 26, 1973. Particulars of the appointment may be obtained on request from the Registrar. Please quote ref: 189/72/E.

University of
New England

ARMIDALE,
NEW SOUTH WALES
Research Fellow/Junior
Research Fellow in
Agricultural Economics
and Economic Statistics

Applications are invited to join a four man research team developing an aggressive programming model of Australian agriculture. The model is to be used for policy experimentation and evaluation. Applicants should be qualified in one or more of the areas of quantitative economics, operations research, mathematical programming, econometrics, economic planning or agricultural economics. Applicants for the position of Research Fellow should hold a Ph.D. or have equivalent qualification. Applicants for the position of Junior Research Fellow would be expected to work towards a higher degree and preferably to have had some research experience. Assuming satisfactory service, the appointments will be for three years.

Salary: Junior Research Fellow \$A4,200 range \$A5,400. Research Fellow \$A6,801 range \$A9,390. Assistance will be given towards fares and removal expenses. Further information can be obtained from the Association of Commonwealth Universities (Appts), 36 Gordon Square, London WC1H 0PF. (Tel.: 01-387 8572). Applications close on 26 January 1973.

Portsmouth
Polytechnic

Department of Economics
and Economic History

Applications are invited for the post of Lecturer Grade I or Grade II in Economics.

Candidates must be well qualified, preference being given to those having qualifications in mathematical economics and/or econometrics. Assistance will be required in the teaching of quantitative methods for economists and economics mainly at degree level. Candidates should state their special interest in economics.

The vacancy will occur by the end of February but an alternative starting date can be arranged.

Salary scale: Lecturer Grade I £1,500 to £2,687 per annum. Lecturer Grade II £2,355 to £3,083 per annum.

Application forms and further particulars may be obtained from the Staff Officer, Portsmouth Polytechnic, Ravelin House, Alexandra Road, Portsmouth PO1 2QQ, to whom completed applications should be returned by January 8, 1973, quoting Ref. G17.

COMPANY STATEMENT

THE METROPOLITAN TRUST
COMPANY, LIMITED

The Seventy-fifth Annual General Meeting of The Metropolitan Trust Company, Limited was held on 12th December in London. Mr. David M. C. Donald, W.S., F.C.I.S. (the Chairman), presiding. The following is an extract from the Report of the Directors for the year ended 30th September, 1972, which has been circulated to Shareholders:

Gross Revenue for the year ended 30th September, 1972, which is some £15,000 down on the previous year, suffered from the deferment of dividends for tax reasons by a large number of U.K. companies. The amount of franked investment income deferred in this way was over £50,000 and represents 0.18 pence per Ordinary share.

As a result of lower tax and interest charges earnings available for the Ordinary shares are slightly higher and a final dividend of 2.875 pence making a total of 4.125 pence for the year is now recommended. This compares with a dividend of 4 pence per share last year.

Over the year the U.K. and U.S.A. stock markets, in which this company is predominantly invested, showed modest advances. The F.T.-Actuaries All-Share Index rose 10 per cent and the Dow Jones Industrial Index, adjusted for changes in the exchange rate and dollar premium, improved by 7 per cent. The total net assets of the company at 30th September, 1972, amount to £54,282,473, an increase of 14.9 per cent over the previous year, and the net asset value of each Ordinary share is 179.2 pence.

In the current year we are faced in this country with a completely new system of taxation, the problems of entry into the European Economic Community, and the consequences of the standstill imposed by the Government on prices, rents, wages and dividends. In America the problems are mainly concerned with the future of price controls and the fear of increased taxes. In both countries, however, trade and industry are at the moment enjoying increasing prosperity and while the uncertainties outlined above make forecasting imprudent, it should not be assumed that their impact will be entirely disadvantageous.

Lord Latymer's retirement from the Board after 24 years as Chairman was accepted with regret and he is greatly missed by both Directors and staff.

COMPANY STATEMENT

KENNING
MOTOR GROUP LTD

Distributors and Retailers of Cars, Commercial Vehicles, Petroleum Products, Tyres and Parts. Specialists in Hire Purchase, Long Term Contract Hire, Service and Car and Van Hire, Coachbuilders, Manufacturers of Electric Vehicles, Road Tankers, and Remoulded Tyres. Operators of Motorway Service Areas.

YEAR ENDED 30th JUNE, 1972	1972 £000	1971 £000
Turnover	107,254	91,056
Group Trading Profit	5,124	4,118
Group Net Profit before Taxation	2,858	2,053
Dividends Distributed — Cost to Company	1,022	865
Shareholders Funds (issued Capital and Reserves)	15,886	15,255
Capital Employed (Shareholders Funds, Debentures, Loans and Minority Interests)	26,854	25,401
Fixed Assets	19,840	18,470
Net Current Assets	8,116	7,655

Number of Shareholders 7,700.
Book Value of Group Properties
£14,533,000.
Number of Employees (excluding
Rhodesia) 7,957.
Number of Apprentices 596.

Copies of the 1972 Report and Accounts may be obtained from the Secretary, Manor Offices, Old Road, Chesterfield.



KENNING
MOTOR GROUP



APPOINTMENTS

University of Glasgow

Lectureship in Economic History

Applications are invited for a Lectureship in Economic History, tenable from October, 1973. Applicants should have an interest in the economic history of China and Japan, although other fields of study are not excluded.

The salary will be within the range £1764 to £2556 per annum of the Lecturers' scale of £1765 to £4145 per annum. Placement will be according to qualifications and experience. F.S.S.U.

Applications (eight copies) should be lodged, not later than 15th January, 1973, with the undersigned, from whom further particulars may be obtained. In reply please quote Ref. No 32397.

ROBT. T. HUTCHESON,
Secretary of the
University Court.

Thames Polytechnic

Lecturer in Economics

Applications are invited from honours graduates to commence as soon as possible. Industrial/research experience and competence in quantitative methods will be a strong recommendation.

The post is Lecturer Grade II but applicants with insufficient relevant experience can be considered for appointment at Grade I initially.

Salary: Lecturer Grade II £2355-£3083 + £118 London allowance. Lecturer Grade I £1500-£2525 + £118 London allowance.

Application forms and further particulars can be obtained from the Secretary, Thames Polytechnic, Wellington Street, London, SE18 6PF to be returned by 5 January 1973.

The University of Manchester Institute of Science and Technology

DEPARTMENT OF MANAGEMENT SCIENCES

The U.M.I.S.T. Department of Management Sciences is one of the oldest and largest centres of Management education in the United Kingdom, embracing a substantial research school engaged upon a variety of industry sponsored research projects.

SPECIAL RESEARCH ASSISTANT (REF. M5/219/AD)

Applications are invited from suitably qualified mature graduates in Marketing Science, Economics, Statistics and Operational Research, preferably with some research experience, for appointment as the Research Assistant to Professor Roland Smith, Carrington Vivella, Professor of Marketing and Chairman of the Management Sciences Department.

The successful candidate will be required to work closely with Professor Smith on a variety of projects and will also be expected to pursue his own research interests for submission to a higher degree.

The appointment will be for three years at a salary of £1,326 per annum rising to £1,392 after one year. F.S.S.U.

Requests for application forms quoting Reference number, should be made to the Registrar, The University of Manchester Institute of Science and Technology, Sackville Street, Manchester, M60 1QD, to whom completed forms should be returned by 8th January, 1973.

Monash University MELBOURNE, AUSTRALIA DEPARTMENT OF ECONOMICS Lecturers and Senior Lecturers

Applications are invited for appointment in the Department of Economics. Courses are offered to undergraduate students taking a first degree at the pass and honours level and to graduate students taking the Master's degree by course work. In addition, candidates writing theses are supervised for the degrees of Master of Economics and Doctor of Philosophy.

Applicants may be interested in any aspect of economics including macro and micro-economics, monetary and industrial economics, urban economics, public finance, comparative economic systems and welfare economics.

Salary: Senior Lecturer: \$A9,644-\$A11,234 per annum. Lecturer: \$A6,801-\$A9,390 per annum with superannuation based on an endowment assurance scheme, the employee and employer contributing 5 per cent and 10 per cent respectively.

Benefits: Travelling expenses for appointee and family; removal allowance, repatriation after three years' appointment if desired; temporary housing for an initial period. Study leave entitlement accumulates at the rate of one month's leave for each six month's service up to six years, with provision for financial assistance.

Further general information and details of application procedure are available from the Secretary-General, Association of Commonwealth Universities (Apu), 38 Gordon Square, London WC1H 0PF. (Tel.: 01-387 8572).

Closing Date: 12 February 1973. The University reserves the right to make no appointment or to appoint by invitation.

APPOINTMENTS

University of Oxford ST ANTONY'S COLLEGE

Research Fellowships

If suitable candidates present themselves, the College proposes to elect to one or more Research Fellowships, tenable for up to two years. Applications are invited from men and women with successful postgraduate or other relevant (not necessarily academic) experience, who wish to engage in a clearly defined piece of research or writing, in any of the subjects in which the College is active.

Studentships

Applications are invited from men and women graduates, and from undergraduates in their final year, who wish to work for higher degrees in nineteenth and twentieth century history and in social studies. The College is ready to consider candidates whose first degree is in another discipline (e.g. languages, literature, geography), and who now wish to undertake historical, social, political or economic studies. The College has a particular interest in the following areas: Europe, Russia, the Middle East, the Far East, Latin America and Africa.

The College may also admit a few students in the history and sociology of literature, in the history of science, of philosophy, of art and of music, in the social anthropology of complex societies, particularly in Southern and South-Eastern Europe, and in other subjects relevant to an understanding of modern society.

Further particulars and application forms may be obtained from the College Secretary, St Antony's College, Oxford. The closing date for applications is 1st January, 1973.

Paisley College of Technology

DEPARTMENT OF SOCIAL STUDIES

Lecturer in Economics

Applications are invited for the above post within a rapidly expanding Department.

Salary £1,608-£3,636 with placing according to qualifications and experience.

Further particulars and application forms from The Establishment Section, Paisley College of Technology, High Street, Paisley PA1 2BE, Renfrewshire (Tel. 041887 1241). Closing date January 3rd 1973.

Transportation Planning

European consultants require immediately traffic engineers for a three month assignment in Paris starting January 1st 1973.

Applicants should have a working knowledge of French and a minimum of one year's postgraduate experience.

Generous salary and expenses allowance. Please write or phone:

M. Counas,
OTH,
Division Aménagement
OTAM,
16 Rue Jules Cesar,
75 012 Paris,
France.
Tel: Paris 344 24 22.

University of London

School Examinations Department General Certificate of Education Economics Geography

Applications are invited for the post of Subject Officer for a group of subjects including Geography and Economics.

Applicants should have a degree in Geography and/or Economics. Teaching or administrative experience and an interest in multiple-choice objective tests are desirable.

The Subject Officer will be responsible to the Assistant Secretary for the administration and co-ordination of the GCE Examinations in the relevant subjects and will be expected to contribute to the development of the examinations.

The School Examinations Department conducts the GCE Examination of the University for approximately 350,000 candidates annually at over 3,000 home and overseas centres.

Initial salary, according to qualifications and experience, will be on the scale £2238 x £159 to £3510 plus £162 London Allowance. There are prospects of promotion to the scale £3192 to £4299. Membership of FSSU; 6 weeks' leave.

Further particulars and application forms are available from Michael Root Personnel Officer, University of London, Senate House, WC1E 7HU. (E83).

Closing date for applications is 22 December 1972.

DIVIDEND NOTICE

SOLVAY & CIE

The Company declares an Interim Dividend of B.Fcs. 55.00 Net of Belgian Tax payable on 19th December, 1972, on its 'A' Shares.

Coupon No. 9 may be presented for payment at the Offices of J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London, E.C.2. between the hours of 10 a.m. and 2 p.m. (Saturdays excepted) on or after Tuesday, 19th December, 1972. Payment will be made by Belgian Franc Draft, by transfer to a B.Fc. Account or in Sterling at Bankers sight buying rate for B.Fcs. on day of presentation at the option of the holder.

U.K. Tax at the standard rate will be deducted from the net dividend unless lodgements are accompanied by the necessary Affidavits.

Payment can only be made to persons residing outside the Belgo-Luxembourg Customs Union.

LONDON: 12 December, 1972.

Econometrician For Barclays Bank

Our Treasurer's Office has an immediate opening for an Econometrician.

Candidates should be aged up to 27 with one year's practical experience and preference will be given to those with a post-graduate qualification and an existing interest in the financial sector.

This opening is in an established section of the bank and offers unusual scope for initiative. The work, which is frequently technically sophisticated includes forecasting, research into both fundamental areas and management problems, and the application of results to day-to-day operations.

The successful candidate will be encouraged to develop his own ideas and to contribute to the existing commitments of the section. He will have to be able to communicate his ideas at a high level.

The salary is attractive and progressive, and fringe benefits include a low interest rate housing loan and a non-contributory pension.

Apply, giving details of age and previous experience, to:

The Manager (Graduate Recruitment),
Barclays Bank Limited,
Staff Department,
54 Lombard Street,
London, EC3P 3AH.

BARCLAYS

Economist

Experienced Economist required to join a small team within the Corporate Planning Department of the British Railways Board located in London. The work involves economic forecasting as a basis for planning, evaluation of business plans and provision of general economic advice.

Candidates should possess a good Honours Degree in Economics, be numerate and have practical experience in economic forecasting and analysis. Knowledge of Transport would be an advantage.

Commencing salary will be within the range £3,540 to £4,190, plus £70 London Allowance a year.

There is a contributory pension scheme and the transfer of existing pension rights can be accepted. There are also free and reduced-rate rail travel facilities.

Applications giving age, education, qualifications, experience and present salary should be sent to: Headquarters Staff & Services Manager, British Railways Board Headquarters, 222 Marylebone Road, London NW1 6JJ, quoting reference RB.170.



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financial institutions who
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credit standing. Also inter-
ested in developing addi-
tional contacts with European
individuals interested in tak-
ing equity positions in such
transactions.

Apply Economist Box 2549.

APPOINTMENT WANTED

Age 22 (male); recently graduated
with second-class honours degree in
economics (special subject market-
ing); public school; "A" levels
in French and German (fluent in
both). Interested in challenging job
with prospects. Perhaps such quali-
fications useful to firm with Common
Market interests.

Reply:
Economist, Box 2554.

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*Extract from the statement made by the Chairman, Mr P.W. McGrath
at the Annual General Meeting of The Irish Glass Bottle Co. Ltd., on Wed. Dec. 13th. 1972*

Accounts

Shareholders will be pleased to
note that the Company's results
for the year which, excluding
profits of Associated Companies,
amount to £510,765, are back to
the level of the year ended
30th June, 1970.
While this result is very
satisfactory indeed, in real
money terms the profits of your
Company have still not recovered
to previous values as over the
two-year period, due to inflation,
the value of the pound has
reduced. Nevertheless, in the
circumstances, we must be
reasonably satisfied.
Probably the most encouraging
feature of the Accounts has been
the profits earned by our two
Associated Companies which I
will deal with later on in my
Report. In particular I refer to the
turn-around in the fortunes of
Irish Plastic Packaging Limited
which has, for the first time in
recent years, contributed to the

Group's profitability, bringing
the total profit applicable to your
Group to £529,829 before
taxation.

In view of the improvement in
the results for the year your
Board is now recommending a
Final Dividend of 10% which
with the Interim Dividend will
amount to a total of 18% for the
full year thus restoring the
Dividend to the level it had
reached prior to the enforced
cut in Dividend which we had to
effect last year.

While we have every reason to
be pleased with the upward
trend, your Board cannot be
satisfied with the still
considerably reduced margins
of profit existing in the industry.
This year's profits were attained
on sales considerably above last
year's and far greater again when
compared with 1970. As stressed
in my statement last year, static
profits in an economy where
the value of the pound is

reducing are not a healthy sign
either for individual concerns
or the community as a whole.

Development Programme

Due to the improvement in the
level of profits and also to the
fact that the market shows an
increasing demand for glass
containers, your Board has now
decided to proceed with the next
stage of our development
programme which we suspended
last year. These developments
will include installation of bulk
storage facilities and possibly
a third major production unit.
We also intend transferring the
administrative and other facilities
from Ringsend to Pigeon House
Road. The total cost of these
developments will be
considerable and when
completed practically all the
productive capacity of your
Company and all its
administrative and ancillary

facilities will be located on the
new site at Pigeon House Road.
We will still retain a relatively
small productive capacity
on the old site at Ringsend.

Irish Plastic Packaging Ltd.

The result for the year is a profit
of £41,000. This compares with
a loss of £119,000 for the
previous year and the total swing
of £160,000 reflects great credit
on the Board and Management
of Irish Plastic Packaging Ltd.

The Future

In looking to the future I again
pay compliment to the
Management of I.G.B. who in
spite of all sorts of difficulties
have brought profitability back
to within a reasonable striking
distance of the real levels
previously obtaining. I have
every confidence that the
Company will achieve the levels
necessary for its continued
prosperity.

PURE IRISH GLASS The Irish Glass Bottle Co. Ltd., Charlotte Quay Dublin 4

How do you break the law without committing a crime?

By flagrantly ignoring the provisions of the 1948
National Assistance Act.

Shelter's investigation of 106 local authorities in 1972
shows widespread disregard of the law as laid down in
the Act. They were refusing temporary accommodation
to some homeless families. Shunting them from one
area to another. Breaking up families and taking the
children into care. Accepting improperly managed
temporary accommodation.

The Grief Report shows where the 1948 National
Assistance Act breaks down. And outlines a course
of action.

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At their last meeting the Board of Directors resolved to raise the Company's capital from Frs.40,500,000 to Frs.48,600,000 by making a one-for-five scrip issue of 81,000 shares as announced by the Board at the Annual General Meeting of 27th May last.

The new shares will be available as from 18th December against presentation of evidence of entitlement (coupon 17), at all Head Offices and branches of the four banks authorised to effect payment of Moulinex coupons: Banque Nationale de Paris, Crédit Lyonnais, Société Générale, Crédit Commercial de France.

Furthermore all the resolutions put forward at the Extraordinary General Meeting held on 2nd December were adopted. The Company's affairs as from 1st January, 1973 will therefore be conducted in accordance with its new Articles of Association, providing as they do for the Board of Management and Supervisory Board required by the Law of 24th July, 1966 on commercial enterprises.

Happy Christmas?

The Family Festival is a great time for children—or surely ought to be.

For over a century the Shaftesbury Homes and 'Arethusa' have been striving, at this and all times of the year, to fill the gap in the lives of children deprived of family affection and security.

PLEASE HELP US TO HELP OUR CHILDREN ENJOY THIS CHRISTMAS

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MAJOR TIMING RECOMMENDATIONS

COCOA — Oct. '71: major buying opportunity expected during this quarter; Jan. '72: prices to average higher in second than first quarter, still higher in third.

SOYBEANS — Apr. '71: B U Y; Oct. '71: complete '71/72 crop year coverage on current weakness.

SOYBEAN MEAL — Nov. '71: BUY AGGRESSIVELY.

SOYBEAN OIL — Jan. '72: New Lows fourth quarter.

WHEAT — BUY on dips towards 1.45 Chicago; June '72: Much further price strength into fourth quarter if significant sales made to U.S.S.R.

CORN — June '72: BUY on weakness.

SUGAR — Jan. '72: SELL ON STRENGTH; June '72: Aggressive buying; Mar. '73 New York Future 5.50-6.00 cent range.

For over a quarter of a century, our basic research has enabled us to anticipate well in advance a major reversal in the price trend. It is indicative of the commodity work performed by us for many large corporations in industrial and agricultural commodities.

39th Year World Wide Service

HIDES — (HEAVY NATIVE) Jan. '71: B U Y; March '71: B U Y; July '71: B U Y; Oct. '71: B U Y; Jan. '72: B U Y; Apr. '72: B U Y.

PORK BELLIES — Aug. '71: B U Y on weakness; Feb. '72 B U Y.

HOGS — Feb. '72: B U Y

WOOL — Mar. '72: Continue view major trend up.

COTTON — Mar. '72: New York futures approaching top levels thereafter major trend down.

SILVER — Oct. '71: B U Y — cover previously recommended short positions; Jan. '72: Prices in second half higher than first half.

COPPER — Aug. '72: SELL Dec. '72 COMEX in 52-54 cent range.

GOLD — We have been bullish for two years; Jun. '72: expect third quarter high around \$70-75 London.

PLATINUM — May '72: B U Y.

Your inquiry on your corporation letterhead is requested addressed to:

J. Carvel Lange International, Inc.

Subsidiary of Industrial Commodity Corp.
122 East 42nd St., New York, N.Y. 10017
Cable: ECONOGRAM Telephone: 212-497-1262

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STOCK PRICES AND YIELDS

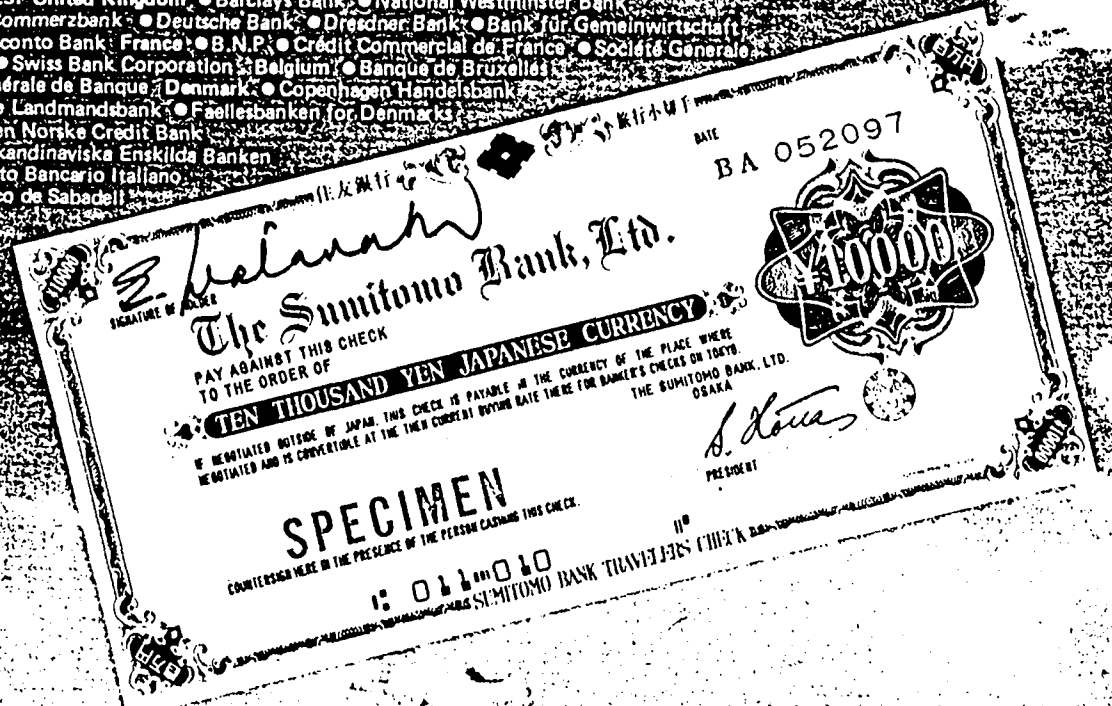
Prices, 1972		Price, Dec. 6 1972		Price, Dec. 13 1972		Net red. yield, Dec. 13 1972		Gross red. yield, Dec. 13 1972		Eurobonds		Last week's prices		This week's prices		Yield to maturity	
High	Low																
98 1/2	97 1/2	British Electric 3 1/2%	1968-73	98 1/2	98 1/2	4.485	7.475	1	Anglo-American 7 1/2%	1987	98 1/2-9 1/2	98 1/2-9 1/2	7.42				
98 1/2	97 1/2	British Electric 3 1/2%	1976-79	76 1/2	76 1/2	6.335	7.995	1	Amoco (E) 8%	1987	93-4	93-4	8.55				
98 1/2	96	Treasury 8 1/2%	1980-82	100%	96 1/2	5.450	8.895	1	General American Trans. 8 1/2%	1987	102 1/2-3 1/2	102 1/2-3 1/2	7.70				
108 1/2	94	Treasury 8 1/2%	1984-86	94 1/2	94 1/2	5.650	9.145	1	General Cable 8 1/2%	1987	103-1/2	103-1/2	7.70				
96 1/2	80 1/2	Funding 6 1/2%	1985-87	80 1/2	80 1/2	5.945	8.995	1	International Utilities 8 1/2%	1982	102-1/2	102-1/2	7.78				
96 1/2	54 1/2	British Transport 3 1/2%	1978-88	54 1/2	54 1/2	4.480	8.225	1	Kleinwort Benson 8 1/2%	1987	104-1/2	103-4	7.64				
96 1/2	69 1/2	Funding 6 1/2%	1993	71 1/2	72 1/2	6.050	9.190	1	Motorola 8%	1987	103 1/2-4	102-3 1/2	7.52				
111 1/2	93 1/2	Treasury 9 1/2%	1994	94 1/2	95	5.840	9.425	1	N. American Rockwell 8 1/2%	1987	103-1/2	102 1/2-3 1/2	7.70				
58	46 1/2	British Gas 3 1/2%	1990-95	46 1/2	47	6.250	8.275	1	Pennwalt 8%	1987	102-1/2	101 1/2-2 1/2	7.53				
99 1/2	73 1/2	Treasury 6 1/2%	1995-98	74 1/2	75	6.025	9.450	1	Queensland Alumina 8 1/2%	1987	103-1/2	102-3	7.75				
73 1/2	54 1/2	Treasury 5 1/2%	2008-12	60 1/2	60 1/2	5.930	9.420	1	Wellcome 8 1/2%	1987	103 1/2-4	103 1/2-4	7.64				
43 1/2	35 1/2	War Loan 3 1/2%	after 1952	36 1/2	36 1/2	5.805	9.690	1	Williams and Glyn's 8 1/2%	1987	103 1/2-4	103 1/2-4	7.64				
30 1/2	25 1/2	Consols 2 1/2%		25 1/2	25 1/2	5.835	9.700	1	Inter-American Devel. Bank (DM) 6 1/2%	1987	97-8	97-8	6.97				
									Malaysia (DM) 7 1/2%	1987	97-8	97-8	7.22				
									Slater Walker (L) DM 7 1/2%	1987	97-8	97-8	7.42				
Prices, 1972		Price, Dec. 13 1972		Change on week		Yield Dec. 13		Prices, 1972		Ordinary stocks		Price, Dec. 13, 1972		Change on week		Yield Dec. 13	
High	Low								High	Low							
383 1/2	268	Banks, other financial	FI 334	-1	5.1	118	89	Breweries, etc.	110p	-1	3.1	74.9	58.7	Hoesch	DM 61.9	+2.1	4.8
84	57.8	Algemeen Bank	FI 72	+1	4.7	69	55	Allied Breweries	\$58 1/2	-1 1/2	1.0	84.2	60.9	Hoogoven	FI 84.2	+2.7	4.7
435	257	Aust & NZ Bank	428p	+26	2.3	194	148	Anheuser-Busch	181p	...	2.8	220.3	145	Manne Mann	DM 195	-1	5.1
505	37 1/2	Bank of America	\$44 1/2	-1	2.5	165	132.8	Bass, Charrington	FI 146	+4 1/2	2.5	153	52	Nippon Steel	Y151	+10	3.3
500	370	B of Ireland	470p	+5	3.3	212	153	Bols NV	143p	-1	4.1	104.8	65.2	Rheinsteel	DM 79 1/2	+1.3	...
11 1/2	8 1/2	B of Montreal	\$11 1/2	-1 1/2	2.9	44	33 1/2	Distill	\$43 1/2	-1 1/2	1.6	85.8	67 1/2	Thyssen Huette	DM 73	+5.3	4.8
116 1/2	84	B Nac de Mexico	P 92	-2 1/2	8.2	470	390	Distill Seagrams	DM 400	-6	2.5	34 1/2	27 1/2	US Steel	\$33 1/2	-1	4.8
640	298	B of NS Wales	640p	+20	1.7	244	182	Dortmund Union	200p	...	3.6	117.1	85.9	Ushor	Fr 95 1/2	-2 1/2	9.4
770	525	B of Scotland	770p	+5	2.6	349.9	238	Guinness	FI 329	+12.8	1.1	52.2	36.2	Wendel-Sidolor	Fr 37 1/2	+1.3	13.0
3040	2310	B Bruxelles	Fr 3005	+10	4.2	376	234	Heineken	Y 356	-4	2.1						
238.6	183.3	B de Paris Pays Bas	Fr 207	-10	5.4	20 1/2	15 1/2	Kirin Brewery	\$16 1/2	-1 1/2	5.6						
67 1/2	53 1/2	Bankers Trust	\$67 1/2	+2 1/2	4.2	145	88 1/2	Nat Distillers	123p	-2	2.4						
492	298	Barclays	473p	...	2.0	103 1/2	70	Scottish & Newc	96p	+1	3.6						
18 1/2	11 1/2	Can Imp Com	\$15 1/2	-1 1/2	1.7	114 1/2	84 1/2	Sch African Br	105p	-4	3.4						
132	78	Charterhouse Group	128p	+7	3.2			Whitbread 'A'									
237	221	Chase Manhattan	\$55 1/2	-1 1/2	3.6												
148 1/2	148 1/2	Chemical Bank NY	\$50 1/2	-1 1/2	5.7												
4550	370	Commerzbank	DM 205 1/2	-2 1/2	4.2	346 1/2	205	Building, building materials	238p	+10	3.9						
4550	369 1/2	Crédit Commercial	Fr 167 1/2	-3	4.9	246	148	Assoc Portland	184p	+3	3.8						
350	300	Credit Foncier	Fr 397	-3	5.7	209 1/2	9 1/2	BPS Industries	\$10 1/2	-1 1/2	2.2						
289	239	Deutsche Bank	Fr S 4000	-25	2.0	514	252	Boise Cascade	376p	+5	1.6						
75 1/2	35 1/2	Dresdner Bank	DM 202 1/2	-6	3.8	276	195	Boys Ltd	Fr 219	-0.9	6.4						
41 1/2	31 1/2	First Nat City	DM 239	-1	1.8	2795	2100	Ciments Lafarge	Fr B 2540	+25	5.1						
505	325	Fuji	\$71 1/2	+1	0.9	329	155 1/2	Cimenteries Brlq	314p	-4	2.4						
208	142	Hambros	Y 695	-5	0.7	143	105	Costain	134 1/2p	-1 1/2	1.9						
10 1/2	13 1/2	Hill, Samuel	500p	+20	1.9	28100	19050	Eng China Clays	L 26200	-550	1.8						
209	130	Hongkong & Sh	204p	+18	2.2	191 1/2	145	Italcementi	162p	-1	1.5						
7900	5830	Kleinwort Benson	\$18p	-24	3.9	121 1/2	74	Laing 'A'	95p	-1	3.5						
410	330	Kreditbank	Fr B 7860	+40	2.5	103 1/2	73	London Brick	120p	+3	3.0						
2500	1840	Kundenkredit	DM 408	-2	3.5	335	303	Mariy	364p	+2	2.9						
457	320	Lambert L'ind	Fr B 2480	+5	2.4	182	119 1/2	Pilkington Bros	131p	-1	3.1						
850	601	Lloyds	400p	-4	2.5	174	133	Rugby Portland	123p	+3 1/2	3.0						
88850	62670	Manul's Hanover Tst	\$38 1/2	+1	1.3	310	242	Stearley	255p	-11	3.5						
146 1/2	99	Mediobanca	101p	+4	4.1	360	223	Tarmac	279p	+2	2.0						
256	161	Mercurio Credit	232p	-7	4.1	137 1/2	105 1/2	Taylor Woodrow	114p	-1	1.1						
330 1/2	348	Midland	495p	+10	2.4			Wimpey									
440	202	Mitsui	Y 425	-1	1.2	157	122										
327	205	Montagu Trust	300p	+6	1.7	62 1/2	45 1/2	Catering, hotels, entertainment	129p	-5	5.3						
113 1/2	71 1/2	Morgan J P	\$105 1/2	+5	2.6	280	202 1/2	ATV 'A'	\$53 1/2	-1 1/2	2.6						
4.30	2.80	Nat & Grindlays	153p	+8	2.7	275	199	CBS	259p	-1	2.4						
230	176	Nat Australasia	\$44.07	+0.14	2.2	355	39 1/2	Granada 'A'	245p	+11	2.3						
492	300 1/2	Nat Com Grp	230p	+2	2.3	482	362	Grand Metropolitan	\$43 1/2	-1 1/2	0.6						
132 1/2	120	Nat West	472p	+12	1.9	262	167	Holiday Inns	482p	+6	2.1						
915	608	Norsk Creditbkk	\$0.139	-2	6.5			Lyons 'A'	279p	+14	3.8						
309	229	Royal Canada	\$18 1/2	-1 1/2	1.9			Trust Houses-Forte	260p								
329 1/2	2910	Schroders	870p	+30	1.2												
2933	2640	Slater Walker Secs	265p	+4	3.1	79.2	62.8	Chemicals	FI 72.6	+0.1	5.0						
399	280	Soc Gen de Banque	Fr B 3250	+60	4.5	845	520	AKZO	L 778	-22	...						
702	362	Soc Gen de Belgique	Fr B 2780	-20	5.0	40 1/2	32 1/2	ANIC	\$32 1/2	-1 1/2	3.8						
440	3670	Standard & Chart	545p	+10	2.6	183.3	137	Amer Cyanamid	DM 160.2	-1	4.7						
470	362	Suez	Fr 346	-12	5.4	152	123	BASF	DM 129.1	-0.9	5.0						
4805	3885	Sumitomo	Y 698	-2	0.9	2990	2240	Bayer	Fr S 2575	-15	0.9						
637	620	Swiss Bank Corp	Fr S 3840	-10	2.1	105 1/2	78	CIBA-GEIGY	\$102 1/2	+1 1/2	1.7						
158 1/2	107	Union Bank Switz	Fr S 4340	+50	2.3	183 1/2	144 1/2	Dow	\$175 1/2	+1 1/2	2.8						
		Union Discount	480p	-5	5.0	439	327	Dupont	437p	+9	2.6						
		United Dom Tst	133p	-2	3.2	304	24 1/2	Fierson	\$28 1/2	-1 1/2	5.2						
						176.9	146	W R Grace	DM 147.2	-1.3	3.1						
						101	80	Hoechst	293p	...	4.7						
						56 1/2	46	ICI	99p	-3	3.8						
						380	272	Laporte	\$50 1/2	-1 1/2	7.1						
						199	156	Montecatini-Edison	L 483	-2	3.5						
						3025	2370	Norsk Hydro	Kr 3640	+2 1/2	1.0						
						326	198	Rhone Poulenc	Fr 170.1	-2.9	7.1						
						51 1/2	41 1/2	Solvay 'A'	Fr B 2940	+3.0	5.3						
								St Gobain	Fr 17.2	+2.3	5.4						
								Takeda Chemical	Y 303	-2	2.8						
								Union Carbide	\$31 1/2	+7 1/2	3.9						

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December 23, 1972

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On-trend greetings

Knit your own phase two of an incomes policy in a Christmas quiz, page 9, and understand why you will have an unhappy new year if Mr Heath gives the wrong answers. The Government has decided to spend a lot of your money that ought to be given back in tax reductions, page 53, but unemployment is down and annual economic growth is probably already over 4 per cent; page 60.

Joyless Ulster

The warnings from Ulster are becoming increasingly ominous. But both communities are reluctant to accept that there can be no peace while they both shield their own murderers, page 13. Trials without juries are recommended—and, unhappily, will be necessary—there, page 17.



Out and about

That sailing boom is roaring on in Britain, and sensible men like the Prime Minister, are getting in while there's a Vat advantage, page 50. Eating out in New York isn't what it was, page 40, but the young drinker can savour his Pink Tingle and Zapple, page 41.



It wasn't at hand

Mr Nixon and the B-52s have gone back to the argument of force to persuade Hanoi to accept in Vietnam what the west has accepted in that other divided nation, Germany, page 11. The recriminations in Washington over that obstinate war, page 35. Wall Street took it badly, page 71.



The untouchable

Something needs to be done about General Amin, all right; but the appalling fact is that Britain is virtually powerless to touch him, page 14. God should certainly tell Amin he can't get along without the help of those foreign banks, page 64.



Continent cut off

It usually takes half an hour to get through. Why are the telephones to the continent so bad?, page 55.

Letters

Opinion polls

SIR—Your comments in *The Economist* (December 16th) about "that leaked opinion poll" require an answer. The simple facts of the matter are as follows. Three news articles concerning opinion polls results appeared in national daily newspapers on Tuesday, November 27, 1972, one in *The Times*, one in the *Guardian* and one in the *Sun*. That same day, NOP submitted the following letter to those newspapers:

For the record the "secret" NOP poll conducted for New Outlook in the Sutton and Cheam parliamentary constituency between 15th and 19th November, 1972, found:

"Of those who mention that they will vote for or support a particular political party at the by-election (75 per cent of all those 518 electors interviewed), about 42½ per cent (37½-47½ per cent) say they will vote Conservative, 27½ per cent (22½-32½ per cent) will vote Liberal and 25 per cent (21-29 per cent) will vote Labour. 5 per cent claim they will vote for one of the two minor parties (British Independent or Common Market Safeguards Campaign)."

If all those Conservative and Labour supporters who say they would be "certain" or "very likely to vote Liberal, if they thought the Liberal candidate had a chance of winning the by-election" actually do vote Liberal, then the result would be neck and neck between Conservative and Liberal parties, as Trevor Jones, the Liberal party president suggests. As an experienced polling organisation we place more emphasis on the first of the findings (Liberal 22½-32½ per cent) which is itself no prediction and only a reflection of the opinions of the voters of Sutton and Cheam some three weeks before polling day.

The fact that none of them considered it worth while publishing the actual findings is certainly one of regret.

This information was subsequently released to certain other national daily newspapers, with similarly silent results. During that whole period we had one inquiry about the poll from a newspaper, the Sutton Advertiser.

I wholly agree with your point that results must be released if "leaks" occur. But if they are it would be nice to feel that they will appear in print.—Yours faithfully,

J. H. BARTER
Managing Director,
London, WC2 NOP Market Research Ltd

SIR—Your report on public opinion polling on the 1970 election (December

16th) and the errors to be allowed for reminds me that recently a small grandson of mine, asked by his mother what he had been doing at school that day, replied "maths." "What kind of maths, Patrick?" "Probability graphs." He is involved in the new methods in arithmetic.

Should the so-called opinion polls not be renamed improbability graphs as a more exact description?—Yours faithfully,
Brockenhurst, Hants. B. G. GUY

Party politics

SIR—In your article "Blowing bubbles" (December 16th) you say, and many would agree: "Party politics has few friends and even fewer admirers in Britain today."

May I suggest a reason for this. In 1841 Lord Derby said: "When I first came into Parliament, Mr Tierney, a great Whig authority, used to say that the duty of an opposition was very simple—it was to oppose everything, and propose nothing."

That may have been good advice over a century ago, but today—because so many politicians still believe that it is the duty of the opposition to oppose—it contributes very materially to the unpopularity of both the two leading political parties.

If we cannot have a party of the sane and reasonable centre—and your objection to it, namely that it would be likely to be more or less continuously in power, is, I fear, valid—cannot the two major parties be got to understand that what makes them so unpopular is the "politics of confrontation," which their somewhat dated idea of "duty" inevitably forces on them and which bores the electorate so unutterably?

And worse than making them so boring—and childish—it causes them to produce election manifestoes which contain seeds of confrontation, seeds so damaging that within a short space of time both parties have been recently forced to go into reverse—and thereby to look somewhat foolish in many people's eyes.

In the past two years the Labour party has been loud in its criticism of what it calls the Tories' "politics of confrontation" and, indeed, within the last six months the Tories have—thank heaven—abandoned it.

But surely it must be obvious that the reason why parties get trapped into adopting the politics of confrontation is that they still believe that the duty of each party is—on all occasions—to oppose, or to confront, each other.

This Homeric conception of parliamentary democracy may have been acceptable to the electorate in 1830 or 1841.

It is totally unacceptable in 1972. A new style may be difficult to work out. But it must be found.—Yours faithfully,
London, W8 OSWALD MOOR

The freeze

SIR—I was very much interested by Mrs Dommen's letter (December 2nd) pointing out the inconsistency of any wage and price control formulae. Carrying Mrs

THE ECONOMIST DECEMBER 23, 1972

Dommen's argument one step further, I suggest the following approach:

The formula used is $c + p + t - m = w$ where
w = wage/price policy (and success thereof)
c = compulsory wage/price control
p = public opinion
t = official trade union support
m = militants

Since the object is to maximise w, I suggest the use of some elementary calculus: rewriting the original equation, $w = c + p + t - m$ and taking the derivative with respect to public opinion:

$$D_p w = D_p c + D_p p + D_p t - D_p m$$

$$\text{But at maximum } w, D_p w = 0$$

$$\text{therefore } D_p c + D_p p + D_p t - D_p m = 0$$

$$\text{Since by definition } D_p p = 1$$

$$\text{thus } D_p c + 1 + D_p t - D_p m = 0$$

Now, analysing what each of the symbols represents:

$D_p c$ is the rate of change of compulsory wage/price controls with respect to public opinion; this will be 0 under normal political conditions; $D_p m$ is the rate of change of militant activities with respect to public opinion. There is obviously a positive correlation so a value of 1 may be arbitrarily assigned.

$$\text{The equation now reads: } 0 + 1 + D_p t - 1 = 0$$

$$\text{so } D_p t = 0$$

In other words, the rate of change of official trade union support with respect to public opinion is zero

Thus it would mean that for the effectiveness of the wage/price policy to be maximised, there would be no correlation between public opinion and official trade union activities. Perhaps, then, the optimum situation already exists?—Yours faithfully,
Toronto JEFFREY D. SHERMAN

British work force

SIR—

Population	%	
Pension age	100	53 million
Under 21 years of age	30	
Government & local service	30	
Defence	10	
Absenteeism	5	
Unemployed	5	
On holiday	2	
Unproductive work	2	
	15	
Rest	99	52.5 million
In prison	1	500,000
Remaining productive		498,998
		2

You and me

—Yours faithfully,
Slough, Bucks. O. J. BRUUN

Monopolies

SIR—In your article "Which witch?" (December 2nd) you say that the asset stripping of profitable companies can only occur because those assets can be put to better uses: is Centre Point an example of what one of those better uses might be? Surely there is a conflict between the industrial market and financial market; just as the value of gold as a metal for industrial use is not \$60 per ounce (except in a few marginal cases), nor is a price of £1,000 per acre and more for agricul-

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Football

SIR—The discussion of declining football attendances is hardly advanced when you simply agree with the Daily Mail that neither increased television coverage nor hooliganism is the cause (December 9th). Can it really have escaped *The Economist's* attention that the basic admission price was increased by 33 per cent at the start of the season? Or do you share the Football League's faith in zero price elasticities?—Yours faithfully,

K. F. WALLIS
The London School of Economics and Political Science, London, WC2

Ireland

SIR—Let me state briefly the fallacy in the reasoning of Mr G. E. W. Johnson (Letters, December 2nd). Six north-eastern Irish counties (christened Northern Ireland) were cut off in 1921 to give the Protestant Unionists a permanent, artificial majority. The result was one-party rule for 50 years. Therefore, the normal rules of democratic government are inapplicable.

The position is in no way analogous to the pre-1776 condition of the American colonies.—Yours faithfully,
Omagh, Co. Tyrone EDWARD WINTERS

Vietnam

SIR—As if to emphasise a fact which does not become wholly self-evident to the reader, your article on Vietnam (December 9th) bears the misleading title, "We're all watching." I was more than dismayed to realise that *The Economist* has been not so much deceived by Mr Nixon's record of diplomatic pay-offs as charmed by it. I can think only that what is called a "small miracle" in the article (Mr Nixon's attempt to legitimate a criminal policy by trying to make it viable) must seem more like murder to the apparently faithless Vietnamese, who lack the psychological distance of the British intelligentsia.

It would appear that you have watched not Henry Kissinger but Ronald Ziegler if at this late date you persist in seeing the 25-year-old American commitment to war in Indochina, and now the objectives of the current ceasefire negotiations, as a continuing struggle to free American prisoners of war and prevent—heaven forbid—an undemocratic government from being imposed on the "majority of the people who will have to live under it." After a glance at the Pentagon papers one should realise that a major goal of Ameri-

can involvement—as well as British complicity, I should add—has been precisely concerned with undermining the possibility for democracy in South Vietnam.

"If North Vietnam is at long last ready to accept an elected government in Saigon," you observe, "it is necessary to make sure that the election takes place." Permit me to remind you that the insistence on free elections has been a part of the Democratic Republic of Vietnam's position since 1954 and an official part of the National Liberation Front's position since its statement of objectives in 1962. The fact that this central item is finally being recognised by America is a great victory for the Vietnamese.

What I must decide from your article is that it constitutes, at best, an endorsement of Mr Nixon's right to enforce "the kind of peace he wants"—which is a dishonourable peace if it leaves 100,000 political dissidents in Saigon concentration camps, and Mr Thieu with any foot at all in the government.

In short, the article is consistent with the traditional British concept of the war as an exercise of the "freedom to establish freedom," as the former foreign secretary put it—in utter blindness to the moral dimension of the conflict. The last line states that if Mr Nixon and Mr Kissinger succeed in pulling off their plans, not only will that make them right, but it will make them "men who are going to be listened to." The sad fact is that that will make Mr Nixon the second man to be listened to after creating 6m casualties (the total of civilians killed, wounded, and made refugees since 1968). The irony is that he will be the first to be applauded.—Yours faithfully,
ROBERT ELLSBERG
The Leys School, Cambridge

Space

SIR—Your article "The last men on the moon" (December 2nd), although painting a rather gloomy picture, nevertheless presented, in my opinion, a realistic view of the present state and future hopes of America's space programme.

I do, however, have one serious objection to make to your reference to the joint link-up of an American Apollo craft and a Russian Soyuz craft, planned for 1975. Your comment: "He [President Nixon] has allowed the remaining Apollo rockets to be diverted to such public spectacles as a joint link-up with the Russians which will do nothing more useful than foster a sense of togetherness that could come unstuck if anything goes wrong."

This, I feel, is an altogether unfounded criticism of the project. You seem to ignore completely the most important practical use of such a link-up. The fact that such a project could provide the facilities, which do not exist at this moment, for either Russia or America to effect a rescue in space in the face of any accident or near-disaster, such as happened with Apollo 13.

You seem also to overlook the fact that

this joint project could lay the foundations for future co-operation in space of the two world powers. This, as well as improving relations between the two countries, would cut by half the costs of any future mission undertaken jointly by the two nations. When one bears in mind the fact that the main criticism levelled against America's space programme is the enormous cost involved, it seems that if all this link-up accomplished were the halving of America's expenditure on future manned missions, then at least something would have been achieved.—Yours faithfully,
West Knighton, Leics. MICHAEL C. BUTLER

Hijacking

SIR—I understand that the airline pilots wish hijackers dealt with on the ground. May I suggest that, if they and the airlines regard this problem as sufficiently serious, there is a way of ensuring that no aircraft can be hijacked while in flight. It is simply this: in any situation where hostages are taken it is essential that the person to be coerced should know that the hostages are being held. A strong partition isolating the passenger compartment from both the pilot and the outside world, permitting no communications from the cabin to the flight deck, would suffice.

Although I can conceive of circumstances in which the cabin crew would require to communicate with the outside world while in flight (eg, illness) it may well be considered that the risk of violence is too great. A "once and for all" line from the cabin to the pilot, instructing him to land as soon as he can, would alleviate this aspect, and if this device were used in a hijacking it would generally result in a landing on friendly territory. Of course, there is no reason why the pilot should not be able to speak to the passengers.

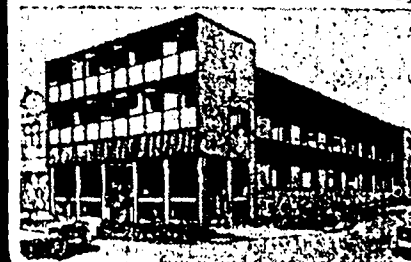
As regards the general problem of hostages, may I point out that the tactic of hostage-holding did little to dissuade resistance during the war, for reasons that I need not elaborate.

I would not like to be in the position of the responsible German leaders during the Munich incident but in the circumstances it would have taken only immense courage on their part to have issued an ultimatum to the terrorists (needless to say, not offering them a glorious shoot-out) promising them an ignominious eradication. A few doses of this bitter medicine and enough politicians prepared to sacrifice themselves for the common good—not in glory as substitutes, but in ignominy, destroyed by those not in their invidious position—and this scourge would have lost much of its effect. May I never have to take such a decision, not because of the human life involved—I take risks with my own and others' lives every time I drive—but because the issues involved are too momentous for me.—Yours faithfully,
Methwold, Norfolk

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The
Economist

December 23, 1972



A quiz for phase two

During the Christmas and new year holiday the vital decisions about phase two of Britain's incomes policy are going to have to be made by three ministers: Mr Heath, Mr Barber, and, perhaps as an interesting new influence in the big league, Mr Walker. The other nine ministers who attend meetings on the subject are there mostly to be seen but not heard.

The first proposals for phase two from the civil servants, under Sir William Armstrong, were submitted some weeks ago. On the usual precedent, they will have been too weak (because they will have been an amalgam that included the views of some people who do not want an incomes policy at all), and ministers will have thrown them back and asked that they be considerably toughened. Following custom, they will have been very slightly toughened and re-submitted. Now the three ministers will have to decide whether to accept this second edition, or to dare to put in proposals that will have some hope of working.

This game of making (or, so far, avoiding) decisions on incomes policy has been in progress in Britain for a generation. It can therefore now be put into pro-forma style so as to allow everybody to join in. Since it is more fun to be a rational decision-maker than a designer of cosmetics, the pro-forma below avoids setting questions on price controls for phase two. Price controls are a cosmetic because everybody knows that competition in production and distribution in Britain, while by no means perfect, is sufficient to prevent purely employer generated price-push inflation from getting out of hand, at any rate so long as unemployment is not hugely below 1½ per cent. The present steady ruination of the country springs wholly from trade union monopoly cost-push. It is the questions that the three ministers answer about wages policy which will affect the whole future of the country.

Below we have divided what seem to us the relevant questions under eight headings. Five relate to the pay control machinery that will need to be set up in next year's legislation, and three relate to the norms. They

are divided in this way because it has probably already been decided that the legislation should be what Whitehall calls "open-ended"—ie, will merely set up some sort of new pay control board, and define its machinery and powers. The norms (if any) that the Government will ask the board to apply will be a quite separate matter, varying at different periods of the board's life.

Beside each of the eight questions, we have put three possible answers. If you want to play the game, take a pen or make a mental note whether you would choose answer (a) or (b) or (c); only when you have answered all of the questions, look at our answers to see what marks we would give you for your choices. Much more important, keep the questionnaire into next year to see how many marks Mr Heath eventually gets.

On the legislation

The five questions about the machinery for the pay board start with what might seem a relatively unimportant one about the timetable, but increase in importance after that.

(1) To which of the following timetables should the Government preferably be working:

- (a) Green paper on Government's proposals in January, but do not introduce bill until TUC and CBI sounded out for their views;
- (b) White paper and bill both in January;
- (c) No hurry?

(2) How long should the new legislation last:

- (a) Require parliamentary renewal every year;
- (b) Every three years;
- (c) Permanent powers, unless or until the bill is repealed?

(3) What should decide which wage claims the pay board should report on:

- (a) Discretionary procedure—should look at any excessive wage claims or increases which the Government chooses to refer to it;
- (b) Negative procedure—no trade union should be allowed a centrally-bargained pay increase above a stated norm unless it appeals to the board and wins;

(c) Positive procedure—all wage claims affecting more than 100 workers should automatically be examined by the board?

(4) What methods of enforcement?

(a) Generally voluntary, but occasional roll-back orders in most flagrant cases, enforced by fines;

(b) Automatic tax collections from workers in firms who are paying increases above the norm (eg, if the norm increase is £2 a week above a year ago, any firm whose wage bill per head is £3 a week above a year ago must add £1 a week to weekly national insurance stamp paid for by each worker, unless it wins exemption after appeal to pay board);

(c) By taxes on firms who pay excess wage rises (eg, as soon as an employer's wage bill is over 8 per cent higher than a year ago, he can no longer treat the excess wages as a pre-tax expense)?

(5) Which of these would be preferable composition for the board?

(a) A backroom staff, possibly headed by a professional economist, which provides advice to representative tripartite courts (an employer, a trade unionist, an independent) chosen separately for each major inquiry;

(b) A single body, possibly headed by an ex-civil servant, which has to approve any major exceptions to the norm, and keeps its job performable by limiting the grounds on which appeals for exemption can be made (eg, appellant must be able to show that his firm could not recruit sufficient workers if they are not paid wage increases above the norm);

(c) A high court and several lower courts, each usually headed by a lawyer, which hears all arguments by the parties for or against a pay rise above the norm, and establishes case law on the subject (but perhaps saying that any rise which costs more than £10m a year must be passed by the high court instead of a lower)?

On norms

The three questions about norms also start with what may seem a relatively unimportant one about the timetable, and then rise in importance.

(6) Even if the bill is introduced in January, there have been suggestions that the guideline wage norms (if any) may not be announced until near to the freeze's presumed end in April. Would this be?

(a) Wise, because there could then be quadripartite consultation about the attainable norm between Government, TUC, CBI and whoever is chosen to chair the pay board;

(b) Probably politically disastrous;

(c) Probably economically disastrous?

(7) Should the initial norm for the rest of 1973, above which the pay board should only relatively rarely grant increases, be:

(a) Realistically flexible, something like the 11 per cent that unions were winning in the rushed claims that got under the wire in the last weekend before November's freeze;

(b) A simple instruction that any claim for a pay rise above the rise in the cost of living since the day after the last pay rise must be approved by the board;

(c) Some variant of Mr Heath's £2.60 a week package plus, perhaps, an earlier threshold clause (which would probably mean around 9 per cent rise on average, more for the lower paid)?

(8) Should the eventual relaxation from the first rules

for the norms:

(a) Consist of a promise to discuss relaxations with the TUC and CBI once certain targets for the economy have been successfully hit;

(b) Consist of a standing offer to the TUC and CBI that the Government will be ready to accept any formula for norms they propose which fits into a given quantitative limit (eg, the Government could say that £2½ billion will be available from the expected rise in money gnp for rises in collectively-bargained incomes during 1973-74, and the pay board will be willing to work to any TUC-CBI formula which would distribute only that amount);

(c) Keep all rules for future changes entirely flexible?

Now check your score

The Economist's view of the right answer to each of these questions is (b); give yourself 10 marks for each (b). We can see an argument for each answer (c), but would not ourselves support it; give yourself 5 marks for each (c). We can see no rational argument for answer (a) to any of the questions, but are afraid that Mr Heath's Government could conceivably give answer (a) to every one of them; give yourself nil marks for each (a), and feel scared for Britain when the Government gives any. If you score more than about 50 out of 80—either in the answers you have already given, or on second thoughts, after reading the arguments below—you seem to us a more realistic decision-maker than any British government since the war. If the Heath Government gets less than 50 out of 80 in its eventual legislation and policy, even after umpteen thoughts, then our forecast for the unhappy new year of 1973 is that Britain will continue on its present primrose path to ever-increasing economic and social disaster.

Argument for the answers

The rationale for answering (b) to each of the eight questions is as follows.

(1) It is true that each day of phase one of full freeze up to end-April is an anti-inflationary gain, so Mr Heath should reject the CBI's plea to end phase one in February. But early introduction of the bill is democratically desirable so that the Government does not have to try to crash through another major measure, hard against a timetable, unable to consider amendments (as with the Europe, freeze and Ulster bills). The proper place to consider reasoned amendments from anybody, including the TUC, is when the bill is before Parliament; the idea of negotiating clauses in secret, before a bill is published, has already been tried—and did not work.

(2) A three-year term would mean that the machinery and powers of the pay board would be reconsidered after the next general election, which will happen and be desirable anyway.

(3) The unions themselves should have to decide to appeal to the board if they want above-the-norm increases; when the board rules against them, there should usually be no backdating even of their equal-to-the-norm increases, thus discouraging otiose appeals. Strikes in favour of above-the-norm increases would then merely delay appeals to the board.

(4) Automatic claw-back of excess wage rises from each worker through the tax system is an obvious remedy. The usual argument against it is that "union opposition might then bring the tax system into disrepute." But the object of the tax system is to control inflation; it is no good having an excellent tax system which is universally respected because it does not do its main job.

(5) Preference for a single and consistent arbitrating body follows naturally from the preferred answers to (3) and (4) above.

(6) Since some powellites and all the Labour party will vote against effective incomes legislation, it is going to be difficult to get the bill through Parliament unless the Government shows from the beginning that it has a firm idea of where it intends to be going (ie, unless it mobilises the same parliamentary majority as voted for the full freeze bill).

(7) The few remaining wage rises which apply to 1972, but are still due to come immediately after the freeze (eg, the gas workers), may have to be something like the immediate pre-freeze average of around 11 per cent; but any cost-of-living increases which refer back to settlements last made more than 15 months before are going to be something like 10 per cent anyway. The problems for later 1973 claims are: (a) they must be slowed dramatically below late 1972's norm of around 11 per cent (and the only hopeful way seems to be to tie them to a cost-of-living rise which might also slow dramatically—if it does not, this will be a sign that the 1973 norm

has actually been too high); (b) average real basic wages are already something like 8 per cent above a year ago, which uses up most of two years' permitted rise in income, so it will be better to make most other real income rises in 1973 depend on increases in social security benefits, tax cuts, and cases where the board feels a rise in real income is needed in order to redeploy labour; (c) if there is to be any incentive for the TUC and CBI to accept an effective voluntary policy for 1974, then it is important that this alternative voluntary formula, while not being grossly inflationary, should seem to bring them more than would come from a repetition of the 1973 formula (and if the 1973 formula is index-linking, while the best guess for price rises in 1974 has at last been brought down to about 4 per cent, then the bait could just conceivably succeed).

(8) The only voluntary TUC-CBI policy that can make sense is one based on sharing out what seems likely to be available. When Mr Heath meets the TUC on January 4th, he should make the sort of standing offer in 8(b), but offer them nothing else except whisky.

Some people will say that the "stern" policy suggested here would lead to great industrial strife. Less than two months ago it was said that a freeze would lead to a general strike. In practice, industrial strife is always the result of a brittle policy which claims to intend to enforce incomes restraint, but which retreats before any trade union which makes a rough threat. The cold fear over this Christmas is that the three ministers might be planning that sort of a phase two.

The peace that wasn't



The Russians, as well as Henry Kissinger and the North Vietnamese, had better look at the consequences of more war in Vietnam

There is no reason that a liberal should accept why the two Vietnams ought to be reunited until it has been shown that a majority of the people in both of them, or at least of those in the south, wish it to be so. Until that happens, a liberal would add, South Vietnam should have a government of its own based on some sort of reasonably accurate measurement of the preferences of the South Vietnamese. Most people in the west would accept those principles, as principles; after all, it is what they say about that other divided nation, Germany, and they would be outraged if one half of Germany sent its army into the other half in order to insist on putting its own preferred sort of government into power there. The difference in Vietnam is the reluctance of so many people to apply these principles as the necessary test of the terms on which the war is ended. It was imprecision in applying this test that led Mr Kissinger to say on October 26th that "peace is at hand," when it turns out that it was not. The same imprecision is now making many bone-weary people say that he should nevertheless embrace in December the consequences of what he let his eye slide over too easily in October.

By sending his bombers back north of the 20th parallel this week, and losing quite a lot of them, President Nixon has reverted to the argument of force to end the war. He is using the means at his disposal, as the North Vietnamese used the means at their disposal when they sent their army over the 17th parallel in the spring. They employed the firepower carried by their army; he is using the firepower of his air force. The pictures from An Loc and Quang Tri show that there is not much difference between them in what they do to the places where the artillery shells or the bombs fall. But there is a fundamental difference, and it should be recognised, between the purposes for which Mr Nixon and the North Vietnamese politburo are using the different sorts of power available to them. Mr Nixon is using the argument of force to try to get the North Vietnamese to agree that the next government of South Vietnam should be chosen by a more or less violence-free election. The North Vietnamese are using their sort of force to try to insist that that government should itself be the product of the further violence which they and their friends in the south would bring to bear after a nominal ceasefire. These are the two very

different meanings that lay concealed beneath the skin of the agreement that seemed so close in October.

Mr Kissinger, and those who hoped he was right, had their eyes fixed on the passage in clause 4 of the agreement which said that "the internal matters" of South Vietnam were to be settled between "the two South Vietnamese parties." By saying that, North Vietnam seemed to be renouncing its own claim to decide what should happen in the south; and if the North Vietnamese kept out of it all there was little doubt that the non-communists would win a large majority in the election. President Thieu has long been offering to hold after the ceasefire. It is true, of course, that clause 1 of the agreement paid due respect to the unity of Vietnam. But it was hoped that that was the equivalent of the letter the west Germans have sent to the east Germans about German unity, a formal but at the moment non-operative reminder of their right to bring the subject up again later on. If North Vietnam carried out its promise (clause 7) to withdraw its troops from Laos and Cambodia, and if its men in South Vietnam had a real team of truce supervisors watching over them, it seemed that the North Vietnamese army could be more or less neutralised. And from 1965 onwards the removal of the North Vietnamese intervention has been the main argument used to justify the American intervention.

That was the pattern Henry Kissinger thought he saw in the agreement, but Le Duc Tho plainly saw a different one. It has been known for some time—from Cosvn-6, the document the communist headquarters issued in mid-September—that the Vietcong has been telling its men to organise undercover squads for a campaign of "tyrant elimination, abduction and assassination" after the ceasefire. Mr Thieu's army and police force could probably cope with that if North Vietnam's 14 regular divisions really did stay out of the war. But the sort of international inspection system the North Vietnamese turn out to have been calling for makes it highly unlikely that they ever intended to stay out of it. They apparently proposed a total of 250 men for the whole of Indochina, only half of whom would actually be allowed to travel around the countryside, and even those few would have had to rely for transport on the people they wanted to inspect.

Two states in one nation

It would be a bad joke, if the old control commission set up in 1954 had not stopped people laughing about supervisors who supervise nothing. Such a handful of inspectors could not possibly know what General Giap's men were doing in South Vietnam, let alone check that they had got out of Laos and Cambodia. This is not the proposal of men who, in the Guardian's bland phrase on Wednesday, "know that they . . . cannot win." It seems only too likely that North Vietnam's leaders wanted nobody watching their army while it pursued its own definition of victory in the south after the last Americans had left. The question of the supervisory force is not in itself the one last decision that Mr Kissinger says the North Vietnamese still have to take. That decision is to leave the politics of the south to the southerners, within the procedures already agreed to in October; but the

powers of the supervisors are a decisively important test of whether North Vietnam is really ready for that.

What Mr Nixon is still trying to get is the Vietnamese version of what Herr Brandt has settled for in Germany: the acceptance by North Vietnam's leaders that there are "two states within one nation." The North Vietnamese went part of the way to accepting that in October, when they dropped the idea that the United States should remove Mr Thieu from power, and put a coalition government in his place, before they would agree to a ceasefire. But they will still be evading the central issue so long as they refuse to accept any real limitations on what their army can do after a ceasefire. Perhaps they are trying to take advantage of the difficult moment Mr Nixon has created for himself just before Christmas, by allowing the expectations of peace to outrun reality and the wives and mothers to think that the American prisoners were as good as home. Perhaps they believe that the new Senate, with two more Democrats in it, will cut off funds for the war. But they know that, if that does not happen, Mr Nixon is pretty well free from political constraints at home until 1974 or 1975, when he will want to start making his preparations for America's bicentenary; and although he is not going to make it his policy to bomb them back into the stone age—that brutal phrase used years ago by one foolish American general, and so often put into other Americans' mouths since then—he can cause a great deal of damage to North Vietnam. They have their calculations to make.

The Brezhnev calculation

So do the Russians. What happens now will be a measure of whether there really is a new relationship between the Soviet Union and the United States. It is Russian-supplied missiles, and Russian training in using them, that shot down six B-52s by Thursday; since the B-52s seemed almost invulnerable until recently, it is even possible that the equipment which brought them down was sent into North Vietnam during the two-month halt of bombing north of the 20th parallel. It is almost certainly Russian oil pumped in over the Chinese border that keeps North Vietnam's war machine in action.

There is assumed to be a tacit understanding between Mr Nixon and Mr Brezhnev. If the United States provides the help that Russia needs to overcome the inefficiency of its economy, and underwrites the political division of Europe, the assumption is that the Soviet Union will help, among other things, to end the Vietnam war in a way compatible with Mr Nixon's definition of peace with honour. It is hard to imagine Mr Nixon quietly proceeding with his part of that understanding if the Russians continue to help the North Vietnamese to make the other part impossible: if the centrepiece of Mr Nixon's second term has to be a choice between continued war in Vietnam and the acceptance of defeat. That is not how Mr Nixon wanted his next four years to be. The Vietnam war stretches out its consequences into many parts of the world. That is why it has been so long and terrible a war, and why it is so difficult to end; and why Mr Brezhnev, on reflection, may not choose to use it as a rug to whip from under Mr Nixon's feet.



The unlearnt lesson

The warnings of a Protestant backlash in Ulster are increasing and cannot be ignored. But Mr Whitelaw will have to risk it

Mr Whitelaw's lot gets no more enviable. If he reflects on the state of the province at the end of his first nine months as Secretary of State for Northern Ireland he can, it is true, point to some considerable achievements. The IRA is more on the run than on the defensive, and the political leaders of the Catholic community feel sufficiently secure to talk with him about Ulster's future. The bombings have declined although they have certainly not been stopped, and Mr Whitelaw has won a measure of goodwill and trust from the decent people of Ireland—and abroad—which is truly remarkable. But there is a black side. The society Mr Whitelaw is attempting to shape is still very sick indeed, and to the outsider, at least, shows no great vigour in curing itself.

Some politicians, in Ireland as well as Britain, doubt whether such a society can be governed first and cured later, but Mr Whitelaw has no option but to try. Some time next year he must produce, and the Parliament at Westminster must enact, a plan for the future constitutional arrangements in Northern Ireland. It is impossible for him to devise any such plan which would not have to be imposed in some way on either the Catholic or Protestant community, and most probably on both. It is not a question of what will be most acceptable but what will be least objected to, and that, fortunately, is something the Tories instinctively understand; it was, after all, the way their party leaders used to evolve. Inevitably, too, any plan must favour Catholic advance at the expense of the old Protestant domination, and not the least of Mr Whitelaw's problems in the coming weeks will be to decide how much weight should be given to the increasingly ominous warnings that are coming out of Ulster that the danger of a Protestant backlash is greater now than at any time since the present troubles began.

It would be a dangerous mistake for those Westminster politicians who do not immerse themselves in the problems of Ulster to believe that those warnings are confined to the Protestant extremists, although Mr Bill Craig, the leader of the Vanguard movement, said again on Tuesday that the Government's plan "may necessitate the use of force." The intentions of such men are obvious. The warnings which matter are those coming from the moderate Protestants who not only know their own clan best but who stand to lose most by any appeasement to the thuggish side of their community. They could be wrong, but only, perhaps, if the Protestant backlash is measured, as it all too readily is, by what happens when a mob confronts the British army. In the past those mobs have invariably backed away; but it is not a question now of whether they will always do so in the future, but of whether the backlash has not already begun.

Two weeks ago when Mr Whitelaw set up a special army-police task force to tackle the problem, the number of sectarian murders in Ulster this year had already

exceeded 100; what the total will be by the end of this month is anyone's guess. On Wednesday alone (the day the task force was strengthened) eight more people were assassinated, and the ratio of Catholics to Protestants murdered is around two to one. Neither community has given up a single killer, which is another cause for despair over Ulster. Yet how high must that hideous toll reach before it is recognised for what it is: Catholic terrorism and Protestant backlash? Or is it supposed not to matter any longer if Irishmen are killing each other so long as British troops are not being put at risk? That might be a popular view in Britain, but Mr Whitelaw has shown by his actions and the vehemence of his denunciations of those murders that it is not a mistake that he is likely to make.

The extremists take over

The all-too-evident signs of the disintegration of the Unionist party are a further cause for anxiety. With the resignation from the Unionist party of Mr Stratton Mills, the Westminster MP for North Belfast, this week, Mr Brian Faulkner has probably lost the last genuine moderate of real ability who stood by him as prime minister and as leader of the party since direct rule was imposed. Mr Stratton Mills resigned because Mr Faulkner blocked his attempt last week to cut the growing link between the Unionist party and the extremist Vanguard movement. He is by no means alone in believing that the Unionist party "is bound to become increasingly Vanguard's prisoner," or that the centre of gravity in the party has "shifted to such an extent that there is no longer any point in hoping to seek constructive change from inside." No doubt that is a recognition of the political realities, and as such it was not exactly unwelcome news for many at Westminster. But it will not help Mr Whitelaw very much.

Mr Faulkner does not have many remaining admirers at Westminster and the number in Ulster is dwindling fast. He is regarded as ambitious—always a fault in the other man—and at times since direct rule he has seemed anxious to give the impression that he is an embittered man as well. Mr Faulkner probably should have done more initially to prevent the Unionist party's slide into the clutches of the extremists, although the departing moderates' assertions that they could not work for reform within the party does not suggest that he would have had any great success. The charge against him really is that he has tried too hard to hold an impossible party together. When any party leader tolerates an extremist takeover of policies for the sake of a semblance of party unity he is always open to the doubt whether he is performing one of the less attractive tasks of party leadership or simply trying to preserve his own skin, and Mr Faulkner might have expected some sneaking

sympathy from Mr Wilson, at least, for the role he has tried to play. What still seems true, on balance, is that Ulster stands a slightly better chance of peace if Mr Whitelaw has to deal with a Unionist party influenced—if not always led—by Mr Faulkner, despite its links with Vanguard, than if that party either disintegrates in fact or is completely taken over in name by Mr Craig and the Vanguard movement. Mr Stratton Mills seemed to have believed this up to now; his departure is therefore all the more ominous.

Mr Whitelaw has a tricky problem of timing to decide. It is evident that direct rule will have to be extended for a further period for it is impossible to pass the necessary legislation for the future constitutional arrangements for Ulster, whatever they are, by March. That would seem to relieve him of some of the pressures which the Government's dithering over its Ulster timetable has put him under. There is some argument for delaying the white paper on the future of the province until after the plebiscite on the border, which is now fixed for March 8th, on the ground that the border poll might give enough Protestants a sufficient sense of security at least to give the white paper a try. Against that, however, must be set the very real suspicions that exist among the Protestants—including a number of moderates—of just where their wellbeing stands in Mr Heath's list of priorities.

They do not think it is very high. They believe he has played common market politics on the border plebiscite: hot for it to appease the Protestants at the time of direct rule, cold against it when the Labour party agitated for a referendum on the common market, and all right they can have it when the market issue was over. The Prime Minister has been known to be brusque about Ulster, as about many other matters. But the game of trying to pretend there are real differences between Mr Whitelaw and Mr Heath, which some moderate Protestants are playing, helps neither Mr Whitelaw nor their own cause. Yet what does need to be recognised is that Mr Whitelaw's touch has been surer than most English politicians' in dealing with Ulster,

and his intelligence on Protestant intentions has been at least as good as anyone else's. The timing of the white paper is, therefore, something which could be well left to his judgment, and that might largely depend on his assessment of how quickly the Unionist party is disintegrating.

In nine months as Secretary of State Mr Whitelaw has deservedly, and invariably against the odds, built up a very considerable political reputation. He does not need to be told that he can destroy it within a week by his handling of the constitutional issue. He has not been afraid to risk his political reputation, as over his meetings with the IRA, but he has rightly been cautious at taking open risks with the lives of people in both communities. He will not be helped now by colleagues in London urging him to rid them of the Ulster problem as quickly as possible; Mr Wilson's huffing and puffing and keeping everyone wondering which way he will eventually blow is enough.

What Ulster must learn

It cannot be said that the prospects for Ulster are all that much brighter at the end of the year than they were at the beginning. But that is not Mr Whitelaw's fault, or the British Government's, or Mr Lynch's either. While even the moderates in Ulster think there is not much they can do to help themselves there is even less that the British can do for them. Mr Whitelaw might, with great luck, avoid open violence and still create some form of constituent assembly framework which will allow Ulster to develop both politically and economically. That will not be achieved without risk, but it is a risk which has to be taken. But even if it does succeed without Protestant gunmen doing their worst, and even if the IRA is finally crushed, there will be no real peace in Northern Ireland until both communities become intolerant rather than protective of their own sectarian torturers and murderers. That is a simple lesson; it is one which too many people in Ulster still seem not just reluctant to learn, but are increasingly impatient when it is mentioned to them.



The impunity of Amin

Black Hitler or not, Uganda's ruler is beyond the reach of most of the things most people would like to do about him

One might think that by now Britain would have learnt how to deal with General Amin. The package that he unwrapped on Sunday night was not his first anti-British offering, nor was it his nastiest: most of the Asians whom he kicked out between August and November this year were, after all, British and the suffering caused by that upheaval was certainly greater than what lies in store for the much smaller white community he has now set his sights on. But every kick, in the pants or the teeth, that General Amin gives the British makes people in Britain wonder whether there really is no way of stopping

his career short.

Of course, his latest measures have to be put in proportion. He has nationalised 41 enterprises, all but seven of them British (see page 64). The owners must submit detailed declarations of their assets by the end of this month, and get out of their buildings within a fortnight. If no declaration is made, no compensation will be paid. But, assuming the general does not change his mind and that God does not intervene, the number of Britons affected will be small: not more than 50 of them in all, including dependants, will be dispossessed

from the 26 tea estates, and many of the 30 or so Britons working in the 15 nationalised companies may well be allowed to stay on. General Amin's actions have been high-handed, and they may violate international law. But nationalisation is a hazard of operating in underdeveloped countries now well recognised by all large companies. Unless General Amin refuses to pay fair compensation, his nationalisation decrees cannot be considered worse than par for the African course.

The injustice and the powerlessness

His other measures are. By insisting that British teachers, doctors and other experts must either stay in Uganda on local terms of service or leave the country by December 31st with a maximum of £50, instead of the normal sum of nearly £3,000, he is offering his British helpers two choices, either of which will cause them some hardship, and the second of which is outrageously unjust. The British aid staff in Uganda, with their families, number about 1,000 people. There are about 30 British experts who had already said that they wanted to end their contracts and who must therefore go by the end of the year. There are another 30 lecturers at Makerere university who had hoped to go at the end of the academic year in March, but who may now be forced to break their contracts and leave prematurely with only £50 in their pockets. And there are a handful of Britons in the civil service who may also be affected. They are, in effect, being robbed of their savings.

General Amin has also said that the government will not renew the licences of certain foreign trading companies next year, and he has ordered foreign banks to transfer blocked accounts—most of them belonging to expelled Asians—to Ugandan-owned banks. But, that apart, most of his Sunday night broadcast consisted of name-changing edicts and rantings which were accurately described by Sir Alec Douglas-Home on Tuesday as historical travesties. What General Amin has done got him called a "black Hitler" again by Mr Jeremy Thorpe on Tuesday. Well, maybe: but the scale is different, and the question remains whether Britain today has the power to do anything about this miniature international abomination. The vituperation directed at General Amin from all British parties was even better justified by his earlier actions than by his latest ones. It seems to reflect the helplessness that Britain feels when it comes to dealing with a dictator in a small African republic. After all, even if Britain had the troops to spare from Ulster for an intervention in Uganda, it would be unlikely to judge the rectification of General Amin's injustices worth the row that would be caused by moving against even this most embarrassing of Africa's leaders.

But there are a number of alternatives. The first and most obvious, if not most terrifying, is to raise the matter at the United Nations, and this the Government has said it will do. But General Amin has shown that he cares little what is said about him beyond his borders, and he has little reason to fear even hurtful words from most Africans at the UN. He would be no more embarrassed, anyway, than are the leaders of South Africa and Rhodesia. And since the UN, even if it were

so minded, has no power to intervene in Uganda its condemnation of General Amin would count for little. Cutting off aid is more painful, and Britain has already done what it can here. The £10m development aid that was promised to General Amin after his triumphal visit to London in July, 1971, has been cancelled, and Britain has said that it will no longer top up the salaries of Britons doing aid jobs in Uganda when their contracts expire. This means that Britain is providing only very small amounts of money, mostly to British firms completing contracts started two or three years ago.

But even if there were more aid that Britain could cut off, the desirability of doing so would be debatable: aid is given, not to General Amin, but to the people of Uganda, and to the extent that it actually gets through to them it is an admittedly small bit of succour at a time when they have to endure his misrule. This consideration applies equally to the alternative measure of lobbying other aid givers, such as the World Bank, to hold off too. And there is the additional worry that a total boycott by western countries might drive Uganda farther into the arms of fundamentalist Moslems like Libya's Colonel Qaddafi, with whom the general has already struck up a close friendship.

He still has hostages

There is a further difficulty. It seems that General Amin's move against the British aid staff—most of whom are teachers and are therefore unlikely to be milking the country very wholeheartedly—was largely prompted by Britain's decision not to supplement their salaries. Any attempt to put pressure on General Amin runs the risk of provoking him to retaliate yet again on the British citizens and property that remain in Uganda. This is really at the root of the problem, for General Amin still has many unpleasant things he can do. He can incarcerate, exterminate or expropriate anyone or anything British still in Uganda, which amounts to about 3,000 people and, taking into account the blocked assets of the British Asians, quite a lot of cash. So far the general has respected British lives, if not British property, more carefully than he has those of fellow-Ugandans. Sir Alec does not want to have to wonder what he could do, and be told there was nothing much, if British citizens started disappearing as many Ugandans have.

Perhaps the only action that Britain could take without jeopardising the safety of its citizens—and even then it might—would be to press for the expulsion of Uganda from the Commonwealth. Its membership could be renewed if a better leader came to power and wanted it. But by his recent actions General Amin has shown that he cares little for the principles that the Commonwealth supposedly stands for. Just possibly, if the general defaults on compensation or on the transfer of assets, it might be possible to freeze or expropriate Uganda's small remaining sterling balances. This would have to be done within the context of international law, but it might prove to be one way of settling with General Amin. It is not much; but Britain might as well realise just how little power it has in the face of even an Amin.



Joseph Lucas (Industries) Ltd., 75th Annual Report

	1972 £m	1971 £m
Sales	339.8	319.8
Profit before tax	21.5	15.1
Profit after tax	13.4	9.2
Profit attributable to Shareholders	13.2	9.0
Shareholders' funds	163.3	126.8
Ordinary and Redeemable Preference Shares:		
Earnings per share	32.1p	23.0p
Dividends per share:		
Interim	2.5p	2.5p
Final	7.5p	7.5p
	10.0p	10.0p

UNITED KINGDOM

The Motor Industry

The measures taken by the Government to stimulate the sale of cars were successful, and brought about a very high increase in demand in the United Kingdom during the year covered by the Accounts. Registrations reached a total of 1½ million, 36% higher than the previous year, which compared with a 15% increase in France and an actual decline in Germany and Italy.

The British industry produced a record total of 1,850,000 cars in the year, an increase of 208,000 over the previous year.

Heavy commercial vehicle sales to the home market continued at the depressed level of the previous year, reflecting the lack of expansion in industrial activity generally. The demand for tractors both at home and overseas continued to be weak.

Nevertheless, the United Kingdom still succeeded in exporting some 65% of its total diesel engine production, either directly or fitted to British built vehicles and tractors. Britain still remains the world's largest exporter of multi-cylinder diesel engines, nearly all of which are fitted with fuel injection equipment made within the Lucas Group.

The Aircraft Industry

Last year's report referred to the re-organisation and rationalisation of our companies engaged in the development and manufacture of aircraft equipment. Sales of the Group have been increased, but more importantly the business has passed from being a loss-maker into a profit earner.

The critical aircraft programmes on which so much of our business depends have strengthened considerably during the year and provide a much more encouraging outlook.

Industrial Products

Sales and profits of industrial products were lower than in the previous year as these items of equipment are mainly associated with the building of capital goods for which the demand has been low. There is, however, now some small sign of revival in this field.

OVERSEAS

Our businesses overseas have made good progress in a year when trade has been difficult in many countries. Total sales amounted to some £63m.

In Australia we continue to face severe competition but have nevertheless made good headway.

In India, our partnership companies have had another very successful year and their business continues to expand steadily.

In South America two significant new investments have been made – a 30% interest in the successful brake manufacturing business of Maquinas Varga SA, and a 45% interest in an important producer of batteries, Acumuladores Vulcania SA. Further investment opportunities in this thriving market are being investigated. Meanwhile our long-established factory in Brazil has had a successful year. The business in Argentina is performing well and our Mexican interests are making progress.

EUROPE

Our operations in Western Europe continue to expand and now represent a very important part of our business. Turnover last year amounted to £64 million. It is our policy to continue to strengthen our position in Europe as opportunities arise. Factories and sales centres on the Continent will strengthen our position with European customers and will facilitate the sale of United Kingdom manufactured goods in those growing markets.

PROSPECTS FOR 1972/73

The measures taken by the Government to expand the economy have already shown results in the increased demand for consumer goods, and during the year we have seen the much higher sales of cars in the United Kingdom. The benefits have been slow to appear in other parts of the economy and it is only now that a wider based expansion is beginning to emerge. The demand for commercial vehicles is beginning to rise whilst the output of tractors in the United Kingdom strengthened earlier this year.

The United Kingdom aircraft industry is now much more settled than it was a year ago, and we expect continuing benefits from the rationalisation of our own aircraft business which was commenced last year with the formation of Lucas Aerospace Ltd.

We consider our companies world-wide are well placed to take advantage of any opportunities, and we expect them to continue the steady progress that has been made in recent years.

LUCAS

Joseph Lucas (Industries) Ltd., Birmingham and London



BRITAIN

Beware the eighth of March (or possibly the fifteenth)

It looks as if Mr Wilson is bracing himself for the black-day-for-Labour headlines to be appearing on March 9th—or the 16th at the latest. That will be the day after Labour will probably have lost the Lincoln by-election, possibly lost Dundee East and held Chester-le-Street with a reduced majority.

Mr Wilson will find it difficult to avoid either March 8th or 15th for his three outstanding by-elections for three reasons. First, they are the earliest days on which elections can be held following publication of the new electoral register in mid-February; and a fresh register helps Labour, because the Tories are so much better at mobilising the large potential postal vote on an old register.

Second, if Mr Wilson does not hold his by-elections in March he will run the risk of getting them mixed up with the campaign for the local elections. Not only would this cause a high degree of confusion, but it would also make it impossible for the Labour party to borrow agents from other constituencies for the by-elections.

Finally, Mr Wilson will probably decide to hold his by-elections on a single day for the same reason that Mr Heath decided that both Uxbridge and Sutton and Cheam should poll on December 7th. If things go wrong, it is better to get all the bad news over on a single day rather than getting a string of disasters at regular intervals. The last person to ignore this golden rule of politics was Mr Harold Macmillan in 1962; and no one is particularly keen to repeat that experience.

Mr Wilson can have no illusion that these by-election results will be other than very nasty for Labour. Either Mr Dick Taverne, the former Labour MP now running as Democratic

Labour, or Mr Jonathan Guinness, the Tory, will win Lincoln, and there are now growing fears in the Labour party that the Scottish Nationalists may win Dundee East, which Mr George Thomson is giving up on his appointment as a common market commissioner. By an act of astonishing folly, the local Labour party chose a Sheffield councillor as its candidate, rejecting by a slim margin the able Mr Donald Dewar, formerly MP for South Aberdeen. Mr Dewar was rejected partly because he was a middle-class intellectual and apparently reminded a number of people of the late John Strachey, a former Dundee MP, but also because he was suspected of being a pro-European. Now the local left-wing unions have got their way and have a left-wing working-class candidate from England who is hostile to Europe; unhappily for them they may end up losing the seat as a result.

Although the Nationalist candidate forfeited his deposit at Dundee East at the last election, this time the Tory there could find himself in the same position as the Labour man at Sutton and Cheam whose supporters deserted in large numbers to the Liberal in order to throw out the Conservative. This time the Nationalist could be the beneficiary; all that is certain is that there is little likelihood that the Liberal in Dundee will even save his deposit.

The only by-election that Mr Wilson can be totally confident about is Chester-le-Street in County Durham, where Labour has a 20,331 majority. Although the Liberals are fielding a candidate there as well the only interest will be whether they succeed in driving the Tories to the bottom of the poll. But although Mr Wilson can be certain of holding the seat with the greatest of ease, he may not be

unduly joyful about the local party's choice at the weekend of Mr Giles Radice, the head of the research department of the General and Municipal Workers' Union. Mr Radice will be a good candidate, and he will make an admirable MP. But he also happens to be a strong Jenkinsite.

Ulster

How to take fear out of court

If certain of the changes in legal procedures in Northern Ireland recommended on Wednesday by the commission under Lord Diplock, a former lord justice of appeal, were intended to be permanent there would be cause for some serious misgivings. But the point of the commission is that it was set up to consider a specific and abnormal problem, how to deal more effectively with terrorist organisations at a time of emergency. As a means to that end, its proposals were rightly welcomed by Mr Whitelaw on behalf of the Government.

The context in which the commission went to work was, on the one hand, the certainty that terrorists, particularly those planning and directing terrorist activities but not necessarily taking part in them, were going free, and, on the other, the Government's wish not to continue with internment. The report



Diplock: emergency report

concludes that detention will still be needed to deal with some cases. It considers that under the 1972 order governing detention the safeguards against abuse of the power to detain and against mistakes of judgment are very much better than they were. But because the risk must exist of an innocent man being deprived of his liberty by a commissioner or tribunal sitting in private, the commission looked for ways to bring more suspected terrorists before ordinary courts of law.

The reason why detention proceedings are held in private is the same reason why men the security forces are sure are guilty are acquitted by ordinary criminal courts: intimidation. Witnesses are afraid to give evidence; jurors are afraid to convict. "The jury system as a means for trying terrorist crime," says the report, "is under strain. It may not yet have broken down, but we think that the time is already ripe to forestall its doing so."

So the commission recommends that in cases involving certain terrorist crimes—and only such cases—juries should be done away with and trials should be by a judge of the high court or a county court judge sitting alone. Normal rights of appeal would remain and so would the usual rules of procedure and evidence subject to certain changes. These changes are proposed because of the impossibility of devising any method by which witnesses can come to court to give evidence without endangering themselves, and to diminish the advantages enjoyed by an accused person under normal court procedure.

First, if there are good reasons why a witness cannot be produced in court but has made a signed written statement to anyone investigating an offence that statement should be admitted as evidence. Next, a confession made by the accused should be admissible unless obtained by torture or by inhuman or degrading treatment and the judge would determine how reliable it was. Then, in cases involving possession of firearms and explosives, the commission recommends that the onus of proof should be altered. It would be up to a person found in suspicious circumstances to prove he did not know the arms were there and had no reason to suspect they were there.

The Diplock commission also recommends that no bail should be granted except by the high court and then only if the applicant meets several stringent requirements. It also recognises the difficulties ordinary soldiers experience when trying to comply with the

requirements of the existing law in making arrests and proposes giving the armed services the power to arrest suspects and detain them for up to four hours solely to give them the chance to identify them. Lastly, the report recommends changes which would make it possible to deal more effectively with young terrorists, including the building of a secure unit to take up to 100 juveniles between 14 and 16. The commission describes the need for such a place as immediate and confesses itself "frankly appalled" at the apparent lack of any sense of urgency. That, at least, should now be corrected.

Parliament

Little to cheer about

MPs of both major parties dispersed from Westminster on Friday in a rather subdued mood. They had experienced a thoroughly bruising few weeks since the opening of the new session of Parliament; the only people who had any reason to look back with relatively unqualified pleasure were the handful of Liberals, who had at least picked up a couple of by-election seats from their opponents.

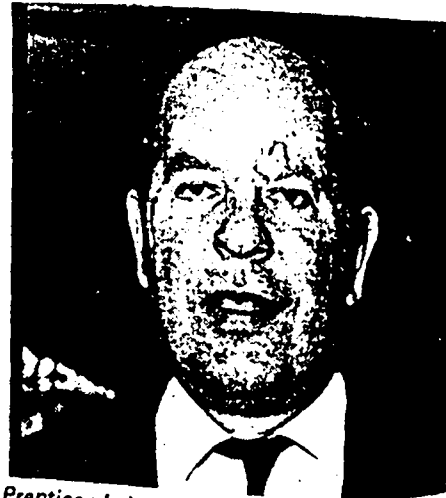
Labour is in worse shape than the Government, but the Tories have had a fairly wretched time. The Home Secretary, Mr Robert Carr, and the Chief Whip, Mr Francis Pym, suffered a painful setback on the floor of the House when they were defeated on their immigration rules, and the final act of this drama has not yet been written. And Mr Heath and his Chancellor, Mr Barber, had their injudicious pledges of the past on the wickedness of a compulsory prices and incomes policy rammed down their throats when they introduced just such a policy last month.

Nevertheless, despite these parliamentary problems for the Government, the Labour party is still racked with dissension over Europe and has been unable to take advantage of the Government's difficulties. Mr Wilson has not regained his touch, and on almost every occasion he has engaged Mr Heath in debate he has been badly defeated. Mr Denis Healey, the shadow chancellor, has been disappointing; he still seems incapable of getting to grips with his new responsibilities.

Even more surprisingly Mr Foot, who was a dangerous man when he sat on the front bench below the gangway,

has been ineffective. Mr Foot now sounds rather shrill and petulant. On Tuesday night, he was reduced to making a spiteful personal attack on Mr Peter Kirk, the gifted ex-junior minister who will be leading the Tory delegation to the European parliament in Strasbourg. The grounds for Mr Foot's attack were that Mr Kirk is receiving some financial support from the European Movement. It does seem a little harsh for Mr Foot to become quite so indignant about the European Movement's funds, remembering the devoted fundraising activities on its behalf by Mr Wilson when he was prime minister.

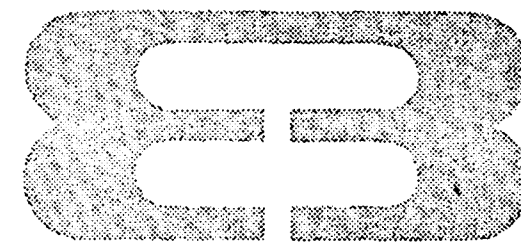
On the Labour side of the House the only two members of the shadow cabinet to emerge with their reputations enhanced have been Mrs Shirley Williams, the shadow home secretary, and Mr Reg Prentice, the employment spokesman. On Monday, Mr Prentice again showed his political courage during an arid little debate on the infiltration of extremists into the trade union movement. After one or two rather silly speeches from the Tory back benches, Mr Prentice had to put up with a great deal of barracking from a clique of left wingers led by Mr Eric Heffer and Mr Orme. The parliamentary Labour party has deteriorated to such a degree that it is now regarded as provocative to say, as Mr Prentice did with some vigour, that Mr Scanlon and the engineering workers are behaving less than sensibly in refusing to put their case in the Goad affair to the industrial relations court. The emergence of Mr Prentice has been the best thing that has happened to the Labour party for a very long time. All that is sad is that the courage Mr Prentice shows is regarded as unfashionable by so many of the men who sit beside him on the front bench.



Prentice: Labour's best find

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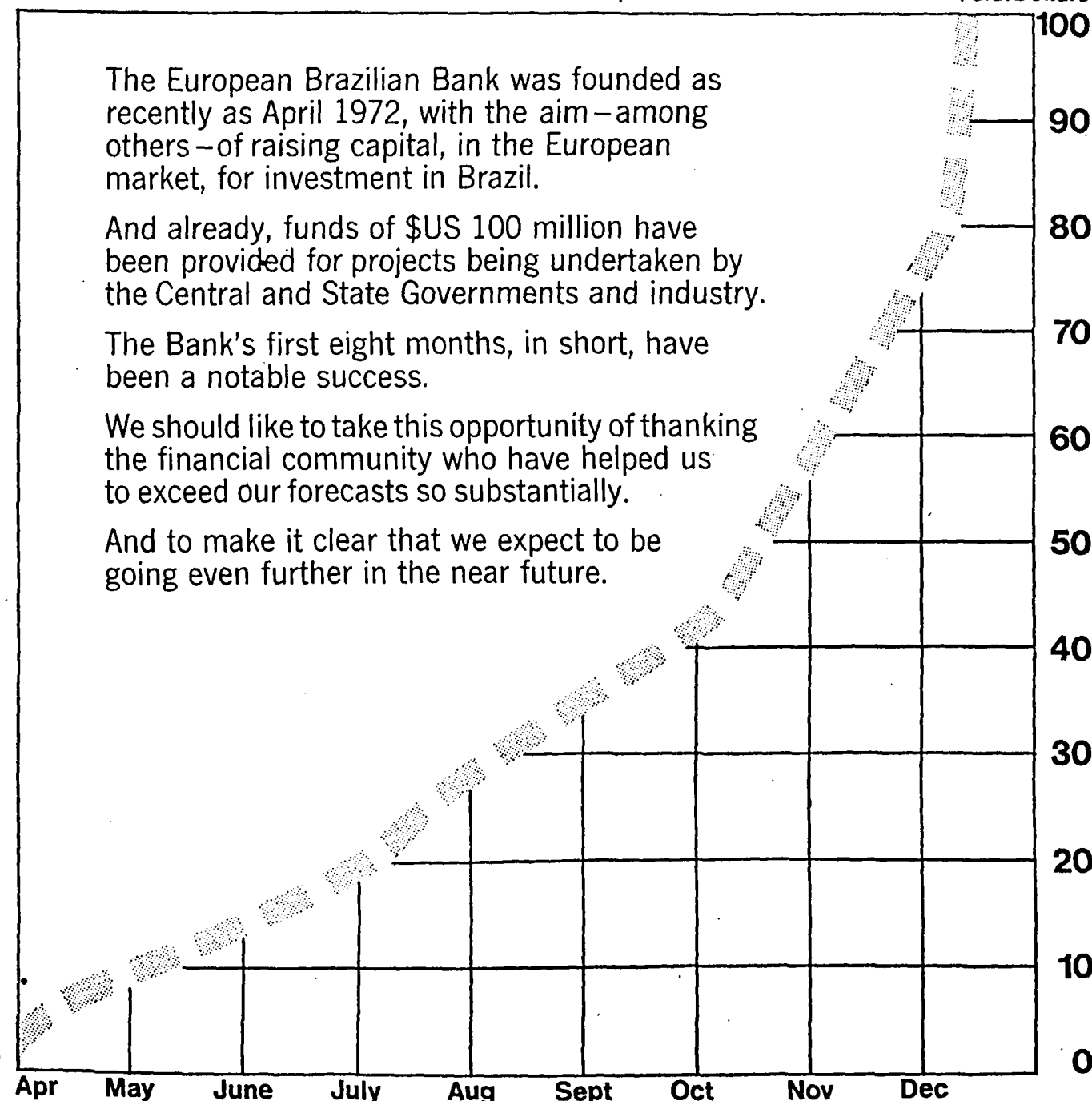
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Race relations

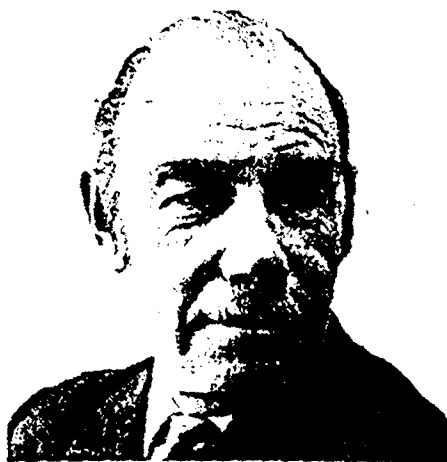
After Loughborough

Mr Kenneth Robinson did some smart work and on Tuesday produced his report on the dispute at Mansfield Hosiery Mills only four days after his inquiry ended. This strike by 400 Asian workers has taken the lid off labour and race relations in the Midlands hosiery industry.

At this Loughborough knitting factory all the (low-grade) "bar-loaders" were Asians but none of the highest-grade knitters were. The bar-loaders struck on October 3rd over a pay claim and were joined by other Asian (mainly Indian) workers. But it became clear—partly through the Race Relations Board which was meanwhile examining complaints of discrimination—that the real grievance was lack of promotion opportunities for Asian workers into higher grades. When two were proposed by management as trainee knitters, white workers threatened to strike—as they had done over the same issue in 1962 and in 1969 though slight progress had been made since then.

It became clear that the union had connived at the situation and allowed shop floor representation to become a skilled white caucus. The Indians, few of whom speak proper English, remain woefully ignorant of industrial bargaining procedures and felt, with some justification, that the union was only obstructing their cause. The strike was made official only when the company went out and recruited 41 white workers into the very positions—trainee fully fashioned knitters—the Indians were after. But even then white workers were allowed to stay in, and did. The dispute began to be a focus for extremists, and television cameras picked up some ugly scenes between supporters of the strikers and their opponents. A local paper, the Leicester Mercury, which has been violently anti the Ugandan Asians, did not help.

As Mr Robinson says, the most important thing to come out of his inquiry was the declaration by the management that they wished "to recruit and train knitters on merit and regardless of race, colour, creed or ethnic or national origin. The company will do this tomorrow if the union and its membership will give it their support." The union, too, is now making the right noises. Both have agreed a 10-point plan for ending the dispute



Robinson: who picks knitters?

which includes a £1-a-week rise for the bar-loaders, and which is endorsed by Mr Robinson save in one respect. The plan to promote a quota of eight Asians as trainee knitters (which might anyway be against the Race Relations Act) should, he says, be replaced by a new training agreement. Personnel and union functions should be developed.

The thorny question is the future of the 41 white knitters recruited during the strike. Mr Robinson says they should be put, along with any Asians, into a pool of applicants for these and a few other similar jobs within the group, but should not end up worse paid than now. How will the Asians stand when competing with people who will have completed their six weeks' training by now? The strikers may yet feel that the proof of the pudding is in the eating, and on Thursday night they were deciding whether to continue the strike on this issue alone, although in general they feel they have won their case.

Some people believe Mansfield Hosiery to have been relatively enlightened in its policies compared with some of its competitors in this notoriously badly organised industry. A Runnymede Trust investigation into the hosiery industry, carried out before the strike, revealed a chaotic wage structure that tended to put both coloured workers and women at a disadvantage (some earned less than a third of the top rate for the job). The "cream" jobs were nearly all held by whites. The union was inactive and undemocratic and no joint consultation existed between management and union. There is plenty to be revealed if the Government decides to take up Mr Robinson's idea of an inquiry into industrial relations in the entire knitwear and hosiery industry. But then

this is certainly not the only industry which has relied on cheap, uncomplaining immigrant labour. And even an inquiry will not do much to shield immigrant workers from their vulnerable position in an industry that is shedding unskilled workers fast and cutting down its demands for skilled ones too.

Contraception

Yet more confusion

The year of the contraceptive, which began with a group of doctors emphasising the dangers of an overpopulated Britain and the second reading of the vasectomy bill, is ending with a Government defeat in the House of Lords on the question of a completely free family planning service. Their lordships were debating the committee stage of the National Health Service Reorganisation Bill and had reached the clause that places a duty on the Secretary of State to make arrangements for the giving of contraceptive advice and the availability of supplies. In its original form the clause enabled charges to be recovered for any treatment given or articles supplied (though not for advice), but the Lords carried an Opposition amendment stipulating that no charges should be made.

The Government may seek to put back the original words when the bill comes to the Commons. Or it may, given the confusion that Sir Keith Joseph's statement on family planning services last week seems to have induced, decide that a completely free service is the only logical course. At present there is little uniformity among local health authorities about what they charge for. A handful provide a completely free service, including supplies to all their own residents, whether contraception is necessary on medical grounds or not. (The London borough of Hammersmith provides completely free supplies to everyone.) A few more give free supplies to everyone, but only where medical need is established. Others give free advice and free supplies for medical cases but only to their own residents. A few restrict their advice to the married. And so on: the combinations are seemingly endless. And besides the local health authority services, run by themselves or through the Family Planning Association, there are the advice and supplies provided by general practitioners and by some

hospitals for their maternity or abortion cases.

In all this diversity Sir Keith Joseph's proposals are intended to produce some uniformity. When the local health authority services are taken over by the new area health authority services in 1974, more clinics are planned and a comprehensive service of advice will be available free to everyone. General practitioners will be brought into line with the clinics. At present, though their advice is nominally free to all their health service patients, they can charge for writing a prescription for supplies, unless contraception is necessary for medical reasons—in which case the woman gets a health service prescription and pays the standard charge of 20p, unless, again, she is exempt.

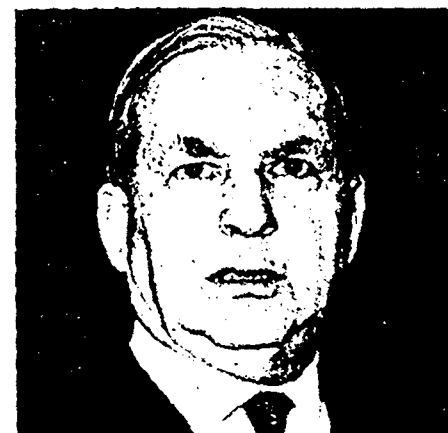
Sir Keith proposes that this private fee for prescribing should be replaced by a fee from taxation. He has also added some new categories for free supplies whether obtained on prescription from a doctor or through a clinic: those who have "a special social need" and those who have had a baby or an abortion within the previous year. So what it all amounts to, or was intended to amount to at the beginning of this week, is that advice and services (ie, prescribing) would be free to everyone; that supplies would be free to some indefinitely and to others for a year; that some (general practitioner medical cases) would pay the standard prescription charge for supplies; that all others would pay the full cost for them. Is it surprising that the Lords, in the light of the money that can be spent on an unwanted pregnancy, thought that all distinctions should be abolished?

Personal injuries

It all hurts

The immediate inspiration of the Government's decision to appoint a royal commission on civil liability and compensation for personal injury under the chairmanship of Lord Pearson has been the thalidomide cases. But it certainly did not dream up the idea unprompted. Back in the 1960s, there were already demands for a royal commission to consider the setting up of a comprehensive insurance scheme for all kinds of personal injuries.

This idea was excluded, however, from the terms of reference of the Winn committee which reported in 1968, and the Law Commission did not even succeed in gaining approval



Pearson: sorting out the injured

for including in its programme an investigation into the principles governing liability for accidents. The Robens committee on safety and health at work, which was appointed in 1970 and reported last July, could only mention the general issue.

The Prime Minister's statement to the House of Commons on Tuesday contained no whisper of the idea of a state insurance scheme; but the royal commission can hardly avoid at least discussing it. Permission to do so must be implied by clause (e) of its not-altogether-clear terms of reference. These first cover, specifically, injuries suffered in employment; on other people's premises; on the roads or other means of transport; or through the manufacture, supply or use of goods or services; or (e) "otherwise through the act or omission of another where compensation under the present law is recoverable only on proof of fault or under the rules of strict liability." Proof of fault is necessary if one brings an action for negligence; but employers, occupiers and car drivers also have various statutory duties. If they injure someone while in breach of these, it is not necessary for the injured person, in order to claim damages, to prove that they were also negligent. The defendant has a "strict liability"; there are also some strict liabilities laid down by common law.

But what happens to the injured person if no one can be proved to have been negligent, or in breach of a statutory duty? (It is perfectly possible for this to happen in, say, a road accident.) The injured person gets nothing. Again, it is no good suing someone for negligence if he has no money to pay. Employers and drivers, and most householders, are insured (and the Motor Insurers Bureau plugs at least one gap). The Criminal Injuries Compensation Board now exists to pay out to those injured by criminals, who are seldom

worth suing. But other people can cause injuries. While some sufferers are entitled to large sums in compensation and others to nothing, there is bound to be a demand for a state insurance scheme which will compensate each equally. One can insure against all kinds of personal liability, and a major (and expensive) reform would be to insist that everyone should do so.

But even that would not eliminate all unfairness. What about injuries caused by children, whom the courts are obviously reluctant to find negligent, however much they may be at fault? What about injuries which are nobody's fault? What about self-injury? It is perfectly possible for employers, occupiers and so forth, even when in breach of statutory duties, to reduce the total of damages they owe by proving contributory negligence on the part of the plaintiff. One MP, Mr Ivor Stanbrook, undoubtedly spoke for a strong strand of opinion when he asked the Prime Minister "to bear in mind that it is undesirable in principle for the state to try to absolve every individual from the consequences of his own foolishness." There are strong objections to a blanket insurance scheme; even a "no fault" car insurance scheme would greatly increase motorists' premiums. And even if all the injuries caused by the actions or inaction of other people were covered by a vast and comprehensive state insurance scheme, there would still remain the injuries right outside the commission's terms of reference, caused by natural disaster—or, for that matter, by disease.

Even without considering such grandiose schemes as state insurance, there will be plenty for the commission to discuss. Mr Heath, who seemed to have been badly briefed, had not apparently heard of the Law Commission working paper on one particular, vitally complicated aspect: the methods of assessing the amount of damages granted in personal injury cases. He did, however, announce that another area of difficulty which has complicated the thalidomide cases—whether children still unborn have a cause of action—is to be referred to the commission. There is another possible reform which would have done much to strengthen the hands of the consumer: a creation of something analogous to the contractual duty between retailer and purchaser in the relationship between manufacturer and purchaser, so that the latter would automatically have an action if he was injured by any goods not "reasonably fit" for the purpose for which they were made.

NEW ISSUE

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THE WORLD

International Report

First the left, now the centre: gaullism's no longer France

FROM OUR PARIS CORRESPONDENT

The French learned at last on Wednesday when they will vote: the first ballot will be on March 4th and the run-off on the 11th. But how will they vote? Monday's *Aurore* carried an opinion poll confirming the bad news for M. Pompidou conveyed by *Le Figaro's* poll a week earlier: 44 per cent for the Union of the Left, 39 per cent for the ruling majority and 17 per cent for the Reformists of the centre. The figures made nice breakfast reading for M. Georges Marchais, fresh from the Communist party congress which had confirmed him de jure in the general secretaryship which he has long held de facto. Yet they are not nice enough.

The Communists have come a long way since a year ago, when nobody, not even themselves, seriously imagined they could soon be in power. Even after their midsummer agreement on a programme of government with the Socialists, many commentators imagined that the latter at least were not thinking seriously of the coming parliamentary elections but of the presidential vote of 1976.

The opinion polls have changed all that. But they have also proved wrong the many people, including your correspondent, who doubted that the Reformists, however worthy their ideas, could be taken as a serious electoral and perhaps parliamentary force. Now the Reformists are showing their strength—and their growing readiness, being still vigorously anti-communist, to elbow out the left by joining in a government of the centre-right.

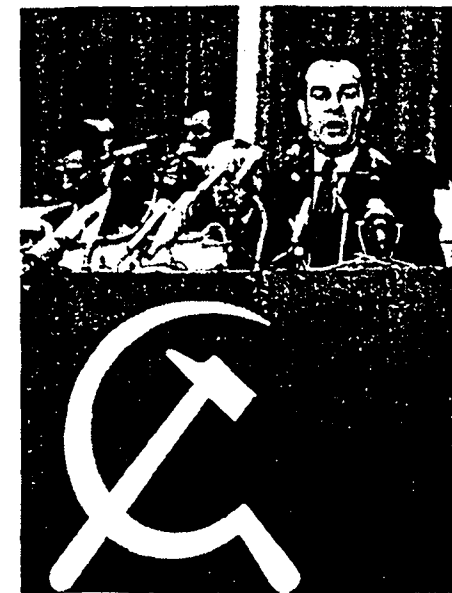
In short, the 44 per cent of M. Marchais and M. Mitterrand is not enough. Hence the theme of the Communist party congress: not just a union of the left, but a popular union to which all good democrats are invited to subscribe. Hence in turn the tone of

M. Marchais's five-hour address to the congress: this, he said, was not the party of the raised fist but of the outstretched hand. Hence his repetition of the fairly extensive promises of democracy contained in the joint programme of government, his assurance that for the Communists "socialism and democracy are closely linked" and that "socialism is based on the effective participation of the popular masses in the running of society."

In sum, no dictatorship, no imported Russian model of socialism—M. Marchais said as much, minus the adjective—in France. It is essential for the Communists that this should be believed. The fear of tyranny, of another Prague, 1948 version, has become the theme song, for lack of better, presumably, of the battered gaullist section of the majority.

The past 10 days, indeed, have produced the curious position that, verbally at least, the Communists seem readier to accept the rules of democracy than the gaullists. When the legislature has run its term, M. Jacques Duclos, the party's last presidential candidate, told a business audience on Tuesday, it will be up to the people to judge. It was a striking contrast to the television declaration of M. Pierre Messmer a week earlier. The new government, said the prime minister, "will be formed in the light of the policies of the president of the republic, not of this or that electoral combination." Vote, good people, but M. Pompidou won't necessarily take any notice of you.

This conforms to the longstanding gaullist theory that gaullism is France and that an alternation of power is therefore unnecessary: men like M. Debré have put it in as many words. It also conforms to M. Pompidou's own view, expressed in his September press



Marchais tries to look democratic

conference. Talking of an electoral victory for the left, a journalist was saying, "I won't ask whether you'll then appoint X or Y [presumably Marchais or Mitterrand] as prime minister," when M. Pompidou broke in. "Neither X nor Y," he said.

The implication that the president would simply install a minority government, let the parliamentary crisis come and dissolve the assembly when it did, is probably true and has some constitutional logic behind it. But M. Messmer can hardly have been surprised to be attacked on the more basic constitutional ground that sovereignty belongs to the people, or to hear the secretary-general of his party this week virtually disavow him. Of course the president will take account of the electoral results, said M. Alain Peyrefitte.

In practice, he shouldn't find it difficult, since it will probably mean no more than some tolerable changes in policy and a few Reformist ministers. The Communists' problem today is first to convince the many people who want a change that such modest change is not enough, and second that their party is fit to be partly in charge of a more radical one. And it seems they have not yet convinced even the Socialist

electorate. Only half of it, according to the Figaro poll, would switch its support to a Communist candidate in the second round, under France's two-round voting system whereby the backrunners in the first round are eliminated.

Perhaps it was not as surprising as one might think that the senate this week was unanimous in voting that publication of opinion polls should be banned during the election campaign. Here the politicians appear to agree: truth, as ever, has something embarrassing for all of them.

Germany

Mitbestimmung, no less

FROM OUR BONN CORRESPONDENT

Before going off to the Canaries for Christmas to bask in the thought of an election well won, Willy Brandt has made it clear what the first priorities of his new administration are. They are unavoidably domestic. There is a backlog of domestic legislation that never got through the last parliament for the very simple reason that government and opposition were deadlocked. This week the Bundestag was completing the bizarre process of shoving through the 1972 budget (civil servants have in the meantime been paid out of a special fund), only to contemplate work almost immediately on the 1973 budget.

During his holiday, Herr Brandt will be thinking about the speech laying out the government's proposals for the next four years which he is due to deliver on January 18th. That speech will be keenly analysed for the degree of agreement, or the lack of it, reached by the chancellor's Social Democrats and his Free Democrat coalition partners on domestic legislation. The interest of industrialists and trade unionists is centred on one thing. They call it *Mitbestimmung*, the process whereby employers and employees are represented on the supervisory boards of management in industry.

In the coal and steel industries, workers and managers are equally represented on these boards. The Social Democrats want to spread this parity to the whole range of industry. The trade unions, which gave their full support to the chancellor during the election campaign, are hoping that he will announce specific plans for extending the parity principle to every firm employing more than 2,000 workers or having a turnover of

£20m. The Free Democrat party has other ideas. It rejects the principle of parity and advocates instead that supervisory management boards should comprise four workers, four managers and two "executives"—with the executives, so the trade unions suspect, taking the managers' side in any argument.

This issue is probably the most serious difference of opinion between the two coalition partners. It is important to resolve, not only for domestic political reasons but also to protect Germany's reputation for excellent industrial relations. What seems all too likely is that the problem will be shelved.

Italy

Valpreda's law

FROM OUR ROME CORRESPONDENT

Signor Valpreda and three other Italian anarchists should be able to leave prison before their trial at Catanzaro in March because of an important amendment to the penal code which came into force this week. The anarchists are accused of placing the bombs which exploded on December 12, 1969, in Milan and Rome causing the death of 16 people and the horrible mutilation of several others. They have been in prison for three years while one assize court after another has argued its way out of handling their trial. Various appeals for their release pending trial had to be refused because the law as it stood did not empower the magistrate to use his discretion when the offence called for obligatory arrest.

The amendment to article 227 of the penal code revoking this rule was hurried through parliament unquestionably in order to placate the displays of indignation aroused by the Valpreda affair. There have been marches and hunger strikes for his release and, on December 12th, the third anniversary of the bombing, demonstrations and rioting. Naturally, the minister of justice, Signor Gonella, insisted that his bill was simply part of the overhaul of the penal code which has been in committee stage in parliament for five years. Hundreds of people besides Signor Valpreda will be affected by it and one man has already been released.

But this does not alter the fact that it was strong public feeling about Valpreda which obliged the government to take the initiative out of the hands of the Communists and Socialists, who had presented their own



The rioters made their point

amendments. It is alleged, too, that some discreet pressure was brought to bear upon the government by President Leone himself. Parliament passed the amendment in record time and, significantly, it was approved by all parties except the far-right Italian Social Movement.

Italy's two sets of penal codes are relics of the fascist era. But they have been so useful that in 25 years no democratic government has found the will to reform them, although it was widely admitted that both codes conflicted with the spirit of the constitution. Had it not been for the reaction to the Valpreda affair even this minor reform would probably still be stuck in committee. And its momentum carried over: on the day the amendment went through, parliament also approved a new law legalising conscientious objectors and giving them an alternative to the army.

Ireland

Ouch!

FROM OUR DUBLIN CORRESPONDENT

Special Branch men are no more loved in the Irish republic than anywhere else. But they have been the object of more criticism than usual this week. On Thursday two men appeared in court in Dublin charged with offences under the Official Secrets Act. So much secrecy surrounded the event that very little was known for certain, but there was speculation that one of the defendants was a member of the Irish security police and that the case centred on the unauthorised passing of information between men in the Irish and British security services.



Was O'Connell given the slip?

The Irish Special Branch had already drawn attention to itself earlier in the week. Few would believe it could have bungled things so ineptly—unless it was deliberate—in its attempt last Sunday to arrest Mr Daithi O'Connell, the vice-president of the Provisional wing of Sinn Fein, and the man most frequently mentioned in speculation about the succession to Mr Sean MacStiofain as chief of staff of the Provisional IRA. According to his wife, Mr O'Connell was approached by a Special Branch man after leaving the inaugural meeting of the Irish Civil Rights Association, an organisation whose leaders include many people identified with the Provisional Sinn Fein. With her help and that of others, the Special Branch man was pushed aside, and while he ran for help Mr O'Connell made off in a car.

Two alternative explanations have been put forward for the episode. One suggests that Mr O'Connell was deliberately let go because the authorities, although wishing to appear to be making use of their new powers against suspected members of illegal organisations, do not want at the same time to jeopardise the Christmas truce in Northern Ireland which Mr O'Connell is said to be negotiating. His reputation is that of a moderate who would prefer a political to a military solution in the north.

The other theory is that the supposed arrest was faked by the Provisionals to steal the headlines from the week-end's annual convention of the Official wing of Sinn Fein. Last year the Provisionals reissued an old policy document with the same end in view. And this year the meeting of the Irish Civil Rights Association seems to have been timed to take attention from the

Officials' convention. Certainly antagonism between the two Sinn Fein organisations is growing, and the Provisionals might have used this occasion to underline it.

The Special Branch gave the civil rights meeting close attention and Mr O'Connell could easily have been picked up had the decision been made to do so. No attempt was made to seize Mr Ruairi O'Bradaigh, the president of the Provisionals, who was also at the meeting. But Mr O'Bradaigh's brother, Sean, said that members of Sinn Fein are being kept under surveillance and the homes of younger members searched.

Greece and Turkey

Neighbours in the pillory

The governments of Greece and Turkey, countries which belong to Nato and aspire to full membership of the European community, are both under attack for their policies of imprisoning people for their political views. This is nothing new for the Greek regime, which during its five and a half years' existence has faced bitter criticism for depriving the Greek people of many of their civil rights, and more subtle pressures from its western allies to liberalise its rule. But it is a new experience for the present Turkish government.

The campaign for the release of all political prisoners in Greece was launched in London on Tuesday by a committee of Greek exiles led by Lady Fleming and Mrs Helen Vlachos. Similar movements are being organised elsewhere in western Europe. Had the Greek prime minister, Mr George Papadopoulos, done what it was hoped he would do when he addressed the Greeks last Saturday, the committee would have had the ground cut from under its feet.

But Mr Papadopoulos's Christmas offering was a meagre morsel. There was no mention of an amnesty: his only tangible concession on prisoners was the release of nine men who had been exiled to distant villages by administrative decrees. Among them is Mr John Pasmazoglou, who negotiated Greece's association with the common market and was a strong critic of the regime's economic policies. The prime minister did, however, promise that some 250 prisoners held for political offences may now appeal to a higher military tribunal for a review of their

sentences. This could mean that some who were given long terms of imprisonment in the regime's early days will have their sentences reduced.

Last weekend the Athens newspaper To Vima published a list of all these prisoners. Out of 255 convicted persons, 29 are serving life sentences, 111 sentences of 10-25 years, and 115 terms of less than 10 years. A further 35 have temporarily been released on health grounds and 23 are still awaiting trial. Five foreigners (four Germans and an Italian woman) have been told they may apply for expulsion. The one man who will not be allowed to appeal is Alexander Panagoulis, the former army officer who was sentenced to death, afterwards commuted to life imprisonment, for desertion during a state of emergency and for attempting to assassinate Mr Papadopoulos. He has been held by the army in solitary confinement for four years. His younger brother, Stathis, was lured back to Greece last August and then arrested. No charges have been brought against him and nobody has been allowed to visit him since then. His family fear he is being subjected to the torture his brother is said to have suffered.

The committee working for the release of the Greek prisoners refuses to make any distinction between those convicted of crimes involving violence and those who have merely talked too much or protested too openly. It asserts that, since the Greeks have been deprived of political rights, all politically motivated acts, whether violent or not, are legitimate. This view is not shared by Amnesty International, which does not regard those who have been convicted for acts of violence, or for advocating violence, as true political prisoners.

It is Amnesty International which has drawn attention to the situation in Turkey—although it is still far from clear what the true position is. The Turkish government maintains that no more than 1,000 people are being held for what could be called political offences; other sources say the figure is nearer 12,000. Officially the parliamentary system continues to function in Turkey and new elections are due next October. But since March, 1971, military men have held a heavy stick over the government's head. Martial law is still in force in 11 provinces, all student organisations have been banned, the marxist-orientated Turkish Labour party has been outlawed and many of its leaders imprisoned, and a number of writers, professors, journalists and left-wing intellectuals have

been arrested.

Recently there have been allegations that the Turkish security forces have been adopting methods that were also alleged to have been used, at least until very recently, by the Greek military police to get information from detainees—beatings on the soles of the feet, electric shocks and sexual cruelty. A mission from Amnesty International, led by Mr Muir Hunter, QC, visited Turkey at the end of November and reported last week that it was convinced that the allegations were true. It was allowed to speak to only one of the 32 prisoners it had asked to see; the Turkish ministry of justice said it had no authority over the others, who were in military hands. The woman they did see, Mrs Necmi Demir, had not been harmed but she said she knew of others, including her husband, who had.

The Turkish government has been faced with a well-organised and ruthless campaign of urban terrorism aimed at overthrowing the structure of the state. There have been numerous acts of terrorism, including the murder of the Israeli consul in Istanbul, the killing of three Nato radar technicians (two British and one Canadian), the kidnapping of American servicemen and numerous bomb attacks and bank robberies. By comparison, the opposition to the military regime in Greece is mild; only one innocent person, a policeman, has been killed in bomb attacks.

The counter-measures in Turkey appear to be equally ruthless. The martial law commander in Istanbul has announced that 450 people are to be tried in connection with the Nato men's deaths. At the last meeting of the Council of Europe's political committee on December 13th the question of torture in Turkey was brought up. The Turkish foreign minister denied there was any truth in the allegations. The European Commission on Human Rights has not, as yet, been asked to investigate what is happening in Turkish jails. But the pressure is on.

Tunisia and Libya

The great fighter

President Bourguiba of Tunisia, despite his 70 years and recent illnesses, has lost none of his nerve. Last week-end he did what no other Arab leader has dared to do—he publicly cut Libya's President Qaddafi down to size. It happened in Tunis during



Qaddafi's up there in the clouds, says Bourguiba

Colonel Qaddafi's state visit. The Libyan guest had harangued the crowd for 90 minutes on the well-worn theme that the Arab masses were demanding the abolition of artificial frontiers and he gave warning of the grave consequences that would follow if their aspirations were not heeded. He ended by saying he was well pleased with conversations he had had with his host on the principle of Arab unity.

This proved too much for President Bourguiba. Although he was not scheduled to speak he took the microphone and made an impromptu address which will rank as one of the most notable of his career. Colonel Qaddafi, he revealed, had proposed that Tunisia and Libya should unite and had even offered him the presidency of both countries. "I am certain of his abilities and his devotion, but he lacks experience," the president said, and he then gave the 30-year-old Libyan a fatherly lecture on the realities of the Arab world.

He himself, he said, did not owe his power in Tunisia to a military coup but to half a century of struggle for national independence. He had based Tunisian nationalism on a change in the Tunisian way of thinking and Arab nationalism should similarly be grounded on a change in Arab mentality. The Arabs were lethargic and backward in science and technology. Unity on paper was worth nothing and true unity could not be achieved by wasting time on meetings. The way was through the progress made by individual Arab countries. And Mr Bourguiba had the temerity to remind his guest that some people in Libya were still living in the stone

age.

It would not have been surprising if Colonel Qaddafi had packed his bags and gone home after this homily, but he apparently took it in good part. Before he left he said that President Bourguiba had confirmed the picture he had had of him—he was a fighter. Arabs respected the experience of their elders and he would now meditate on what he had been told. Other Arab leaders may be meditating too.

Terrorism

No help from the UN

Anyone who imagined that the United Nations could make up its collective mind to deal effectively with the new forms of terrorism had the truth brought home to him this week. The General Assembly voted by 76 to 35 (with 17 abstentions, including France) to endorse the decision of the UN legal committee to refer all serious discussion of collective counter-terrorism to a new commission that will meet some time during the life of the next General Assembly. No date has been fixed.

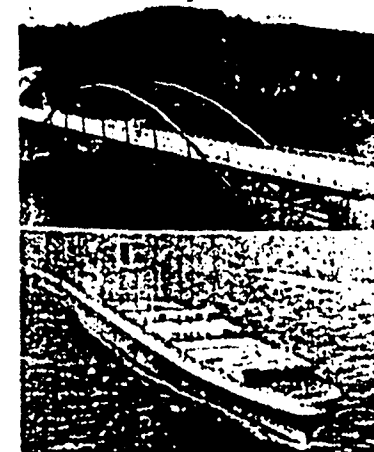
The mood of the assembly was plain in its final resolution. Instead of condemning terrorism, the majority trained their guns on "the violence of the system," which mostly meant "the continuation of repressive and terrorist acts by colonial, racist and alien regimes." The irony of the fact that the Russians, the Chinese and the Iraqis (all of whom are fairly good at bashing their national minorities) sup-

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ported this motion seemed to escape most of the delegates. So the initiative of Mr Waldheim, the UN secretary-general, to get international action against terrorists who carry their quarrels outside their national frontiers or threaten the lives of outsiders has come to nothing, although the need for it is clear.

On Wednesday the men who kidnapped Mr Ronald Grove, the head of the Vestey group's South American operations, based in Buenos Aires, released him in return for a cash ransom. This followed exactly the pattern of the kidnapping last September of another company chief, Mr Jan van der Panne of Philips. The same revolutionary group—the trotskyite People's Revolutionary Army—was probably responsible for both abductions. It is helping to make the point that companies are often readier than governments to give in to political kidnappers or hijackers in order to avoid bloodshed.

Portuguese Africa Brewing up

Portugal's African wars have been back in the news this week. In Portuguese Guinea, on Africa's west coast, the Portuguese have launched an operation described as the biggest yet in their 10-year-old war against the nationalist guerrillas. Strikes by air, sea and land have been made in the southern part of the country, where guerrillas cross the border from the neighbouring republic of President Sekou Touré's Guinea. How much success they have had is not yet known.

On the other side of the continent the fighting in Mozambique, where guerrillas have recently penetrated for the first time into the central province of Manica e Sofala, is causing concern to the government of neighbouring Rhodesia. In response to the increased guerrilla activity, which the Rhodesians say is "splashing over" the border, Rhodesia has extended the length of its national service from nine months to a year.

The fiercer fighting in both Mozambique and Portugal's third African territory, Angola, is also worrying the South Africans. The chief of their general staff, Admiral Bierman, has just written a long appraisal of South Africa's defence problems in which he draws attention to the likelihood of an intensification of the guerrilla struggle in the Portuguese territories. Of course, the wars there might end if Portugal accepted the unanimous recommen-



Now it's a year for Rhodesians

dation of the United Nations Security Council on November 22nd calling on it to start negotiations aimed at giving the territories self-determination and independence. But so far there is no sign that Portugal is willing.

India

Every region for itself

FROM OUR INDIA CORRESPONDENT

The state of Andhra Pradesh in south India, home to 40m Telegu-speaking people, is caught up in a violent agitation which may split it in two. The irony is that Andhra was the first state to be set up in 1957 on the basis of a common language. If it breaks up, similar demands for creating new subdivisions are bound to be made elsewhere, jeopardising the whole system of linguistic states. This is why Mrs Gandhi is doing everything she can to bring the unrest in Andhra under control—so far without success.

There are historical reasons why the inhabitants of the dry Telengana plateau should be at odds with those who live in the fertile coastal plains. The plains people, once part of British India, had better economic and educational opportunities than the former subjects of the Nizam of Hyderabad. The two groups agreed to join together in unified Andhra state on the assurance that the Telengana plateau people would have prior claim on the resources of their areas and on government jobs for a specified period. Since the state

capital, Hyderabad, is part of the Telengana area, the Telengana people have had the lion's share of jobs there—which constitute 40 per cent of the state's employment—and the period of this monopoly has repeatedly been extended. But still they are not satisfied.

Mounting unemployment in Andhra, as elsewhere in India, makes the Telenganas anxious to retain their privileges. In a bid to find a compromise solution Mrs Gandhi agreed early this month to a further extension of the so-called Mulki rules, which require 15 years' residence for a job in Telengana. But this has so incensed people in the coastal districts that they are now insisting on separating from Telengana. All nine ministers from these districts have resigned.

The conflict within Andhra highlights the dangers India faces as the slow pace of economic development exacerbates social tensions. With many local groups trying to get a larger share of an ungrowing cake for themselves, narrow loyalties are coming to the fore and undermining the political cohesion which Mrs Gandhi restored to the country in the elections of 1971 and 1972. The Congress party in Andhra is badly divided along regional lines. And much the same is true of Assam, where the local Assamese population, 55 per cent of the total, feels that immigrants, mainly Bengalis, have cornered a preponderant share of jobs and other economic opportunities.

In an effort to put the newcomers at a disadvantage, the Assam government recently decided to make Assamese the sole medium of instruction in the state, although it allowed English to be used as an alternative for the next 10 years. Local Bengalis

Britain From Figures

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greatly resented this move, and the resulting tension led to clashes between the two communities. A peace of sorts has now been restored but scores of Bengali students are sitting it out in Calcutta, claiming that it is unsafe for them to go back to their colleges in Assam.

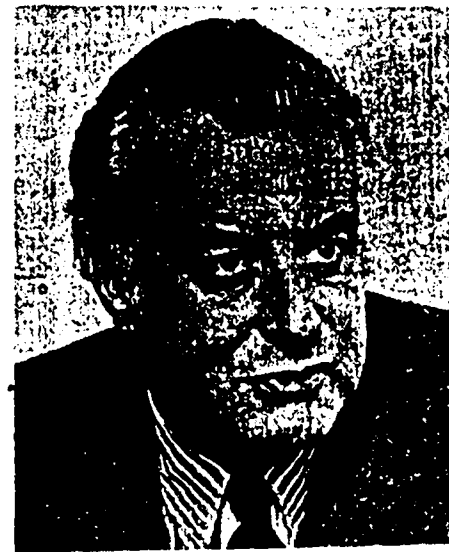
Australia

All move round

FROM OUR CANBERRA CORRESPONDENT

The final results for the Australian election on December 2nd give Gough Whitlam's Labor government a majority of nine in the House of Representatives, equivalent to one of 45 in the much larger British House of Commons—comfortable, but not excessively so. It is not as large as predicted in the early stages of the counting, but it will serve. The Country party remains at the same strength as before, but the Liberal party has lost a significant number of seats. Its newly elected leader, Mr Snedden, an ambitious but largely untried and unoriginal man, must look for new ways of attracting the younger suburban voters of Sydney and Melbourne among whom the swing to Labor was greatest.

Since Monday, Mr Whitlam has at last had his ministry. The names of the 27 people appointed matter less at this stage than the substantial changes Mr Whitlam is making in the departmental structure. Six old departments are being abolished immediately, and seven more are to be phased out before long. No fewer than 16 new ones are being established. The process is essentially one in which sections of existing departments are moved around to modify old ones and form



It looks comfortable for Whitlam

new ones; nobody will actually be unemployed. There will, however, be much change at the top. The politics of Canberra's bureaucracy, always turbulent, is boiling just now, and the hot weather is not helping.

Mr Whitlam's ministerial team is hard to compare with past Labor ministries, since 23 years in opposition have been accompanied by social changes which themselves have affected the Labor party. There is the normal under-layer of men whose early lives were spent in the trade union movement, but there are 12 ministers with university degrees, including two medical doctors and two PhDs. In general the standard is higher than one might have expected after such a long period in opposition. The great majority of ministers are right-wingers in their party.

Like the Labor governments which took office in 1929 and 1941, this one faces a hostile majority in the Senate. It is possible that the prime minister, well aware of the difficulties experienced in the past, will aim at a confrontation with the Senate on a popular issue and then seek a double dissolution. Before this can happen, however, he must improve Labor's image in South and Western Australia, where there was actually a swing against it, and in Queensland, where it made too little headway for comfort. Special attention to these states' interests, especially in finance to relieve unemployment and stimulate development, is the obvious means to hand. In the meantime the briskness of the new broom is what the ministry will try to display. Mr Whitlam has already set a cracking example.

New Zealand

Norman the conqueror

The new Labour government in Wellington has got off to a brisk start. Mr Norman Kirk's cabinet has taken decisions to withdraw New Zealand's military training teams from Vietnam at once, and to end conscription. Mr Kirk has also announced that a contribution will be made to the United Nations trust fund for South Africa, which the defeated National party had refused to support; and he made it clear that this move portended a new approach to African and other racial problems.

It is being recalled that as far back as 1960 Mr Kirk took a firm "no



Rata is an innovation

Maoris, no tour" position against the idea of picking an all-white rugby team to tour South Africa on behalf of New Zealand's All Blacks. The project for a tour of New Zealand next year by South Africa's all-white Springboks is now evidently in doubt. With 55 seats in the House of Representatives to the opposition's 32, Mr Kirk is well placed to defy the white rugby lobby. He has done nothing new in bringing Maoris into a Labour cabinet—indeed, one of them is the daughter of a former Labour minister—but his innovation here is the choice of a Maori, Mr Matiu Rata, as his minister for Maori affairs. And the defeat in the election of the previous minister for Maori affairs, Mr Duncan MacIntyre, has deprived the National party of its only prominent figure who commanded much Maori confidence.

New Zealand's summer holiday season has begun, and the house will not meet until February. This will give the new team (in which only Mr Hugh Watt, the deputy prime minister, who now takes over a new development ministry, has had previous cabinet experience) a little time to dig in. Parliamentary action will be needed before Mr Kirk can carry out his plans to restore the wool marketing corporation's powers of compulsory purchase, and to reshape his predecessors' anti-inflation programme, with more emphasis on price and rent controls. By February, however, the Labour government will probably have already made its first moves on the foreign trade front, which Mr Kirk has entrusted to Mr Joe Walding, a businessman with a record of spectacular success in exports and a reputation for not letting grass grow under his feet.

Russia

Dissent of the privileged

The brave band of Soviet heretics is dwindling. Yuri Galanskov is dead. Peter Yakir, the historian, is reliably reported to have given up the fight. Valery Chalidze, the physicist who became an expert on civil rights, this week found himself stranded in New York deprived of a Soviet passport. Zhores Medvedev, the biologist, runs the same risk if he takes up the offer to come to England. And these are only a few of the most recent cases. To dwindle need not necessarily mean to vanish. But why should so much courage yield such meagre results? The latest book by Roy Medvedev, the historian and twin brother of Zhores, called simply "Book on Socialist Democracy" and not yet published in English, suggests part of the answer.

The dissidents are a motley crowd, united only by their open dissatisfaction with the existing regime. Mr Medvedev has tried to put some order into these shifting factions. By far the biggest group are the "westerners." They themselves are subdivided into various schools of thought, more or less vaguely socialist, but all fascinated by western development and freedoms. (Professor Sakharov, the physicist and academician, is a good example.) Facing them, as ever, are the "Slavophiles," whose aim is not modernisation but a return to the virtues of old Mother Russia. They get some support from senior men in the army and in the leadership of the Komsomol, the party youth organisation. But nationalism breeds nationalism and the regime is worried by its revival among Ukrainians and others (see page 32).

Another group is less concerned with politics than with "moral regeneration," often with Christian undertones. Andrei Sinyavsky and Alexander Solzhenitsyn fit into this category. Lastly, those to the left of Roy Medvedev—men like General Grigorenko, who want radical changes at once—are branded as "anarcho-communists."

Mr Medvedev and his political friends are really on the fringe of the movement. They call themselves "party democrats," which is a misnomer, since many of them, like the author himself, were expelled from the communist party's ranks. But it is symptomatic, since it conveys their hope for change from within. They see the spread of democracy in Russia as

a possible result of a combination of pressure from below and reform from above. They can be described as the gradualists, the cautious Fabians of the Soviet opposition.

Most of the dissenters are city men. Nearly all of them are intellectuals, mostly writers, lecturers and scientists. That need not preclude them from voicing the wider discontents of the nation. After all, in tsarist Russia intellectuals spoke for the inarticulate peasants and even, for a time, the industrial workers. The basic difference now is that, although there are far more of them than there were then, the Soviet Union's intellectuals speak essentially for themselves. They seem to be unable to link their programme to the needs of ordinary people. The manifesto, for instance, that three scientists published in 1970 admitted the need to elaborate a social programme, but none has yet been produced.

The problems facing professional men in the Soviet Union explain their preoccupation. The writer whose best stuff stays in the drawer, the lecturer who must watch every word he utters, the scientist who cannot communicate with a fellow researcher without official permission are all, naturally, obsessed with these burdens. But the gap between "them" and "us," between the privileged and the rest, runs deep in Russia and the intellectuals will not bridge it if they think only in their own terms.

There are other, more fundamental and sometimes unconscious reasons why the liberals do not direct their thoughts to the people: they fear that a social upheaval could lead to another period of stalinism. But so long as the liberals cannot explain to the collective farmer or to the industrial or office worker what the basic freedoms could mean to him in terms of wages, working conditions and political participation, they will not present a serious threat to the regime.

Does this mean that Russia's rulers are safe? Not quite. Roy Medvedev knows well that the "conservatives," who under Leonid Brezhnev now have the upper hand, would align themselves with the "neo-stalinists" if the structure of the regime were openly threatened. Hence his plea for gradualism and caution. He and his friends, however, think that economic progress is on their side. Economic development has its logic and the managerial reform its requirements. The substitution of technocrats for bureaucrats is seen as a likely step forward. The need for competence and for scientific know-



Roy (left) dissects, Zhores worries

ledge should provide new chances for the "party democrats."

It is true that the number of Russian scientists and technicians is growing, that the Soviet Union now has close to 5m university students and roughly the same number in technical colleges, and that each year more qualified youngsters are entering the labour force. What is not true is that Russia has discovered the secret for putting an end to the alienation between workers and their employers. On the contrary, the number of people doing work below their capacity is rising. From time to time one hears of conflicts in different factories between these more competent youngsters and their disciplined but backward overseers. It is this younger generation, more educated and less frightened than its elders, which holds a potential threat for the regime.

Towards the end of his book Mr Medvedev mentions the fact that Russia's economic planners were compelled to put up their target for consumer goods by the news of the Polish riots in 1970. The Russian dissidents might ponder the lesson from Poland. In March, 1968, isolated students were clobbered into submission. In December, 1970, the workers' rising in towns on Poland's Baltic coast forced the regime to replace or reshuffle its leaders. If intellectuals and workers rose together, driven by a coherent strategy, no east European regime could get away with a reshuffle. Or, if Mr Medvedev, who claims to be a marxist, prefers to put it in Marx's terms: the dissidents will not make a historical impact until they manage to present their interests as the superior interests of society as a whole.

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December 21st, 1972

The Soviet Union

The restive non-Russians

Leading figures from all the world's other 13 communist countries, except for Albania and China, joined Soviet leaders in the Kremlin's Palace of Congresses on Thursday for the celebrations of the 50th anniversary of the founding of the Soviet Union. In February a Soviet central committee resolution extolled the Soviet Union as "the most viable and perfected form of organisation for a multinational state." But the growing unrest among the country's non-Russians suggests that its nationality problems are far from solved, and could be getting worse.

On December 30, 1922, Joseph Stalin, then Lenin's commissar for nationality questions, proudly hailed the merger of the Soviet republics of Russia, Byelorussia, the Ukraine and Transcaucasia into a Union of Soviet Socialist Republics as "the triumph of new Russia over old Russia, over Russia the gendarme of Europe, over Russia the butcher of Asia." By an ironic coincidence, his ailing leader, Lenin, was that very day complaining in an official note about the suppression of the independent socialist government in Georgia. That had been carried out earlier in the year by Stalin, a native son of Georgia but by 1922, in Lenin's bitter words, one of those "russified people" who "always overshoot themselves in the matter of the true Russian disposition."

But even before that, when Lenin himself was still well and in control, the government in Moscow had suppressed the "national liberation" movements of such non-Russian peoples as the Ukrainians, the Tartars, the Armenians and others, many of whom had originally supported the Bolsheviks because of their opposition to the tsars' policy of systematic russification of their non-Russian subjects. Stalin saw himself very much as the heir of the tsars. By the time of his death in 1953, all their former subjects except the Finns and Poles had been brought back under Moscow's centralised rule. But this was done without upsetting the formal federal structure of the Soviet Union, and it was done under a "liberal" new constitution adopted at the height of Stalin's great purges in 1936.

That constitution is still in force today. Under it, the Soviet Union is divided into 15 "union" republics, each of which is at least ostensibly identified with a nationality—the Russians, the Ukrainians, the Uzbeks and so on. There are 16 "autonomous" republics which are dotted about on the territory of the biggest, Russian, republic, which extends from Kaliningrad in the west to Vladivostok in the far east. There are also a number of small autonomous regions. The "union" republics have their own governments, legislatures and communist parties. They have, in outward form, the right to their own armed forces and diplomatic relations with foreign

states. (Two of them, Byelorussia and the Ukraine, have been members of the United Nations since 1945.) Under Article 17 of the 1936 constitution, these republics even have the right to secede from the Soviet Union.

This federal structure, like the whole formal political structure in the Soviet Union, is a gigantic piece of window-dressing. Political decisions are taken by the leaders in Moscow without any reference to any of these federal institutions. It is hardly an exaggeration to say that a county council in Britain has more real autonomy than the supposedly sovereign Soviet republics.

But why should it matter, in a country so lacking in even the most basic political rights, whether somebody is unfree merely as a Soviet citizen or, on top of that, unfree also as a Latvian, a Ukrainian, a Jew or a Tartar? Apparently it matters a good deal. The persistence and the growth of nationalist dissent among the Soviet Union's non-Russians show that Lenin and other marxist prophets were wrong when they predicted that national feelings would



It takes all sorts to make a Soviet Union

THE ECONOMIST DECEMBER 23, 1972

wither away under communism. It may be that such feelings help to fill the vacuum left by the declining attractiveness of the official communist ideology. Even more important, nationalism becomes a vehicle for expressing a desire for more freedom and for ventilating various (not always nationalist) grievances against the remote, unresponsive government in Moscow. Moscow's support of "national liberation" movements in Asia and Africa has also acted as a spur to non-Russians inside the Soviet Union.

Whatever its causes, there can be little doubt that non-Russian nationalism is now stirring throughout the Soviet Union. It is not necessarily directed against the Russians as a people; indeed, this non-Russian struggle for national rights has enjoyed the support of some of the Russian dissenters. Men like Professor Sakharov and General Grigorenko have persistently championed the rights of the non-Russian nationalities, especially the Tartars, the Jews and the Ukrainians.

Where is most of this sense of nationalism to be found? The Ukraine has the largest non-Russian population in the Soviet Union—more than 40m—and is by far the most important centre of nationalist agitation, which comes from the fear of assimilation by the Ukrainians' Slav cousins, the more than three times more numerous Russians. After Stalin's death, hopes for a more liberal policy in the Ukraine were disappointed. In the late 1950s many Ukrainians were alarmed by Mr Khrushchev's plans for a gradual "coming together" and even "merging" of the nations of the Soviet Union. The new policy was embodied in the programme which was adopted at the 22nd party congress in 1961, which predicted a rapidly diminishing significance of the boundaries between the republics and even the achievement of "complete unity"

THE ECONOMIST DECEMBER 23, 1972

among the nations of the USSR.

There was a brief period of relaxation after Mr Khrushchev's fall in 1964, followed by another crackdown on Ukrainian intellectuals in 1966 and 1967. A number of leading intellectuals, some of them party members who demanded more teaching of the Ukrainian language and history, were sent to prison camps. There have been more arrests this year; some hundreds of alleged Ukrainian nationalists were reported to have been arrested in January and May. The demotion in May of the Ukrainian party secretary, Pyotr Shelest, was probably a punishment for his failure to deal with the nationalist agitation.

The three small Baltic republics, Estonia, Latvia and Lithuania (total population 7 million), are in a special category because their peoples fear all Slavs—Russians, Ukrainians or Byelorussians. They were independent from 1918 to 1940 but were occupied by the Soviet army in 1940 and incorporated into the Soviet Union after the second world war, when large numbers of their people were deported. But by the 1960s the arrival of substantial forces of Russian and Ukrainian immigrants led to changes in the party leaderships in Latvia and Estonia. Latvian dissidents complain that the proportion of Latvians in the population of their republic has dropped from 62 per cent in 1959 to 57 per cent in 1970; the proportions are similar in Estonia. This year the centre of dissidence moved to predominantly Roman Catholic Lithuania, where a young protester burned himself to death in May. This was followed by riots in Kaunas and two more instances of self-immolation.

Stalin's home republic of Georgia has been involved this year in a series of political upheavals whose climax was the sacking of the party secretary, V. P. Mzhavanadze, in October. The purge was set off by the publication of a book praising the work of the socialist government of independent Georgia before it was overthrown by Stalin in 1922. There is plainly a resurgent sense of nationalism in what has always been one of the most independent-minded of Soviet republics.

Elsewhere, too, there are continuing signs of dissent. The Crimean Tartars, whom Stalin brutally deported to Uzbekistan because some of them had collaborated with the Germans during the second world war, are still asking for permission to return. Even the Meshkethians, a small Moslem people who suffered a similar fate during the war, have started campaigning for permission to emigrate to Turkey, whose language resembles theirs.

A lot of the new pressure for past injustices to be remedied has probably been inspired by the relative success of the Jewish campaign for free emigration to Israel, and by the Soviet government's decision to allow 3,000 ethnic Germans (out of a total of 1.2m) to go to west

SOVIET UNION

Germany. The 2.5m Jews and 1.2m Germans who remain in the Soviet Union are no doubt a continuing source of worry for the Soviet leaders. But the problem of what to do with the other discontented nationalities is far worse. The Soviet leaders may be tempted to apply to them too the policy of selective emigration and expulsion that they have been using with some success on the Jews and the liberal intellectuals of Moscow. But where would exiled Ukrainians or Tartars or Balts go? And what would the effect of further emigration be on those who stay?

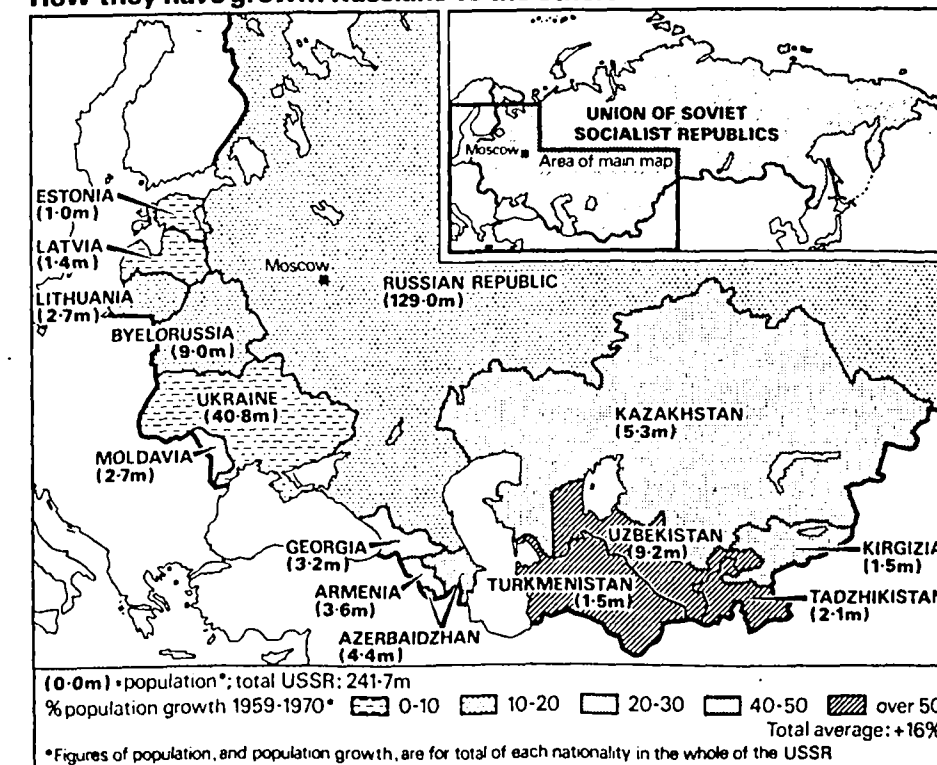
The unrest among non-Russians has the makings of a real crisis. To give the republics and autonomous areas some real power is not on the cards: it would dilute the central communist party's monopoly of power and be a step towards the political pluralism the Soviet leaders abhor. Open and harsh repression, on the other hand, could create martyrs; it could widen public sympathy for the nationalists; it could alienate whole regions of the country. Stalin's purges in the 1930s created great numbers of disaffected people who were ready to welcome any foreign enemy provided he was also the enemy of their persecutors. Many Ukrainians and Balts (and even Russians) welcomed the Germans in 1941 not out of any affection for Germany but because they hated Stalin's policies.

The thought that China may now be intriguing with disaffected nationalists in the Ukraine is plainly worrying the Soviet government. But its concern must be greatest for the central Asian republics such as Kazakhstan, Tadzhikistan and Kirgizia. These places have so far seen

the least nationalist dissidence, and have benefited most from the Soviet policy of industrialisation. But they have a major problem in the high birth-rate of the local Asian peoples, which means that the Russians are rapidly losing the numerical preponderance they have enjoyed in much of Soviet central Asia. In the near future they may even find themselves under pressure to give up some of the positions they hold there as the local Kazakhs, Tadzhiks, Uzbeks and others start leaving the over-populated countryside and looking for jobs in the cities. To avoid racial conflict in these strategically important areas near the Chinese border the Moscow government may even have to allow these Asians to emigrate to labour-scarce areas in European Russia—which could cause racial tension there. The Moslem peoples are probably going to number 50m, up to a fifth of the Soviet Union's total population, by 1980, while the proportion of Russians, who still formed a majority in 1970, is steadily declining, and has just probably fallen below the half-way mark.

The Soviet leaders do not want an outbreak of racial tension between their own "white" and "coloured" peoples in areas close to the Chinese border. But the growth of nationalism will be used by Soviet hardliners as an argument against the sort of political and economic reform that could keep the racial problem under control. The sense of insecurity felt by many Russians because of their declining share in the total population could well strengthen the hardliners. So the growth of the spirit of local nationalism is likely to go on as the Soviet Union enters its second 50 years.

How they have grown: Russians vs the others





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THE WORLD

American Survey

Oh, what an obstinate war

Washington, DC

Already the stands are going up in Washington for President Nixon's second inauguration, but the happy event that was to have put the seal on the occasion—the end of the Vietnam war—has receded abruptly. The Administration's unusually complete silence during Dr Henry Kissinger's unexpectedly long negotiating spell in Paris from December 4th to 13th left people unprepared for the bad news he announced last Saturday: the negotiations, while not exactly broken off, are bogged down. Up to that moment, the talk of seeing an advance party of prisoners come home for Christmas had still not quite died. "A shattering disappointment," Time magazine called it, but others, not quite ready to accept that the news was as bad as it sounded, concentrated their attention on the apparent discrepancy between Dr Kissinger's cheerful claim of October 26th ("peace is at hand") and his account, gloomy in manner as well as in substance, of the state of the Vietnam negotiations last weekend. Several picked up Dr

Kissinger's remark that "the President decided that we could not engage in a charade." The Washington Post, the Baltimore Sun, and Newsweek magazine all asked whether it was the North Vietnamese, or President Nixon and Dr Kissinger, who had been indulging in a charade. The Sun spoke of "overblown optimism." The Post interpreted Dr Kissinger's analysis to mean that

what remains to be decided, while it may turn on such specifics as the machinery of ceasefire enforcement, is in fact nothing less than the political future of South Vietnam. That is to say, what remains to be settled is what the war has been fought over for decades.

The New York Times observed that the President and Dr Kissinger "were either deceptive or naive in their pre-election assurances to the American people about the imminence of peace." It condemned this week's resumption of general bombing of North Vietnam, calling it "a turn from negotiation once again to confrontation" and expressing the fear that it might postpone agreement indefinitely. The Wall Street Journal defended the President's and Dr Kissinger's good faith, felt that peace might not be so far off after all and concluded that they deserved continued support.

Some reporters, like the Washington correspondent of the Chicago Sun Times, Mr Thomas Ross, have been looking rather closely at what these events may imply for the relationship between the President and Dr Kissinger. Mr Ross noted two points in Dr Kissinger's press conference at which Dr Kissinger appeared to attribute responsibility to Mr Nixon which, according to his buoyant habit, he has in former times been known to assume for himself. Indeed it is obvious enough that Dr Kissinger has been fighting for an

agreement while the President has been adjudicating upon what was offered.

Dr Kissinger would not have said that peace was at hand if he had not believed it. But he may have been relying on the ambiguities and vacant spaces in the agreement to make it acceptable to contending parties which have, in fact, still got vast unreconciled disagreements between them. President Nixon, as he saw his job, had to insist on ambiguities being cleared up in favour of the longstanding American thesis of two sovereign Vietnamese states, one of which must not be permitted to molest the other. Many textual disputes, which are only apparently "of a technical nature" (Dr Kissinger's phrase) seem to have flowed from that insistence. Whether the sequence of events portends any change in the President's choice of his agents or his methods for conducting foreign policy it is too soon to guess.

Shivers over oil

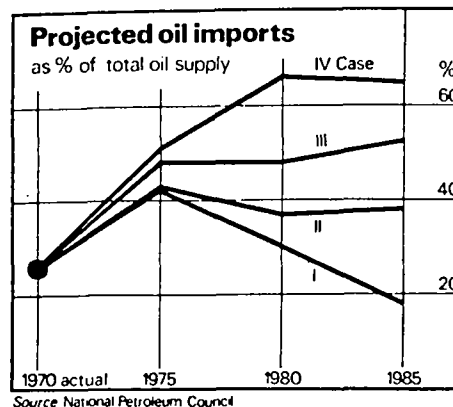
FROM A SPECIAL CORRESPONDENT IN WASHINGTON, DC

In Iowa, a midwestern farm state where heavy snow fell before Christmas, some grain-drying plants have been shut down for lack of fuel and at least one independent oil dealer has told customers that his tanks are empty and they had best look elsewhere. Because of a rather wet autumn grain-driers had been running non-stop for weeks to keep corn and wheat from rotting. That has happened before. This year the driers' heavy use of propane gas and heating oil exhausted fuel stocks temporarily.

Fuel shortages have manifested themselves in enough other places recently to confirm that the problem is national. Texas, of all states, has experienced tightness in the supply of natural gas. Pipeline company reports to the Federal Power Commission indicate that in the north-east, south-east, upper midwest and southern California certain consumers, chiefly electric power plants, factories and some big blocks of flats can expect deliveries of natural gas to be interrupted this winter more



Kissinger breaks the bad news



frequently than ever before. Households are the last to suffer.

Industrial consumers normally switch to oil or propane when they cannot get natural gas. Things are serious when they cannot get their substitute fuel either, as happened in Iowa last week. This is less than a crisis. Americans will not be opening their Christmas gifts this year with gloves on. There is still some heating oil to spare, although not always in the right place, and with more efficient management of supply no plant need be shut down for long. Probably 97 people in 100 would say that while they may have heard about an "energy crisis" they have not been touched by it personally. The other three would be economy-minded motorists (a rare species in North America) who have noticed that the pump price of petrol has not shown its usual autumn decline.

Temporary regional shortages of fuel are noteworthy in a national perspective for two reasons: they mark a profound change in a country that has historically enjoyed an abundance of energy. And they are a harbinger of things to come—higher prices, continued scarcity, political debate about energy policy, more imports of oil from the Middle East and perhaps friction with western Europe and Japan, which are already critically dependent on middle eastern oil. As the American oil and gas industry and the Nixon Administration are fond of saying, the United States does not lack for fuels. They are there, in the ground. But it does lack enough proven, accessible reserves of oil and gas.

The reasons why demand has outstripped supply lead into a thicket of arguments—such as whether federal regulation of natural gas prices at the wellhead has discouraged exploration, or whether the industry has been holding back supplies to force Washington to deregulate prices or at least permit a substantial rise. As for oil,

domestic production has just peaked out, oil men say, and no significant growth will occur until the Administration brushes aside obstructive environmentalists and gets on with offshore leasing, especially in the Atlantic. The Nixon Administration is disposed to do just that, but it cannot ignore the popular support which the environmentalists enjoy.

Nuclear power plants have been delayed for various reasons. Coal, the continent's most abundant fuel, is dirty, and efforts to develop satisfactory methods of removing the sulphur will take years. For these and other reasons, consumption of oil and gas has risen while discovery rates have been falling. Of necessity, the country has turned to foreign sources of supply. Imports of oil have climbed from an average of 2.4m barrels a day in 1965-67 to 3.3m in 1970 and more than 4.5m in 1972. In 1973 imports may approach 6m barrels a day, according to a preliminary estimate.

The Administration has reluctantly raised the oil import quotas several times by small amounts to let in these necessary foreign supplies. The increases have not placated the interests, centred in the urban, oil-burning north-east, that want the quota system done away with altogether. But the Administration is likely to keep the system in being, making further small increases when these cannot be avoided.

The National Petroleum Council has just published projections of imports for 1975, 1980 and 1985. The council, which represents a broad spectrum of interests in the industry, estimated that imports could run as high as 19.2m barrels a day in 1985, but might be as low as 3.6m. The latter was its figure for "supply case I"—the best of all possible worlds for the domestic oil industry. Case I assumes "a maximum effort to develop domestic fuel sources," a high rate of discoveries in relation to drilling, high rates of increase of energy from nuclear reactors and coal and minimal environmental restraints on the production of energy. The council's case IV, which leads to the highest figure for imports, assumes a continuation of recent drilling trends and success rates, continued environmental and siting problems for nuclear plants and coal and no new incentives, such as federal subsidies or tax privileges, for the development of new coal mines. Cases II and III are intermediate scenarios.

These projections for imports,

especially the higher ones which seem the more realistic, give Washington painful pause. They imply an enormous additional burden on the balance of international payments—up to \$30 billion a year, the council suggests. They also generate fears that the United States may make itself politically vulnerable to oil blackmail and economically vulnerable to an actual interruption of supplies. These worries come naturally to an Administration that takes a traditional view of national security. Partisans of Israel are also concerned about a growing American dependence on oil from Arab countries. A few analysts have observed that a soaring requirement for foreign oil could create still another trade issue between the United States and Europe and Japan which, after all, were dependent on it first.

Thus there are good arguments for keeping imports in check. There is even some question whether the Middle East could or would supply the United States with anything like 10m barrels a day; no other region can. Some pessimistic energy experts draw their lessons from experience in Libya and Iraq, the more radical producers, not from the more conservative patterns of Saudi Arabia and Iran, which rank first and second in reserves. "Opec [the exporting countries' organisation] has shown it is interested in more money per barrel, not in more production," said one State Department official.

The department had been encouraging Saudi Arabia to invest in "downstream" oil facilities in the United States—refining and perhaps distribution—long before Sheikh Yamani, the Saudi minister of oil and minerals, publicly expressed interest in such a course in September. In principle, Washington has no objection to giving Saudi oil preferred access to the American market, provided it can square the deal with Iran and other producers. Yet the Administration hesitates.

It hesitates because this whole business of foreign energy supplies is new and very puzzling. Take the Soviet natural gas deal, which officials indicate the Russians are eager to consummate on terms startlingly favourable to the United States (for example, a negative wellhead price by American calculations). There is a basic distrust of doing such business with the Russians. There is also the sticky political matter of justifying to the domestic oil and gas industry the landing of liquefied gas at \$1.25 per 1,000

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cubic feet when the Federal Power Commission is giving domestic producers no more than 35 cents.

Thus a preference for anything that can expand North American supplies of energy promises to mark the President's second energy message when he sends it to Congress, perhaps in February. This will mean more public money for research and development—to be spent on a breeder-reactor atomic power plant for demonstration purposes, on cleaning up coal and on research into exotic sources of clean energy which are favoured by environmentalists, such as nuclear fusion and solar and geothermal energy.

But oil and gas will still be called on to fill the gap. If the courts will co-operate, the Administration will press for a start of work on the Alaska pipeline by next summer. It still hopes for more oil and gas from Canada, a politically delicate topic as usual. Steps will be proposed to promote domestic exploration for oil and gas: the accelerated leasing of offshore lands, perhaps a search for short-cuts past environmentalist delays, perhaps a deregulation of natural gas prices (this is a step which Congress may refuse to take). A new energy policy is likely to go against many well-established habits.

Miners for Miller

The reformers within the United Mine Workers' Union have won an important victory. After years of struggle this small band of dedicated men has managed to oust Mr Tony Boyle from the presidency. The results of the election which put an outsider, Mr Arthur Miller, at the head of the UMW will also give new hope to the rank-and-file members of the other unions who think that their leaders are acting against their best interests. (It is noticeable that not one union head has yet come forward to congratulate Mr Miller.) On the personal level, the two Yablonski sons and their friends can feel that the unsuccessful and tragic efforts of Mr Jock Yablonski to remove Mr Boyle in the fraudulent election of 1969 have been vindicated at last. Mr Yablonski, his wife and daughter were murdered only three weeks after that election in what appears to have been an effort to stamp out all opposition to Mr Boyle.

But for Mr Miller his successful election, which cost the federal government \$4m to supervise, is just the beginning. The new president, who has



Miller: a vote for change

no experience of union affairs, has promised many changes. For a start he wants to move the union's headquarters from Washington to the coalfields. He says that he will lower the salary to which he is entitled and that of his vice president and treasurer, reformers who are also new to union affairs. And he will do Mr Boyle out of his full-salary pension if he can. He has promised that all pensioners will now get the same benefits—at the moment those from the anthracite regions get considerably less than those from the bituminous mines—and that pensions will go up to \$200 a month. Mr Miller may have trouble here because the miners' welfare fund is low after years of mismanagement. The union's bank, the National Bank of Washington, also needs new managers who are responsive to the needs of the miners themselves. But the new president will have to fight for these changes. A large number of Mr Boyle's supporters remain on the executive board—at present only three of the 23 members belong to the reform faction, Miners for Democracy—and they have already shown that they do not take kindly to Mr Miller's new ideas and that they will not tolerate reprisals against Mr Boyle and his followers.

In the coalfields themselves the new leaders also have their work cut out. They will have to decide whether or not to take a firm stand against the controversial method of mining coal from the surface of the land. Miners see the pros and cons of the problem more clearly than most. Strip mines are often worked by non-union labour. Union members have been put out of work as the small and less profitable underground mines have been forced to close by competition from strip mines, which are cheaper and easier to operate. But surface mines are somewhat less dan-

gerous than those underground. And if controls on strip mining become tight enough to satisfy many conservationists, the production of coal will drop and this in turn will reduce the flow of money into the miners' welfare fund; the union is paid a royalty for the fund by the owners on each ton of coal mined, whether from the surface or from underground.

But the subject most dear to Mr Miller, who had to retire two years ago from the debilitating effects of black lung disease, is safety and health in the mines. Although a strict safety act has been on the books for three years miners feel that its provisions are not enforced strongly enough. Rather than go down mines, which they consider unsafe, the young and militant miners are now resorting to wild-cat strikes. None of this pleases the industry, which claims that the safety act has reduced productivity. Nor are the owners pleased with the election of Mr Miller. While it may be to their advantage that he is inexperienced in the arts of bargaining and contract negotiations—the present contract expires in 1974—he is not the sort of man to see things from the industry's point of view.

Mayoral scramble

New York

Although the dust has not yet settled on last month's elections, the contest for New York City's mayoralty, to be decided next November, is already in full swing. A number of Democratic hopefuls have made known their availability (the city is overwhelmingly Democratic) and others, from left-wing reformers to right-wing conservatives, are forging alliances and seeking funds; it is estimated that \$1m will be needed for an effective campaign. Governor Rockefeller tried to inject himself into the act by suggesting that the city's Democratic leaders decide on a one-term "fusion" candidate who would then get support from the Republican minority. Last week he had to admit that his proposal could not work, although the notion of fusion appeals to some regular Democrats who until lately have been starved of patronage by Mayor Lindsay. The trouble is that with so many aspirants in the field, the leaders cannot unite around any one of them.

In view of the widespread belief that the city is ungovernable, the hectic competition for governing it may seem surprising; moreover, the mayoralty has rarely been a springboard to



Rockefeller and Lindsay are now bitter foes

national office. Yet it is a challenging position that carries its own rewards. It offers instant national exposure. It also provides patronage and power on a substantial—if local—scale.

Some of the putative candidates now vying for the nomination are simply taking the opportunity to get themselves better known so that they can build up support for the future or for one of the city's lesser offices. But at least ten prospective candidates, mostly representing liberal reformist factions, are fairly serious about staying in the race. The fight among reformers means that a more conservative contender has an advantage in the garnering of both money and support. Since the November elections demonstrated that New York City's big Democratic majority is not nearly as liberal as it used to be, there are many politicians who think that the most promising choice would be a relatively low-key candidate who is a strong upholder of law and order. Their ideal is the antithesis of Mayor Lindsay, with definite appeal to the major white ethnic groups—the Italians, Irish and Jews—who have traditionally voted Democratic but who deserted the reformist campaign of Mr McGovern.

Two contenders who fit this prescription are Mr Mario Biaggi, an able, conservative Congressman from the Bronx with strong ties to Italian voters, the city's single largest ethnic block, and Mr Abraham Beame of Brooklyn who, from his post as the city's Controller, is taking every opportunity to expose extravagance by the Lindsay administration. But Mr Beame is 66 years old and faces a fight with Mr Hugh Casey, a hard-working Congressman who also comes from Brooklyn.

Mayor Lindsay has everyone guessing about his intentions. His record is



controversial and in many respects unpopular, but he does have the advantage of incumbency. He has also been mending fences since his disastrous try for the Presidency last spring. In recent months he has shown a much tougher attitude toward people who receive public assistance, a more responsive approach to white ethnic voters (he has visited Israel for the first time) and a heightened concern about crime.

But as a candidate Mr Lindsay, like Mr Biaggi, is apt to stimulate increased factionalism in a party that is increasingly divided. Governor Rockefeller would like to fish in those troubled waters but he is heartily disliked in the city. Even so, the city's Democratic party may have difficulty surviving any intensification of the internal warfare that the quest for the mayoralty is provoking.

Wary Christmas

Mickey Mouse harmonicas and "Lil Jolly Joker" dolls are outlaws in toyland this Christmas: the harmonicas have sharp edges and the dolls have loose pins, faults qualifying both of them for the Bureau of Product Safety's list of banned toys. The bureau, operating within the Food and Drug Administration, has banned over 800 toys since the introduction in 1970 of the Child Protection and Toy Safety Act. But if Santa were to do his Christmas shopping in America, he would be shocked at the number of dangerous toys still on the shelves, including (according to a study by public interest groups founded by Mr Ralph Nader) nearly half of the 800 already outlawed. A number of legislators and consumer agencies have charged the FDA with being far, too

slow in developing standards for toy safety and far too lax in the enforcement of those standards, once they are established, a rather reckless policy when one-third of all toys are bought by children.

The problem is particularly relevant now, for half of all toys are bought during the Christmas season. Toys cause 70,000 injuries a year and this figure does not include those suffered on swings, slides, bicycles, or sports equipment. But it is not toy safety alone which has worried Congress this year. Product safety on a much broader scale has attracted congressional attention, culminating in the passage two months ago of the Consumer Product Safety Act, the only major piece of consumer legislation to emerge from the 92nd Congress.

A special study commissioned by Congress found that 20m Americans are hurt every year by articles in and around the home and school: 30,000 are killed and 110,000 are disabled permanently. The new act establishes a Product Safety Commission to set standards for a wide variety of goods ranging from power tools to pressure cookers and to oversee compliance with those standards by the manufacturers. Items which cannot be controlled by safety standards will be banned. There are provisions for suing manufacturers and for suits against the PSC itself for failure to act against dangerous goods.

The Senate voted to abolish the FDA altogether and to have all aspects of product safety handled by the new commission. But the House of Representatives and the Nixon Administration argued for retention of the FDA, and the resulting compromise left the FDA still intact, but with some of its jurisdiction—including that over toy safety—transferred to the PSC. The impact of the act, which will come into force at the end of the month, will depend on the five commissioners whom President Nixon appoints and on the support he gives them.

Food and Wine

1. Dining in Manhattan

New York

The past few years have been a time of troubles for luxury restaurants in New York City. Squeezed by steadily rising costs and sharply falling volume since the last recession, a number of once-celebrated establishments have been forced to close their doors. In spite of the improvement in economic conditions, the city's general decay,

combined with specific problems confronting grand luxe restaurants, suggests that many more will suffer the fate of the Baroque, Cafe Chauveron, The Colony, L'Almorique and Le Pavillon. Restaurant owners have just concluded new settlements with both the chefs' and waiters' unions, which will raise salaries by about 10 per cent. These increases will be tacked on to restaurant bills; this seems sure to result in a further falling-off in patronage.

New Yorkers like to dine out. They have a choice of some 18,000 restaurants, which offer a bewildering variety of cuisine at a wide range of prices. When expense-account dining was at its height and few people were concerned about crime in the streets, the city boasted an array of elegant continental restaurants that drew substantial numbers of affluent New Yorkers and free-spending tourists. The city still has the best and most diverse dining establishments in the country but relatively few—under 30—can still lay a claim to being in the grand luxe class. Prices—as much as \$8 for Quenelles Nantua, \$13 for Homard Aromatique, \$18.50 for a Chateaubriand Béarnaise (for two), \$11 for a bottle of Sancerre and \$30 for Dom Perignon—have led an increasing number of diners to abandon the luxury establishments, except for special occasions. The closing last September of Le Pavillon which, under the legendary Henri Soule, had been the training-ground for most of the restaurants still offering haute cuisine in glittering surroundings, was an acknowledgement that even the rich can rebel.

While high prices are the main cause of the decline of trade in the luxury restaurants, other factors have contributed. The exodus of middle-income New Yorkers to the suburbs means that the market for fine dining has shrunk. Moreover, the notion of how best to spend a night out has changed. There is increasing emphasis on informal and inexpensive dining, which has spurred a rise in the number of lower priced restaurants, where dinner averages under \$10 a person. Italian restaurants have always been frequented but the shift has proved an especial boon for Japanese, Greek, Indian and Spanish establishments, and especially for new Chinese restaurants featuring spicy Szechuan and Hunan dishes (there are over 1,000 Chinese eating places, none of them with unionised staffs, in the city). Tourists, especially free-spending businessmen, are also much less in evidence, partly because the city has lost

much of its glamour.

Restaurateurs also claim that the decision of the theatre owners to advance curtain-time to 7.30 pm as a means of attracting suburbanites has been a hardship. Theatregoers liked the change because it enabled them to return home at an early—and presumably safe—hour, but it meant that they took to eating sandwiches or light snacks rather than an elaborate and expensive dinner. The Restaurant League, whose members include 100 of the highest priced establishments, has succeeded in persuading the theatre owners to raise their curtains at 8 pm starting this week. But it is doubtful whether half an hour will change the preferences of theatregoers when prices are so high.

There will always be some demand, of course, for the haute cuisine and scrupulous service that grand luxe restaurants provide. Yet proprietors themselves are concerned about their ability to operate profitably. They report that restrictions on immigration have limited the supply of skilled French chefs (and increased the salaries of those available). They complain that they cannot afford to maintain the large staffs of captains, waiters and busboys normally associated with luxury dining. They deny that they have begun to skimp but they accuse their competitors of doing so.

Curiously, the best known restaurants

have changed remarkably little. It is still possible to enjoy superbly cooked meals served with finesse, provided that cost is not a restraint. Even though most New Yorkers have an affinity for novelty, most luxury restaurants have pursued Le Pavillon's formula, which has resulted in similar fare and a good deal of snobbery about dress.

The only change has been the promotion of table d'hôte meals at \$12.50 to \$15 a person without wine. The resistance to more basic changes may stem from dedication to haute cuisine but it can also be traced to the small-business mentality of most proprietors, who are unable to recognise the need to make adjustments. In any event, most of the survivors have done better than Restaurant Associates, the corporate organisation whose managerial skills and showmanship threatened in the boom years of the last decade to take over luxury dining in the city.

Because New Yorkers will continue to frequent restaurants with regularity, there is no danger that the city's plight will diminish the variety or number of available restaurants. On the contrary, low-cost and fast-service outlets are continuing to thrive, especially in residential neighbourhoods. There are now 10 Steak and Brew restaurants, for example, which advertise all of the beer and salad a customer can eat along with steak or roast beef for \$6.75.

New York's haute cuisine

Most of the restaurants listed below will average about \$25 a person for dinner. Tips are generally 20 per cent of the total bill, with 15 per cent going to the waiter, 5 per cent to the captain and \$1 a bottle to the wine steward. **La Caravelle**—At its best, the most inspired cuisine in Manhattan. It also has good service in pleasant surroundings. But, like most restaurants, it favours its regular patrons and suffers lapses when business is brisk.

La Cote Basque—A pretty and popular establishment which is the original offspring of Le Pavillon, it offers classic cuisine and solicitous service. Its menu, however, is limited and it frequently falls short of expectations.

La Grenouille—Another descendant of Le Pavillon that inexplicably has become the favourite of New Yorkers. It differs little from other establishments but its present popularity has brought tables closer together and provoked a high level of noise.

Lafayette—A small and snobbish restaurant which has a table d'hôte menu and generally superior food.

Le Veau d'Or—Offering the best in

bourgeois cooking, the kitchen frequently surpasses more elegant and expensive restaurants.

Lutece—Perhaps the most attractive restaurant in Manhattan, it has a dedicated chef—who is part owner—and a remarkably inventive menu. Its wine list, while expensive, is good.

Peter Luger—The best steak restaurant in New York City (it is just across the river from Manhattan in Brooklyn), it does not qualify as haute cuisine. But it demands inclusion on any list of New York City's best restaurants.

Quo Vadis—A restaurant specialising in continental specialties, from Belgium through France to Italy, it falls short fairly frequently in food and service.

The Four Seasons—The city's most spacious dining-place, its reach often exceeds its ability. In recent times, moreover, it has cut corners on service. Its extensive wine list is the most reasonable of all high cost restaurants.

Twenty-One—Still the hub of expense-account dining, the kitchen offers a vast but not really distinguished array of dishes. It has a superb wine list. Veteran patrons are favoured.

2. Vin extraordinaire

The upsurge in the popularity of wine-drinking in America is not without its pitfalls for unwary guests. One vogue, for example, is for such "sparkling wines" as Cold Turkey—a mixture of carbonated cranberry juice and white wine. But for vintners and major distributors of liquor who are rushing to satisfy millions of educable palates, it is all part of a billion-dollar industry.

Led by a five-fold increase in the drinking of champagne and other sparkling wines, total consumption of wine in the United States has almost doubled—to more than 300 million gallons a year—since 1960 and is expected to redouble in the 1970s. But the stronger, generally sweet dessert wines that once held two-thirds of the market are in decline: that proportion is now claimed by lighter, dryer table wines, which showed impressive increases of 25 per cent in both 1970 and 1971, topping off a rise of 350 per cent in sales since 1960. In the future the major expansion of demand is expected to be for premium table wines, of higher price and quality, which now account for only just over 10 per cent of consumption in volume but for 30 per cent of dollar sales and nearly half of net profits.

The growth is fuelled by an accelerating upward trend in consumption of wine a head and the increasing proportion of the population under the age of 45, a group which drinks twice as much wine as its elders. The very young adults (who in some states can now drink legally, as well as vote) are clearly being weaned directly from soft drinks by "mod" wines, which are fruit-flavoured, carbonated and known by such brand names as Pink Tingle, Thunderbird, Pagan Pink Ripple and Zapple. Those slightly older are being led into wine-drinking by the growing chic of Cold Duck (half champagne, half sparkling red wine) and of "crackling" Iberian wines, several of which are best-sellers among imported wines.

But these are only a frothy one-eighth of a \$1.5 billion mass market; this has developed as a result of rising affluence, increased travel in Europe, and the cannily-promoted spread of the leisurely life-style from California, whose wineries supply 70 per cent of the wine consumed in the United States; New York State is the next largest producer. Imports have, indeed, tripled since 1960, but still claim only 12 per cent of the American market. The French, outsold so far by other foreign producers, have now launched a campaign to double sales of their



After being crushed, the grapes are stored right in the vineyards

regional wines, at \$3 a bottle and under, since the sharply rising prices of their great wines have taken them out of the mass market. (One visiting French expert blandly told Texas matrons that either Côte du Rhone or Bordeaux Rouge was appropriate with hamburgers, but reportedly boggled at recommending the proper variety to accompany peanut-butter sandwiches.)

California's 150-year-old wine industry, shut down in the 1920s by Prohibition, recovered at first by mass-producing for the "cheap drunk" market. But now the market for table wines has become dominant; this too started in California, where consumption a head is twice the national average (but only one-eighth that of France and Italy). Almost all of California's wine is blended from several different types of grape and the industry borrows from the state's huge production of table and raisin grapes for two-thirds of its wine crush. (Grapes of all types are California's largest cash crop.) But premium wines require a higher proportion of specialised grapes and a vast expansion of their production is underway, mostly south of San Francisco, since there is no space left in the famous grape-growing areas, such as the Napa Valley.

More than 50,000 acres were being planted this year, in addition to a like number planted in the past three years. When these new vines reach maturity, by 1975, the total land growing winegrapes will have doubled from the present 132,000 acres. To meet the erupting demand for planting material, the University of California has developed new disease-free rootstock and methods of accelerating the propagation of vines; it is also working on higher-yielding varieties and ones which will grow satisfactorily on less suitable land. Nowadays grapes are often crushed mechanically right in the fields where they have grown and

stored in huge steel tanks nearby. This not only reduces costs and wastage but also makes it easier to ensure the uniformity of product which is essential for mass-marketing.

Because they are blended and because growing conditions in the state vary very little, Californian wines do not have vintage years; the quality of the wine put into the bottle—and the resultant price—is almost entirely under the vintners' control. Their labelling practices appal the French but give the brand-conscious American consumer the reliability that he cherishes. Wine-tasting parties are a popular, economical form of entertainment and even a method of raising funds for charity. The wine industry co-operates eagerly since, according to one survey, 31 per cent of buyers choose a particular wine after having participated in such a sampling. In this type of wine-tasting, the wine is actually swallowed usually in quantity—and the quality sought is not the individuality of a vintage but a characteristic taste which will be uniformly available on the shelves of supermarkets.

As a result of the current boom a major restructuring of the American wine industry is under way. Shares in vineyards and wineries are being sold privately and publicly and are being snapped up at high prices. Food-processing companies and brewing firms are moving into the industry as the distillers and beverage distributors did some years ago, to the concern of the Federal Trade Commission. The grape rush is beginning to take on the proportions of the gold rush of the 1840s and commentators are pointing out that it may also end in much the same way. Grapes are highly vulnerable to disease and weather—the harvest was poor in both California and New York this year. But from the point of view of profits the greater danger is over-production when the new vines begin to bear in a few years' time.



JACKO TAKES A LOT OF CARE - AND SO DO WE

The certain sound that says the drive was sweet . . . the vital four-foot putt that tantalises on the brink . . . you have to take a lot of care when you're an international champion - the sort of man who can win the Dunlop International in Australia with

11 under par even though there's a fishbone stuck in your throat all through the last two rounds - care in your play and care in choosing your gear.

Tony Jacklin's gear is by Dunlop. His club shafts are lightweight steel; his ball is the Dunlop '65', the best-seller, made with care to help him and thousands of other golfers win. WE TAKE CARE. To Tony Jacklin that means dynamically balanced clubs and a ball with extra distance . . . to others it can mean

comfortable beds or strong squash rackets or emergency fire-fighting equipment . . . but always it means relentless care in the development of new ideas, better products.

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21st December, 1972

Children's books

Critics in wonderland

LEWIS CARROLL'S *THROUGH THE LOOKING GLASS*

Illustrated by Ralph Steadman.
Hart-Davis/MacGibbon. 144 pages.
£3.25.

ONCE UPON A TIME: THE FAIRY TALE WORLD OF ARTHUR RACKHAM

Edited by Margery Darrell.
Heinemann. 248 pages. £3.75.

ASPECTS OF ALICE

Edited by Robert Phillips.
Gollancz. 477 pages. £3.50.

A century of Alices has adorned books, film and stage with long, fair-to-honey coloured hair and stiff white pinafores: Fiona Fullerton, the Alice of Mr William Sterling's new film, is no exception to the Tenniel rule. All "Alice" illustrations are, consciously or unconsciously, parodies of Tenniel: all of them are markedly unlike the round-faced, dark-haired Alice Liddell of Charles Lutwidge Dodgson's own photographs. And yet Dodgson was so pernickety an author, so insistent that Tenniel should faithfully follow the sketches he himself made before he was persuaded of the need for a professional illustrator, that he had to find another artist for "Through the Looking Glass"; Sir John found one Lewis Carroll book more than enough for him.

But then, Dodgson's own odd little

drawings are not much of a likeness of any human child, much less of the real-life daughter of the dean of Christ Church. By contrast, his illustrators have usually made her the only normal figure among a bunch of monsters, though the animals are sometimes anthropomorphically endearing. All of the characters in Mr Steadman's new, adult cartoons for "Through the Looking Glass" are predictably weird (except perhaps Tweedledum and Tweedledee, who have a certain blandness). But Mr Steadman's Alice portfolio cannot compete with Arthur Rackham's drawings for sheer malevolence—or, for that matter, for consummate artistry. Some of Rackham's delicate, nightmare Alice paintings are beautifully reproduced in this collection of stories illustrated by him.

No one has bothered much about illustrators' psyches, though their interpretations of Lewis Carroll's dream and mirror worlds must contain rich psycho-analytical pickings. But Dodgson himself was the stuff of which analysis is made: a bachelor who only lost his stutter with children, who loved to photograph little girls—in the nude, preferably, but the conventions of the time and the mothers of his little friends prevented this—and loathed little boys, and whose fantasy worlds were peopled with the symbols of erotica beloved by Freudians (down to the inevitable mushroom).

But in Mr Phillips's most enjoyable collection of essays the analysts are kept in their place. First in line come the biographers, inevitably somewhat repetitive about the picnics up Oxford's rivers, the rainstorm that turned into the Pool of Tears and Mr Dodgson's seaside holidays (on which he always armed himself with safety pins so that little girls he met could be encouraged to pin up their skirts and paddle). Then come the critics, whose contributions include two reviews, from Children's Books and Literature for Little Ones, of 1865 and 1887: the former describes "Alice in Wonderland," with more accuracy than imagination, as a "stiff, overwrought story." Tucked into this section is a highly imaginative piece that more than anything else except the spelling betrays the book's American origins: a summary of a lengthy monograph in which, by an ingenious discovery of remarkable coincidences between "Alice in Wonderland" and Twain's "The Golden Age," of the initials MT and SC on the five of spades in the first illustrations and a literal interpretation of Dodgson's frequent insistence that "Alice's Adventures were written by Lewis Carroll," Mark Twain is credited with their authorship.

The logicians, the philosophers and the chess players that follow this section are in no doubt whatsoever that Dodgson was the author; they rather argue over the aspect of his donnish existence that he wished to satirise. Even the church historians have their representatives: the centenary of the Oxford movement produced a remarkable discussion of "Alice in Wonderland" as a satire on the High, Low and Broad church controversies. The "Wonderland" characters fit easily



Alice Liddell, Tenniel's Alice, Rackham's and Steadman's

into theological slots: the White Rabbit is the average English clergyman (one must remember that Alice noticed a pot significantly labelled Orange Marmalade on her way down his hole). She has a drink of doctrine and passes through the Low door; eats a cake of dogma and becomes alarmingly High. The Cheshire Cat is Cardinal Wiseman, the Duchess Bishop Wilberforce, the Cook Dean Stanley, the Mad Hatter and the March Hare Low and High church parsons—and the Dormouse their congregation, slumbering between them. "Through the Looking Glass" proves rather less malleable.

The logicians have a less fanciful row to hoe. The parodies and examples of philosophical conundrums are obvious. Much of Carroll's nonsense dialogue is in fact highly instructive: philosophy lecturers have been repeating them ad nauseam almost ever since they appeared. The chess moves in "Through the Looking Glass" are plain to see, too, though chess-players settled for the opposite offence of ingratitude, complaining, for example, that White is allowed to make nine consecutive moves. Dodgson was soon forced to defend his skit, admitting in a preface to the 1887 edition that "the alternation of Red and White is perhaps not so strictly worked out as it might be," but that the actual moves are a "correctly worked out" solution of a particular chess problem.

It was fortunate that he did not have to suffer the more punishing cross-examination of the Freudians. These come last in this book, followed only by a small bunch of Jungians and a couple of excursions into psychedelia. It is all fairly predictable stuff, given Dodgson's character; inevitably, it is decided that he was short of mother-love. The line-by-line interpretations of the stories have an unpleasant fascination, replete with examples of "oral aggressivity" and the endless equation of Alice and phallus. There is, tucked behind the terminology, a good deal of percipience; Dodgson's streak of unconscious cruelty is well brought out. But it is the biographers who eschew such new-fangled techniques who provide the greatest insights, not perhaps into Dodgson, but into his satires. For it is the recollection that the Dodo was stuttering Dodgson, the Duck his friend Duckworth and a host of other characters nicknames for the people known to the three Liddell children that reduces them from the nightmare selection of a disordered mind to the familiar inhabitants of a child's world, dressed up for inclusion in a story.

Do you need a thneed?

PLANTS

By Laura E. Salt.
Oxford University Press. 96 pages. £1.50.

DISCOVERING NATURE

Edited by Angela Sheehan.
Purnell/Bancroft. 190 pages. £1.50.

WORLD OF NATURE

By Maurice Burton.
Purnell/Bancroft. 92 pages. 80p.

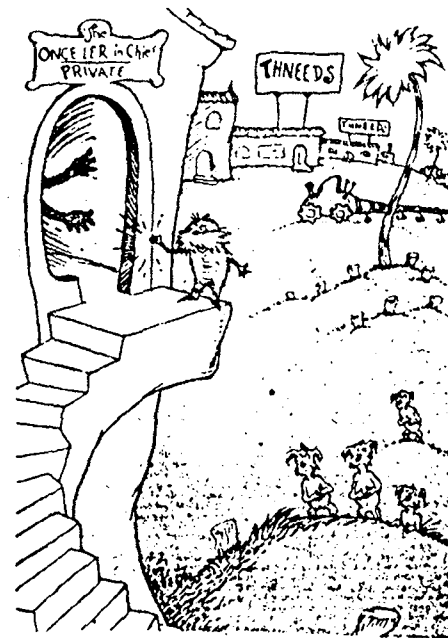
S.O.S., SAVE THE EARTH

By Giancarlo Masini.
Collins. 49 pages. £1.50.

THE LORAX

By Dr Seuss.
Collins. 9 pages. £1.

Nature books have been standard fare for children from the old, unmilitant days of pressed flowers and bird-watching, and publishers still cater for such simple, old-fashioned tastes. Miss Laura Salt's "Plants" is well up to the very high standards of OUP's Children's Reference Library; Mr B. E. Nicholson's delicate illustrations mesh in with the elementary botany of the text, which demonstrates yet again that it is not necessary to write down to children. The flower and leaf drawings in Miss Sheehan's book are very nearly on a par with those in the best adult nature books—which is high praise. There are plenty of good, hard biological and botanical facts here too, admirably well presented and with only the mildest of postscripts on conservation and the balance of nature.



The protesting Lorax

But the ecologists are creeping in. "When did you last see a frog?" asks Mr Burton accusingly in his "World of Nature," which contains the code of conduct for Young Nature Conservation Volunteers and some suggestions for helping wildlife: in particular butterflies, frogs and nesting birds. This is sensible, straightforward stuff, though Mr Burton's style is a bit too close to the burbling brook. He picks and chooses an intriguing job-lot of subjects (and incidentally propounds a theory that the Loch Ness monster could be eight or nine plump otters swimming in line). Still, there are a lot of good photographs for 80p.

"S.O.S.," on the other hand, contains a lot of nasty photographs of oil-polluted beaches, detergent-foaming rivers and smoke-filled sky, tucked under pull-up flaps and surrounded by big, fat, adult phrases: "ecological niche," "biomes," "homo sapiens." This kind of technique reaches its ultimate with a small piece of real sticking-plaster stuck across a photograph of the earth and a message that pulls out of a cellophane bottle on the cover ("Help! Nature is Dying"). There is precious little real information, and the tone (except of a slightly pompous introduction by Mr Anthony Crosland) is offensively shrill. The back of the book consists of postcards that children were encouraged to post off to MPs or the Department of the Environment, complaining of examples of pollution. "Tell them, if necessary, that you no longer wish to breathe the poisoned air or drink polluted water." Propaganda directed at children is always unpleasant, even in a good cause: alarming them in such a crude way is worse still.

Dr Seuss's ecological technique is, naturally, far more subtle. "The Lorax" is a bold, brilliant and beautiful allegory. The Once-ler discovers "the bright coloured tufts of the Truffula Trees" and knits out of them a Thneed:

... a Fine-Something-That-Everyone-Needs.
It's a shirt. It's a sock. It's a glove.
It's a hat.
But it has other uses. Yes, far beyond that.
You can use it for carpets. For pillows!
For Sheets!
Or Curtains! Or covers for bicycle seats!

The Thneed sells; so, despite the expostulations of the Lorax, who speaks for the Truffulas and the Barbaloots who live under them and off them, the Once-ler summons his family and soon builds up a Thneed industry. The half-starved Barbaloots of course

disappear, the earth, water and sky become disgustingly polluted with the "leftover goo"—and the end? No more Truffula Trees, of course; no more industry; no Thneeds; no Barbaloots; a ghost town and Grickle Grass.

The whole is marvellously drawn, particularly the machinery of the Thneed factory, with the productivity breakthrough invention of the Super Axe-Hacker. Dr Seuss is a very natty word coiner, so that one wonders how the English language could have survived without the verb "to bigger." (Still, it has, and perhaps children struggling with the tedious accuracies of literacy would do better without it.) Dr Seuss is in real life Mr Ped Geisel, who lives on a mountain in California, where the landscape is now being destroyed for a housing development. One can see why he is a convert to conservation. Still, Mr Geisel, one man's view is another man's chance of a home; we never learnt where the Once-ler's employees were living before.

Pick of the warren

WATERSHIP DOWN

By Richard Adams.
Rex Collings. 421 pages. £3.50.

A great children's book is always a great rarity; but this one deserves all the accolades it is currently receiving. It is right outside the mainstream of children's publishing. That is not to say that children's publishing is not, as a whole, remarkably good: for calibre, colour and price it compares increasingly favourably with adult literature. Well drawn, beautifully-produced picture story books can be bought for a pound or much less; good, well-illustrated, suitably brief "children's novels" for not much more—or, in the Puffin range, for a good deal less. This book, by contrast, costs over £3. It is over 400 pages long. There is not a single illustration except for a small sketch on the unglossy cover and a couple of plain maps. Each chapter begins with a quotation, whose sources include Aeschylus—in the original Greek.

This book is in the tradition of both "The Wind in the Willows" and "The Lord of the Rings"; and yet unlike both. It is about rabbits; and not, it must be stressed, about bunnies. The rabbits have a language (echoes of Tolkien), a social hierarchy, folk-heroes and a mythology. They have a Thousand Elil—enemies—because Frith—or God, or the sun—decided they

were growing too proud, and believed they could rule the world because they bred so fast. In compensation, he gave them strong hind legs and the ability to burrow. This book is a saga of the migration of a small group of youngish bucks from a warren threatened by planning permission through dangerous and unknown countryside to Watership Down, and of the capture of does from a hostile warren to perpetuate their own now one. The trick is, at least partly, that Mr Adams has so exact a knowledge of the territory he describes, a real piece of downland and common on the Hampshire-Berkshire border, and so profound a knowledge of animal behaviour, that fantasy is contained within the real and not superimposed upon it; he colours and reinforces nature rather than obscuring or concealing ignorance of it. And he is, above all, a remarkable story teller. He can pile up suspense, convey urgency, relief or fear, melt his characters into the landscape or make them stand out from it with equal facility. This book was, it seems—in the tradition of all classics—rejected by three publishers. If there is no place for "Watership Down" in children's bookshops, then children's literature is dead.

Piecemeal

THE ENGLISH JIGSAW PUZZLE,
1760-1890

By Linda Hannas.
Wayland. 164 pages. £10.

Nearly 15 centuries ago, St Jerome was suggesting cut-out wooden alphabet letters for the instruction of his grand-daughter (and he pinched the idea from Quintilian). So it seems highly odd that no one should have dreamt up jigsaw puzzles until the 1760s, when one John Spilsbury began advertising "Dissected Maps, for Teaching Geography" in London. But so Mrs Hannas informs us, and her research and her own collection of puzzles are both considerable. (Her book is a checklist of antique puzzles as well as a history of them; the second half is for collectors only.)

In the early puzzles, the cutting followed the contours of the subject: that meant, usually, the moderately wavy lines of frontiers and county boundaries, since maps predominated. But their instructive success led to jigsaws being used as teaching aids for the most unsuitable subjects. Mrs Hannas's book is packed with reproductions of now fascinating, but in conception deathly unimaginative, puzzles; chronological tables crammed



Marriage: an either-way-up puzzle

with small print; a series of "Moral Pictures, Being Lessons for the Young and Old, on Industry, Temperance, Frugality, &c . . ." cut in a very dull way; and a curiously illustrated multiplication table. By contrast, some of the maps are gloriously intricate.

The earliest continental jigsaw Mrs Hannas has seen was dated 1796, though the distinctive interlocking pattern was developed in Europe in the mid-nineteenth century, some 60 or 70 years before it was used in England. European puzzles were delicate, squiggly, attractive things, more often designed for adults. But Mrs Hannas is thoroughly indignant that French toy historians should have credited a

MAN AND THE SOCIAL SCIENCES

Edited by
W. A. ROBSON

Twelve lectures delivered at the London School of Economics and Political Science which trace the development of the Social Sciences during the present century both in the School and elsewhere.

"Even when one allows for a certain natural pride, it is evident from most of them that there is an impressive coincidence between the intellectual history and the institutional one."

New Society
£5: paperback £1.
George Allen & Unwin

compatriot with the invention of the jigsaw itself, as late as 1812. She gives nearly the last word to a toy dealer interviewed by Henry Mayhew in the 1870s, who allowed the French credit for their mechanical toys, the Germans for Noah's arks, soldiers and farmyards, and the Swiss for cottages and "their carved six-foot lay figures," but maintained that:

The English excel in the invention of games—round games for children. They also excel greatly in dissected puzzles, geographical, and the like. The foreign articles of that kind are so slight as to be useless. What the English workmen do they do well, solidly and enduringly; it hasn't the tinselly look of the foreign certainly, still it's not flimsy, and it's useful.

Nursery rhymes

THE ILLUSTRATED TREASURY OF POETRY FOR CHILDREN

Edited by David Ross.

Collins. 352 pages. £2.95.

A CHILD'S GARDEN OF VERSES

By Robert Louis Stevenson.

Collins. 108 pages. £1.25.

GREAT FOLK TALES OF OLD IRELAND

Edited by Mary McGarry.

Wolfe. 112 pages. £1.50.

THE PROVENSEN BOOK OF FAIRY TALES

By Alice and Martin Provensen.

Collins. 140 pages. £2.50.

STORIES FROM HANS ANDERSEN

Selected by Philippa Pearce.

Collins. 182 pages. £1.25.

Mr Ross has compiled a remarkably full collection of verse, which is nicely presented and printed and disappointingly illustrated. The choice is excellent: all the old familiars of children's poetry are here—Walter de la Mare, Christina Rossetti—and all the giants, too. Shakespeare, Macaulay, Tennyson, Goldsmith, Shelley, and Wordsworth are well-represented. But by sheer bulk, Mr Ross has managed to fit in a great deal else. First of all, the American originals of this book have meant a generous, but not excessive, quota of American poets. Then, he has included a good selection from poets not normally regarded as children's property but eminently suitable—W. S. Gilbert, for example. The bulwark of books of collected verse—anonymous poetry—is admirably reinforced with a huge collection of jingles and limericks. The selection of both is also, it need hardly be said, eminently suitable—nothing rude.

Robert Louis Stevenson composed his "Child's Garden of Verses" in the 1880s in the south of France, where



Hans Andersen's mice

he had been driven from the Scottish climate by ill-health. He died less than a decade after it was published, in his 40s. But there are none of the maudlin intimations of mortality that drenched so much Victorian children's poetry. Even the verses on sick children dwell only on the pleasures of counterpane games—a remarkable lightening of the horizons of children's literature at the time. There is still a comfortable Victorian complacency: the nearest thing to the expression of a social conscience is:

The child that is not clean and neat
With lots of toys and things to eat
He is a naughty child, I'm sure
Or else his dear papa is poor.

It would be nice if this latest edition could have served to refresh the image of Stevenson's poems, which have a period charm and innocence not wholly destroyed by time, but Mr Gyo Fujikawa's illustrations unfortunately emphasise the strands of sickly sweetness.

The harsh black-and-white drawings that illustrate "Great Folk Tales of Old Ireland" make a welcome change from the usual tinsel fairies; but the impression is of dank Celtic gloom. Myths and folk tales are strong stuff, demoted by time to the status of children's literature. The nurturing of children on the superstitions of past ages is an ancient practice, which preserves tales that would otherwise have been lost to literature. But it is curiously seldom questioned even now: fantasy and the absence of explicit sex seem to be enough to qualify any myth for inclusion in a children's book.

The Irish tales are an uncommon and valuable collection, but the

Provensens. are on more familiar ground. There is no sugar in their illustrations, either. The results are curiously variable; the dust-cover, annoyingly, is the best. Still more familiar are the Hans Andersen stories contained in this unfussy Collins edition with surprisingly good colour illustrations, which at least prove that it is possible to be placid without being flaccid.

Anyone for the terraces?

THE GLORY GAME

By Hunter Davies.

Weidenfeld and Nicolson. 344 pages. £2.95.

PURNELL'S ENCYCLOPEDIA OF ASSOCIATION FOOTBALL

By Norman S. Barrett.

Purnell/Bancroft. 254 pages. £1.80.

Britain's greatest game is supposed to be going through a crisis. Attendances at league football matches have been dropping so much this season that an MP is trying to introduce a bill to make the football pools' promoters pay a levy to help the clubs in the same way that bookmakers and the tote are levied for horseracing. If that proves anything it is simply that a sport which started out as a gentleman's game (who was it who said that football is a game for gentlemen played by louts, while rugby is a game for louts played by gentlemen?) moved into the backstreets to become a working-class obsession and is now, when it is successful, very big business indeed.

There is possibly a grain of truth in all the excuses given for falling gates: too many games—at least for the successful clubs—too much television, too much hooliganism on the ground or just away from it, and too few goals. (This year's decline has perhaps a more national character: if England had won the European nations' tournament this year instead of failing so badly against west Germany would there have been anything like the same decline?) But for the millions who love it more than any other sport is loved football is still very much the glory game—the title of Mr Hunter Davies's book—whether they are sitting in their season ticket seats at a leading first division club or kicking a ball around in the park or the backyard and dreaming of the time when they will be playing for such a club. At the posh end of the trade football is becoming a fashionable game to watch (Chelsea are spending an eventual £5m on their stadium), while at the playing end it is still the best way for a working-class

boy with average intelligence but above average talent to make a lot of money. The £10,000 plus a year that goes to the top players will end shortly after they are 30; but tell that to a working-class kid and see if it is a deterrent.

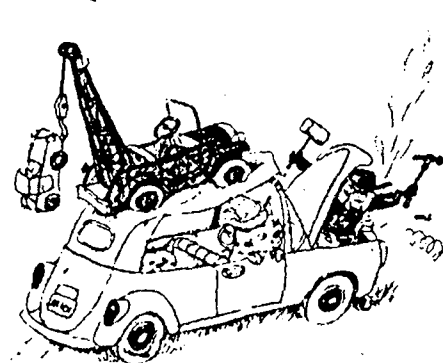
One suspects that much of the criticism of Mr Davies is mere resentment, expressed by middle-class spectators and trendy commentators because he describes the Tottenham players very much in these terms. Mr Davies lived with Tottenham Hotspurs for a whole season, travelling with them, being a privileged observer in the dressing room and off the field. Of course, he will have upset many of the Spurs people and their friends by his frankness; but it is difficult to abuse a journalist for being honest.

This is a good book to give dad if he wouldn't miss his Saturday afternoon home game for anything; it is even a good book for dad to give the son he takes with him—providing he is certain his boy knows and uses all the four-letter words when no parent is around. If you are not quite so sure your son swears like a trooper (and even if you are) the Purnell Encyclopedia is a very good buy. Such reference books always leave out something you want to look up, but this one is full of good pictures, statistics about the game, the laws, notable matches, etc. It even describes how the iniquitous "goal average" system in the Football League works. It will settle a fair number of arguments in a football home, and mum might think it worth the price for that alone.

Picture books

Penelope by Thelwell (Eyre Methuen, £1). Penelope is the archetypal middle-class 10-year-old, with friends called Fiona and Magnus and Tarquin. Kipper, however, is free of the shackles of class, and of most other restraints, a mean, fat, obstinate, hard-mouthed, vicious little pony. Any horse-mad child should be given this book as an antidote to "Black Beauty."

The Funniest Story Book Ever and ABC Word Book by Richard Scarry (Collins, £1.25 each). The inimitable Mr Scarry is obviously one of those people to whom a blank space on a piece of paper is an irresistible temptation; every page of these large, well-produced books is thickly covered with busy, detailed drawings around which any story wriggles its far less important way. Mr Scarry's characters are bunnies, cats, piggies, any sort of animal,



A Scarry breakdown

but it is in the minutely observed, up-to-date detail of their human clothes, toys, machines and houses that his real skill is displayed. Both these large and glossy books are enormously good value.

Mrs Pepperpot's Christmas by Alf Prøysen (Hutchinson, £1.10). Babar and Tintin have proved that it can be well worth translating stories for even the youngest children: Mrs Pepperpot is another genuine original, of which Bjorn Berg's illustrations are only one ingredient. This good Swedish housewife also appears in the Young Puffin range in Mrs Pepperpot in the Magic Wood (Penguin, 20p). Young Puffins contain larger type and more line drawings than the Puffin range of paperback fiction for older children, but are as well chosen; one could wish that Penguin publishing for adults was as uniformly excellent.

Paddington Bear and Paddington's Garden by Michael Bond and Fred Banbery (Collins, 50p each). These two splendid Paddington stories appear in excellent little hardback, gently-coloured picture books which illustrate just how well and professionally Collins produces children's books. There was a spot of bother earlier this year when large, furry and expensive bears wearing the familiar headgear and luggage label began appearing in smart toyshops; the case has now been settled to Mr Bond's satisfaction.

Jumping Mouse by Brian Patten (Allen and Unwin, 95p) is the story of a wandering mouse, who, curious to find the cause of the roaring in his ears, is led to a river, and thence across a great plain to a range of sacred mountains where he finds happiness and freedom. His adventures are simply and unpretentiously related by the Liverpool poet, Mr Brian Patten, and the story is beautifully illustrated by Miss Mary Moore.

Orlando and the Water Cats and Orlando: the Frisky Housewife (Cape, £1.25 each). The second of these is a reissue, but original Orlando books still keep appearing, in the well-tried format with complicated, peacock-coloured drawings. So too do the Babar books, in two sizes: Babar and the Professor by Laurent de Brunhoff (Methuen, 95p) is a new, large book first published by the Librairie Hachette; but from the same source Methuen has acquired four more short Babar stories and is selling them at the remarkably good price of 30-40p each.

Making a Transistor Radio and The Bunny-Fluffs' Moving Day (Ladybird, 15p each). Two books at the opposite ends of Ladybird's formidably wide and still fast-growing range. Except that it has the usual format, with an equal share of text and illustration, the first, an excellent little instruction manual, is much too sophisticated to be included in a list of picture books. At a price of 0.3p a page, it is almost as cheap as *The Economist*. The second is a simple, rhyming story with old-fashioned, mildly anthropomorphic rabbits: nothing trendy, but good, solid proof that there are some young children's story books within everyone's budget.

BOOKS THIS MONTH

J. D. Gould

ECONOMIC GROWTH IN HISTORY

Presents some of the facts of modern economic history in a growth-oriented framework.

Methuen £4.50
University Paperback: £2.25.

E. J. Mishan

ELEMENTS OF COST

BENEFIT ANALYSIS

A compact introduction to the key concepts for anyone involved in cost-evaluation.

George Allen & Unwin £3.15.
Paper: £1.50.

Christopher Layton (with collaborators)

TEN INNOVATIONS

An international study of technology and the use of qualified scientists.

George Allen & Unwin £3.50.

Duncan Burn and Barbara Epstein

(Introduction by Harry G. Johnson)

REALITIES OF FREE TRADE

Examines the non-tariff factors affecting two major industries.

George Allen & Unwin £3.00.

Business Brief

The boating urge

Something like 2m Britons messed about in boats of one sort or another last year. Many of them will spend Christmas indulging in fantasies about next summer, and the craft they will order for it at the Earls Court Boat Show (sponsored by the Daily Express), which opens on January 3rd. Around 300,000 of them will actually turn up to the show. Very few will spend more than the price of their entry ticket, a cheese roll and a cup of tea. But the few that are buying are keeping the boat industry more than happy.

For the past two years, sales have been booming. Many boat-builders' order books for this season are full, and they can only take orders for delivery in 1974. One firm is known to have dropped out of the show because it could not possibly handle any more work.

The Ship and Boat Builders' National Federation's latest figures, for the year up to last March, show a growth in members' sales of boats and equipment of 14%, to over £83m. The industry has been bounding forward at over 10% a year for a number of years. The latest jump was all in home sales, which went up by a fifth to nearly £63m. Export sales dropped by 11%, partly because the lucrative American market went through a recession, partly because the British industry has not been pushing exports very hard when it could concentrate on the more profitable home market instead. Mr Barber's various reflationary measures have been a great help—more than the figures show, because they do not yet take in the effects of the last £1,000m of tax cuts. But even in the year to last March, home sales of actual boats (as opposed to fittings and paraphernalia for them) went up by 50%, split almost evenly between power and sailing craft.

Imports naturally went up too; it is hard to say exactly by how much because the Department of Trade and Industry is fairly vague about it. Sales of

foreign pleasure boats this year seem to have been worth around £6m, more than double the year before. There is a long-standing trade in boats with Holland, France, Spain and Scandinavia. In recent months American builders of standard production boats, like Morgan Corporation of Florida, have also begun actively selling in Britain. Tariffs on leisure boats are all around the 5% mark, so common market builders will not have a great new advantage after Britain's entry.

One of the big boosts for the industry has come from the Chancellor's decision in the last budget to re-allow boat mortgages as a tax-deductible item, along with bank loans. As a result, bigger and more expensive boats have done noticeably better. Hill Samuel's new marine division, set up at the end of 1971 to finance sales of boats costing more than £10,000, has done three times as much business this year as expected. Companies are catching on to the rule that boats of more than 100 tons count as ships, so their cost can be offset against cor-

poration tax. National Car Parks and Selection Trust are among the companies who, often inconspicuously, have recently acquired ocean-going craft.

Only a year ago, there were fears that value-added tax on boats from April, 1973, would put a damper on the boom. Until now, boats have escaped any kind of sales tax, except for a very brief period in 1947 (which served only to demonstrate the enormous difficulty of collecting purchase tax from hundreds of small builders). With the outlook now so cheerful, few people in the industry believe that Vat will do much to slow sales. But a lot of business has been drummed up by reminding buyers that Vat is round the corner. Mr Heath himself has slipped in under the Vat net by ordering his new American-designed (though British-built) Morning Cloud for delivery before next April.

Takeovers

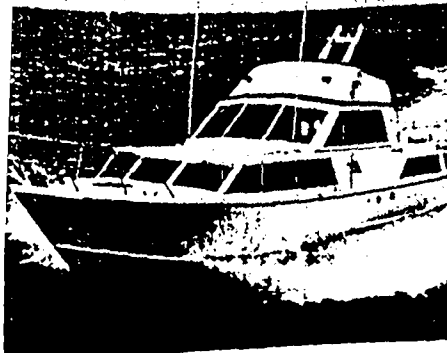
However well the industry has done on sales, it has still made little progress towards rationalising itself into larger production units. The famous Camper and Nicholson family firm was taken over for more than £5m by Crest Securities, which has set a sharper tone in the firm's advertising. The only other notable takeover has been by Simpson-Lawrence of Glasgow (which makes chandlery like winches and cleats) of part of Frances Marine (which was in the same line of business)

and of the Dutch firm Bako NV.

The 600 or so boats at Earls Court will present the novice with a bewildering choice, ranging from a dinghy measuring less than 8ft and costing £45, to the 70ft ketch "Falmouth Packet" donated by the Beaverbrook family to the Ocean Youth Club, and worth perhaps £70,000. This year, for the first time, there are also 20 boats on show on the Thames, near the Albert Bridge. This should go some way towards competing with the natural advantages of the summertime boat show at Southampton.

Most first-time buyers start with one of the smaller sailing dinghies or powered runabouts, costing anything from £100 to £350. This year, the British boat industry turned out something like 45,000 in this class with its endless sub-varieties. The most popular single type is once again the Bell Woodworking Mirror dinghy, costing up to £380 complete, but less than one third that in build-it-yourself kit form. Among the more elaborate types—which the hardly can use for overnight camping—is the enjoyably eccentric Drascombe daysailer, which at £650 for the 20ft version has a miniature cabin for hiding from the worst of the weather.

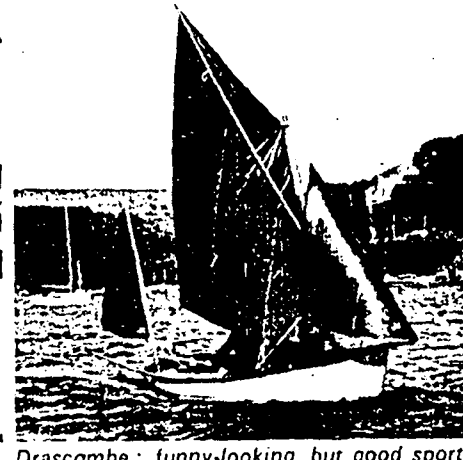
The big advantages of these smaller craft are their low price and high portability—either on the roof rack of an ordinary saloon or, for the heavier ones, on a trailer (which still carries



Moonraker: nice at a price



Did someone say floating caravan?



Drascombe: funny-looking, but good sport

no road tax, despite the amount of road space it takes up). Trailers can be used for boats up to 35ft long. The boat may look out of place wintering in a suburban garden, but this method of hibernation saves a lot of money. Moorings in some of the more popular south coast spots like Poole can set you back £10 per foot of boat a year, or even more for bigger boats. For this, you do get all the facilities—car parks, showers, water—laid on; but not everyone can afford or wants to spend that much.

Novice buyers who want something bigger than roof-rack size usually go for power craft with rudimentary cabins. A lot of them want to use these on inland waterways, like the Thames or the Norfolk Broads, which are already overcrowded. But waterborne traffic jams are still somehow less frustrating than the ordinary kind. The entry price into this kind of boating can be as low as £400, for a two-berth Bonwito 14-footer. The price soon rockets for anything more fancy. The popular 20ft Dolphin can cost as much as £2,500. One of the increasingly popular super-deluxe boats with continental styling, flying bridge and tinted windows for privacy, can set its buyer back by anything up to £50,000. Many of these boats—fitted like high-class caravans with built-in showers, fridges and television sets—rarely leave their marina base; but radar scanners are considered essential equipment on them.

Racing hints

For the serious power cruiser owner, the Monte Carlo power boat race was a good test of reliability. Ford Marine diesels and the Fairey Huntsman range

came out with flying colours from this year's 2,900-mile run from London. The standard, four-berth 31ft Fairey costs just £16,300, and was beaten only by out-and-out racers.

The would-be buyer of a sailing boat will find race results a less reliable guide. Ocean-racing sailing boats have to be designed to rigid sporting rules; most designers then spend a lot of their time trying to find legal ways around them. But there have been some spin-offs from their ingenuity. Rod-rigging, which is increasingly replacing the standard woven wire, had been developed for racing boats because it is much more reliable. Roller reefing of head sails (which makes it possible to roll up the head sails from the safety and comfort of the cockpit in high winds) holds no attraction for racers, because it limits the choice of headsails; but for mainsails roller reefing is now standard equipment on all boats.

The singlehanded transatlantic race provided some clues for the family man in search of a sailing cruiser. Although many entrants were specially-designed monsters with little practical application to cruising, the most notable success was the win on handicap of Lieutenant Guy Hornett's Kingfisher 26, which was virtually a standard boat. It demonstrated, against many traditionalists' view, that a small boat with twin bilge keels and standing headroom inside is not necessarily blown backwards in anything over a force 4-5 breeze. Production versions of the Kingfisher can be had from Westfield Engineering for a little over £2,500.

Most sailing cruisers have an auxiliary engine to get them out of trouble, or home on time

when the wind dies down. This idea has been developed into a wide range of motor sailers, designed to combine the advantages of a large power boat engine with the fun and the economy of sailing. Some types fall between two stools, and the most desirable boats are expensive. If the emphasis is to be on sailing, the Camper and Nicholson 38 is hard to beat. If engine power is more important, the Dutch-built Banjer is an obvious choice; it looks rather like a modern fishing boat and is just as safe. A buyer of either of these boats has little change from £20,000; if he moves up the market to a Camper and Nicholson 55, the price is £51,000. But some bargains are nowadays to be found in the secondhand boat market—mainly handled through brokers—because so many people are trading up to better boats.

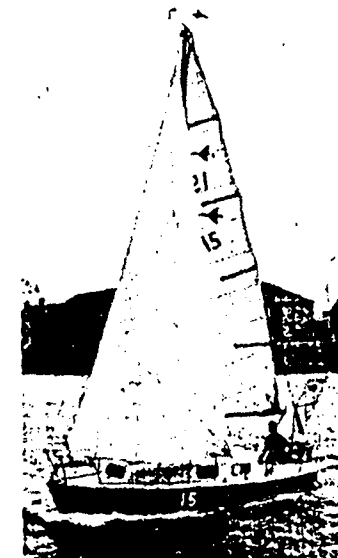
Safety

The increase in amateur boating enthusiasts is reflected, sadly, in the number of accidents. The Royal National Life Boat Institution is called out three times as frequently as it was a decade ago, with much of the increase coming in the last three or four years. Even for the offshore life boats, well over a third of calls come from power and sailing pleasure boats. Closer to the shore, pleasure boats (including rowing boats) account for nearly two-thirds of all emergency calls.

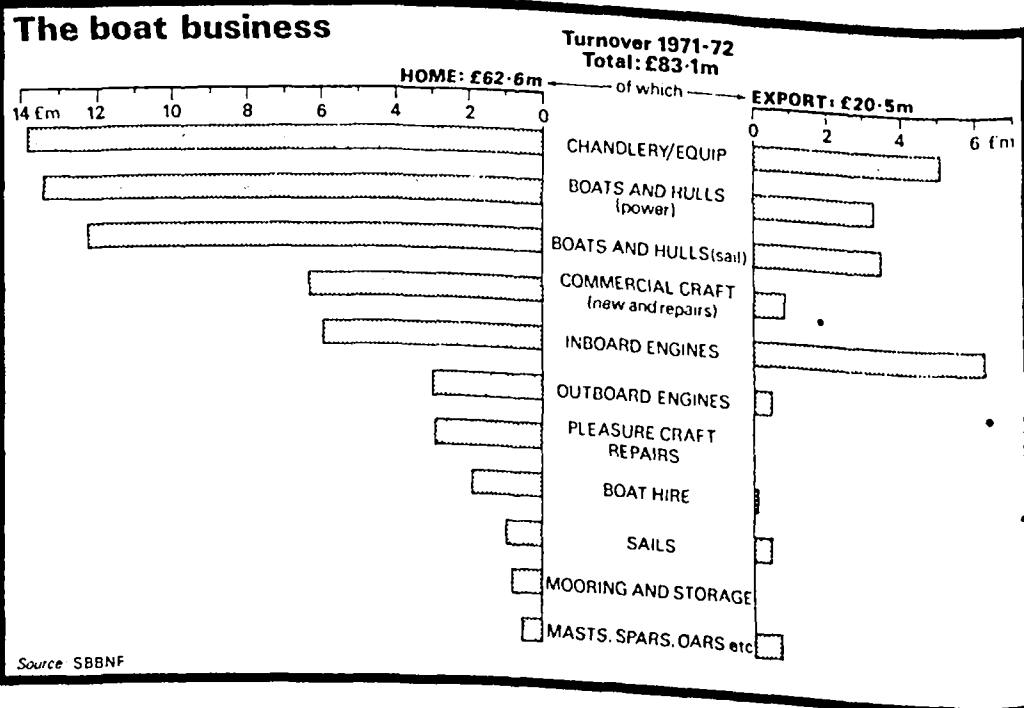
Many of these calls arise out of carelessness or sheer ignorance of the sea. The boating world is set dead against the idea of licences to control the sport, but simple controls now might be better than more rigid ones later. Insurance rates have so far been little affected by rising

accidents, but insurers are already getting tougher about thefts from boats; in time they will inevitably adjust accident premiums too.

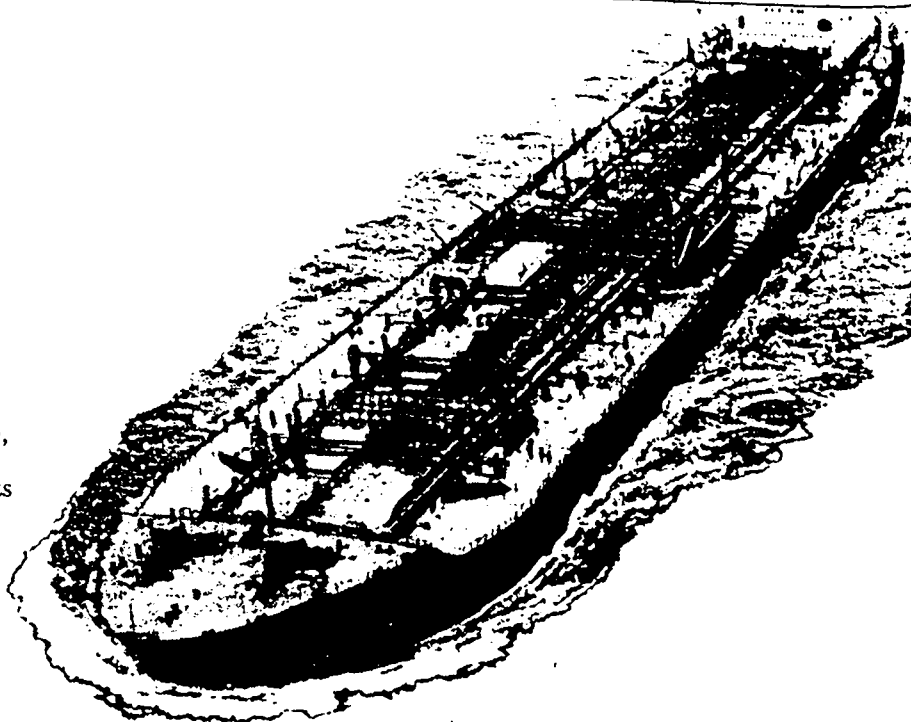
The boating industry's success is creating its own problems. Overcrowding, particularly in the south-east, means that moorings are becoming increasingly scarce as well as expensive. There are hardly any suitable sites left round the Hamble that have not already been turned into marinas. Property developers now regard marinas as a gilt-edged bet. London's dockland has massive scope for development along the lines of the proposals for the disused Surrey Docks: a marina-cum-housing development. The Royal docks could be the next on the list, with others to follow. Once the tidal barrier is in place, the lower reaches of the Thames could become as congested as the notorious Boulter's Lock at Maidenhead.



Transatlantic Kingfisher

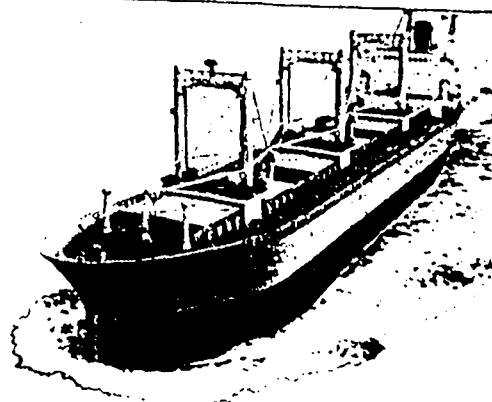


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BUSINESS

Now for that budget

The Conservatives look like breaking their promise to cut public spending and taxation, but they are doing their best to make it look as if they are not

The first and most important half of the Chancellor of the Exchequer's 1973 budget was extensively reported in the national press on Wednesday. It was a routine event: the publication of the annual white paper on public expenditure to 1976-77 (Cmnd 5178). The information it contains will do a great deal to determine how much the Chancellor will be able to give back, or what more he will have to take in taxation, next April.

It is a quaint and infuriating old British tradition for the Chancellor to separate by well over three months the announcement of his spending plans from the announcement of his tax changes. In this way it is possible, as the Wilson government discovered, to blame higher taxes on the greedy consumer; or, as this Government has discovered, to justify whacking expenditure increases on the need to reduce unemployment. Nowhere is the choice between more public spending or more tax cuts and between less public spending or higher taxes offered to the country in a way that anyone can understand. Every "stop" is the excuse for higher taxation and every "go" the excuse for higher state spending. Thus the public sector waxeth exceeding fat while the private sector wasteth away.

So far, net taxation has come down under the Heath Government; but, unless further cuts are made, inflation will take back every penny by the next election.

The share of public spending in gross national product, on the other hand, has gone on rising, while that of pure private consumption, spending out of earnings (not state transfers such as pensions, welfare benefits, family allowances, etc), has probably gone on falling. Each year, thanks to the probings of the Commons' Select Committee on Expenditure and now with the requirements of common market membership, it is becoming more and more difficult for the Government to maintain this separation between spending plans and taxation. As it is forced to give more details of its plans and the economic thinking on which they are based, the realities of the situation begin to emerge. But the Treasury is a pastmaster at the game of economic hide-and-seek. It knows exactly how to give the illusion of telling more without really doing so. A statistical detective is still needed to get the real story out of the published figures.

The first problem is to find exactly what is happening to public spending plans. This sounds easy. The white paper says last year's figure was for 3.2 per cent a year growth, while this year's is 3.0 per cent for 1972-73 to 1976-77. But if you exclude counter cyclical expenditure from the base period, 1972-73, the Treasury says a fairer rate of growth in public spending for subsequent years would be 3.4 per cent. The chair

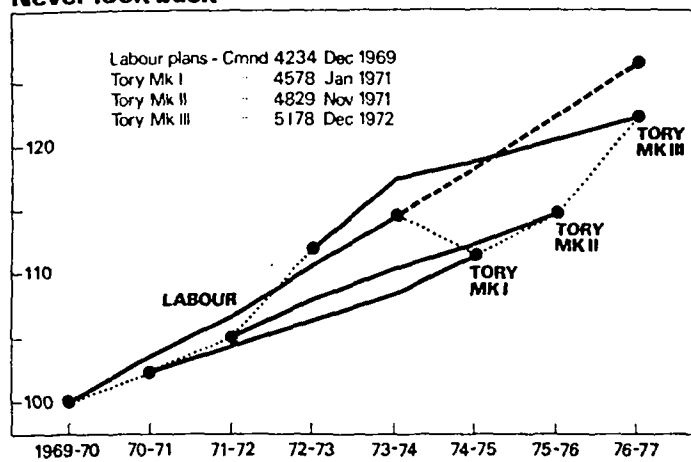
Key indicators: British economy

	Month	Index 1963=100	Percentage change on		
			previous month	three months	one year
Labour market					
Numbers unemployed fell sharply this month. Rise in unfilled vacancies continued.					
Gross domestic product					
Third quarter only 1.8% up in volume on a year ago.					
Earnings and prices					
Earnings up sharply again in October to give an increase of 15% over last year. Retail prices increased at an annual rate of 8.6% in the six months to November.					
Industrial production*	October	132.7	+1.5	+2.2	+6.2
employment*	September	88.3	-0.3	-0.5	-3.3
productivity*	September	147.6	+0.5	+0.8	+7.3
Export trade*†	November	164	-4	+77	+18
Retail trade*	October	118.8	+1.3	-0.1	+5.7
Unemployment*	December	144.9	-3.7	-10.3	-14.7
Average earnings*	October	218.1	+1.5	+5.7	+15.1
Retail prices	November	163.4	+0.4	+2.3	+7.6
Export prices	October	155	+1	+2	+6½
Import prices	October	143	+1½	+3½	+6½

Money supply
Still increasing at an annual rate of around 20% in November.

Export trade, retail trade: in volume terms (value at constant prices).
Unemployment: wholly unemployed excluding school-leavers; latest rate 3.2 per cent. *Seasonally adjusted. †Provisional

Never look back



shows what has really happened: the growth from now on may be very little different but the starting point from which the growth is measured has been moved and that makes all the difference to the figures.

To get a true picture you have to go back to previous years' white papers and correct the comparisons for changes in the prices used to calculate public spending.

The Treasury has found a painless way of reducing the growth in public spending. It is based on two principles. Never look back; and it is easier to bump up the present than to reduce the future. The chart shows that, by the next election some time in 1974-75, public spending will be almost exactly where a continuation of Labour's policies would have taken it.

The excuse for the failure to cut public expenditure is that increases were needed as a counter-cyclical measure to boost demand and to reduce unemployment. If this were so, the share of public spending ought to return to normal in due course, and the boost should have come when it was needed and not so late that it spills over into the upswing when other demands may have to be restrained.

The white paper does not give quite enough evidence for this excuse to be challenged. The figures which need to be examined are those for the public sector's demand for resources in each year. These are different from the crude expenditure figures normally given because different categories of public spending have different demand contents: £100 spent on current purchases of goods and services adds roughly £95 to demand—£5 leaks back in the indirect tax content of public sector purchases. But £100 spent on national insurance benefits (gross) adds only £80 to demand because of leakages into taxation and savings; and only £26 to demand if contributions are increased in parallel.

To calculate the public sector's claims each year the right factors have to be applied to the right spending categories. All that is given in the white paper is the growth rate of public sector claims between 1971 and 1977. From this it can be seen that the Government hopes to reduce the public sector share from whatever it may have been in 1971. It plans for a 3.1 per cent a year increase in its own claims against a hoped-for output growth of between 3½ per cent and 5 per cent.

What is missing are figures for the level and share of public sector claims in the base year, 1971—and any other year, for that matter. Great care is taken that these cannot be deduced from the information given.

Even so, certain conclusions do emerge. It is clear from the crude expenditure figures that the peak increase in public sector demand occurs in the years 1972-73 and 1973-74. This is too late to prevent the stagnation which emerged in 1971 or the rise in unemployment to over 1m last winter. Earlier and quicker-acting measures were clearly preferable, and tax cuts in 1970, which the Treasury resolutely opposed, would have been a far more effective counter-cyclical measure than the panic decisions in the winter of 1971-72 to increase public spending.

This belated counter-cyclical increase in public spending now means a danger that, if the economy were to take off, continued high public spending next year could be an embarrassment. Moreover, it is by no means certain that the Government will succeed in reining back the growth of public spending after 1973-74. Public spending programmes always appear to tail off the further one looks into the future. Assistance for the coal industry, for example, in 1976-77 has yet to be fixed, and the derisory £2m provided in the estimates for that year is clearly meaningless.

Even if the Government's plans are realised and it does succeed in hitting its targets, the provision may not be adequate. Even on a 5 per cent growth rate for the economy, the share of privately-financed consumption does not rise between 1971 and 1977, and if investment takes off, it will fall. Given the way privately-financed consumption was squeezed right through the 1960s and the inflationary stresses this produced, the maintenance of the 1971 level may not be regarded as satisfactory. It certainly does not suggest scope for any effective tax cuts—rather the reverse.

Perhaps the Government can claim it is at least trying and ought to be given the benefit of the doubt. But before that can be done it must come clean with the figures. Then we shall have a real autumn budget for discussion like the other EEC countries. That must come in the next eight years anyway.

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The Economist Intelligence Unit

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The lines to Europe are engaged

Three in five telephone calls from Britain to Europe go wrong. Does nobody know that Britain is joining the common market a week on Monday?

Getting through to your new common market partners takes perseverance. At peak times a phone call to Brussels or Paris offers the choice of a half-an-hour's non-stop dialling of 15 digits, or a two-hour wait for an operator connection. In the winter, when Britain's clocks run an hour behind Europe's, things get worse because peak times are telescoped. The Europeans tend to start work earlier, often lunch earlier and go home earlier than we do even in normal times. During the five winter months when we are an hour behind, Mr Smith in London is beginning to make his mid-morning telephone calls when Herr Schmidt in Düsseldorf is getting on his coat to go to lunch. When he gets back, Mr Smith is eating. The overlap when they are both certain to be found at their desks probably amounts to little more than one hour in the morning and again in the afternoon.

Telephone traffic doubles every five years. In 1971-72 international calls to and from Britain were less than 50m. The forecast for 1976-77 is 130m. Mr Edward Fennessy, the post office telecommunications managing director, puts it at a possible 350m in 10 years' time. About four-fifths of international calls now go to Europe even before Britain is actually in the market.

The post office is spending £125m over the next five years to cope with the expected jump in traffic, on exchange equipment, cables, satellites, buildings and so on. Perhaps surprisingly, cross-channel links are well able to cope with the present traffic. Extra capacity to be added between now and 1978, both on sub-Channel cable and across-the-water microwave links, will more than double the present number of telephone circuits to 20,000. The bottleneck is exchange equipment on both sides of the Channel. There is little Britain can do about the inadequacies of continental telephone systems, but there is also great room for improvement at home. Improvements are needed at the level of the international exchanges through which calls from abroad have to be routed, and again at the local exchanges they eventually—with luck—find their way into. Of the total £125m earmarked for developing Britain's international telephone network, £55m will be spent on the international exchanges.

Exchange equipment is a sore point with the post office. In the early 1950s it decided boldly to step into the twenty-first century and all-electronic exchanges. The saga of how boldness failed, throwing the post office back on equipment a good 100 years old in design, is well known and still rankles. Over the past few years, the post office has started putting into small local exchanges a semi-electronic switchboard known as the TXE2, and at the beginning of this year it gave a £15m contract to Standard Telephones and Cables to scale this up experimentally for exchanges of up to 40,000 lines (TXE4). This caused

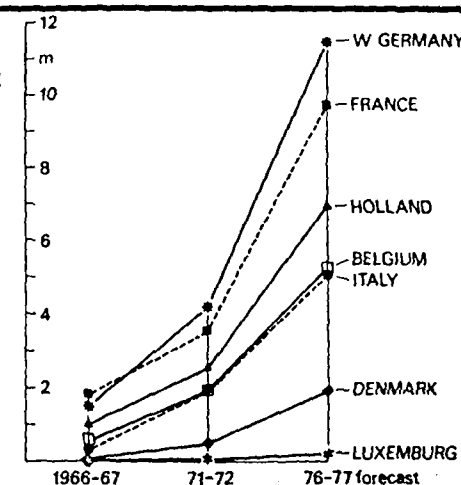
another political storm; many claimed that the post office was once again making the wrong choice, and, having waited so long, should now wait that bit longer for fully electronic exchanges. The post office promised to say "by the end of the year" whether it intended to put the TXE4s into production on any scale. Even if the TXE4 is a huge success it will bring no immediate relief: the first of the experimental batch is not due until 1975.

According to the timetable, it looks as though things will get a bit better up to the middle of next year, then get much worse, and finally start to improve as large chunks of extra equipment are brought in towards the end of 1974. To cater fully for peak demand will probably always be too expensive (in terms of equipment that would lie idle for most of the time), but the post office is aiming to cater for 80 per cent of peak demand by around 1977. Discounting wrongly-dialled numbers, unanswered calls and a (reduced) proportion of numbers engaged, that should put the chances of getting through at the first attempt at about one in two, compared with perhaps two in five now.

The post office is monitoring international calls to see how many go wrong, and whether the fault is in Britain or at the other end. At the latest count, taken in October, Belgium came out rather well—almost a 60 per cent success rate. So did Holland (which has a rather good fully-automated telephone system). France was about average, despite what is universally agreed to be an atrocious system, and Germany and Italy both came up with a miserable one-third success rate, although one has middling-to-good equipment and the other a truly dreadful network. But if the best that the post office can hold out for the future is a 50-50 chance of finding the line clear, then the Government should consider once more whether it is better to encourage British business just a little by synchronising our clocks with Europe's again. Of course British businessmen could get to work an hour earlier—but that may be asking too much of some of them.

Calling the common market

Number of telephone calls (manual and ISD) from Britain



A typical day on The Economist's switchboard produced: Brussels, 35 minutes and 21 attempts; Turkey, half-hour delay, through operator; Bonn, 15 minutes continuous dialling; Dublin, 10 minutes; Paris, 6 minutes; Amsterdam, 6 minutes.

Who is business's keeper?

The City's ginger group of efficiency-seeking institutional investors will be tame. But the CBI may have tougher recommendations for its members

The Watkinson committee, a prestigious group of businessmen chaired by the Cadbury Schweppes lord of that name, has been considering the "responsibilities and accountability of public companies" for the past nine months. This week it has given birth to a 20-page interim report that will soon be submitted to the council of the Confederation of British Industry. This is the parallel study to that initiated by Sir Leslie O'Brien, the governor of the Bank of England, to see whether the major investing City institutions could more effectively influence the efficiency of industrial and commercial companies—of which, on average, they own nearly half. The tame conclusions of that semi-official group emerged on Tuesday.

The Government was anxious that the full CBI report should be published before Christmas, so that it could have time to consider amendments, if any were suggested by the report, to the Fair Trading Bill. However, it will not be published until the end of January. Mr Heath, sucked ever deeper into the affairs of both public and private industry, wants the checks and balances of private enterprise overhauled and streamlined. Ever since the collapse of Rolls-Royce, the Government has felt that the City has not done a very good job of monitoring efficiency in industry. Thus the O'Brien initiative on the shareholding side, and the effort by the CBI to see whether company boards can become more sensitive to the demands placed on them.

The Watkinson proposals, it is believed, are more radical than had been expected from a CBI committee. Perhaps the single most controversial proposal is to make it clear that the business of business is not just business. The report believes directors have an ethical responsibility to their shareholders, but also to their employees and to society. Ecology and the environment, those fashionable twins, have to be looked after, and the company's obligation to them should be set out in its articles (its constitution). The responsibilities of directors should be clarified. Although it does not propose to make insider dealings illegal, they are clearly thought to be immoral.

The interim report is designed to promote discussion, the fruits of which will be contained in the final one. Many boards will not welcome the proposals to put firm age limits on directors and on the chairman, to limit the duration of his chairmanship and to ensure that he is responsible to the directors. Boards of directors should not be self-perpetuating oligarchies: non-executive directors should be mandatory. Any director who is representing a particular interest, be it a major shareholder or bank or whatever, should disclose this clearly to the shareholders. However, while emphasising that any employee can become a director (this is a bit far-fetched) it is against worker-directors as such and the continental system of two-tier boards. The law should be amended in minor ways—to prevent directors of com-

panies that have gone bust popping up in other companies, and to force companies to file accounts more rapidly. But basically the interim report is a code of best practice for boards of directors.

What the Government will have to decide is whether a board's best practice is good enough, in the light of the refusal of the City institutions to form a strong central body to watch over Britain's major industrial companies. If not, then a much tougher company law might be introduced than anyone is expecting, and there is always the ultimate deterrent of a British securities and exchange commission. Shareholders have rarely, in the history of the joint-stock company, been much good at pressuring their companies to be more efficient. In Britain the major force for change at the company level has been the takeover, but the CBI members, and the Government, now feel that the new takeover merchants are more interested in lining their pockets than underlining industrial efficiency.

Unfortunately, the O'Brien initiative to make the institutional shareholders do a kind of management diagnosis was an advance into a bog. The unit and investment trusts, pension funds, insurance companies, issuing and accepting houses all need a careful eye kept on them to make sure that they, for example, do not con the public into parting with its savings at the wrong time, or salt the future income of pensioners into dud stocks. Let the first industrialist accused by a pension fund manager of inefficiency ask to see a performance comparison of pension funds. They are not available. The British Insurance Association claims that it does good by stealth (see page 59 for an example), but the danger is that inside knowledge is necessary to do it. The BIA wisely refused to have anything to do with a joint monitoring committee—although for the wrong reasons: in the words of one eminent observer, it is "the most pusillanimous body in the City." The merchant banks also refused to join; they have enough conflicts of interest as it is, both advising companies and their clients to invest in them. Also, they are accustomed to getting paid for sniffing round companies. Thus the seven samurai have become three musketeers—the unit trusts, investment trusts and pension funds.

The CBI has made some worthwhile moves in the direction of a greater responsiveness by companies to outside pressure. This needs still more encouragement. A secretive band of musketeer-shareholders, whose methods are themselves not open to scrutiny, could do as much harm as good. All shareholders should be given more, and better, information to judge companies. Institutional shareholders, stockbrokers and banks should use the forum of annual general meetings and the meet-the-investment-analysts gatherings to express their criticisms loudly. After all, Britain's financial press has big ears.

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BUSINESS

Britain

The Excess rescue operation sets a precedent

Outside the insurance market nobody has noticed. Inside it there are no illusions any more about just what is going on at Excess Holdings. This is an insurance company rescue operation on a major scale. The industry has seen where its responsibility to the public lies.

There has been murmuring about Excess all this year. Articles in various newspapers have questioned the adequacy of its provisions for outstanding claims, especially in its British motor insurance subsidiary. In August it stopped writing motor insurance altogether and in September the interim dividend was passed, to the accompaniment of a gloomy statement that included references to underestimated claims on the North American side, and "unquantifiable" losses arising from the shut-down of British motor underwriting. Because of the uncertainty, the share price slumped, and the flow of business to Excess, most of which comes from prestigious Lloyd's broking firms, ebbed. Then last week Excess asked the stock exchange to suspend its quote, and revealed that it was to make a substantial rights issue to restock the kitty.

This set off a spate of rumours around Lloyd's in which figures of £10m, £15m and even £20m were batted around. In fact £8m-£10m is to be raised, and, according to accountants who have been through the books, will be enough to put the company back on an even keel. But this is no ordinary rights issue. Although Excess recently caught a slight cold in North America (and may have picked up some bits and pieces that brokers could not place with Lloyd's underwriters), its business now is regarded by the market as a perfectly reasonable portfolio of British and worldwide

fire, liability and reinsurance risks, running at around £20m-£25m a year. But to support a business of this size a company needs a solvency margin of only £2½m. If £8m-£10m is now to be raised it is hardly surprising that market men have been asking what's up. After all, when the V and G fell, calculations showed that the company had lost all its shareholders' capital, and that its creditors would be about £8m short—a total deficiency of £10m.

So the drill now is that Excess will make a huge rights issue to its shareholders. Because many will be unable or unwilling to take up the shares they will be offered, the issue will be underwritten by a consortium of insurance companies and brokers. If £10m is to be raised, shareholders might be asked to subscribe for eight new 25p shares at par for every 25p share they now hold.

With this injection of cash, the company ought to be valued in the stock market at over £15m and up to £25m on its 1971 premium income (other than motor business), though some of this may need to be cut out. Even so, it is far from certain that the rescuers will end up out of pocket.

Somebody will then ask why it is that the industry is prepared to fork out to underpin the Excess, whose customers include insurance companies and industrial concerns abroad, while unfortunate motorists insured with the V and G were left floundering. There are definite points of similarity. Excess did seriously underprovide for motor claims arising from its 1970 motor underwriting (as *The Economist* reported on November 18th); and it is now pretty clear that for 1969 and earlier years there were even bigger underprovisions, and that the deficiency was rolled forward from year to year,

but concealed by the expansion of business, just as with the V and G.

But there are big differences, too. V and G's business was nearly all motor. Even with the huge increases in motor rates that have followed its demise, its business never had the strength and profitability of Excess's substantial non-motor business, and any rescuers might not have got their money back, as they probably will with Excess. So, with the leading broking firms putting in for a large share, the insurance companies are following the lead of the Commercial Union and joining in the rescue.

Steel

Handout time

The Christmas spirit took possession of the cabinet this week. On Thursday Mr Peter Walker, Secretary of State for Trade and Industry, told the Commons that the British Steel Corporation was being given just about everything it has asked for, except a starting date for the £3 billion programme just approved. Even that is likely to be included in a white paper to be published shortly after Christmas.

The Government is putting up half the money in the form of loans, and Mr Walker bears some of the scars of having had to fight harder than usual to get his colleagues to agree to this. The Government is sensitive about the mauling it received after its handout to the coal industry. It must have had misgivings about approving plans that are going to bring the corporation's capacity up to the maximum suggested by a steering committee of the steel industry and the Government earlier in the year. This is a capacity to produce about 36m ingot tons of steel a year. A good many people in Whitehall thought afterwards that it would be wiser to aim for the bottom end of the range, which was around 28m tons.

The plan outlined by Mr Walker bears some marks of this. It is flexible enough to allow annual capacity to be scaled up to more than 40m tons if the demand for steel goes up by more

than the 3½ per cent a year built into the plan; and what goes up, presumably, can be scaled down. There is going to be plenty of redundancy. Modernisation makes it inevitable that the labour force be run down by about 30,000 over the decade, from its pre-nationalisation level of 260,000 to 180,000. Some scope has been left, diplomatically, for expansion by the privately owned part of the industry, around the Hunterston complex, where an ore-processing plant has been approved. But no one suggests where the money is going to be found.

The biggest handouts in the plan are to Teesside, Wales (where almost a third of the money is going) and Scotland (to compensate for the fact that most of the existing Scottish plants will have to close). Losers are likely to be Consett, Corby and at least three steelmaking centres in the north west. The Government is angling to get help from the EEC social fund. If it is going to throw money around like this in the nationalised industries, the least the country has a right to expect is that the industries are run as efficiently as possible. When is the shake-up coming at BSC?

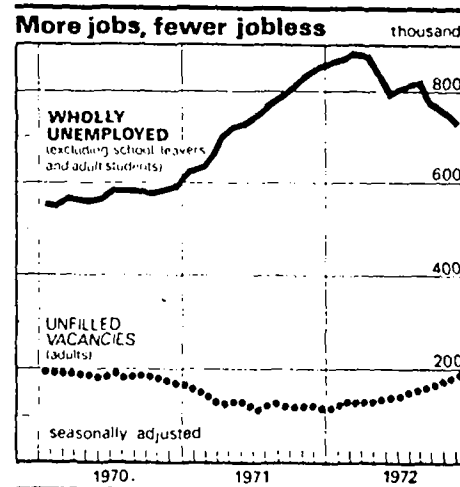
Economy

Seasonally-adjusted greetings

In the week before Christmas the gods guarding economic indicators brought some good cheer. The retail price index for last month was up, but most of the increase pre-dated November 6th, when the stable door was slammed. The rate of increase slowed down. The same was true of November's wage rate figures. Only October's pre-freeze earnings, released on Wednesday, continued to accelerate, with a 15 per cent rise on the year before.

Wednesday also brought squeals from both unions and employers demanding an early end to the freeze. A freeze is useless unless it does hurt and stopping inflation is bound to be painful. The unions would be more convincing if they called for an end to the price freeze, or the employers to the wage freeze, instead of the other way round.

Third quarter estimates for expenditure on the gross domestic product produced no surprises. Investment and stocks registered their expected fall and consumers' spending remained the main stimulus to growth. The precise growth rate remains obscure. Output,



income and expenditure measures continue to go their own separate ways, but it looks as if the economy was growing by 4-4½ per cent in the middle of the year.

Thursday's unemployment figures, the final contribution of the year, were again good: a seasonally-adjusted fall of 29,000 between November and December, with the total down 123,000 below last year's. There should be nowhere near 1m unemployed this winter, but not everyone believes the fall will continue. The first issue of a new quarterly, "Monitor," by the Institute of Manpower Studies, suggests unemployment may not be very much lower in mid-1973 than in mid-1972. This may be right, but for the moment the gods are smiling and it is best not to upset them.

None the less, the Bank of England still thinks that the gods will need a little help in 1973. It has therefore called for a further 2 per cent of special deposits, based on the level of eligible assets on December 13th and to be lodged half on January 3rd and half on January 17th. This call will probably mop up some £440m of liquidity. The further "significant reinforcement" is justified on two scores: lending to the private sector has been accelerating and the exchequer borrowing requirement in the present quarter has turned out to be less than expected. The move will almost certainly be followed by a further rise in the banks' lending rates.

There is still no certainty that the Bank's policy will pay off without further reinforcement. It depends on its effect on expectations about future interest rates, particularly for gilts. The move could be seen as a vote of no confidence in the Government's prices policy and casting doubt on the 5 per cent growth target.

Strikes

Unhappy new year

Five out of every six members of Mr Hugh Scanlon's engineering union did not strike this week. Only London and Manchester were badly hurt during the one-day strikes on Monday and Wednesday called to protest against the £50,000 fine imposed by the National Industrial Relations Court. On Thursday, the court had some of the union's gilt-edged holdings sold to pay the fine.

Traditional militant areas like South Wales, Clydeside and the west Midlands were barely affected by the strike. But it will be hard for Mr Scanlon to assess grassroots feeling because no one likes to strike close to Christmas. Glasgow has just completed its first week without strikes this year.

The strike outlook for 1973 is grim. There is trouble brewing over the Industrial Relations Act, and there is still trouble simmering in the docks. As the freeze thaws there will be big wage battles. On Wednesday, the post office workers put in a big claim, but they are hardly likely to strike again. The same day, railway drivers agreed to lift their ban on the Advanced Passenger Train and dropped their demand for extra money. But these were rare bright spots. The moderate General and Municipal Workers' Union is making militant noises. GMWU gasworkers are very angry since Mr Heath told Lord Cooper, the union's retiring boss, that there should be no negotiations until plans for phase two are announced. The union plans to call a conference in January, which could well vote to strike. The GMWU waterworkers, now enlarged after this September's merger with the National Union of Water Workers, are also threatening to strike, and that threat has to be taken seriously too.

Normally, both gas and water workers get whatever Mr Frank Chapple's electricians get. They have put in an almost identical claim to Mr Chapple's, but they would be lucky to win the same award that he got, just before the freeze. The two worst effects of a water strike would be the health risk if pumping stations were unmanned, and the fact that there would be no one to fix the large numbers of water mains that burst every day. However, troops could keep things running.

It is hard to predict other major strikes for 1973, although Ford is an

NEW ISSUE

These Bonds have been sold outside the United States of America. This announcement appears as a matter of record only.

\$20,000,000

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Banque Populaire Suisse (Underwriters) S.A.

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Kleinwort, Benson (Europe) S.A.

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Pierson, Hilding & Pierson

Privatbanken i Kjøbenhavn

Saifi Securities International

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of New York, Inc.

December 18, 1972

odds-on favourite. Other leading employers in the engineering industry are budgeting for a worse year than they have had in 1972. They reckon that their relative victories in the 1972 wage deals will make unions more militant in 1973. This makes the Confederation of British Industry's call for an end to the freeze after its first 90 days all the more difficult to understand.

Flying to Brussels

Quicker by hijack

The next hijacking of an aircraft in Europe will be carried out by a group of British civil servants who will order the pilot at brolly-point to fly them to Brussels. There is no other way in which anyone in this country with urgent business at the EEC can be sure of getting a seat. The airlines have made so little preparation for the likelihood of more people wanting to travel to Brussels after Britain is in Europe that even the Foreign Office has been driven to protest and MPs have suggested that the RAF should take responsibility for getting delegates to their Eurodestinations.

Of the 13 flights a day from London to Brussels only two leave in the morning in time to do any business there, and only two leave Brussels late enough in the evening to get politicians, businessmen or anyone else back at the end of the day. That might not matter if there were enough seats, but the total on these peak flights at either end of the day is less than 300 in either direction and it is becoming increasingly difficult to book any one of them. This is not only inadequate, it is an abuse of the monopoly that British European Airways and Sabena enjoy on this route.

Of late, BEA has been putting on the occasional extra flight, particularly on Friday evenings when there is a queue of British passengers to get home from Brussels at the end of the week. That is no substitute for an adequate scheduled service. The airlines express mild surprise that the traffic concentrates in the morning and evening peaks while relatively few want to fly on the midday services, when aircraft are leaving sometimes within half an hour of one another in both directions. But they know what they are doing.

Sabena has for a long time been a by-word for high-cost inefficiency, and British European Airways is rapidly becoming one. The two airlines operate a capacity-sharing cartel on this

route with the full approval of both their governments and they charge one of the world's highest fares, nearly 8p a mile. In spite of that, they still consider it necessary to force their average loads (on- and off-peaks) up to the 75 per cent mark in order to break even, and they do this through their joint control over capacity. This overcrowding would be unacceptable to a normal airline, to which average loads through the year of more than 60 per cent are an immediate signal of an impending shortage of capacity and the need to buy more aircraft. BEA does, as it happens, complain of a shortage of aircraft. It is particularly regrettable that it has chosen to make the Brussels route the victim of this.

Unless something is done quickly, there is a real possibility that this contrived shortage will impede the business of governing this country. BEA talks mildly of putting on

another flight when the summer schedules begin in April. April is too far away and one extra flight is not enough.

Cars

Ford rolls on

It looks as if Ford of Britain may have marked up a record pre-tax profit of over £50m this year, against its shattering £30m loss in strike-ridden 1971. A recovery on that scale is being inferred from Wednesday's announcement that car sales in Britain have now topped the 1964 record, and the 30 per cent increase in Ford's investment rate in Britain revealed last Friday. The last peak in Ford's profits was £43m in 1968. After that, profit margins declined and strikes surged out of hand. Mr Henry Ford II talked seriously of cutting down investment

in Britain. But this year everything has gone Ford's way: higher prices, hardly any strikes and record sales. Apart from imports, Ford has been the main beneficiary of this year's sales boom. Its recovery is the best piece of news for the British car industry for a long time.

Ford's £132m investment in the next two years will be spent on bringing all the company's British plants up to date. Its investment per worker is already the highest in the British car industry, but nothing like what it is in Ford of Germany. It has no plans to build any new plants in Britain, which suggests that Ford is cautious about its common market programme.

Meanwhile there is more trouble for the industry from the anti-car people in the United States, where the Federal Trade Commission has requested 12 firms (including British Leyland, Volkswagen and Volvo) to justify some of their advertising claims, including one that a car satisfied 26 necessities of life. A host of organisations has emerged to contest car advertising, including Save (Students against Volvo Exaggeration), Ash (Action for Safety and Health), and Soup (Students Opposed to Unfair Practices). One thing such groups protest about is that the industry is allowed to answer the FTC's charges against it in private.

Industry and EEC

Thirsty?

What Italy accomplished with refrigerators when the common market was first formed, Britain is expected to match with, of all things, vacuum flasks. This is one of the tit-bits in a new survey by the Department of Trade and Industry of 100 British manufacturing industries about to enter the enlarged community. Having achieved £500,000 in annual exports to the EEC despite a 12 per cent tariff, and with virtually no imports in reply, the Great British vacuum flask is considered in Whitehall to be able to go from strength to strength. This is one of the few findings that the DTI is prepared to be specific about. Its study, more than an inch thick, is stamped confidential on each page and is going to stay that way. Even the companies analysed will not be told of its conclusions.

One of the several bad excuses for this eccentric secrecy is that the conclusions were partly based on talks that the companies have had from time to time with the DTI's industrial divi-

sions. But the main reason for it is the typically British neurosis about "giving something away to competitors." That should not stop British Leyland being told that, although the report is not unduly pessimistic about the British car industry, it is less confident than its chairman, Lord Stokes, appears to be. The sudden foreign car penetration of the British market of the past couple of years is expected to become even greater.

Chemical companies should be comforted to hear that the DTI is smiling, confidently, as well as confidentially, about their long-term prospects. It also thinks that the aircraft industry might be reprieved; without entry to the EEC, its prospects looked grim. In computers the report strongly advocates cross-frontier developments in Europe, while recognising that outright mergers will be difficult to achieve for some time. It calls for the sort of short-term co-operation that should lead eventually to a European computer industry.

Docksey report

Discretion is . . .

After months of hassling with a reluctant Government, the Commons Select Committee on Science and Technology finally forced the publication on Tuesday of the earlier report prepared by Mr Patrick Docksey on the exploiting of Government patents. It is now of historic interest only, since the Government has decided not to adopt any of its recommendations. And Mr Docksey had himself excised the only two mildly juicy bits before clearing it for publication.

Early in 1971, the then Secretary of State for Trade and Industry, Mr John Davies, asked Mr Docksey to make an informal inquiry into whether British industry was making the best use of inventions coming out of government laboratories and also of the National Research Development Corporation which had funds to help to exploit inventions. Mr Docksey made what he and Mr Davies both regarded as a private report, the burden of which was the need for rather more commercial commonsense in selecting which inventions should be pushed ahead. Research does not cost much. The second stage, turning an invention into a practical product, can cost a great deal. So Mr Docksey reasoned that industry, used to making decisions intended to produce profits, should be the arbiter rather than scientists liable to be

swayed by their enthusiasms.

The proposed machinery was a supervisory board set up on top of the National Research Development Corporation. And once this board of industrial super-brains had recommended backing a project, Mr Docksey then suggested that the NRDC should finance it on a straight cost-plus basis without worrying about whether it would get its money back.

Mr Docksey should have known what the NRDC knew already: that industry itself takes up any invention that looks like having a 50-50 chance of success, and meets all the cost of development work in order to keep control over the patents. Projects that fall to the NRDC or any other government agency to finance have almost by definition a less than 50 per cent chance of success. Nevertheless, the NRDC has picked up winners even from such unpromising material. But Mr Docksey's board, guided by commercial principles, would have turned all of them down.

Mr Docksey should also have known that an inventor must never be allowed to think that paying his way does not matter. To say that the NRDC need not recover its money is to throw financial control out of the window along with commonsense. That is how projects like Concorde get started. The corporation is charitable in private to small inventors who have little chance of producing anything marketable but are original enough to justify support on the faint off-chance that they might.

To plead a statutory need to break even has been the NRDC's most useful refuge against importunate industrialists who ask the Government to finance projects in which they do not have sufficient faith to put their own money. Now, of course, they can go instead to Mr Christopher Chataway and the Industry Act. It illustrates how soft-centred the tough men of industry can be that Mr Docksey, schooled by British Petroleum, should have been so careless of financial control.

Tactfully, the Government shelved the Docksey report, intending that it should never see light of day. The select committee, however, has conducted a vendetta against the practice of reports going to a minister not being made available to the Commons. This time it won, and now it is after a much bigger target, Mr Peter Vinter's recommendations about which type of nuclear power stations the Government should back. Mr Vinter, however, is a civil servant, and may be much harder to wrinkle out.

Laying railway ghosts

The ghost of George Stephenson still haunts the Ministry for Transport Industries. On Monday the minister, Mr John Peyton, approved a £50m grant towards the £65m cost of an ill-conceived and extravagant new 34-mile railway for Tyneside. Manchester is proposing a similar system.

Railways are popularly believed to achieve high densities of traffic. This is only true compared with private cars, not compared with buses operating on an exclusive right-of-way, as the chart shows. Even a combined bus and car lane, as on San Francisco's Oakland Bay Bridge, can carry more passengers than do British Rail commuter services in the rush hour. Peak rail capacity is only attained in appalling discomfort.

The Tyne plan uses existing railway line for most of the route. In the study that advocated it, instead of going for conversion of rail into busway, Alan M. Voorhees, the American consultants, assumed that the 11 ft rail track would have to be converted into a 12 ft bus lane, with 3 ft verges. But the average British bus runs on 10 ft lanes, often less; its fatality rate is slightly less, per passenger-mile, than on British Rail.

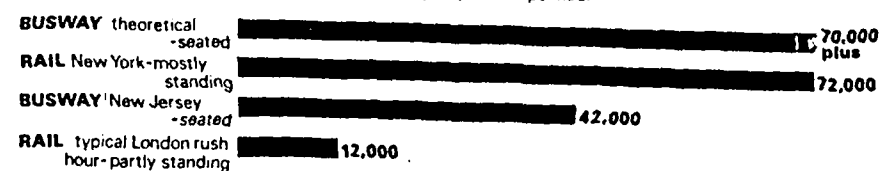
An interesting precedent is the I-495 busway from New Jersey into New York, which carries 10 times as much

traffic as the Tyne system is ever likely to do. This is a lane less than 11 ft wide, with no shoulder; it is separated from oncoming traffic only by a few rubber markers. The authorities delayed its introduction for three years because they were worried about safety, but the only accident so far has involved no more damage than a broken wing mirror. The whole specification examined by Messrs Voorhees was on an extravagant scale, which made the busway twice as costly as the rail plan; in Britain railways have been converted into roads for only £50,000 a mile.

Another excuse for rejecting the busway was the growth of traffic expected in the town centre. The authorities thought this would delay the buses once they left the busway. But, if Newcastle does not give substantial priority to buses by 1979, when the new system is to open, it will be about the only city in Europe not to do so. And how about the traffic jams for and from the rail passengers trying to reach the station? The bus at least would involve only one journey.

Contrary to expectations, a bus fleet is much cheaper to run than a train. The subsidies alone on many London commuter services exceed the cost of carrying the same passengers by fast bus. Parliament would do well to reject the bill Tyneside has placed before it.

The myth of rail capacity



BUSINESS

International

God had better tell Amin he needs those banks

For the Ugandan economy, the critical move by General Amin this week was not the seizing of British firms and tea estates, but his threat to starve the foreign banks of business. If the new Ugandan managing directors of the seized firms prove unable to do the jobs taken at gunpoint from their British colleagues on Monday, the country could probably get along without cigarettes from the former British-American Tobacco factory or bicycle tyres from the ex-Dunlop plant, even though the bicycles are important. It would probably miss most the simple agricultural hoes from the Chillington factory.

But the country will find it hard to do without the expertise of the banks to keep its coffee and cotton industries going. Out of total exports last year of £98m, coffee accounted for £57m and cotton £21m. By comparison, tea exports were £6m and copper £8m. General Amin has now insisted that major banking business should be handled by the state-owned Uganda Commercial Bank. In the past year, this bank has already had to be helped out by the local branches of National and Grindlays, Standard and Chartered, and Barclays in the limited volume of work it was responsible for. It is doubtful if it could now cope with the highly technical problem of financing the seasonal swings of the country's two

major export industries, especially as the coffee and cotton harvesting season really gets under way this month and continues through until May of next year. Hitherto National and Grindlays has handled the internal affairs, and the other two banks the shipping and exporting side. General Amin has been meticulous in ensuring that loans due to them are paid off on time, even though some of them stem from the days of ousted President Milton Obote and before. He may yet find he needs them and do an about-turn.

He is shedding the expertise of the banks at the very time that the departure of the Asians is making itself felt throughout the economy. They ran the service industries supplying the coffee and cotton industries. Farmers, through their co-operative unions, used to bring coffee for soaking and processing to plants run by Asians. They also ran the cotton gins. Now, without the Asian managements and the Asian contractors who formerly serviced the machinery, operations are running down. Some of the crops that are being processed still cannot be exported, because there are no hoops for the cotton bales or hessian bags for the beans. Even the Kenyans will sell packaging materials only for spot cash. Now that Mr Inders Singh Gill has left the country, the supply of tea chests for the plantations has virtually

ceased.

The departure of Asian accountants has also thrown into confusion the process of calculating before the year-end deadline the net assets of the 34 British companies now being taken over. The deadline has no significance in international law, as rights to compensation cannot be curtailed arbitrarily like this. The Confederation of British Industry is now pressing British firms involved to stick together and bargain collectively with the new finance minister, Mr Emmanuel Wakhweya, who is regarded as competent but not particularly tough. This tactic worked with considerable success with Ceylon, but it will break down if individual companies start trying to gain advantage by doing their own deals.

Currencies

Next crises

Although Christmas cheer comes hard to exchange dealers accustomed to viewing long holidays with nervous suspicion, they should get through this one without too much indigestion. None the less, the first signs of uneasiness about the prospects for 1973 are already making themselves felt. The yen is still at its ceiling, sterling remains vulnerable to renewed speculation about when and where it will be repegged, and the French franc for a spell was dragged below its Smithsonian parity—alongside the lira—by fears that the gaullists could suffer a nasty setback in the March elections.

The dollar has not been among the casualties of the renewed bombing of North Vietnam, but the Organisation for Economic Co-operation and Development has warned in its latest "Economic Outlook" that a further hardening of interest rates in Europe, coupled with the realisation that America's current account is likely still to be in deficit to the tune of \$5½ billion in 1973 (against an estimated \$8.4 billion this year), could choke back the reflux of short-term funds to New York.

The British authorities are doing their best to forestall any dumping of

The Nomura Securities Co., Ltd.

Report by Mr. Kiichiro Kitaura, President, for the year ended September 30, 1972

We are pleased to report the business results of the Nomura Securities Co., Ltd. for the year which ended on September 30, 1972.

Because the Japanese securities market performed impressively in 1972, there was a substantial increase in the company's operating revenues and net income for the fiscal year. We regard, with great significance, the fact that the Japanese securities market began to function as a more mature issuing market during the year. The growth has attracted the interest of leading issuers throughout the world.

During the fiscal year, seven foreign bond issues were floated, including World Bank Bonds, Asian Development Bank Bonds, Australia Government Bonds, and Quebec Provincial Bonds. Denominated in yen-currency, these were offered very successfully to the Japanese public. The total value of these foreign bond issues amounted to 87 billion yen.

During the current fiscal year, we will continue with efforts to achieve even better business results. This we will do by providing our clients throughout the world with high-quality investment objects and other opportunities. We wish to provide our corporate clients with high-standards of advice in relation to issuing opportunities.

We extend our deep and sincere thanks to our shareholders, our clients, and our friends throughout the world for their cooperation and support.

Condensed Balance Sheet

(As of September 30, 1972)	
(Yen in millions)	
(Assets)	
Cash and deposits	66,649
Receivables from clients and others:	
Margin transaction	50,449
Others	5,131
Short-term loans	27,916
Securities owned at the lower of cost or market	57,986
Fixed assets	48,820
Other assets	8,580
Total	265,531

(Liabilities)	
Money borrowed	27,728
Payables to clients and others:	
Margin transaction	11,435
Others	59,751
Guaranties received	21,307
Accrued taxes	17,530
Fixed liabilities including accrued severance indemnities	7,416
Other liabilities	6,284
Total liabilities	151,451
(Reserves)	
Reserve for compensation to clients	3,441
Reserve for losses on trading	24,700
Other reserves	3,175
Total reserves	31,316
(Capital)	
Capital (paid-in)	20,125
Legal reserves	4,381
Retained earnings including net income for the year	58,258
Total capital	82,764
Total	265,531

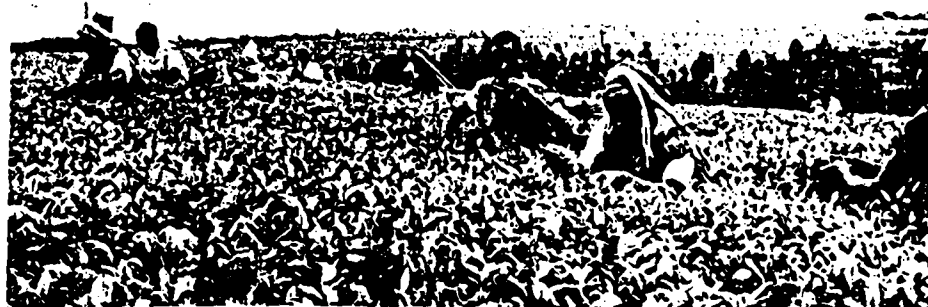
Condensed Income Statement

(October 1, 1971 - September 30, 1972)	
(Yen in millions)	
(Income)	
Fees and commissions	73,564
Interest and dividends income	11,160
Gains on trading	18,356
Other income	854
Gross income	103,934
(Expenses)	
Selling and administrative expenses	52,423
Interest paid	3,984
Other expenses	499
Charges to reserves	11,012
Gross expenses	67,918
Income before income taxes	36,016
Provision for taxes	17,680
Net income for the year	18,336

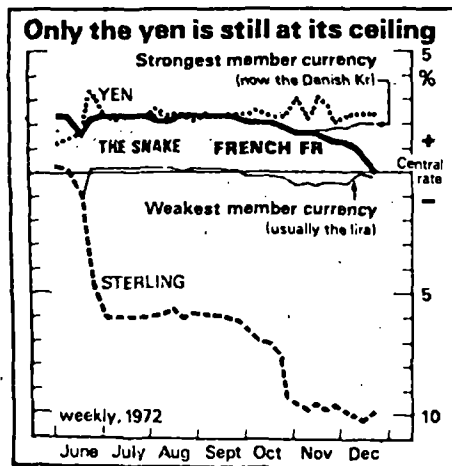
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The Nomura Securities Co., Ltd.



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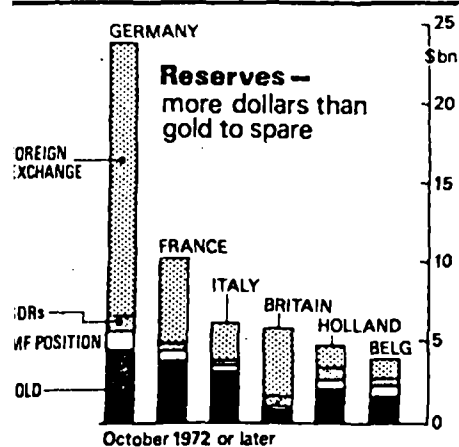


Not much good picking it if there are no tea chests to put it in



sterling in anticipation of a January 1st refixing, which some might bet on despite Mr Barber's assurance that Britain will float into Europe. The Bank of England grabbed the opportunity presented this week by the maturing of six-month forward contracts opened by speculators last June deliberately to bid up sterling in order to make those hapless bears pay through the nose to cover their commitments. It was a reminder that, over the short term at least, speculators should not count on a safe one-way bet against the pound.

The curious bout of nerves about the French franc only shows how quickly the tide can turn. By any normal economic measure, the French franc ought to look safe enough. As the OECD points out, France's share of world export markets has been rising steadily since 1968 and its surplus on current account in 1972 could total \$700m-\$750m, even though growth in France was much higher than elsewhere in Europe, and could reach \$1½ billion in 1973. But political uncertainties can swamp most such economic arithmetic—as the Italians know. It is easy at present to forget that Italy



has been running a surplus on current account that, measured as a proportion of its gnp, is bigger even than Japan's.

The uncertainties plaguing sterling, the lira and now the French franc have at least one golden lining. The ministers of the enlarged EEC are expected next month to rubberstamp the proposal of their central bankers that the rules for repayments of credits run up to keep member currencies within the "snake" be modified to avoid the unpalatable possibility that debtors might be asked to cough up gold. Italy has already been exempted from the strict rules of the game; Denmark had made it clear that it would not play either. In effect, the problem has been shelved; debtors unwilling to part with gold will be given the option of simply rolling over their debts to 1975, in the hope that by then a broader reform of the world monetary system will have taken the sting out of official gold transfers. But the squabble between the rich countries and the poor that has resulted in the postponement of any new issue of SDRs on January 1st does not augur all that well for the chances of Mr Morse's Committee of Twenty getting quickly through its brief.

Germany

Schmidt takes most

Hamburg

Germany's new finance minister, Herr Helmut Schmidt, did not have it all his own way in the post-election cabinet reshuffle, but he got pretty close to it. His ministry is now not just responsible for budget and fiscal policies but has managed to take over the influential money and credit department from the old economics ministry. Before the elections, Herr Schmidt was running both ministries, a position he took over last summer when Herr Karl Schiller resigned as economic supremo. But the combination of the two ministries had always been regarded as an emergency solution, and the decision to split them up again had been expected. But the way they have been divided now leaves Herr Schmidt with much the bigger piece of the cake.

The new set-up is a setback for the Free Democrats, the minority coalition partner. Because of its good showing in the elections it had been looking for extra power in the cabinet. Herr Hans-Dietrich Genscher, the Free Democrat minister of the interior, was thought to be in the running for the economics



Schmidt and protégé

ministry—but only if it was left intact. Now, with the more interesting policy-making departments split off, the economics ministry has been given to Herr Hans Friderichs, a young (41) and comparatively unknown Free Democrat who is not in the Bundestag but has been holding a regional government post up to now.

Herr Genscher will have industry, Europe, fuel, structural policy and restrictive practices—in short, a kind of department for trade and industry. He will also look after the "concerted action" programme—a tripartite talking shop of government, unions and employers which has so far failed to come up with any very tangible results—and another advisory body made up of regional government and local authority representatives. Just what the power distribution between the two ministries will be remains to be seen. Herr Friderichs, in an interview last weekend, warned unions not to make excessive wage claims, and hinted there might have to be a special "boom" tax surcharge next year, on the pattern of the 10 per cent surcharge in 1970-71. Curiously enough, Herr Schmidt said something very similar on the radio.

Hesselmann flounces out

Hamburg

Only a week after the latest boardroom row at Krupp comes another upheaval, this time at Reemtsma, Germany's biggest cigarette concern, with sales (in 1971) of nearly £4 billion. Herr Malte Hesselmann, virtually the crown prince of Reemtsma, has startled employees and competitors by handing in his notice. He will go at the end of next year.

A year after that the present managing director, Herr Rudolf Schlenker, will retire. Altogether 64 per cent of

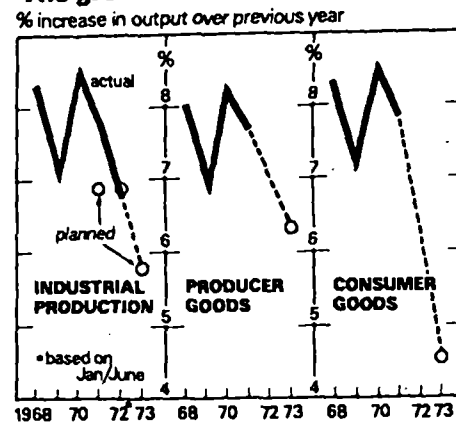
the shares are controlled by the families of the three sons of Philipp Reemtsma, who founded the company in the 1920s and built it into the most powerful cigarette empire in Germany. But between them they have been unable to provide a successor to Herr Schlenker. So it was confidently expected that Herr Hesselmann, the 41-year-old nephew of the founder, would succeed.

He joined in 1964, and won his spurs in South America. Then he took charge of the company's diversification programme, pushing into the drink business, buying breweries and champagne cellars. But as the beer side developed the cigarette side declined. New brands failed to take off when one-time successes like Peter Stuyvesant had had their run. The women's cigarette Candida was launched after the leading competitor, British-American Tobacco, had conquered that particular market with its own brand, Kim.

The marketing department was weak. It had in fact been taken over by Herr Schlenker himself, who, however, had been generally regarded as indecisive. Family shareholders got restless, and so two years ago Herr Hesselmann himself was asked to take it over, making him the most powerful man in the company after Herr Schlenker, but in the process arousing envy elsewhere. The 37-year-old Herr Hermann Hinrich Reemtsma, an influential family shareholder and grandson of the founder, who retired to his farm in 1966 when it was made clear that he was not destined for a top job, opposed Herr Hesselmann's ambitions and clashed with him frequently. Domestic sales (the bulk of the total) failed to improve, and other family shareholders became critical too. Last weekend Herr Hesselmann had had enough.

His exit will remove the last of Philipp Reemtsma's descendants from the top management. The present spate of top boardroom rows in Germany (Flick, Krupp, Dornier, Reemtsma) is no coincidence. German industry has traditionally been a pretty feudal affair, with companies treated like pieces of family property. But companies are now too big to be run like this, even where the families can supply the talents. And family shareholders have become too numerous and mutually jealous to agree on key issues. Amid the thumping of tables and slamming of doors in many boardrooms, the age of the professional manager is dawning.

The growth tails off



Russia

No presents

Everything seemed ready this week for a splendid celebration of the 50th anniversary of the Soviet Union—except the economics.

The budgetary session of the Supreme Soviet produced a domestic bomb—a warning to the Russians that 1973 will be a pretty lean year. The message is concealed by the projected 6 per cent growth in national income, which assumes a spectacular recovery from this year's disastrous harvest. It is revealed, however, by the further slackening of the pace of industrial production; next year's target going down to 5.8 per cent. Moreover, whereas the output of heavy industry is expected to rise by 6.3 per cent, that of consumer goods should be up by only 4.5 per cent. This seems a sharp reversal of promises.

The current plan (1971-75) was heralded as the first to give priority to the consumer. Light industry was scheduled to go up at an annual rate of 7.9 per cent, compared with 7.4 per cent for heavy industry. The question arises whether, with things going wrong, the consumer industries are not being treated again as a cinderella by the

planners. (This feeling will be strengthened by the very low targeted rise in nominal wages—a mere 2.7 per cent for industrial and office workers.)

The new deal for the consumer was linked to the hope of an improvement in international relations which would not only reduce the burden of the arms race but also harness western capital for the Soviet economy. But the official figure for defence spending stays put, and defence's share, therefore, dips to only just below 10 per cent of total budgetary expenditure.

So the anniversary brings a puzzling rather than festive mood all around. East European visitors fear that their countries will be further squeezed. Overseas guests, like Dr Castro, wonder whether Soviet retrenchment will mean a cut in aid. Lastly, the Russian people are bound to ask themselves whether their country is just going through a bad patch or whether it is moving towards an economic crisis.

EEC lorries

Défense d'entrer

The French have got their own back on the British for winning the battle to postpone a decision on lorry weights. European transport ministers agreed to a wildly unfair system of community quotas for lorry permits on Tuesday. Most of the road haulage between European countries is handled bilaterally. Some countries, like Britain and Holland, favour unlimited access to anyone willing to offer reciprocal facilities; others, like the French, shelter domestic hauliers by rigid quotas. The community's aim is eventually to abolish quotas, but meanwhile it has a limited number of quotas that allow holders to roam throughout its territory.

On Tuesday it agreed to a 15 per cent increase in the number of permits next year, with countries of Britain's

Key indicators: world commodity prices

World shortages

World commodity prices have zoomed upwards over the past twelve months. All 27 items in The Economist index have increased. Russian shortages have helped to push wheat, sugar and soya bean prices up to record levels. Wool and hides increased by 50%, sugar and cocoa by 80%, lead, wheat and rubber by 40%, and bacon by 20%.

	Index 1963=100		Percentage change on	
	Dec 13	Dec 20	one month	one year
All items	170.2	171.1*	+ 9.9	+41.3
Food	191.8	192.8*	+14.2	+40.6
Fibres	150.3	151.2*	+ 6.9	+66.7
Metals	187.9	188.8	+ 2.8	+ 9.2
Misc	158.0	156.0*	+ 7.3	+54.5

*provisional

Barclays Bank International

Paid Up Capital £40,000,000 • Reserve Funds £167,603,000 • Loan Capital £34,914,000 • Resources £3,326,846,000

Extracts from the Statement by the Chairman Mr Anthony Favill Tuke, to be presented at the forty-seventh annual general meeting.

Lord Seebohm.

At the last annual general meeting Lord Seebohm retired from the chairmanship of the Bank. He held this position for seven years and controlled our affairs at a time of many changes and much progress in the countries where we are represented and, therefore, in the Bank itself. The most important aspect of these changes was the transformation of Barclays Bank DCO, as it then was, from what one might call an ex-colonial bank to an international bank, a process which brought with it a considerable number of problems.

Change and re-organisation were certainly part of our daily lives and Lord Seebohm was, and indeed still is, someone who is inclined to look forward to the future rather than over his shoulder to the past. The philosophy of "leave well alone", i.e. if this system has worked well for twenty years why change it, has never been part of his armoury and the Bank has benefited greatly from his outlook and his leadership.

Apart from presiding over our affairs he has found time to carry out a large number of important duties outside the Bank; perhaps the "Seebohm Report" will prove to be the most important and far reaching of all but it is only one of many. The life peerage which was conferred on him last March was indeed well deserved and must have pleased many of our former stockholders as much as it did his colleagues.

We are all delighted that he is still with us as a deputy chairman of the Barclays Group and, equally important, that he is continuing as a director of our bank.

Expanding international interests.

This is the first year in which Barclays Bank International has been a wholly owned subsidiary of Barclays Bank Limited and, therefore, we no longer have any members of the public as ordinary stockholders. This change may bring with it a tinge of regret amongst those who were our older stockholders, and amongst our more senior staff, but in our view it is overshadowed by the enormous opportunities opened to the Barclays Group to be a really effective force throughout the world in the field of international banking. Our policy is to have some form of representation in all the major financial centres of the world, not so much with branch networks but rather dealing with what are called "wholesale" banking operations.

At home, by agreement with Tozer Kemsley &

Millbourn (Holdings) Limited, we have acquired a stake, at present 21 per cent which will reduce to 15 per cent in due course, in the equity of that company at a cost of approximately £7 million. We feel sure that our investment in this rapidly expanding international financing and investment house will bring benefits to both partners. Earlier in the year we, in company with BOAC, BEA and Grand Metropolitan Hotels, put in a bid to buy Thos. Cook & Son, Limited from the Transport Holding Company. We believed that substantial benefits could come from a joint acquisition of this well known firm but in the event, as you know, although the Barclays consortium and the Midland consortium put in bids well ahead of the others, our rival's bid was higher than ours and naturally we were unsuccessful.

Activities in the Far East.

Our main efforts this year, however, have been devoted to the Far East where, until recently, we had no banking presence. We have now received approval for the opening of branches in Tokyo, Hong Kong and Fiji while in the New Hebrides we have an interest in the Melanesia International Trust Company and also a small banking branch in Vila. In Australia, we reached agreement in August with a well known stockbroking and merchant banking group to form a new merchant bank, Barclays Australia Limited, with ourselves as the majority shareholder. In New Zealand, we have taken a 20 per cent interest in the New Zealand United Corporation, that country's leading merchant bank. We are also in the process of forming a new merchant bank, this time a triple alliance, with Merrill Lynch International and Nomura Securities of Tokyo. Our partners are both leaders in their own field and we look forward to the successful launching of this venture named Trident International Finance Limited. The intention is that it should have a head office in Hong Kong and open branches in other far eastern countries.

The bank and the EEC.

As this country will enter the Common Market on 1st January 1973 our other main area of expansion is naturally Europe. Barclays Bank Limited have, for some 50 years, had an important subsidiary in France, Barclays Bank S.A., with 21 branches; it continues to make progress and broaden its area of activity. In the Federal Republic of Germany, we have had a very successful branch in Hamburg for some 50 years and our more recently opened branch in Frankfurt has made most satisfactory progress. In Italy, Holland and Belgium, we were until very recently unable to give a full banking service but this has now been remedied. In Italy, we have acquired a 51 per cent interest in what was Banca Castellini, a small but well respected private bank which has been run by the Castellini family since its foundation in 1884; on 1st October it opened its doors as Banca Barclays Castellini S.p.A. In Holland, we have acquired 70 per cent of the private firm, Kol & Co, and th

has been reconstituted as Barclays Kol & Co N.V. equipped for international banking in addition to the traditional stockbroking business. In Belgium, we opened a branch of the Bank in Brussels on 1st December and look forward to making a real contribution in the field of wholesale banking.

Opportunities in the U.S.A.

Perhaps the most important development is in the U.S.A. where we have bid about \$60 million for the whole of the capital of the Long Island Trust Company, a well respected and growing bank which has 29 branches in the Suffolk and Nassau counties of New York State. In addition to this we propose to open a branch of the Bank in Boston early in 1973.

In South America, we have opened a representative's office at São Paulo, Brazil.

Integration of all foreign business and further local incorporations.

In this country, on 2nd October 1972 over 2,000 Barclays Bank International staff were joined by more than 2,000 Barclays Bank Limited foreign branches' staff, most of whom are working in London and the remainder in twelve branches in important cities throughout the country.

Elsewhere more and more of our branch network throughout the world has been and is being converted into subsidiary companies, sometimes with participation by the public, sometimes by the government, and occasionally, as will be the case in Nigeria, by a combination of the two. The latest addition was in Trinidad where Barclays Bank of Trinidad and Tobago Limited commenced operating in April of this year. It is hoped that our subsidiary company in Jamaica will take over our existing business there in the not too distant future.

Growth and future prospects.

Side by side with all the new activities to which I have referred our normal business has continued to progress satisfactorily. Deposits at the 30th September totalled some £3,079 million, an increase of approximately £660 million, but these figures include the business previously handled by Barclays Bank Limited foreign branches which was brought into our books just before the end of the year. Group profits before tax, excluding extraordinary items referred to in the accounts, reached £34.5 million, an increase of £4 million, and the net figure after tax of £20.3 million (1971 £16.1 million) represents an improvement of nearly 26 per cent. In a bank with a very wide geographical spread it is difficult to gaze far into the future but given political stability there is no reason to think that this progress will not be maintained though it has to be borne in mind that our plans for expansion require an allocation of capital resources on which we are unlikely for some years to earn an income commensurate with the return from the rest of our established business.

South Africa.

It is perhaps right that I should say something about our business in South Africa. We have been criticised by a very small minority of our parent company's stockholders on various grounds for continuing our presence there. Two

questions however are far more important than all the rest put together. Should those who dislike the philosophy and practice of apartheid—and we certainly do—continue to trade at all in a country where it is practised? And would it be to the benefit of the Africans in South Africa if we, and, one assumes, a large number of the other 500 or so British companies with investments there withdrew?

The answer to the first question might be regarded as purely a matter of conscience but it must be tied up with the answer to the second. I wonder if our critics ever pause to consider what the practical effect would be of Barclays withdrawing from South Africa. It would mean selling our business to a South African concern but, apart from this change in ownership, the local bank would remain exactly as it was and would carry on its operations just as it does now. All that would have happened would be that Barclays who are recognised as a liberal and international organisation would have given way to a South African owned company possibly with a narrower outlook. It is difficult to understand how such a change of ownership could be of advantage to the underprivileged in South Africa; in fact, there are clear indications that the view of the great majority of them is that such a step would be a retrograde one and I do know that among quite a number of leading figures in other African countries the news would be greeted with dismay. It is therefore right that the stockholders of Barclays Bank Limited should be aware that we do not propose to withdraw, that we believe our policy of maintaining, not burning, bridges is the right one and that we are confident that this policy has the support of the overwhelming majority of them.

Special tributes to staff.

I would like to pay a special tribute to the vital contribution made by our staff all over the world. The Bank now employs over 30,000 staff in more than 50 different countries; over 4,000 of these work in this country. There are also 480 British Covenanted staff serving abroad, mainly in Africa and the Caribbean. This is to be compared with 680 in 1969 and we do feel some satisfaction with this evidence that our training policy has borne fruit and that we are increasingly able to promote our local staff to positions of responsibility.

I know that all my colleagues in every country would like me to say how much we have been concerned about the very difficult conditions in which our staff in Uganda have worked during the latter part of the year. The unusual situation in that country has put great pressure on all our staff, British, African and Asian. Under Mr. Macdougall's wise leadership the Bank has carried on offering the same service to its customers as before and we all look forward to a return to normal conditions.

Although Uganda has had very special problems to face this year that does not mean it has been plain sailing elsewhere. All of us recognise the part played by all our staff throughout the world. I expect most of them will say, and this would certainly include the general management in London, that they cannot remember a busier or more eventful year.

Copies of the full statement and the report of the directors can be obtained from the Secretary, Barclays Bank International Limited, 54 Lombard Street, London EC3P 3AH.



BARCLAYS International

...a world of banking

size getting over 300 each. The commission proposed that new members should be given the number they would have received when the system first began, with 99 for Britain, or twice Luxemburg's quota. The newcomers naturally protested, but the French insisted that, until they were willing to co-operate over standards for weights and dimensions, they should not expect to benefit from a common transport policy.

The French argument is ridiculous. The agreement on maximum weights and dimensions for lorries is not intended to come into force until 1980, while the new quotas apply from Monday week. France was keen to show that Britain cannot refuse to co-operate in forming European policies without expecting retaliatory measures.

Venezuela's oil Running dry

Caracas

A cold New England winter, threatening a fuel shortage, has brought glum tidings to Venezuela and Christmas cheer to the Arab states. It led the United States last week to suspend the preferences it gives to the oil exporters of the western hemisphere. America's massive east coast fuel market, previously earmarked for Venezuela, by far the largest western hemisphere exporter, will now be open to competition from Middle East producers. For Venezuela, which earns over 80 per cent of its foreign currency from oil, the sudden, if temporary, suspension is a setback after years of fighting for special access to the American fuel markets. But Venezuela has been unable to keep up the oil flow that the east coast requires. This year demand there is up about 8 per cent, while Venezuela's ageing oil wells are producing only 3.2m barrels a day—12 per cent down from their 1970 peak and at a price that is not competitive with the Middle East.

Since all oil concessions return to the Venezuelan government in 1983, the oil companies have been hesitant about opening new wells. Venezuela, waiting to see how far Opec's demand for greater producer participation would be met, has also been in no hurry to grant further licences. As a result, there has been little exploration in Venezuela for the past 10 years. But there has always been a blind faith in the country that the existing wells in Maracaibo Bay were only the first taps on Venezuela's huge reserves. This faith

is now rapidly wilting; eight recent drillings in the south of the bay have all proved embarrassingly dry. Early drawings from the Orinoco oil belt, which had been advertised as one of the largest reserves in the Americas, have shown that the oil is contaminated and far too heavy to be efficiently refined. The oil companies are gloomy about the future. The Nixon Administration is anxious that new fields should be opened in Venezuela to offset America's increasing dependence on the Middle East; but—especially after last week's collapse of the international coffee agreement—Mr Nixon is not popular in Latin America right now.

With Venezuelan elections only a year away, the usual attacks on the United States have been mounting. This summer the Venezuelan government broke a 32-year-old trade agreement with America. It is negotiating for entry into the free trade area of the Andean Pact, and Venezuelans say that the United States' abrupt ending of oil preferences for this winter will teach them to rely more on trade with their southern neighbours and friends. But with 65 per cent of Venezuela's oil exports going to North America, there is likely to be more of a show of independence than a reality.

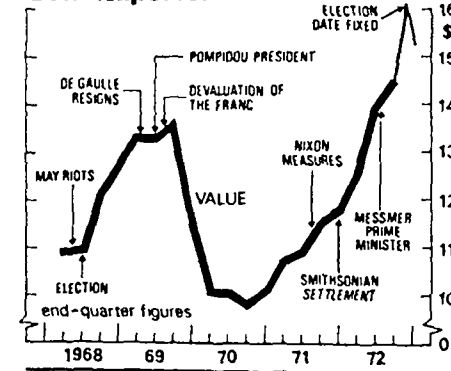
France

Red run to Napoleon

Paris

With the public opinion polls showing 45 per cent popular support for the Communist-Socialist alliance, in advance of Wednesday's announcement that France's parliamentary elections are to be held on March 4th and 11th the price of gold napoleons went up to Fr82, yet another new record, before coming back to under Fr78.

Gold Napoleons



The napoleon, which is roughly the size of a 5p piece, weighs only 5.806 grams—so its gold content is worth Fr36 at the official price or Fr62 at the current free market price. It has been minted occasionally since the time of Napoleon I. Some coins show the heads of rulers—Napoleon I, Louis XVIII, Charles X, Louis Philippe, Napoleon III: others the traditional French feminine head of Marianne or a rooster. Except for a small minting in the early 1950s, the last issue was in 1914. No estimate exists of the number in circulation, but in some years as many as 10m were minted. The Banque de France plays no role in trading, so that the price of the napoleon is free to soar wildly.

The programme put forward by the leftist parties strikes the average holder of a gold napoleon, after 14 years of gaullist rule, as too radical by far. The left says it wants to nationalise private banks and insurance companies and such key industrial companies as Dassault (aircraft), Roussel-Uclaf-SIFA (drugs), Saint-Gobain-Pont-à-Mousson (glass, iron and steel), Pechiney-Ugine Kuhlmann (aluminium), and ITT-France; it advocates majority state control in all steel and oil companies. It wants to tighten foreign exchange controls, reform the social security system and drop the value-added tax on some consumer products. It calls for a reduction in the work-week to 40 hours without any drop in pay (a charge that would fall heavily on companies), a programme of building 700,000 units of low-rent housing a year, a minimum wage of not less than Fr1,000 (£85) a month, and a lowering of the retirement age to 60 years for men and 55 for women.

The cost of these left-wing measures has been estimated at Fr100 billion (£8½ billion) a year, which would cause a real humdinger of an inflation, and necessitate much heavier taxation on all the upper middle classes as well as the rich (who would take their money out of the country in a rush). In practice, President Pompidou would not allow parliament to enact these horrors, even if the Communist-Socialist alliance became the majority group there. The gaullists have not been too sorry at the financial mini-panic of the past week, since it might help to drive voters back into the fold in March. But it is understandable that those with the means and the knowhow have been switching from the Paris bourse to Wall Street. Those with less of either are having to make do with the napoleon.

BUSINESS

Investment

Nixon zapps Wall Street

New York

Only Neville Chamberlain could have done it better. Last Saturday's grim and measured reassessment by Mr Henry Kissinger of the prospects for peace in Vietnam was a body blow for a stock market already winded by a week's vacillation. With the Dow almost 10 points down from its all-time peak of 1,036.3 investors were in no mood for stoicism over the weekend. They piled up the sell orders, and on Monday morning the Dow average dropped a dismal 17 points in the first half-hour. Since then the market has continued to sell off on a broad front to the point where the 1,000 threatens to be history in every sense of the word, the close on Wednesday being 1,004.8.

This year produced a creed on Wall Street that whatever the outlook for, and achievements of, the American economy, investors would continue to view them through a veil of tears so long as the war continued. This belief became so widespread as to be self-fulfilling. At the end of October Mr Kissinger pulled away the sackcloth and ashes and the market went into a 100 point ascent that brought smiles of smugness to the faces of those fore-

casters who had assured their clients that all would indeed be all right in the end. And now the smiles have gone, and the Street is back to penance.

The new concussion in the outskirts of Hanoi has its gloomy reverberations here. To judge where the market will now go you must look at good things through miserable eyes. The good things do not need repeating: continued growth in profits next year, no real scares at the moment that inflation will once again rip into the indices, rising real incomes, unemployment going down, and the economy apparently on track for a rather remarkable third year of economic recovery. Judging by what has happened so far this year the indices will probably amble along at current levels until Mr Kissinger or his successor comes up with some more good news.

One chink, or potential chink, has opened up in this assessment. Barrons, the business magazine, pointed out this week that 70% of advisory services were bullish (before Saturday) and cynically remarked that this might be a bad thing. As a generalisation the bullishness takes the following form: "The

fundamentals dictate that the market must tend upwards. The ending of the war will remove the most important block to this. How far the market goes up will depend on the return of the small investor." But the small investors are running a mile. They are the chink. Mutual fund shareholders sold out to the tune of a net \$258m in November—an all-time record figure.

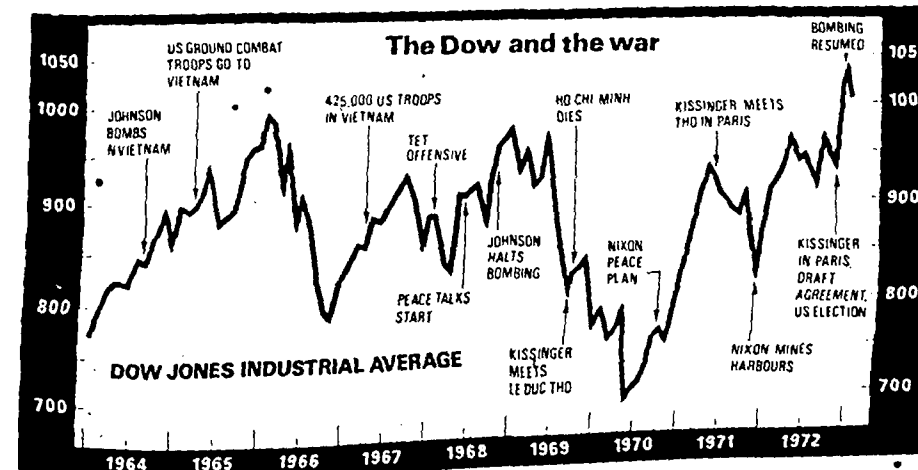
That little guy, on whom the professionals' hopes are pinned, is doing the dirty. He's not playing the game. He's dropping his stocks like hot potatoes when the market gives him half a chance. And he is putting the spuds into investments that are at a distance from the stock market. This leaves a market of professionals, very rich, getting richer—but dismayed and alone. So, back to game theory. There will be nervous reactions to the news, migrations from one stock group to another, fruitless in their overall effect, and a narrowing in market breadth. But underneath, the comfortable hibernatory feeling that the all-important peace, of which Wall Street has experienced such a strong and tantalising whiff, must inevitably return.

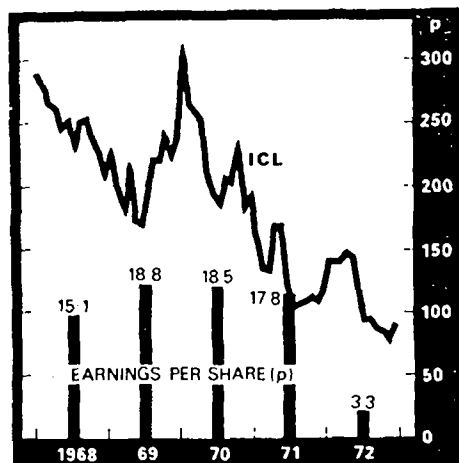
International Computers

Wait and see

Whenever the profits of a major company fall dramatically, the kind men in the City reckon it drops into the recovery stock category. Everyone wants to be kind to International Computers because it is a British company fighting the International Business Machines giant in the tricky field of advanced technology. That kindness should not extend to recommending the shares. The survival of the company rests in the hands of the Government and of its major shareholders, General Electric and Plessey, which own about 40% between them. They are the ones who should take the risks, not the other shareholders.

Although the trading profits are about even, at £15.5m, there are some hefty write-offs of £7.4m which reduce the pre-tax to £8m. Interest on loans





chops that to £3.3m, as against £8.7m, and a high rate of tax, thanks to the overseas operations, leaves only £1m at the attributable level. On a turnover of £154m, and before excuses, the net profit is £1m. Add back the naked depreciation, and the cash flow comes to roughly £20m. There's the rub.

To produce the next generation of computers is going to need, at a reasonable guess, another £100m over the next few years. From where? The Government has promised some—will the shareholders have to put up any more? If not, the cash flow will have to provide the bulk of the finance, as the company—which is paying no dividends—could only borrow at high interest rates.

The bull argument is that the worst is now over—there is another dose of rationalisation costs of £7.5m which was lifted out of the profit and loss account and charged to reserves—and that sales and orders are picking up. As further evidence of new grit and determination, there is the fresh management, and a reduction in the number of employees by 5,000 (nearly half of which is accounted for by the sale of the Belfast factory). But, even at 91p, compared with a high of 158p for the year, the risks are large.

Australian takeovers

Towards an SEC

Sydney

An Australian court has ruled that the duties of directors towards their shareholders are more important than attempts to ward off unwelcome takeover bids. The ruling has come in Australia's cause celebre of the ethics of takeover bids, the R. W. Miller Holdings case. In July, a company called Ampol Petroleum, which had bought 30% of Miller shares in

privately negotiated sales, made a formal bid for the remaining 6m. It then joined with another major shareholder, Bulkships, and between them they thought that they owned more than half of the capital of Miller, whose operations in tankers are complementary to those of Ampol. Miller then blithely issued 4.5m shares to a more friendly bidding company, Howard Smith, and barred the takeover by Ampol. So Ampol sued Miller and the New South Wales supreme court ruled that the issue of shares to Howard Smith was invalid. The company is appealing against the decision to the privy council, so the matter is not finally settled, but Ampol shares rose on the verdict.

Miller broke the rules of the Sydney stock exchange, and had its quotation suspended from July 6th until this week, when it was lifted. The rules require shareholder approval of significant increases in issued capital (which is more than London does), and ban the issue of shares within three months of receiving a takeover offer. It is comforting that the court has backed up the stock exchange rules, which have not got the force of law, but the situation is still unclear enough to require either an established code of conduct, as in Britain, or a body of rules monitored by an American-style securities and exchange commission—which the new Labor government might well copy.

Toys

The zoomy balloonie

What's that incredibly strange model, making all the noise? It's Terrible Toad, one of the twelve way-out models from

the Matchbox zoomy balloonie range—each one more weird than the next. Blow them up and hear them go!

This advertising blurb in Lesney Products' catalogue might be a description of Mr John Bentley, who has now decided to quit big-time toymaking less than a year after becoming the largest toymaker in Europe. Barclay Securities hopes to sell what remains of the Tri-ang empire it acquired last March, probably to an American bidder. The trade would like the sale to be to an asset-stripper, thus removing a competitor, but it would strip a thousand jobs in South Wales.

Mr Bentley has decided to beat a retreat while the rest of the toy trade is enjoying a record year. Brokers Beamish and O'Kelly reckon there will have been a 15% growth in toy sales in 1972, and the growth rate should be maintained for 1973. The drop in Britain's birth rate casts only long shadows before.

There are not many new toys in the shops this Christmas. The makers prefer teddy bears and trains that sell predictably, rather than gimmicky toys for which demand is erratic. Lesney is one of the few innovators. It has diversified, and Matchbox cars now account for only half its sales. Lesney (see *The Economist* portfolio, page 75) has had a 29% rise over the year. It should earn £2m in the current year, putting the shares at 55p on a p/e ratio of about 14. It has bought out its German importers and sales are already booming, despite a 27% tariff barrier. Lesney stands to gain strongly from the tariff cuts as Britain joins the EEC. It looks a good share to hold, although investors will take a lot of convincing that it deserves a high rating after the collapse of 1969-70.

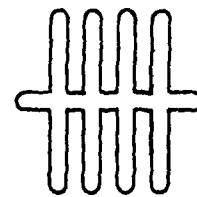
Few toy shares look dear, except

Key indicators: world bourses

Wall Street in retreat as the bombs fall again on North Vietnam. But it did not take Canadian markets with it. London had been standing up well until depressed on Thursday by the Bank of England's call for further special deposits.	Stock price indices			Percentage change on				
		Dec 20	1972 high	1972 low	one week	one month	one year	record high
London	516.2	543.6	461.6	+ 1.0	+ 4.4	+11.7	- 5.0	
New York	1004.8	1036.3	889.2	- 2.5	- 1.5	+13.5	- 3.0	
Canada	244.1	244.1	187.5	+ 1.0	+ 5.1	+29.2	-	
Australia	612.1	639.8	490.1	+ 0.3	- 0.3	+26.4	- 7.7	
Japan	375.7	375.7	199.9	+ 2.0	+ 6.6	+95.6	-	
Hongkong	742.5	759.4	324.0	+ 1.4	+10.0	+145.5	- 2.2	
Belgium	119.6	120.8	96.9	+ 0.2	+ 2.7	+24.2	- 1.0	
France	77.0	89.3	67.6	- 1.5	- 6.2	+15.4	-20.2	
Germany	109.9	121.3	97.1	+ 1.6	- 1.4	+12.8	-27.3	
Holland	152.0	155.3	105.4	+ 0.9	+ 0.8	+47.3	- 2.1	
Italy	51.7	56.9	43.9	- 4.1	- 5.8	+ 9.1	-55.7	
Sweden	353.8	368.1	308.7	- 1.6	- 3.9	+16.2	- 5.8	

Stock prices and yields are on pages 81 and 82

All these securities have been sold. This announcement appears as a matter of record only.



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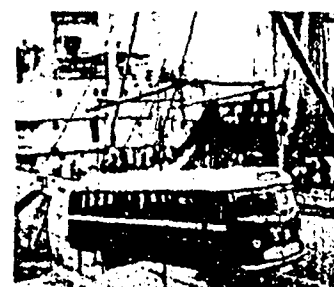
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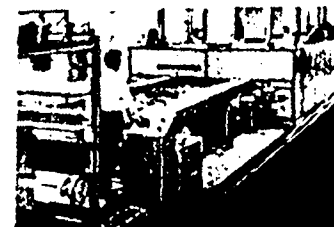
You'll be in the good company of the U.K. the U.S.A., France, Japan, the U.S.S.R., and others, if you decide to do business with India. These nations are finding it profi-

table to buy Indian machine tools, castings, automobile spares and ancillaries, heavy machinery, wagons, engine components and many, many more items. You'll find it profitable too, to do business with India.

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Nairobi (Kenya) Singapore

lam-EE-12D/72

perhaps Mettoy, which is making toy-town profits. Cowan de Groot at 120p, Airfix at 113p and J. & L. Randall at 54p are all on prospective p/e ratios of 12 or under. Spears, famous for its games, is on a prospective p/e of only 8, and now people are playing more games than ever. However there is only a tiny market for the shares, which means a vast spread between buy and sell prices. Dunbee-Combex-Marx at 236p is an enigma. It bought Rovex, another division of the defunct Lines empire, which could be as much of an albatross as Tri-ang has been for Mr Bentley.

SECTOR ANALYSIS

Television buys

The Granada Group's 54% jump in pre-tax profits to £11.4m in the year to last September rounds off a spectacular 1972 for the Independent television companies. The shares, at 252p, are now selling at 17 times earnings, a well-justified premium over the p/e ratio of 15 that is fair for network television companies. These companies tend to have wide diversifications to offset the danger of losing their franchises in 1976; Granada's main diversification is Robinson Rentals, which now contributes more to trading profit than television contracting does.

Big profits ring the bell for increases in the advertising levy; the companies' fear is that it might even go back to what it was before being halved in 1971, after the industry fell on hard times. This would cost the industry £15m a year. So the Christmas spirit has been surging through television veins, with a £2m spending spree on the networks alone—just the thing to keep the money from being printed too fast. Light entertainment and films are the staple diet, with an all-star comedy carnival as Christmas Day climax. Poor old Verdi's Macbeth has been put off to the Wednesday.

Another reason for heavy spending is the end of the franchise in 1976. Applications for the new franchise will be made in 1974, so now is the time to accumulate brownie points. Not that the Christmas programmes are well suited to that, but there are other cards in the pack. Thames Television is planning to spend over £500,000 on a 26-episode documentary on the second world war, to be shown next year—the biggest series ever undertaken by



Macbeth must wait

an Independent television company.

Associated Television has made some programmes with a deliberately mid-Atlantic flavour. The Strauss family is not meant to be one of these but has nevertheless earned nearly \$1m. ATV is now preparing a series on Edward VII. Its results for the half year showed a pre-tax increase of 14% to £2.5m, almost all from the television network side, which provides half the profit. The shares, at 131p, are on a p/e of 15, and seem over-priced. Part of ATV's diversification is out of the television frying pan into the fire of the film industry.

Television's heavy spending, and cost increases, should offset the buoyancy of advertising revenue in 1973—up 20% this year—and limit profit rises. But Scottish Television is particularly attractive: 1972 earnings should drop the p/e to about 6 at 78p. A reasonable p/e for an undiversified regional company is about 7½-8.

On this basis HTV (formerly Harlech Television) is attractive at 104p. The historic p/e is 7.4 and earnings should improve slightly in the current year to July, 1973; last year earnings were up despite the prospectus forecast (when HTV went public in October, 1971) of a decline and programme expenditure £400,000 larger than forecast. Trident Television is a cut above the other regional companies, combining the old Yorkshire and Tyne-Tees Television, and it has £1m of spare cash. The problem is what to buy, but it deserves the premium p/e of 11 at 62p. Grampian Television seems reasonably priced at 39p, with an historic p/e of 10½; earnings grew by 70% in the half-year to August, 1972, although such growth will not be

repeated in the second half. Ulster Television is probably over-priced at 66p, on a historic p/e of 8.2. Advertising in the province cannot be relied on indefinitely.

Portfolios

1972: bridge of Tsais

Now we know how Mr Gerry Tsai must feel about the disappointing performance of his Manhattan Fund which he launched so triumphantly on the fantastic reputation he had built up as a fund manager. (It attracted just under \$250m, the largest mutual fund underwriting in history.) Our 1971 portfolio beat all the others in the game with a super rise of 60.7%, against the market's 40.2%. But our 1972 portfolio only went up 6.7% against the market's 17.1% (as measured by the Financial Times Actuaries all-share index) if one includes the stock we would rather forget about, Metal Traders, that went bust; if we do forget about it, the portfolio's rise was 18.5%. Sorry, fans.

Every cloud has a silver-tinsel lining, and the lesson from the 1972 portfolio was the wisdom of having a portfolio—though no one would, as we did, have the unwisdom to leave the portfolio unmanaged throughout the year. However, suppose the investor had fecklessly put £100 in each of the 10 shares we recommended and left the money there, the gain, plus dividends, would have protected his capital even though one of the shares was a 100% dud.

Still, we could have done without the Metal Traders thrill. We did say that we were going out on a limb—and they sawed it off. Readers may recall that there were several scientific criteria for choosing last year's portfolio. One of them was to find the companies that were least dependent on fixed assets for earning profits and thus most resilient to the ravages of inflation. Metal Traders had practically no assets and depended on the trading skill of its metal buyers and sellers. The market was as surprised as we were when it announced that it was to cease trading in March; the price was then 32p, down only 5p since we popped it in the portfolio. However, the inflation warning steered us—and you—out of British Leyland (down 18p), Vickers (up a mere 9p), Dunlop (down 68p). We wrongly warned against Ocean Steamship and P&O; no one could have foreseen the

epic battle for the big shipper and its effect on the others.

Crane Fruehauf, York Trailer and Richard Costain were selected because their high dividend cover might, as the market began to think about the implications of imputation, make them attractive. The market has not yet thought about imputation. And we also thought that lorry companies would be a good bet as industry got moving; industry is only just getting on the move and the lorries are only just following on; their time might come this year. Costain shot up because of the attempted Hanson Trust takeover, but retained the glamorous rating builders won this year.

The Vokes Group came in the category of dividend payers with lowly cover; it also had a useful 8% yield. High yielders are takeover targets, and so Vokes proved to Thomas Tilling in October. The price was reasonable—but the directors would no doubt have got a better one had they decided to fight. Unfashionably, they agreed to the bid. As an investment trust, Tobacco Securities, with three-quarters of its investment in tobacco shares, also had low cover and looked an interesting bet in view of the stability of cigarette sales and earnings; however, although assets per share have gone up by around a third, the discount has widened by 60%, putting this trust on an unusually high discount of around 40%.

Star (GB) was selected on the basis of its past performance record in terms of earnings and assets per share; it paid off. Court Line, selected on the same basis, was doing reasonably well until it made the bid for Doxford and Sunderland at what the market rated a very fancy prize. Of the two recovery situations, Lesney Products did—but Aberdare Holdings did not.

Portfolio, 1972

	Price		% change
	Dec 21 1971	Dec 20 1972	
Crane Fruehauf	53	50	- 5.7
York Trailer	149	150	+ 0.7
Richard Costain	149	314	+ 110.7
Vokes Group	72	82½	+ 13.9
Tobacco Securities	183	182	- 0.5
Metal Traders	37	0	-100.0
Star GB	250	356	+ 42.4
Court Line*	155	148	- 4.5
Aberdare Holdings	21	17	- 19.0
Lesney Products	42	54	+ 28.6
Average (10)			+ 6.7
Average (9)			+ 18.5
FT ordinary	462.7	516.2	+ 11.6
FT Actuaries all-share	169.67	222.04	+ 17.1

*Adjusted for scrip issues. †Value of Tilling bid.

1973: attack and defence

What guesses about next year's winners? After a 95% rise in the market since May, 1970, there is a need for shares with strong defensive qualities. But the macro-economic forecasters are expecting something like a rise of 15% in company profits in 1973, so there could be a good rise in the market before the bear turn comes. We have therefore chosen a quiver of 10 shares which have good defensive qualities and yet are poised for the attack. We have, on the whole, gone for the smaller companies this time—though each has a market capitalisation over £10m. Also, we feel that the financial and property sectors are attracting too much attention, and too much money. Bet on industrial Britain, therefore.

Rexmore, which manufactures and distributes fabrics for the bedding, upholstery and furnishing trades, seems an overlooked textile share. Its profits have grown over fourfold in the past five years. On an estimated p/e of around 10½, the shares look cheap in their own right; and next year should be a better one for the furnishing business. Another company to benefit from this should be Gomme Holdings, makers of G-plan furniture, which also has a steady record of rising profits and a prospective p/e of around 12.

The interim results from Magnet Joinery, whose pre-tax profits are up 112%, reflect the startling success of a new distribution policy, whose benefits should continue for at least the next year. Despite the substantial rise in the share price over the past year, this is also one to be aboard. Dimplex, makers of central heating radiators, also has an impressive record—profits up by nearly four times over the past five years—and it specialises in the faster growing areas of the British heating market, such as night storage heaters.

The recent "better order figures" for the machine tool sector were misleading because they included £16m of orders stimulated by a government incentive. Without that the figures would have shown a worse order position than for the equivalent first nine months of 1971. Nonetheless, the situation must improve some time. As a bit of a spec in one of last year's lame ducks, we include Alfred Herbert in this year's list—although in terms of profits 1974

will probably be a better year than 1972. If it achieved its earnings of 1966 during the next investment recovery, the p/e would be under 3.

Average economic growth of around 5% in the western world is expected in 1973. Raw materials' prices have risen sharply, but sales of them should continue high; hence Rio Tinto-Zinc, which should be a major beneficiary of an upswing in copper consumption through the Bougainville mine. In an indirect way, Swan Hunter should also benefit from the same trend; raw materials need ships to be transported in. Swan Hunter's profit trend—more than doubled in the half-year to June—is expected to continue. Despite a very healthy rise in the share price over the past year, a further increase looks likely in 1973. The p/e of 6.8, and yield of 7.2%, is behind events.

Whessoe, the plant fabricator, is getting a boost from the North Sea oil boom; it has the contract to build the plant connected with British Petroleum's Forties field. It has a good geographical spread, is now financially quite secure and on a prospective p/e of around 8.

Manbre and Garton should benefit immensely over the next four years from common market entry. Its sales of starch (40% of profits) may provide most of the fun; if margins here go up to continental levels, the p/e at the current price could be about 5 on 1976 earnings.

The Brocks Group has been a weak market of late, because of rather disappointing interim results, but a prospective p/e of 11 looks too cheap for this burglar alarm and navigational aid business; it has produced a compound growth rate of 50% in profits over the past four years.

Portfolio, 1973

	Price		% change in 1972
	Dec. 20 1972	p/e	
Rexmore*	195	13.7	- 8.9
Gomme Hldgs	192	14.9	+ 44.4
Magnet Joinery*	550	22.7	+ 84.9
Dimplex	54	12.9	+ 24.1
A. Herbert	45	—	- 21.8
RTZ	223	24.8	- 4.7
Swan Hunter	145	6.8	+145.8
Whessoe	121	10.1	+ 60.7
Manbre & Garton	165	18.4	+ 21.3
Brocks Group	123	13.0	- 25.5
Average			+ 31.9
FT Actuaries all-share	222.04		+ 17.1

*Adjusted for scrip issues.

COMPANY STATEMENT

Leeds Permanent sets new records

"Yet another year of outstanding progress..."
W. Tweddle, C.B.E., T.D., LL.M. (President).

New records established in the amount lent to home buyers and number of new mortgages executed. Investment receipts 40% up and 194,000 new accounts opened during the year. New maximum subscription on subscription shares of £32 per month and highest rate of interest ever. 7%.

	SEPT 30 '71	SEPT 30 '72	
Total Assets	£669m	£810m	+£141m
Branch Offices	107	118	+11
Liquidity	£115.7m	£135.5m	16.73% of Total Assets
Reserves	£29.1m	£35m	4.34% of Total Assets
	1970/71	1971/72	
Investment Receipts	£234m	£330m	+40%
Mortgages Advanced	£149.5m	£200m	+33%
Share & Deposit Balances	£632.3m	£766.8m	+21%

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CHAIRMAN'S STATEMENT

J. BROCKHOUSE & CO. LTD.

"Current orders show healthy increase"

The following are extracts from the circulated statement of the Chairman, Mr. Arthur Chamberlain, M.C., T.D., in respect of the year ended 30th September, 1972.

I gave a warning a year ago on three vital points—inflation, confidence amongst industrialists and wage demands. I now report our experience of a deterioration during the last twelve months on all these points. The slump which began for us about October, 1971, exceeded our gloomiest expectations.

The second half of the year was more profitable, if only just, producing final annual sales of £31,355,000, up 4% on last year. Profits before tax of £1,282,000 (£1,958,000) show a sickening drop, proof of the difficult times we have been through. After taking this year's prospects into account, your Directors recommend a final dividend of 11% making a total of 15% for the year (same).

The main lesson learnt during this year of difficult trading is our orientation towards the supply of components for heavy engineering. Your Board will be exploring every opportunity to widen the base of your Company's activities in the months to come.

I am glad to report a healthy increase in our current order books. All factories are back to a five day working week and a feeling of optimism is held by your Board of Directors.



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Electricity strike!

Electrogen groups available from stock, equipped with Scania-Vabis Diesel and ASEA electric all powers. References in U.K. Write to Agence Rossell, 511-198, rue Royale, 112, 1000 Brussels Belgium.

For further
announcements see pages
5, 77 to 79

North American aircraft leasing company interested in developing additional contacts with large European financial institutions who would be in a position to fund jointly full payout leases on international aircraft deals of substantial credit standing. Also interested in developing additional contacts with European individuals interested in taking equity positions in such transactions.

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COMPANY STATEMENTS

The London, Australian and General Exploration Company, Limited

"I view the future of your company with great confidence" reports Oliver Jessel, Chairman.

Profits

Profits attributable to members for the year to 30th June 1972 were £312,692 against a forecast of £260,000.

Acquisitions

Land Investment and Development Corporation Limited (Lidcor) and Wit Industrials Limited (Wits) have been acquired since the year end. Lidcor is a South African property company with a portfolio consisting mostly of residential townships, industrial and city centre sites and development property. Wits is an investment holding company owning major holdings in six companies quoted on the Johannesburg Stock Exchange.

Assets

Net tangible assets of the enlarged group now exceed £17 million.

Activities

LAGS is now a powerful group engaged in property, investment, the leisure industry, mining, finance, trading and manufacturing, with most of its assets in South Africa.

Copies of the Report & Accounts may be obtained from the Secretaries, Stevenson, Hardy & Co., 155 Fenchurch Street, London, EC3.

NORTH ATLANTIC SECURITIES CORPORATION LTD.

The Eighteenth Annual General Meeting of the Corporation was held on 14th December 1972 in London. The following is an extract from the Report of the Directors:

Gross revenue for the year was £522,410 which was virtually unchanged from the previous year. Net revenue available for distribution to Ordinary Shareholders increased from £394,087 to £404,043 which is equivalent to earnings of 2.31p per Ordinary share compared with 2.25p per Ordinary share last year.

A final dividend of 1.325p per share is recommended making a total dividend of 2.2p for the year. Last year a total dividend equivalent to 2.125p per share was paid.

The valuation of our investments at 30th September, 1972 reached just over £20 million. This gave an asset value to the ordinary capital of £18,540,936 (106p per share) which is an increase of 14.7% over the net asset value of £16,164,826 (92p per share) at 30th September, 1971.

Our provisional estimate leads us to hope that it will be possible to pay a net dividend on the Ordinary capital equivalent to the net amount of the recommended dividend for the year ended 30th September, 1972.

TENDERS

CONTRACT TENDERS

INVITATION TO BID HTT. 14

TÜRKİYE ELEKTRİK KURUMU ANKARA-TURKEY will accept Bids before January 24, 1973 for 1900 tons Galvanised Steel Earthwire for high voltage transmission projects. Financing contemplated by International Bank for Reconstruction and Development.

Bid Documents available from TEK Şebekeler Dairesi Başkanlığı; Necatibey Cad. No. 3-5 Sıhhiye-ANKARA-TURKEY from the date of December 11, 1972.

CONTRACT TENDERS

INVITATION TO BID HNA. 15

TÜRKİYE ELEKTRİK KURUMU ANKARA-TURKEY will accept Bids before January 25, 1973 for 5600 tons ACSR Conductors for high voltage transmission projects. Financing contemplated by International Bank for Reconstruction and Development.

Bid Documents available from TEK Şebekeler Dairesi Başkanlığı; Necatibey Cad. No. 3-5 Sıhhiye-ANKARA-TURKEY from the date of December 4, 1973.

APPOINTMENTS

North East London Polytechnic

Due to the impending retirement of Mr H. K. Hickling, BSc(Econ), applications are invited for the post of:

Dean of the Faculty of Business and Head of the Department of Business Studies Grade VI

Salary scale: £4579-£5051 inclusive (plus Dean's allowance of £375)

The successful candidate will be expected to take up appointment on 1 May, 1973.

Departments within the Faculty, in addition to Business Studies, are Applied Economic Studies, Systems and Computing Studies, Accounting and Finance, and Law. There is a wide range of academic work including degree courses of the CNA and Higher National Diploma courses.

Further details and application forms may be obtained from:

The Academic Staffing Officer, Ref S/DJ104, North East London Polytechnic, Forest Road, London, E17 4JB. Tel: 01-527 2272.



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This is a new appointment to our Nigerian Company in Lagos which manufactures and markets consumer and ethical pharmaceutical products. The Company employs 160 staff and is poised for rapid development.

The key objective of the position is to achieve an accelerated growth in the profitable sales of the Company's products. To meet this objective, essential experience will include consumer marketing and the management of a field sales force in some part of Africa, preferably West Africa. Preference will be given to a man aged between 35 and 45 educated to degree standard, but the most important criterion will be a proven record of success.

A substantial salary and generous fringe benefits will be paid to the appointed candidate.

Please write, in confidence, to:

The Personnel Manager, International Services, THE WELLCOME FOUNDATION LTD, 183 Euston Road, London NW1 2BP.



The University of Manchester

Chair of Economic History

Applications are invited for the Chair of Economic History which will become vacant on October 1, 1973, upon the retirement of Professor T. B. Willan. The salary will be within the normal professorial range with F.S.S.U. benefits. Applications (one copy suitable for photocopying), giving full details of qualifications and experience and the names and addresses of three persons to whom reference may be made, should be sent to the Registrar, The University, Manchester, M13 9PL, and received by him not later than January 26, 1973. Particulars of the appointment may be obtained on request from the Registrar. Please quote ref: 189/72/R.

University of Glasgow

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH Senior Lectureship or Lectureship in Applied Economics

Applications for the above post, tenable for three years in the first instance, are invited from persons with a good Honours degree in Economics. Preference will be given to applicants with research and teaching experience in LABOUR ECONOMICS. The salary will be on the scale - for Senior Lecturers £4143 to £5241 per annum and for Lecturers £1764 to £4143 per annum. Placement will be according to qualifications and experience. F.S.S.U. The successful applicant will have considerable opportunities for research but will be expected to contribute to the teaching work of the University. Applications (eight copies) should be lodged, not later than 1st January, 1973, with the undersigned, from whom further particulars may be obtained. In reply please quote Ref. No. 3243 (U). ROBT. T. HUTCHESON Secretary of the University Court.

Tayside Development Authority

Research Manager

A Research Manager is to be appointed by the Tayside Development Authority, which promotes the economic welfare of the City of Dundee, the Counties of Angus and Perth and Kinross and the Burghs of Perth and Arbroath.

The Research Manager, who will report to the Development Officer, will be responsible for providing a continuous analysis of the region's potential and requirements in terms of industrial development. He will link those with the requirements of possible industrial investors at home and abroad and study the effects on Tayside development of British and EEC regional policies. He should be a University Graduate, probably an economist and have a knowledge of international business. Knowledge of foreign languages useful. Preferred age 28-40. Salary range: £3,528/£4,056. Location: Dundee.

The post is superannuable, subject to medical examination. Five day week. Removal allowance payable to a maximum of £100. Assistance with housing may be provided.

Forms of application may be obtained from the Subscriber, to whom they should be returned not later than 15th January, 1973.

GORDON S. WATSON,
Clerk, Tayside Development Authority,
City Chambers, DUNDEE, DD1 3BY

APPOINTMENTS

The Royal Institute of International Affairs (Chatham House)

Research Specialists in International Economics

Applications are invited from economists with particular interests in European affairs for the post of Research Specialist in International Economics. The person appointed will be expected to contribute to the Institute's programme of studies on the internal and external affairs of the European Community, and to conduct economic research of his own in this field. The appointment, for a period of 3-5 years, will be made on a salary scale corresponding to that of university lecturer in the medium range, up to £3,400 per annum, but the ceiling is subject to negotiation. Appropriate provision will be made for superannuation. Further details may be obtained from the Administrative Director, 10 St James's Square, London, SW1Y 4LE.

Institute of Development Studies at the University of Sussex

Fellowships and Research Appointments

The Institute, an autonomous national centre now seven years old is continuing to expand its work, focusing especially on problems of employment and income distribution. Applications are invited from those with overseas experience, who accept the desirability of an interdisciplinary approach to the problems of the less developed countries and have professional expertise in one of the following areas:

FELLOWS (with responsibilities for developing new work in the areas specified).

Economist with interests in international trade and its implications for Third World development.

Economist/political scientist interested in national planning and budgeting with particular reference to problems of poverty and income distribution.

RESEARCH APPOINTMENTS (to work with ongoing interdisciplinary projects).

A social psychologist interested in the motives behind choices by small farmers under conditions of risk, and/or by actual and potential educators and their parents.

A political scientist/sociologist interested in the political factors underlying distribution of costs and benefits from rural institutions and innovations.

A demographer interested in the growth and structure of the rural population, especially as they affect income and resource distribution, labour utilisation, nutrition and/or the role of women.

A political scientist/sociologist interested in the forces moulding policy in the metropolitan counties towards 'developing' countries.

A sociologist/economist interested in the intellectual and cultural influences on development originating in metropolitan countries, via textbooks, mass media, education abroad, etc., especially in as far as they affect transfers of technology and standards.

Appointments are on contract with terms and conditions similar to University appointments. If necessary to secure an outstanding candidate the Institute is prepared to consider holding an appointment until 1974. Work includes research, post-graduate teaching and consultancy.

Further particulars are available from the Administrative Secretary, Institute of Development Studies at the University of Sussex, Falmer, Brighton BN1 9RE, Sussex. Applications by 26th January, 1973.

Portsmouth Polytechnic

Department of Economics and Economic History

Applications are invited for the post of Lecturer Grade I or Grade II in Economics.

Candidates must be well qualified, preference being given to those having qualifications in mathematical economics and/or econometrics. Assistance will be required in the teaching of quantitative methods for economists and economics mainly at degree level. Candidates should state their special interest in economics.

The vacancy will occur by the end of February but an alternative starting date can be arranged.

Salary scale: Lecturer Grade I £1,500 to £2,687 per annum. Lecturer Grade II £2,355 to £3,083 per annum.

Application forms and further particulars may be obtained from the Staff Officer, Portsmouth Polytechnic, Ravelin House, Alexandra Road, Portsmouth PO1 2QQ, to whom completed applications should be returned by January 8, 1973, quoting Ref. G17.

For further announcements see pages 5, 7, 76 to 79

The University of Manchester Institute of Science and Technology

DEPARTMENT OF MANAGEMENT SCIENCES

The U.M.I.S.T. Department of Management Sciences is one of the oldest and largest centres of Management education in the United Kingdom, embracing a substantial research school engaged upon a variety of industry sponsored research projects.

SPECIAL RESEARCH ASSISTANT (REF. MS/219/AD)

Applications are invited from suitably qualified mature graduates in Marketing Science, Economics, Statistics and Operational Research, preferably with some research experience, for appointment as the Research Assistant to Professor Roland Smith, Carrington Villa Professor of Marketing and Chairman of the Management Sciences Department.

The successful candidate will be required to work closely with Professor Smith on a variety of projects and will also be expected to pursue his own research interests for submission to a higher degree.

The appointment will be for three years at a salary of £1,326 per annum rising to £1,392 after one year. F.S.S.U.

Requests for application forms quoting Reference number, should be made to the Registrar, The University of Manchester Institute of Science and Technology, Backville Street, Manchester M60 1QD, to whom completed forms should be returned by 8th January, 1973.

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When drawing up your will, please remember the vital work being done by the Imperial Cancer Research Fund which is fighting all forms of cancer, including leukaemia, in its own laboratories. It has no official grants and is entirely supported by voluntary contributions.

Form of Bequest

I hereby bequeath the sum of pounds free of duty to the Imperial Cancer Research Fund, Lincoln's Inn Fields, London, WC2A 3PX for the purpose of scientific research, and I direct that the receipt of the Honorary Treasurer or Secretary shall be a good discharge for such legacy.

Please write for further information to: The Secretary Imperial Cancer Research Fund (Dept 202) P.O. Box 123, Lincoln's Inn Fields, London, WC2A 3PX

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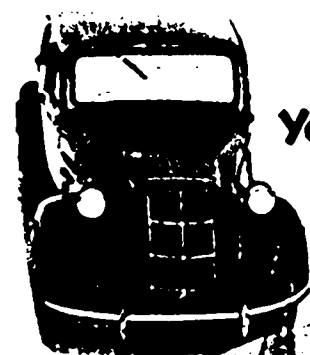


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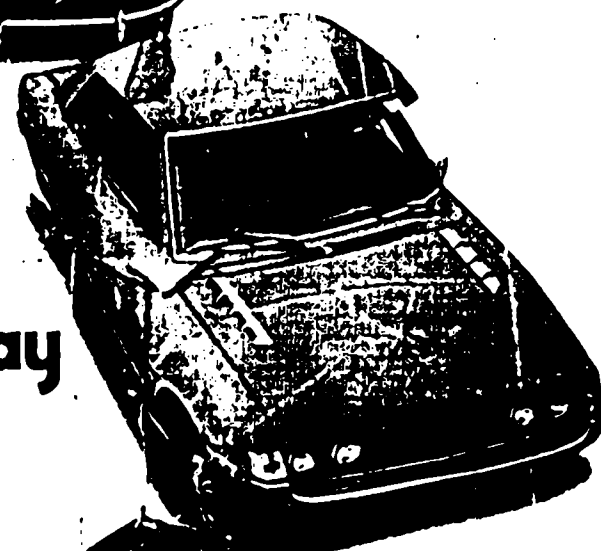
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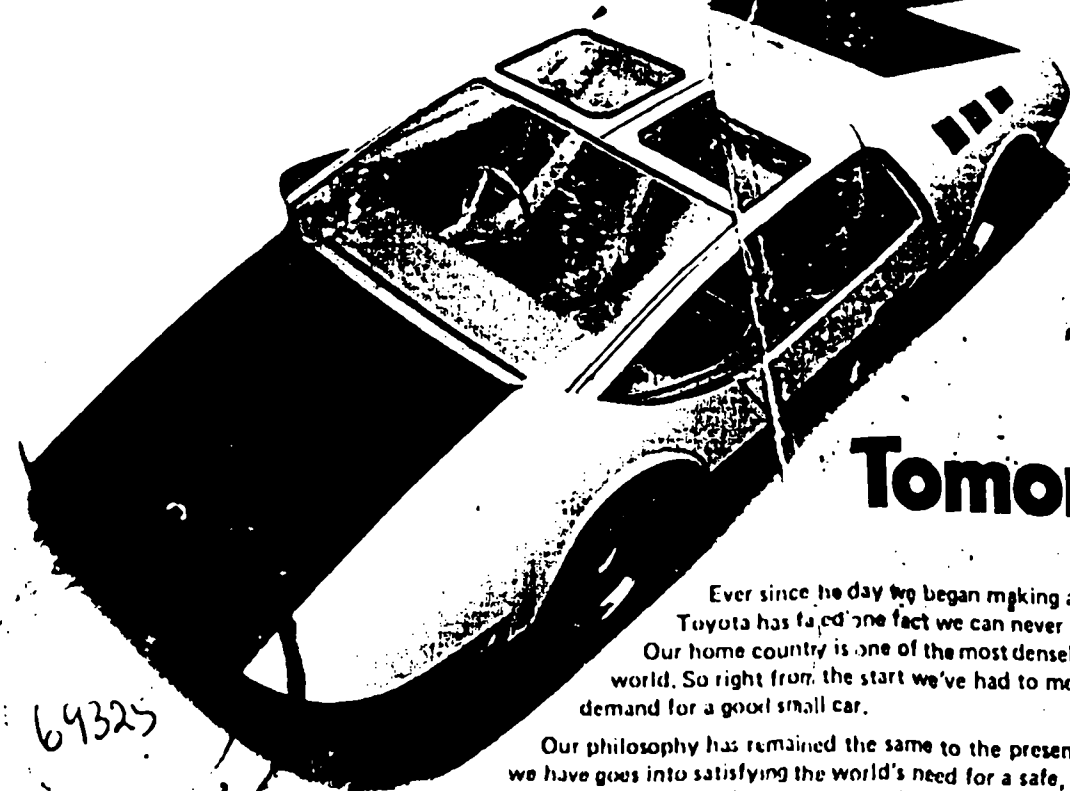
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Yesterday



Today



Tomorrow

Ever since the day we began making autos 40 years ago Toyota has faced the fact we can never get around. Our home country is one of the most densely populated in the world. So right from the start we've had to meet the consumers' demand for a good small car.

Our philosophy has remained the same to the present day. Everything we have goes into satisfying the world's need for a safe, reliable, well built small car. And the way we've been accepted in over a hundred and twenty countries tells us we've been on the right track all along.

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